Q2

2017 SECOND QUARTER REPORT

Sherritt International Corporation

For the three and six months ended June 30, 2017

For immediate release

Sherritt Announces Q2 2017 Results

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

Toronto, Ontario – July 26, 2017 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), the world leader in the mining and refining of nickel from lateritic ores, today reported its financial results for the three and six months ended June 30, 2017.

David Pathe, President and CEO of Sherritt International, commented "Despite a persistently weak nickel price environment, our Moa JV was able to generate close to $12 million of Adjusted EBITDA(1) in the quarter, driven by cobalt prices which are the highest experienced since 2008, and have greatly enhanced our cost profile."

Q2 2017 HIGHLIGHTS

- Second quarter 2017 Net Direct Cash Costs (NDCC) of US$2.55/lb at the Moa Joint Venture (Moa JV) and US$3.66/lb at the Ambatovy Joint Venture (Ambatovy JV) are both improvements over their prior year comparables of US$2.94/lb and US$5.12/lb. Moa's second quarter NDCC is the lowest experienced since the second quarter of 2008, when the average reference cobalt price was US$45.93/lb and nickel was US$11.67/lb. Moa's NDCC this quarter falls within the lowest quartile of nickel production tracked by Wood Mackenzie. The high cobalt:nickel ratio at Moa combined with historically high cobalt prices provided a cobalt credit of US$2.92/lb in the second quarter.
- Sherritt ended the second quarter with cash, cash equivalents and short-term investments of $274.2 million, down $26.5 million from their levels at the end of the first quarter. This is mainly attributable to normal seasonality in the fertilizer business impacting working capital, higher interest payments on the corporate debentures in Q2, lower Cuban energy receipts (US$8.8 million difference from Q1 2017), and continued debt repayment of $6.5 million. Sherritt received $8.6 million from the Moa JV as repayment on its working capital facility in the second quarter.
- Second quarter 2017 production at the Moa JV was 3,739 tonnes finished nickel (50% basis) and 436 tonnes finished cobalt (50% basis). The main impacts to Moa's second quarter production were carryover from the Q4 2016 and Q1 2017 issues impacting mixed sulphides production and a longer than usual annual shutdown, which reduced refinery availability. The Moa JV has at times supplemented mixed sulphides production by purchasing third-party feed, but has decided not to add an additional nickel-rich feed source as current pricing terms have made additional purchases uneconomical due to tightness in the market.
- Second quarter 2017 production at the Ambatovy JV was 3,443 tonnes finished nickel (40% basis) and 270 tonnes finished cobalt (40% basis), as the Ambatovy JV continued to experience lower PAL production due largely to the effects of acid plant equipment failures.
- Production and cash provided by operations at both the Oil and Power operations were strong, and relatively consistent with Q1 2017 results. On a year-to-date basis, the Oil operations have provided $18.1 million in free cash flow(1) and Power operations have provided $19.5 million in free cash flow. Drilling of the second well in Block 10 is expected to commence in August with first results expected in Q4 2017.
- The net loss of $101.9 million for the quarter ended June 30, 2017 compares to a net loss of $72.6 million in the first quarter of 2017 and $103.6 million in the second quarter of 2016. The net loss is driven largely by Ambatovy's performance, as the share of loss of an associate, net of tax, was $64.2 million in the second quarter.
- The Ambatovy Joint Venture partners continue to work towards implementation of the previously announced Agreement in Principle, with closing expected to occur in late Q3 or Q4 this year.

All amounts are Canadian dollars unless otherwise indicated.
(1) For additional information see the Non-GAAP measures section of this press release.

SIGNIFICANT ITEMS

- Production, capital spending and Unit Operating Cost guidance was released January 31, 2017 and is repeated in the "Outlook" table on page 13 of this document. In light of the lower production year-to-date at both the Moa JV and the Ambatovy JV, production guidance has been reduced as follows:
    - Full year Moa nickel production guidance has been reduced by 1,500 tonnes to a range between 31,500 - 32,500 tonnes (100% basis) to reflect the lower production in the first two quarters, and changes to the availability and economics of using additional third party feed. Finished cobalt production guidance remains unchanged at 3,500 – 3,800 tonnes (100% basis).
    - Full year Ambatovy nickel production guidance has been reduced to a range of 40,000 – 43,000 tonnes (100% basis) from its former range of 48,000 – 52,000 tonnes to reflect the production shortfall experienced in the first half. Finished cobalt production guidance has also been revised down to 3,600 – 3,900 tonnes (100% basis) from 3,800 – 4,100 tonnes (100% basis). The cobalt reduction is less significant, as we expect higher cobalt production in the second half of the year due to better cobalt grades and metallurgical chemistry.
- NDCC
    - In light of the strong cobalt prices and their impact on NDCC, the Moa JV NDCC guidance range has been reduced to US$2.80 – US$3.30/lb (from US$3.20 – US$3.70/lb) and the Ambatovy JV NDCC guidance range has been narrowed to US$3.10 – US$3.40/lb (from US$3.10 – US$3.70).
- CAPITAL EXPENDITURE
    - Oil & Gas capital spending has been revised downward by US$20.0 million primarily due to a reduction in drilling costs attributable to using part of the existing wellbore from the first well drilled on Block 10 in order to drill the second well, as well as deferred spending on the Block 8A seismic program, now expected to occur in Q1 2018.

Q2 2017 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended **2017** **June 30**	2016 June 30	Change	For the six months ended **2017** **June 30**	2016 June 30	Change
Revenue	**76.8**	74.9	3%	**$ 149.2**	$ 133.3	12%
Combined Revenue[1]	**231.0**	204.1	13%	**459.0**	395.4	16%
Net loss for the period	**(101.9)**	(103.6)	2%	**(174.5)**	(151.4)	(15%)
Adjusted EBITDA[1]	**29.2**	0.2	14,500%	**66.4**	(8.9)	846%
Cash provided (used) by continuing operations	**(21.0)**	(26.4)	20%	**(4.4)**	(36.1)	88%
Combined free cash flow [1]	**(38.2)**	(55.3)	31%	**(28.2)**	(86.7)	67%
Net loss from continuing operations per share	**(0.35)**	(0.35)	-	**(0.59)**	(0.52)	(13%)

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

$ millions, except as otherwise noted, as at	**2017** **June 30**	2016 December 31	Change
Cash, cash equivalents and short term investments	**$ 274.2**	$ 309.6	(11%)
Non-recourse loans and borrowings	**1,377.4**	1,367.5	1%
Other loans and borrowings	**832.8**	860.7	(3%)

In the second quarter of 2017, $11.2 million operating cash flow was generated by the Oil and Gas and $7.9 million by the Power operations. The Moa JV generated negative operating cash flow of $6.6 million largely due to negative changes in non-cash working capital as a result of fertilizer deliveries that were prepurchased in previous quarters. Cash, cash equivalents and short-term investments at the end of the second quarter were $274.2 million, down $26.5 million from their level at March 31, 2017, with the decline coming largely from $20.1 million in debenture interest payments and the repayment of $6.5 million on the Corporation's syndicated revolving-term credit facility.

During the quarter, US$28.8 million of Cuban energy payments were received compared to US$37.6 million in the first quarter of 2017. Included in this amount was US$19.0 million received by Oil and Gas and US$9.8 million received from Energas in Power. No interest or principal was received on the Energas conditional sales agreement (CSA) in the quarter or on a year-to-date period. Total Cuban overdue receivables were US$90.2 million at June 30, 2017 compared to US$79.1 million at March 31, 2017.

$8.6 million was received from the Moa JV representing a repayment of principal on the working capital facility.

Adjusted earnings (loss) from continuing operations[1]

For the three months ended June 30	**2017** **$ millions**	**$/share**	2016 $ millions	$/share
Net loss from continuing operations	**(101.9)**	**(0.35)**	(103.6)	(0.35)
Adjusting items, net of tax:				
Unrealized foreign exchange (gain) loss	**4.4**	**0.01**	1.6	0.01
Other	**(2.3)**	**(0.01)**	(14.1)	(0.05)
Adjusted net loss from continuing operations	**(99.8)**	**(0.34)**	(116.1)	(0.39)

For the six months ended June 30	**2017** **$ millions**	**$/share**	2016 $ millions	$/share
Net loss from continuing operations	**(174.5)**	**(0.59)**	(151.4)	(0.52)
Adjusting items, net of tax:				
Unrealized foreign exchange (gain) loss	**(2.9)**	**(0.01)**	(74.4)	(0.25)
Other	**(5.1)**	**(0.02)**	(17.9)	(0.06)
Adjusted net loss from continuing operations	**(182.5)**	**(0.61)**	(243.7)	(0.83)

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

The adjusted net loss from continuing operations in the second quarter of 2017 was $99.8 million, which included a $4.4 million unrealized foreign exchange loss, and a $2.9 million offsetting gain relating to VAT adjustments.

REVIEW OF OPERATIONS

METALS

$ millions except as otherwise noted, for the three months ended June 30	**2017**				2016				
	Moa JV & Fort Site(1) (50%)	**Ambatov JV (40%)**	**Other(2)**	**Total**	Moa JV and Fort Site(1) (50%)	Ambatovy JV (40%)	Other(2)	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 103.0**	**$ 68.3**	**$ 11.7**	**$ 183.0**	$ 89.5	$ 60.5	$ 10.5	$ 160.5	14%
(Loss) earnings from operations	**(3.4)**	**(38.6)**	**0.4**	**(41.6)**	(5.5)	(47.5)	-	(53.0)	22%
Adjusted EBITDA(3)	**11.7**	**(1.6)**	**0.4**	**10.5**	6.7	(14.1)	-	(7.4)	242%
Cash provided (used) by operations	**(6.6)**	**(12.1)**	**3.6**	**(15.1)**	(8.4)	(16.9)	1.0	(24.3)	38%
Free cash flow(3)	**(14.6)**	**(14.8)**	**3.6**	**(25.8)**	(20.0)	(18.0)	1.0	(37.0)	30%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,370**	**3,784**	**-**	**8,154**	4,432	3,843	-	8,275	(1%)
Finished Nickel	**3,739**	**3,443**	**-**	**7,182**	4,145	3,620	-	7,765	(8%)
Finished Cobalt	**436**	**270**	**-**	**706**	477	270	-	747	(5%)
Fertilizer	**62,858**	**10,904**	**-**	**73,762**	57,552	10,797	-	68,349	8%
NICKEL RECOVERY (%)	**88%**	**85%**			87%	83%			
SALES VOLUMES (tonnes)									
Finished Nickel	**3,670**	**3,465**	**-**	**7,135**	4,068	4,251	-	8,319	(14%)
Finished Cobalt	**435**	**297**	**-**	**732**	473	361	-	834	(12%)
Fertilizer	**57,816**	**10,335**	**-**	**68,151**	59,947	13,764	-	73,711	(8%)
AVERAGE EXCHANGE RATE (CAD/US)				**1.345**				1.289	4%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 4.18**				$ 4.00	5%
Cobalt				**25.87**				10.85	138%
AVERAGE-REALIZED PRICES(3)									
Nickel ($ per pound)	**$ 5.58**	**$ 5.83**	**-**	**$ 5.70**	$ 5.06	$ 5.08	-	$ 5.07	12%
Cobalt ($ per pound)	**33.12**	**33.07**	**-**	**33.10**	13.37	13.46	-	13.38	147%
Fertilizer ($ per tonne)	**414**	**176**	**-**	**380**	455	146	-	396	(4%)
UNIT OPERATING COSTS(3) (US$ per pound)									
Nickel - net direct cash cost	**$ 2.55**	**$ 3.66**	**-**	**3.09**	$ 2.94	$ 5.12	-	4.05	(24%)
SPENDING ON CAPITAL									
Sustaining	**$ 8.1**	**$ 12.8**	**$ -**	**$ 20.9**	$ 7.3	$ 2.9	$ -	$ 10.2	105%
Expansion	**-**	**-**	**-**	**-**	4.1	-	-	4.1	(100%)
	$ 8.1	**$ 12.8**	**$ -**	**$ 20.9**	$ 11.4	$ 2.9	$ -	$ 14.3	(15%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.

(2) Includes results for Sherritt's marketing organizations for certain Ambatovy and Moa Joint Venture sales.

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

$ millions, except as otherwise noted, for the six months months ended June 30	**Moa JV and Fort Site[(1)] (50%)**	**Ambatov JV (40%)**	**Other[(2)]**	**2017 Total**	Moa JV and Fort Site[(1)] (50%)	Ambatovy JV (40%)	Other[(2)]	2016 Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	$ **193.4**	$ **143.1**	$ **26.0**	$ **362.5**	$ 166.2	$ 125.6	$ 21.7	$ 313.5	16%
(Loss) earnings from operations	**(1.4)**	**(67.6)**	**0.7**	**(68.3)**	(16.8)	(97.4)	0.3	(113.9)	40%
Adjusted EBITDA[(3)]	**24.5**	**6.6**	**0.7**	**31.8**	6.5	(26.9)	0.3	(20.1)	258%
Cash provided (used) by operations	**8.2**	**(14.4)**	**5.2**	**(1.0)**	(11.4)	(22.4)	5.2	(28.6)	97%
Free cash flow[(3)]	**(2.0)**	**(21.1)**	**5.2**	**(17.9)**	(30.6)	(23.5)	5.2	(48.9)	63%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**8,652**	**8,101**	**-**	**16,753**	8,753	8,413	-	17,166	(2%)
Finished Nickel	**7,579**	**7,260**	**-**	**14,839**	8,387	8,062	-	16,449	(10%)
Finished Cobalt	**872**	**593**	**-**	**1,465**	976	635	-	1,611	(9%)
Fertilizer	**121,726**	**22,700**	**-**	**144,426**	128,459	25,152	-	153,611	(6%)
NICKEL RECOVERY (%)	**87%**	**85%**			87%	85%			
SALES VOLUMES (tonnes)									
Finished Nickel	**7,532**	**7,275**	**-**	**14,807**	8,209	8,742	-	16,951	(13%)
Finished Cobalt	**856**	**651**	**-**	**1,507**	941	693	-	1,634	(8%)
Fertilizer	**95,270**	**22,782**	**-**	**118,052**	91,660	27,871	-	119,531	(1%)
AVERAGE EXCHANGE RATE (CAD/USD)				**1.334**				1.330	-
AVERAGE REFERENCE PRICES (US$ per pound)[(3)]									
Nickel				**$ 4.43**				$ 3.93	13%
Cobalt				**22.83**				10.78	112%
AVERAGE-REALIZED PRICES[(3)]									
Nickel ($ per pound)	**$ 5.89**	**$ 5.99**	**-**	**$ 5.94**	$ 5.11	$ 5.12	**-**	$ 5.12	16%
Cobalt ($ per pound)	**28.73**	**29.64**	**-**	**29.09**	13.60	14.38	**-**	13.93	109%
Fertilizer ($ per tonne)	**386**	**169**	**-**	**345**	433	166	-	370	(7%)
UNIT OPERATING COSTS (US$ per pound)[(3)]									
Nickel - net direct cash cost	**$ 2.86**	**$ 3.79**	**-**	**$ 3.32**	$ 3.15	$ 4.75	-	$ 3.98	(17%)
SPENDING ON CAPITAL									
Sustaining	**$ 10.2**	**$ 21.2**	**$ -**	**$ 31.4**	$ 11.1	$ 4.6	$ -	$ 15.7	100%
Expansion	**-**	**-**	**-**	**-**	8.1	-	-	8.1	(100%)
	$ 10.2	**$ 21.2**	**$ -**	**$ 31.4**	$ 19.2	$ 4.6	$ -	$ 23.8	(25%)

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

METAL MARKETS

Nickel

The nickel average reference price of US$4.18/lb in the second quarter is only 5% above the average for the same period last year, and 8% above the Q1 2016 historic low quarterly average of US$3.86/lb. This is after a rally in the latter half of 2016 that saw prices exceed US$5.25/lb for a period in November 2016 before selling off in December.

Although an intermediate rally in February briefly brought prices back to US$5.00/lb, nickel prices have since declined steadily because of the growing uncertainty on the supply side following the announcement from Indonesia of the relaxation to the export ban in Q1 and the dismissal of the Philippines environment minister Ms. Regina Lopez, who had introduced strict closure regulations that would have curtailed production at multiple nickel mines producing low-grade ore for NPI production. On the demand side, the Chinese demand forecasts have been revised down with weak stainless steel consumption, contributing to the lower price recovery expected by the market in the short term. The nickel market remains in deficit but the high level of LME and Shanghai warehouse stocks neutralizes any positive impact this may have on the nickel price for now.

Fundamental long-term demand remains strong for high quality, LME deliverable nickel with a positive trend in the aerospace and the electric vehicle sectors as nickel is one of the critical elements of the increasingly popular NMC cathodes but this is a longer term phenomenon, with the short term being more difficult to predict until Indonesian and Philippines supply is clarified. It is, however, important to note that neither the Indonesian nor the Philippines low-grade ore meets the demands of high purity battery manufacturers, as the material is directed to the production of NPI.

Cobalt

Cobalt prices have continued to increase in Q2 2017; the cobalt reference price is up by 82% since the start of the year with an average reference price at US$25.87/lb for the quarter versus an average reference price of US$10.85/lb in the same period last year (+138%). Prices have been consistently over US$23/lb in the quarter with a minimum of US$23.59/lb and a maximum of US$27.22/lb.

The low price elasticity and the rising demand for battery materials led by the electric vehicle industry continue to support the upward trend in pricing. In the short term, the substitution risk seems fairly low in battery chemistry, given the unique chemical properties of cobalt and the key beneficiary of a potential substitution in the longer term would be nickel. Due to the limited number of copper and nickel projects with significant cobalt by-products and the political risks in the DRC, potential supply risk is clearly motivating battery manufacturers, with announcements made by several battery manufacturers who have tried to secure long term supply. Overall, deficits are expected in the cobalt market until 2025, with a shortage of over 15,000 tonnes of cobalt in 2025 being predicted. In addition to the industrial player end users, financial investors are also driving the continuing bullish trend in cobalt, further impacting the expected supply deficits.

Moa Joint Venture (50% interest) and Fort Site (100%)

The Moa JV finished nickel production of 3,739 tonnes (50% basis) in the second quarter is 101 tonnes lower than its level in the first quarter this year despite better mixed sulphides production. Although the impacts from Hurricane Matthew ended in the first quarter, second quarter production was impacted by a longer planned annual refinery shutdown (7 days compared to 3 days in Q2 2016), a higher cobalt:nickel ratio, and carryover impacts from the last two quarters that reduced mixed sulphides availability. Although third party feed continues to be processed and mitigates lower mixed sulphides availability from Moa, current pricing terms for an additional nickel-rich third party feed source are currently uneconomical. This condition is expected to continue for the balance of the year, resulting in a 1,500 tonne reduction to Moa's nickel production guidance for 2017. The Moa mixed sulphide nickel to cobalt ratio in the second quarter was similar to the ratio in the first quarter this year, and is expected to be similar for the balance of the year based on mine plan sequencing.

Revenue in the quarter is up 14% from Q1 2017, and up 15% from the comparable quarter of 2016. Cobalt made up 31% of total revenue in the second quarter, with fertilizer accounting for another 23%. The higher cobalt and fertilizer prices in the second quarter of 2017 compared to first quarter 2017 more than offset the lower nickel price, with the weaker Canadian dollar also benefiting revenue. Fertilizer sales volumes were up 54% from first quarter volumes, but consistent with normal seasonality and with the comparable quarter of 2016. Although fertilizer prices continued to climb, as they have since fourth quarter 2016, they remained below the prices experienced last year, and margins were significantly lower in the second quarter compared to the first quarter this year and to Q2 2016. Higher fertilizer cost of sales came from higher maintenance costs associated with the longer planned annual refinery and bi-annual acid plant shutdowns.

The NDCC of US$2.55/lb of nickel in the second quarter is the lowest experienced since Q2 2008, and an improvement on the year-ago level of US$2.94/lb despite lower levels of production and a lower net fertilizer credit. The cobalt credit of US$2.92/lb demonstrates the value of Moa's cobalt production. For the Moa JV's cash contribution, an approximately US$8/lb change in the cobalt price equals a US$1/lb change in the nickel price. Higher mining, processing & refining costs on a year-to-date basis are mainly a function of lower production volumes, higher energy prices and costs associated with the longer annual planned refinery maintenance shutdown.

Cash used by operations of $6.6 million in the second quarter despite positive Adjusted EBITDA of $11.7 million is mainly due to negative working capital changes from delivery of fertilizer against pre-buys received in the last two quarters.

Capital spending of $8.1 million in the quarter is higher than the $2.1 million capital expenditure in the first quarter this year, as was expected given the outlook for the year and the arrival of mining trucks at Moa. The Moa JV is expected to operate and to fund capital expenditures through internally generated cash flow and/or external loans.

Ambatovy Joint Venture (40% interest)

Nickel production in the second quarter and year-to-date period this year was down 10% from first quarter 2017 levels, and down 5% compared to its comparable level last year. Limited sulphuric acid production capacity was the main contributor to lower production in Q2 with substantial unplanned maintenance required on an acid plant during a planned maintenance outage on the second acid plant in April. Accordingly, PAL ore throughput was restricted to manage available acid supply and low Ambatovy finished nickel production in the second quarter this year was caused primarily by the lower PAL ore throughput, but also by lower than expected metal recoveries caused by inconsistent PAL operations and lower CCD (counter current decantation) thickener availability. Taking into account the weaker first half of 2017, the Ambatovy production outlook has been revised to a range of 40,000 – 43,000 tonnes (100% basis) nickel and 3,600 – 3,900 tonnes (100% basis) cobalt.

Despite the lower production in the first half, revenue on a six-month basis is up 14% compared to its comparable period last year, due to a 13% change in nickel reference prices, and a 112% change in cobalt reference prices. Cobalt revenues accounted for 32% of revenue in the second quarter this year compared to 18% in the comparable quarter last year.

The NDCC of US$3.66/lb for the second quarter is a 29% improvement over the comparable quarter last year, and a 7% improvement over the first quarter 2017, again benefiting from a higher cobalt credit of US$2.44/lb. Taking into account improving cobalt prices and a higher cobalt:nickel ratio expected in the second half of the year, the Ambatovy NDCC outlook has been narrowed to a range of US$3.10 - US$3.40/lb.

Capital spending of $12.8 million in the second quarter and $21.2 million year-to-date is consistent with guidance for the year, with all of the sustaining capital relating to mine development, tailings management facility construction and the purchase of articulated dump trucks and new excavators.

Ambatovy Agreement in Principle

The Ambatovy Joint Venture partners continue to work towards implementation of the previously announced Agreement in Principle, with closing expected to occur in late Q3 or Q4 this year.

OIL AND GAS

$ millions, except as otherwise noted		For the three months ended 2017 June 30		2016 June 30	Change		For the six months ended 2017 June 30		2016 June 30	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**34.1**	$	28.3	20%	**$**	**69.4**	$	50.7	37%
(Loss) earnings from operations		**8.9**		(3.0)	397%		**19.9**		(11.7)	270%
Adjusted EBITDA[1]		**17.8**		8.9	100%		**37.4**		12.9	190%
Cash provided by operations		**11.2**		7.9	42%		**25.2**		10.5	140%
Free cash flow[1]		**7.8**		3.0	160%		**18.1**		0.6	2917%
PRODUCTION AND SALES (bopd)										
Gross working-interest (GWI) - Cuba		**14,545**		16,200	(10%)		**14,877**		16,324	(9%)
Total net working-interest (NWI)		**8,805**		10,567	(17%)		**8,848**		10,537	(16%)
AVERAGE EXCHANGE RATE (CAD/USD)		**1.345**		1.289	4%		**1.334**		1.330	-
AVERAGE REFERENCE PRICE (US$ per barrel)										
West Texas Intermediate (WTI)	**$**	**48.06**	$	45.59	5%	**$**	**49.83**	$	39.64	26%
Gulf Coast Fuel Oil No. 6		**43.26**		31.02	39%		**44.43**		26.19	70%
Brent		**49.13**		45.29	8%		**51.23**		39.51	30%
AVERAGE-REALIZED PRICE[1] (NWI)										
Cuba ($ per barrel)	**$**	**42.10**	$	28.16	50%	**$**	**42.86**	$	24.98	72%
UNIT OPERATING COSTS[1] (GWI)										
Cuba ($ per barrel)	**$**	**9.95**	$	9.30	7%	**$**	**9.29**	$	9.42	(1%)
SPENDING ON CAPITAL[2]										
Development, facilities and other	**$**	**(0.4)**	$	3.6	(111%)	**$**	**(1.2)**	$	7.7	(116%)
Exploration		**2.1**		1.3	62%		**5.9**		1.9	211%
	$	**1.7**	$	4.9	(65%)	**$**	**4.7**	$	9.6	(51%)

(1) For additional information, see the Non-GAAP measures section of this release.
(2) Spending on capital includes accruals.

Cuba gross working-interest oil production of 14,545 bopd in the second quarter is down 4% from Q1 2017 levels and down 10% from Q2 2016 levels, reflecting natural reservoir declines.

Revenue in the second quarter this year was similar to first quarter 2017 revenue and up 20% compared to the second quarter 2016. On a year-to-date basis, revenue is up 37% over the first half of 2016, with Gulf Coast Fuel Oil No. 6 prices holding at 88-90% of WTI prices compared to 66% in the first half of 2016 when energy prices experienced multi-year lows.

Cost-recovery oil production in Cuba in the second quarter of 2017 was up 11% from first quarter 2017 levels due to a higher allocation of indirect costs to the development blocks, given minimal costs were incurred in relation to the exploration blocks in Q2 2017. Cost-recovery oil production in Cuba was down 45% from comparable levels in the second quarter of 2016, due to the combination of lower spending and higher oil prices which result in fewer cost recovery barrels.

Despite the decrease in production year-over-year, unit operating costs remain competitive, with Q2 2017 Cuba unit operating costs of $9.95 per barrel compared to $8.66 in the first quarter this year and $9.30 in Q2 2016. On a year-to-date basis, unit operating costs are largely unchanged despite the lower production, as lower labour and treatment and transportation costs offset the impact of lower production.

Cash provided by operations in the second quarter this year of $11.2 million is down 20% from the first quarter this year, and up 42% from Q2 2016 despite the lower oil production, as the improvement in realized prices and continuing low operating costs have offset the lower production.

The results from the first well in Block 10 were announced by press release during the first quarter. The well targeted the previously discovered Lower Veloz formation, but the lower section of the well was abandoned due to geotechnical instability in the wellbore. Drilling of the second well is expected to commence in August this year with first results expected in the fourth quarter of this year. The capital cost estimated to drill this second well is approximately US$8 million, as the well will utilize part of the first well drilled. Any future capital in Block 10 will be contingent upon success in this well, and expected capital spending will be revised when the well has been completed and results disclosed.

Capital spending has been minimal in the first half of the year, as preparations were made to start drilling the second well on Block 10. Negative capital spending for development, facilities and other reflect the reversal of accruals. Oil & Gas capital spending has been revised downward by US$20 million primarily due to a reduction in drilling costs attributable to using part of the existing wellbore from the first well drilled on Block 10 in order to drill the second well, as well as the deferred spending on the Block 8A seismic program, now expected to occur in Q1 2018.

POWER

	For the three months ended			For the six months ended		
	2017	2016		**2017**	2016	
$ millions (33 ⅓% basis), except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 13.6**	$ 14.9	(9%)	**$ 27.0**	$ 30.5	(11%)
(Loss) earnings from operations	**1.5**	(1.8)	183%	**4.3**	(2.0)	315%
Adjusted EBITDA[1]	**7.9**	6.8	16%	**17.1**	15.5	10%
Cash provided by operations	**7.9**	4.9	61%	**20.7**	5.8	257%
Free cash flow[1]	**7.5**	4.8	56%	**19.5**	5.6	248%
PRODUCTION AND SALES						
Electricity (GWh)	**220**	227	(3%)	**437**	444	(2%)
AVERAGE-REALIZED PRICE[1]						
Electricity ($/MWh)	**$ 57.02**	$ 54.51	5%	**$ 56.66**	$ 56.35	1%
UNIT OPERATING COSTS[1] ($/MWh)						
Base	**15.80**	15.64	1%	**15.65**	15.26	3%
Non-base[2]	**5.56**	8.76	(37%)	**3.03**	5.45	(44%)
	21.36	24.40	(12%)	**18.68**	20.71	(10%)
NET CAPACITY FACTOR (%)	**69**	69	-	**69**	70	(1%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS[3]						
Sustaining	**$ 0.4**	$ 0.2	100%	**$ 1.2**	$ 0.3	300%
Service concession arrangements	**-**	1.7	(100%)	**-**	3.6	(100%)
	$ 0.4	$ 1.9	(79%)	**$ 1.2**	$ 3.9	(69%)

(1) For additional information see the Non-GAAP measures section of this release.
(2) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.
(3) Spending on capital includes accruals.

Power production in the second quarter of 220 GWh is marginally higher than in the first quarter this year, and down 3% from its year-ago quarterly level. The change in average-realized prices from first quarter to second quarter 2017 and on a year-over-year basis reflects fluctuations in the Canadian dollar against the U.S. dollar.

Second quarter 2017 revenue of $13.6 million is basically flat from first quarter revenue, and on a year-to-date basis is down 11% from its comparable period last year despite similar production at similar average-realized prices, because of first half 2016 revenue from construction activity, which had offsetting construction activity expenses recorded in cost of goods sold. This construction activity was related to the Puerto Escondido/ Yumuri pipeline, which is a service concession arrangement, and was completed in 2016.

Unit operating costs in the second quarter this year are up 34% from first quarter 2017, but down 12% from second quarter 2016 due to the timing of gas turbine maintenance activities.

Adjusted EBITDA of $7.9 million in the second quarter of 2017 is down 14% from first quarter 2017 levels, but up 16% from second quarter 2016 levels, with cash provided by operations of $7.9 million. On a year-to-date basis, the power operations have generated cash from operations of $20.7 million and free cash flow of $19.5 million. No CSA interest or principal payments were made by Energas to Sherritt in the first half of 2017.

2017 STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2017. The 2017 Strategic Priorities reflect the continuing cautious commodity price outlook and the Corporation's responsibility to preserve liquidity, continue to drive down costs, improve organizational effectiveness and execute rational capital allocation plans. Sherritt's purpose, originally communicated in 2014, continues to be ***a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities***.

Strategic Priorities	2017 Targets	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Finalize long-term Ambatovy equity and funding structure	Agreement in principle reached with the Ambatovy project partners, closing of the transaction expected in Q3 or Q4
	Optimize working capital and receivables collection	Timing of working capital changes at the Fort Site fluctuate quarter-to-quarter. Management continues to take action to expedite Cuban energy receipts
	Operate Metals and Power businesses to be free cash flow neutral or better	On a year-to-date basis, Oil and Power continue to produce positive free cash flow, and the Moa JV has generated sufficient operating cash flow to repay a portion of the working capital facility
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Determine future capital allocation based on results from first two wells drilled on Block 10	The results from the first well have provided constructive data to optimize the drilling of the second well, again targeting the Lower Veloz formation
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC at Moa and Ambatovy towards the goal of achieving or remaining in the lowest quartile of global nickel cash costs	Q2 NDCC of US$2.55/lb at the Moa JV is expected to be in the lowest quartile, while Ambatovy Q2 NDCC of US$3.66/lb fell short of expectations, due to lower production
	Increase Ambatovy production and predictability over 2017	Ambatovy production in the first half has experienced unanticipated challenges that are expected to be rectified in the second half of 2017
	Achieve peer leading performance in environmental, health, safety and sustainability	Sherritt was named as one of *Corporate Knights'* 2017 Future 40 Responsible Corporate Leaders in Canada, based on sustainability disclosures, and began implementing the Mining Association of Canada's *Towards Sustainable Mining* program

OUTLOOK

2017 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

In 2017, Sherritt added Unit Operating Cost guidance.

Production volumes, unit operating costs and spending on capital	Guidance at 2016 December 31	Actual 2017 June 30	Revised Projected 2017
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,000-34,000	15,158	31,500-32,500
Ambatovy Joint Venture	48,000-52,000	18,150	40,000-43,000
Total	81,000-86,000	33,308	71,500-75,500
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,500-3,800	1,744	No change
Ambatovy Joint Venture	3,800-4,100	1,483	3,600-3,900
Total	7,300-7,900	3,227	7,100-7,700
Oil – Cuba (gross working-interest, bopd)	11,500-12,500	14,877	No change
Oil and Gas – All operations (net working-interest, boepd)	6,400-7,000	8,848	No change
Electricity (GWh, 33⅓% basis)	850-900	437	No change
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	3.20-3.70	2.86	2.80-3.30
Ambatovy Joint Venture	3.10-3.70	3.79	3.10-3.40
Total	3.14-3.70	3.32	2.95-3.35
Oil and Gas - Cuba (unit operating costs, $ per barrel)	11.00-12.00	9.29	No change
Electricity (unit operating cost, $ per MWh)	18.75-19.50	18.68	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis) (1)	US$28 (38)	US$8 (10)	No change
Metals – Ambatovy Joint Venture (40% basis)	US$45 (61)	US$16 (21)	No change
Oil and Gas	US$55 (73)	US$4 (5)	US$35 (47)
Power (33⅓% basis)	US$1 (2)	US$1 (1)	No change
Spending on capital (excluding Corporate)	US$129 (174)	US$28 (37)	US$109 (148)

(1) Spending is 50% of US$ expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow, and free cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended June 30, 2017 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast tomorrow at 10:00 a.m. Eastern Time.

Conference Call and Webcast:	July 27, 2017, 10:00 a.m. ET
North American callers, please dial:	1-800-263-0877
International callers, please dial:	416-640-5944
Live webcast:	www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until August 1, 2017 by calling 647-436-0148 or 1-888-203-1112, access code 6484196#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2017 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

Sherritt, which is celebrating its 90th anniversary in 2017, is the world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba and Madagascar. The Corporation 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".

Source: Sherritt Investor Relations

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”, “potential”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” sections of this press release and certain expectations about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding the partnership structure and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. 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. These risks, uncertainties and other factors include, but are not limited to changes in the global price for nickel, cobalt, oil and gas or certain other commodities, share-price volatility, level of liquidity and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation’s joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt’s operations in Madagascar and Cuba; potential interruptions in transportation; uncertainty of gas supply for electrical generation; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks related to Sherritt’s operations in Madagascar and Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; risks related to amounts owed to the Corporation by the Malagasy and Cuban governments; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding greenhouse gas emissions; maintaining the Corporation’s social license to grow and operate; risks relating to community relations; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of Foreign Public Officials Act* or applicable local anti-corruption law; uncertainties in growth management; risks related to information technology systems; and certain corporate objectives, goals and plans for 2017; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation’s other documents filed with the Canadian securities authorities.

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

For further investor information contact:
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Telephone: 416.935.2451
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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2017

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 July 26, 2017, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and six months ended June 30, 2017 and the MD&A for the year ended December 31, 2016. 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, joint operations, joint ventures and associate, unless the context indicates otherwise. All amounts are in Canadian dollars, unless otherwise indicated. References to "US$" are to United States (U.S.) 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.

The business we manage

Sherritt manages its nickel, oil, gas, power and technologies operations through different legal structures including 100% owned subsidiaries, joint arrangements and an associate. With the exception of the Moa Joint Venture, which Sherritt operates jointly with its partner, Sherritt is the operator of these assets. The relationship for accounting purposes that Sherritt has with these operations and the economic interest recognized in the Corporation's financial statements are as follows:

	Relationship for accounting purposes	Economic interest	Basis of accounting
Metals			
Moa Joint Venture	Joint venture	50%	Equity method
Ambatovy Joint Venture	Associate	40%	Equity method
Oil and Gas	Subsidiary	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses
Technologies	Subsidiary	100%	Consolidation

The Financial results and review of operations sections in this MD&A present amounts by reporting segment, based on the Corporation's economic interest. For financial statement purposes, the Moa Joint Venture and Ambatovy Joint Venture are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from the joint venture and associate, respectively. Metal's operating results include the Corporation's 50% interest in the Moa Joint Venture, 100% interest in the utility and fertilizer operations at Fort Site, 40% interest in the Ambatovy Joint Venture, and 100% interests in wholly-owned subsidiaries established to buy, market and sell certain Ambatovy Joint Venture and Moa Joint Venture nickel and cobalt production. The financial statements and review of operations in this MD&A include the Corporation's 100% interest in its Oil and Gas business, 33⅓% interest in its Power businesses and 100% interest in the Technologies business.

In May 2017, the Corporation announced it had reached an agreement in principle with its Ambatovy Joint Venture partners which would facilitate the reduction of its interest in the joint venture from 40% to 12%. The closing of the transaction is expected late in the third quarter or in the fourth quarter of this year. Until then, the Corporation continues to account for its investment in the Ambatovy Joint Venture and provide financial results in this MD&A based on its 40% interest.

Amounts presented in this MD&A can be reconciled to note 5, Segmented information, of the condensed consolidated financial statements for the three and six months ended June 30, 2017.

Strategic priorities

The table below lists Sherritt's strategic priorities for 2017 and summarizes how the Corporation performed against those priorities.

Strategic Priorities	2017 Targets	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Finalize long-term Ambatovy equity and funding structure	Agreement in principle reached with the Ambatovy project partners, closing of the transaction expected in Q3 or Q4
	Optimize working capital and receivables collection	Timing of working capital changes at the Fort Site fluctuate quarter-to-quarter. Management continues to take action to expedite Cuban energy receipts
	Operate Metals and Power businesses to be free cash flow neutral or better	On a year-to-date basis, Oil and Power continue to produce positive free cash flow, and the Moa JV has generated sufficient operating cash flow to repay a portion of the working capital facility
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Determine future capital allocation based on results from first two wells drilled on Block 10	The results from the first well have provided constructive data to optimize the drilling of the second well, again targeting the Lower Veloz formation
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC at Moa and Ambatovy towards the goal of achieving or remaining in the lowest quartile of global nickel cash costs	Q2 NDCC of US$2.55/lb at the Moa JV is expected to be in the lowest quartile, while Ambatovy Q2 NDCC of US$3.66/lb fell short of expectations, due to lower production
	Increase Ambatovy production and predictability over 2017	Ambatovy production in the first half has experienced unanticipated challenges that are expected to be rectified in the second half of 2017
	Achieve peer leading performance in environmental, health, safety and sustainability	Sherritt was named as one of *Corporate Knights'* 2017 Future 40 Responsible Corporate Leaders in Canada, based on sustainability disclosures, and began implementing the Mining Association of Canada's *Towards Sustainable Mining* program

Highlights

OPERATIONS UPDATE

The Metals operations produced 7,182 tonnes of finished nickel (Sherritt's share) in the second quarter of 2017 with lower production than the same period in the prior year at both the Ambatovy Joint Venture and Moa Joint Venture. The Ambatovy Joint Venture continued to experience lower PAL production due largely to the effects of acid plant equipment failures. At the Moa Joint Venture, the decrease in production was primarily due to a longer planned annual maintenance shutdown than in the prior year.

Metals operation's weighted average net direct cash cost (NDCC) for nickel of US$3.09/lb in the second quarter was lower compared to the same period in the prior year as the benefit of significantly higher cobalt by-product credits offset lower sales resulting from lower production. NDCC at the Moa Joint Venture also benefited from lower acid costs resulting from the use of internally produced acid from the third acid plant which was commissioned in the fourth quarter of 2016.

CASH UPDATE

Cash, cash equivalents and short-term investments at the end of the second quarter were $274.2 million, down $26.5 million from their level at March 31, 2017; most of the decline is due to $20.1 million in interest payments on the corporate debentures.

During the quarter, US$28.8 million of Cuban energy payments were received compared to US$37.6 million in the first quarter of 2017. Included in this amount was US$19.0 million received by Oil and Gas and US$9.8 million received from Energas in Power. No interest or principal was received on the Energas conditional sales agreement (CSA) in the period. Total Cuban overdue receivables were US$90.2 million at June 30, 2017 compared to US$79.1 million at March 31, 2017.

AMBATOVY FUNDING UPDATE

The Ambatovy Joint Venture partners continue to work towards implementation of the previously announced Agreement in Principle, with closing expected to occur late in the third quarter or the fourth quarter this year.

Financial results

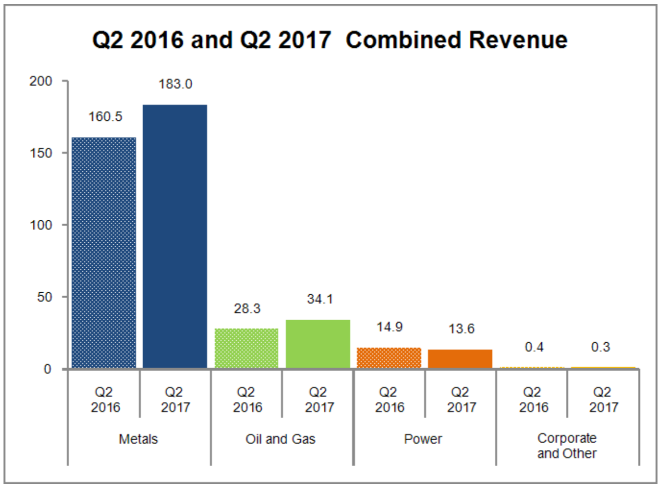
$ millions, except as otherwise noted	For the three months ended 2017 June 30	2016 June 30	Change	For the six months ended 2017 June 30	2016 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 76.8**	$ 74.9	3%	**$ 149.2**	$ 133.3	12%
Combined revenue[1]	**231.0**	204.1	13%	**459.0**	395.4	16%
Loss from operations, associate and joint venture	**(64.0)**	(88.8)	28%	**(113.4)**	(186.5)	39%
Loss from continuing operations	**(101.9)**	(103.6)	2%	**(174.5)**	(151.4)	(15%)
Net loss for the period	**(101.9)**	(103.6)	2%	**(174.5)**	(151.4)	(15%)
Adjusted loss from continuing operations[1]	**(99.8)**	(116.1)	14%	**(182.5)**	(243.7)	25%
Adjusted EBITDA[1]	**29.2**	0.2	14,500%	**66.4**	(8.9)	846%
Loss per share (basic and diluted)($ per share)						
Net loss from continuing operations	**(0.35)**	**(0.35)**	-	**(0.59)**	**(0.52)**	(13%)
Net loss for the period	**(0.35)**	**(0.35)**	-	**(0.59)**	**(0.52)**	(13%)
CASH						
Cash, cash equivalents and short-term investments (prior period, December 31, 2016)	**$ 274.2**	$ 309.6	(11%)	**$ 274.2**	$ 309.6	(11%)
Cash provided by continuing operating activities	**(21.0)**	(26.4)	20%	**(4.4)**	(36.1)	88%
Combined free cash flow[1]	**(38.2)**	(55.3)	31%	**(28.2)**	(86.7)	67%
Combined adjusted operating cash flow[1]	**(12.8)**	(35.8)	64%	**7.7**	(58.1)	113%
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[2]	**$ 23.0**	$ 19.4	19%	**$ 37.3**	$ 33.8	10%
PRODUCTION VOLUMES						
Finished nickel (tonnes)(Sherritt's share)	**7,182**	7,765	(8%)	**14,839**	16,449	(10%)
Finished cobalt (tonnes)(Sherritt's share)	**706**	747	(5%)	**1,465**	1,611	(9%)
Oil (boepd, NWI production)[3]	**8,805**	10,567	(17%)	**8,848**	10,537	(16%)
Electricity (gigawatt hours) (33⅓% basis)	**220**	227	(3%)	**437**	444	(2%)
AVERAGE EXCHANGE RATE (CAD/USD)	**1.345**	1.289	4%	**1.334**	1.330	-
AVERAGE-REALIZED PRICES[1]						
Nickel ($ per pound)	**$ 5.70**	$ 5.07	12%	**$ 5.94**	$ 5.12	16%
Cobalt ($ per pound)	**33.10**	13.38	147%	**29.09**	13.93	109%
Oil ($ per boe, NWI)[3]	**41.39**	28.35	46%	**42.08**	25.32	66%
Electricity ($ per megawatt hour)	**57.02**	54.51	5%	**56.66**	56.35	1%
UNIT OPERATING COSTS[1]						
Nickel (US$ per pound)(NDCC)	**$ 3.09**	$ 4.05	(24%)	**$ 3.32**	$ 3.98	(17%)
Oil ($ per boe, GWI)[3]	**10.67**	10.57	1%	**10.11**	10.46	(3%)
Electricity ($ per megawatt hour)	**21.36**	24.40	(12%)	**18.68**	20.71	(10%)

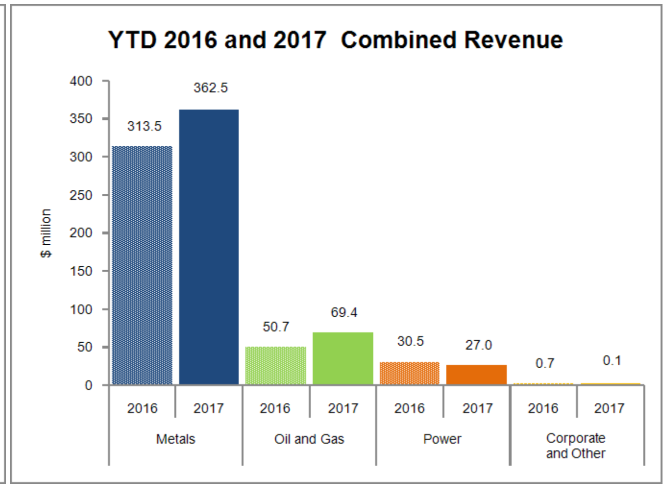
(1) For additional information see the Non-GAAP measures section.

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

(3) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd); barrels of oil equivalent (boe).

Total combined revenue[(1)] of $231.0 million and $459.0 million for the three and six months ended June 30, 2017 compared to $204.1 million and $395.4 million, respectively, for the same periods in the prior year. Combined revenue is composed of the following:



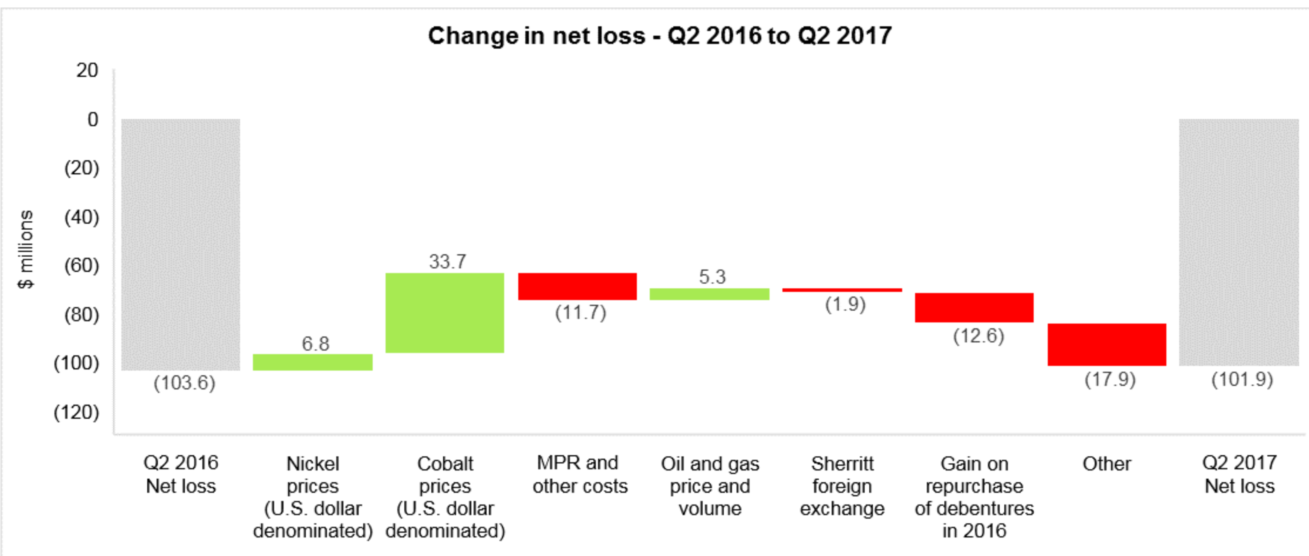


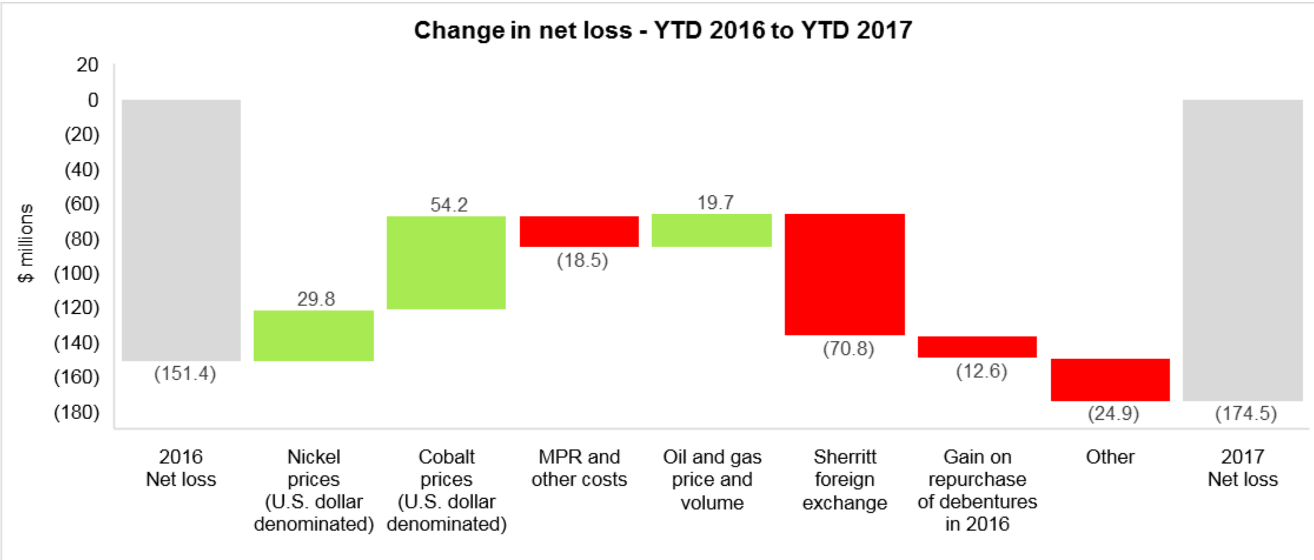
(1) For additional information see the Non-GAAP measures section.

For the three months ended June 30, 2017, the net loss from continuing operations was $101.9 million, or $0.35 per share, compared to a loss of $103.6 million, or $0.35 per share in the same period in the prior year.

For the six months ended June 30, 2017, the net loss from continuing operations was $174.5 million, or $0.59 per share, compared to a loss of $151.4 million, or $0.52 per share in the same period in the prior year.

The change in net loss from continuing operations is detailed below:





Combined revenue for the three and six months ended June 30, 2017 was higher compared to the same periods in the prior year primarily due to higher realized prices for cobalt and oil. Nickel revenue was relatively unchanged for the current-year periods as higher realized prices were offset by lower sales volumes. The average reference price for nickel was 5% and 13% higher for the three and six months ended June 30, 2017, respectively, compared to the same periods in the prior year. Nickel prices have been trending lower since the beginning of 2017 with the growing uncertainty on the supply side regarding the relaxation of the export ban in Indonesia and dismissal of the Philippines environment minister who had introduced strict environmental regulations on the mining industry. In addition, stainless steel demand forecasts from China have been revised downwards with weak stainless steel consumption contributing to lower nickel price recovery in the short-term.

The average reference price for cobalt was 138% and 112% higher for the three and six months ended June 30, 2017, respectively, compared to the same periods in the prior year as a result of steady demand for battery materials, strong projections for future cobalt consumption in batteries, especially in the electric vehicle sector, and increased interest from financial investors.

Mining, processing and refining (MPR) costs at the Ambatovy Joint Venture and Moa Joint Venture were higher for the three and six months ended June 30, 2017 compared to the same periods in the prior year primarily as a result of higher maintenance and energy input costs.

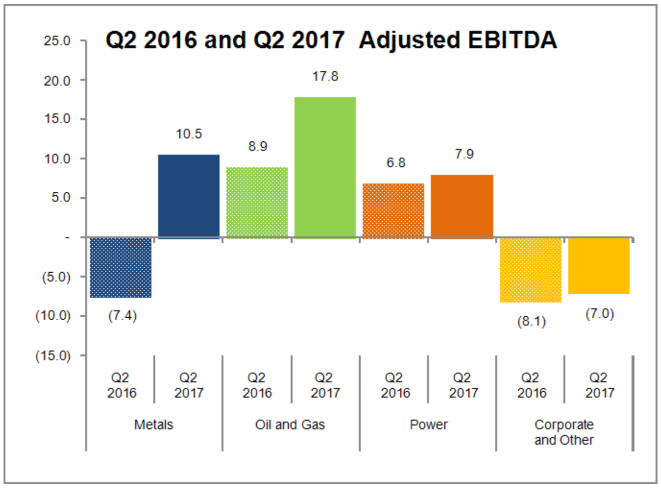
The average reference price for Gulf Coast Fuel Oil #6 was 39% and 70% higher for the three and six months ended, respectively, than the same periods in the prior year as the market recovers from the multi-year low prices experienced at the beginning of 2016. Production and sales volumes at Oil and Gas for the both periods in the current year were negatively impacted by lower gross working-interest oil production in Cuba due to natural reservoir declines and the absence of new development drilling.

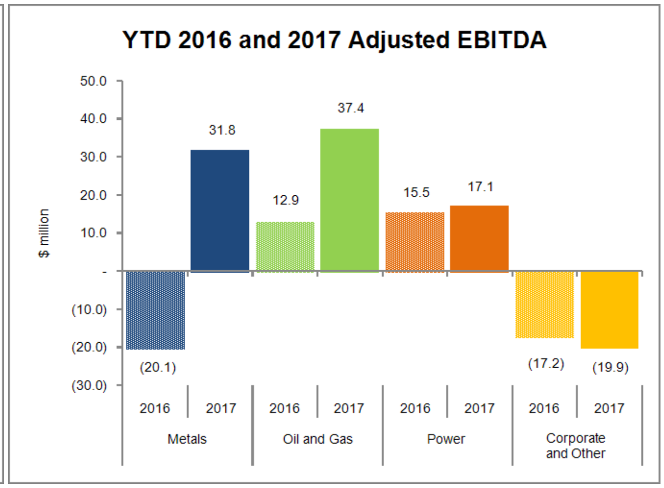
The Corporation recognized an unrealized foreign exchange loss of $4.4 million in the three months ended June 30, 2017 compared to a loss of $1.6 million in the prior year period and a gain of $2.9 million in the six months ended June 30, 2017 compared to a gain of $74.4 million in the same period in the prior year. Unrealized exchange gains/losses are determined by the change in period-end exchange rates and the balance of the Corporation’s U.S. dollar denominated net liabilities.

Other primarily includes higher interest at Corporate and interest and foreign exchange at Ambatovy.

ADJUSTED EBITDA(1)

Total combined adjusted EBITDA for the three and six months ended June 30, 2017 was $29.2 million and $66.4 million, respectively, compared to $0.2 million and $(8.9) million in the same periods in the prior year. Adjusted EBITDA by business segment is as follows:





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

CONSOLIDATED FINANCIAL POSITION

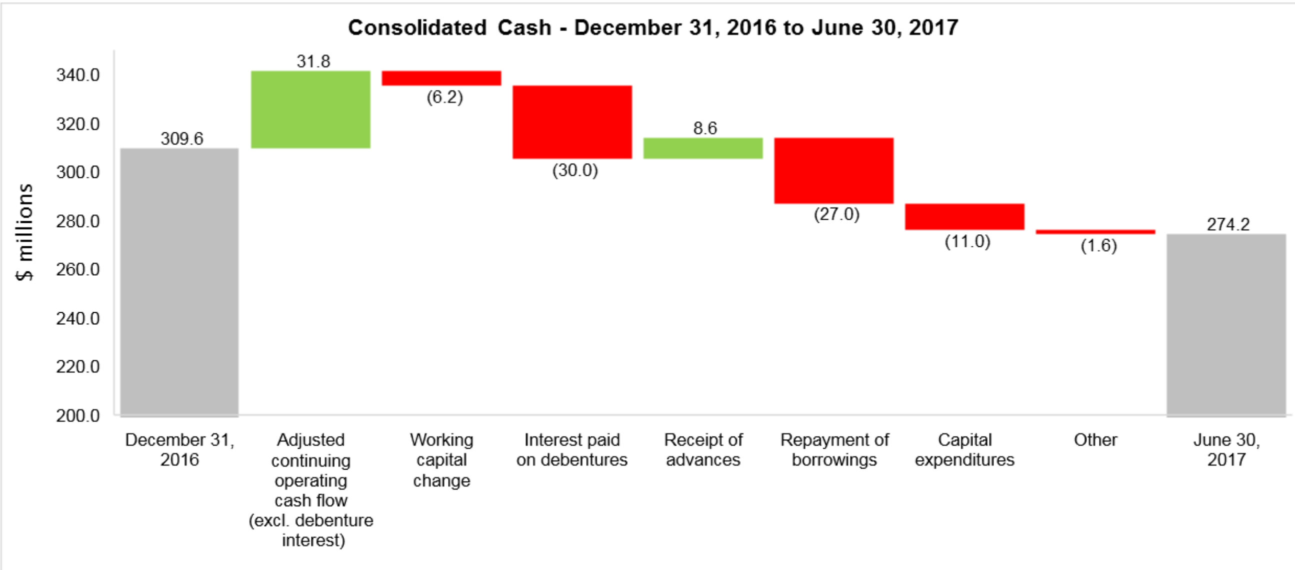
The following table summarizes the significant items as derived from the consolidated statements of financial position:

$ millions, except as noted, as at	**2017 June 30**	2016 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	**$ 274.2**	$ 309.6	(11%)
Net working capital balance	**464.8**	494.9	(6%)
Current ratio	**3.42:1**	3.19:1	-
Total assets	**3,566.6**	3,806.9	(6%)
Non-recourse loans and borrowings	**1,377.4**	1,367.5	1%
Other loans and borrowings	**832.8**	860.7	(3%)
Total liabilities	**2,682.2**	2,709.0	(1%)
Shareholders' equity	**884.4**	1,097.9	(19%)

LIQUIDITY

At June 30, 2017 total available liquidity was $283.0 million which is composed of cash, cash equivalents, short term investments and $8.8 million of available credit facilities.

Cash, cash equivalents and short-term investments at June 30, 2017 decreased by $35.4 million from December 31, 2016. The components of this change is shown below:



The change in liquidity is primarily due to:

- positive adjusted operating cash flow at Power and Oil and Gas primarily as a result of higher commodity prices and lower operating costs;
- collections of Cuban energy receivables;
- payment of interest on the Corporation's debentures;
- receipt of $8.6 million from the Moa Joint Venture as repayment on its working capital facility in the second quarter; and
- repayment of $27.0 million on the Corporation's syndicated revolving-term loan during the year.

Outlook

2017 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	Guidance at 2016 December 31	Actual 2017 June 30	Revised Projected 2017
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,000-34,000	15,158	31,500-32,500
Ambatovy Joint Venture	48,000-52,000	18,150	40,000-43,000
Total	81,000-86,000	33,308	71,500-75,500
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,500-3,800	1,744	No change
Ambatovy Joint Venture	3,800-4,100	1,483	3,600-3,900
Total	7,300-7,900	3,227	7,100-7,700
Oil – Cuba (gross working-interest, bopd)	11,500-12,500	14,877	No change
Oil and Gas – All operations (net working-interest, boepd)	6,400-7,000	8,848	No change
Electricity (GWh, 33⅓% basis)	850-900	437	No change
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	3.20-3.70	2.86	2.80-3.30
Ambatovy Joint Venture	3.10-3.70	3.79	3.10-3.40
Total	3.14-3.70	3.32	2.95-3.35
Oil and Gas - Cuba (unit operating costs, $ per barrel)	11.00-12.00	9.29	No change
Electricity (unit operating cost, $ per MWh)	18.75-19.50	18.68	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis) (1)	US$28 (38)	US$8 (10)	No change
Metals – Ambatovy Joint Venture (40% basis)	US$45 (61)	US$16 (21)	No change
Oil and Gas	US$55 (73)	US$4 (5)	US$35 (47)
Power (33⅓% basis)	US$1 (2)	US$1 (1)	No change
Spending on capital (excluding Corporate)	US$129 (174)	US$28 (37)	US$109 (148)

(1) Spending is 50% of US$ expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

PRODUCTION VOLUMES

In light of the lower production year-to-date at both the Moa Joint Venture and the Ambatovy Joint Venture, production guidance has been reduced as follows:

- Full year Moa Joint Venture nickel production guidance has been reduced by 1,500 tonnes to a range of 31,500 – 32,500 tonnes (100% basis) to reflect the lower production in the first two quarters, and changes to the availability and economics of using additional third party feed. Finished cobalt production guidance remains unchanged at 3,500 – 3,800 tonnes (100% basis).
- Full year Ambatovy Joint Venture nickel production guidance has been reduced to a range of 40,000 – 43,000 tonnes (100% basis) from its former range of 48,000 – 52,000 tonnes to reflect the production shortfall experienced in the first half of 2017. Finished cobalt production guidance range has also been revised down to 3,600 – 3,900 tonnes (100% basis) from 3,800 – 4,100 tonnes (100% basis). The cobalt reduction is less significant, as Ambtovy expects higher cobalt production in the second half of the year due to better cobalt grades and metallurgical chemistry.

NDCC

In light of the strong cobalt prices and their impact on NDCC, the Moa Joint Venture NDCC guidance range has been reduced to US$2.80 – US$3.30/lb (from US$3.20 – US$3.70/lb) and the Ambatovy Joint Venture NDCC guidance range has been narrowed to US$3.10 – US$3.40/lb (from US$3.10 – US$3.70).

CAPITAL SPENDING

Oil & Gas capital spending has been revised downward by US$20.0 million primarily due to a reduction in drilling costs attributable to using part of the existing wellbore from the first well drilled on Block 10 in order to drill the second well, as well as deferred spending on the Block 8A seismic program, now expected to occur in Q1 2018.

Review of operations

METALS

Financial Review

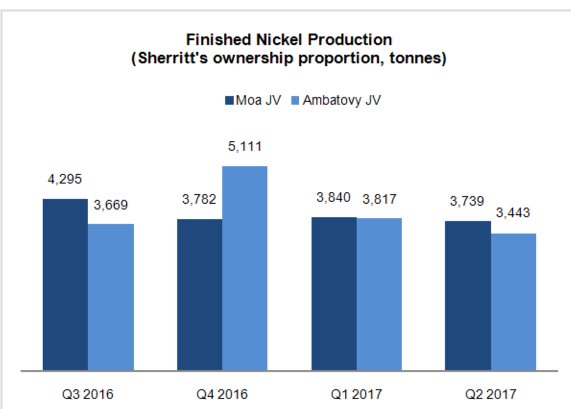
$ millions, except as otherwise noted, for the three months ended June 30	2017				2016				
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	Moa JV and Fort Site	Ambatovy JV	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 103.0**	**$ 68.3**	**$ 11.7**	**$ 183.0**	$ 89.5	$ 60.5	$ 10.5	$ 160.5	14%
(Loss) earnings from operations	**(3.4)**	**(38.6)**	**0.4**	**(41.6)**	(5.5)	(47.5)	-	(53.0)	22%
Adjusted EBITDA[1]	**11.7**	**(1.6)**	**0.4**	**10.5**	6.7	(14.1)	-	(7.4)	242%
CASH FLOW									
Cash provided (used) by operations	**$ (6.6)**	**(12.1)**	**3.6**	**$ (15.1)**	(8.4)	$ (16.9)	1.0	$ (24.3)	38%
Free cash flow[1]	**(14.6)**	**(14.8)**	**3.6**	**(25.8)**	(20.0)	(18.0)	1.0	(37.0)	30%
Adjusted operating cash flow[1]	**9.9**	**(18.6)**	**1.4**	**(7.3)**	5.2	(29.9)	(0.1)	(24.8)	71%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,370**	**3,784**	**-**	**8,154**	4,432	3,843	-	8,275	(1%)
Finished Nickel	**3,739**	**3,443**	**-**	**7,182**	4,145	3,620	-	7,765	(8%)
Finished Cobalt	**436**	**270**	**-**	**706**	477	270	-	747	(5%)
Fertilizer	**62,858**	**10,904**	**-**	**73,762**	57,552	10,797	-	68,349	8%
NICKEL RECOVERY (%)	**88%**	**85%**			87%	83%			
SALES VOLUMES (tonnes)									
Finished Nickel	**3,670**	**3,465**	**-**	**7,135**	4,068	4,251	-	8,319	(14%)
Finished Cobalt	**435**	**297**	**-**	**732**	473	361	-	834	(12%)
Fertilizer	**57,816**	**10,335**	**-**	**68,151**	59,947	13,764	-	73,711	(8%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 4.18**				$ 4.00	5%
Cobalt[2]				**25.87**				10.85	138%
AVERAGE-REALIZED PRICES[1]									
Nickel ($ per pound)	**$ 5.58**	**$ 5.83**	**-**	**$ 5.70**	$ 5.06	$ 5.08	-	$ 5.07	12%
Cobalt ($ per pound)	**33.12**	**33.07**	**-**	**33.10**	13.37	13.46	-	13.38	147%
Fertilizer ($ per tonne)	**414**	**176**	**-**	**380**	455	146	-	396	(4%)
UNIT OPERATING COSTS[1] (US$ per pound)									
Nickel - net direct cash cost	**$ 2.55**	**$ 3.66**	**-**	**3.09**	$ 2.94	$ 5.12	-	4.05	(24%)
SPENDING ON CAPITAL									
Sustaining	**$ 8.1**	**$ 12.8**	**$ -**	**$ 20.9**	$ 7.3	$ 2.9	$ -	$ 10.2	105%
Expansion	**-**	**-**	**-**	**-**	4.1	-	-	4.1	(100%)
	$ 8.1	**$ 12.8**	**$ -**	**$ 20.9**	$ 11.4	$ 2.9	$ -	$ 14.3	46%

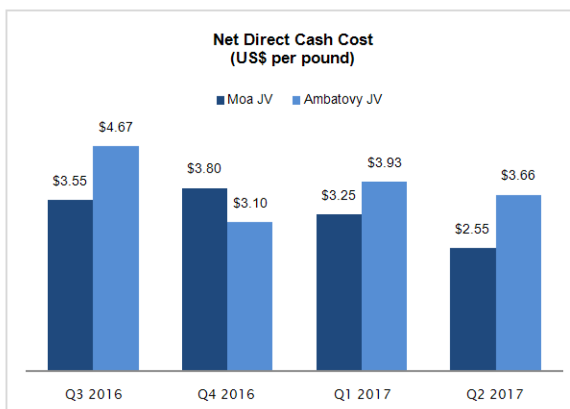
(1) For additional information see the Non-GAAP measures section.

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

$ millions, except as otherwise noted, for the six months ended June 30	2017				2016				
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	Moa JV and Fort Site	Ambatovy JV	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 193.4**	**$ 143.1**	**$ 26.0**	**$ 362.5**	$ 166.2	$ 125.6	$ 21.7	$ 313.5	16%
(Loss) earnings from operations	**(1.4)**	**(67.6)**	**0.7**	**(68.3)**	(16.8)	(97.4)	0.3	(113.9)	40%
Adjusted EBITDA[1]	**24.5**	**6.6**	**0.7**	**31.8**	6.5	(26.9)	0.3	(20.1)	258%
CASH FLOW									
Cash provided (used) by operations	**8.2**	**(14.4)**	**5.2**	**(1.0)**	(11.4)	(22.4)	5.2	(28.6)	97%
Free cash flow[1]	**(2.0)**	**(21.1)**	**5.2**	**(17.9)**	(30.6)	(23.5)	5.2	(48.9)	63%
Adjusted operating cash flow[1]	**19.0**	**(11.5)**	**1.9**	**9.4**	3.4	(42.9)	0.2	(39.3)	124%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**8,652**	**8,101**	**-**	**16,753**	8,753	8,413	-	17,166	(2%)
Finished Nickel	**7,579**	**7,260**	**-**	**14,839**	8,387	8,062	-	16,449	(10%)
Finished Cobalt	**872**	**593**	**-**	**1,465**	976	635	-	1,611	(9%)
Fertilizer	**121,726**	**22,700**	**-**	**144,426**	128,459	25,152	-	153,611	(6%)
NICKEL RECOVERY (%)	**87%**	**85%**			87%	85%			
SALES VOLUMES (tonnes)									
Finished Nickel	**7,532**	**7,275**	**-**	**14,807**	8,209	8,742	-	16,951	(13%)
Finished Cobalt	**856**	**651**	**-**	**1,507**	941	693	-	1,634	(8%)
Fertilizer	**95,270**	**22,782**	**-**	**118,052**	91,660	27,871	-	119,531	(1%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 4.43**				$ 3.93	13%
Cobalt[2]				**22.83**				10.78	112%
AVERAGE-REALIZED PRICES[1]									
Nickel ($ per pound)	**$ 5.89**	**$ 5.99**	**$ -**	**$ 5.94**	$ 5.11	$ 5.12	$ -	$ 5.12	16%
Cobalt ($ per pound)	**28.73**	**29.64**	**-**	**29.09**	13.60	14.38	-	13.93	109%
Fertilizer ($ per tonne)	**386**	**169**	**-**	**345**	433	166	-	370	(7%)
UNIT OPERATING COSTS[1] (US$ per pound)									
Nickel - net direct cash cost	**$ 2.86**	**$ 3.79**	**$ -**	**$ 3.32**	$ 3.15	$ 4.75	$ -	$ 3.98	(17%)
SPENDING ON CAPITAL									
Sustaining	**$ 10.2**	**$ 21.2**	**$ -**	**$ 31.4**	$ 11.1	$ 4.6	$ -	$ 15.7	100%
Expansion	**-**	**-**	**-**	**-**	8.1	-	-	8.1	(100%)
	$ 10.2	**$ 21.2**	**$ -**	**$ 31.4**	$ 19.2	$ 4.6	$ -	$ 23.8	32%

(1) For additional information see the Non-GAAP measures section.
(2) Average low-grade cobalt published price per Metals Bulletin.





Moa Joint Venture and Fort Site

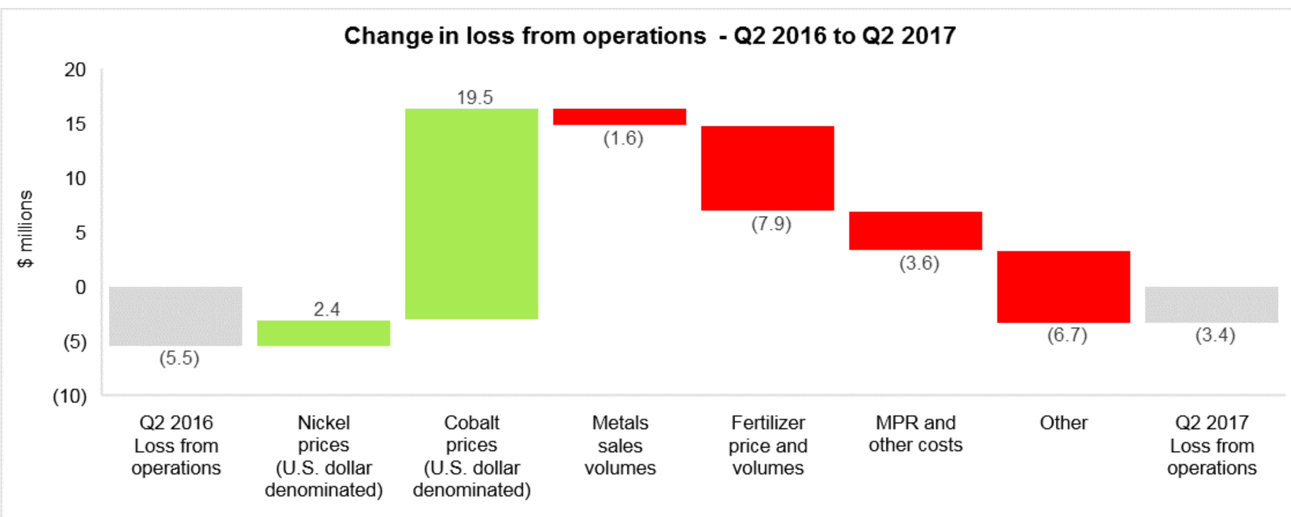
$ millions		For the three months ended 2017 June 30		2016 June 30	Change		For the six months ended 2017 June 30		2016 June 30	Change
REVENUE										
Nickel	**$**	**45.2**	$	45.3	-	**$**	**97.9**	$	92.5	6%
Cobalt		**31.7**		13.9	128%		**54.2**		28.2	92%
Fertilizers		**24.0**		27.2	(12%)		**36.8**		39.6	(7%)
Other		**2.1**		3.1	(32%)		**4.5**		5.9	(24%)
	$	**103.0**	$	89.5	15%	**$**	**193.4**	$	166.2	16%
COST OF SALES(1)										
Mining, processing and refining	**$**	**54.1**	$	54.8	(1%)	**$**	**105.9**	$	111.3	(5%)
Third-party feed costs		**2.7**		2.4	13%		**8.2**		5.3	55%
Fertilizers		**20.5**		15.9	29%		**29.7**		23.7	25%
Selling costs		**4.5**		4.4	2%		**8.7**		8.0	9%
Other		**7.6**		3.3	130%		**12.8**		7.0	83%
	$	**89.4**	$	80.8	11%	**$**	**165.3**	$	155.3	6%
NET DIRECT CASH COST(2) (US$ per pound of nickel)										
Mining, processing and refining costs	**$**	**5.00**	$	4.69	7%	**$**	**4.87**	$	4.57	7%
Third-party feed costs		**0.25**		0.22	14%		**0.37**		0.22	68%
Cobalt by-product credits		**(2.92)**		(1.20)	(143%)		**(2.44)**		(1.18)	(107%)
Other(3)		**0.22**		(0.77)	129%		**0.06**		(0.46)	113%
	$	**2.55**	$	2.94	(13%)	**$**	**2.86**	$	3.15	(9%)

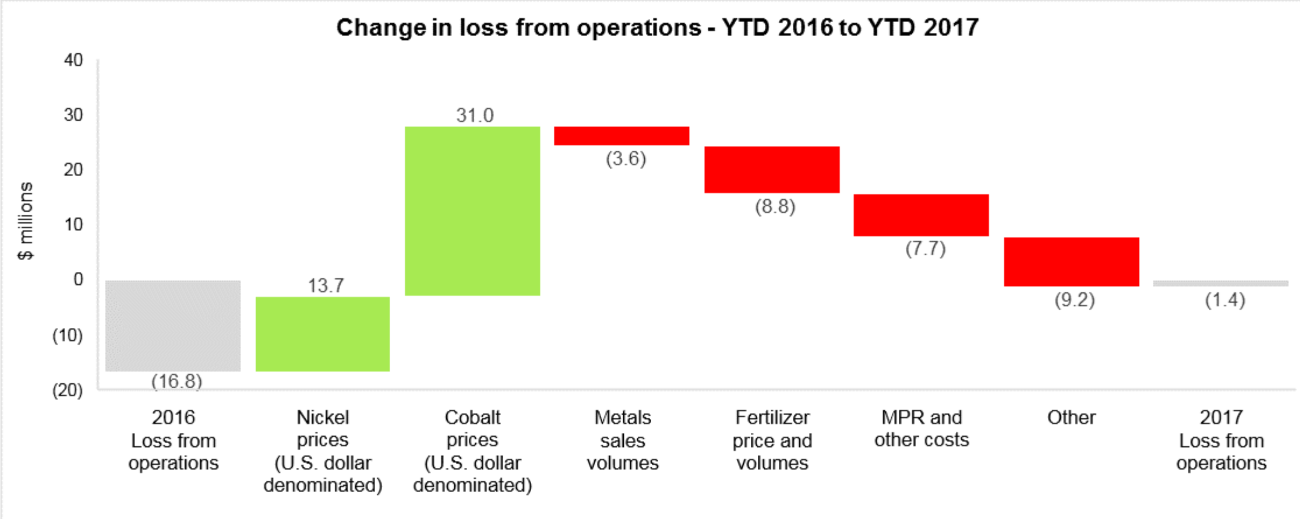
(1) Excludes depletion, depreciation and amortization

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

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

The change in loss from operations is detailed below:





Realized prices for nickel and cobalt were higher for the three and six months ended June 30, 2017 compared to the same periods in the prior year reflecting higher reference prices. Realized prices for both nickel and cobalt were positively impacted by a weakening of the Canadian dollar relative to the U.S. dollar in the second quarter of 2017 compared to the same period in the prior year. For the year-to-date periods the exchange rate was relatively unchanged.

Finished nickel and cobalt production for the three months ended June 30, 2017 was lower compared to the same period in the prior year primarily due to the impact of a longer planned annual maintenance shutdown in June 2017 compared to the prior year, a higher cobalt:nickel ratio, and carryover impacts from the last two quarters that reduced mixed sulphides availability. Third-party feed was relatively unchanged during the second quarter of 2017 compared to the prior year. The Moa Joint Venture has at times supplemented mixed sulphides production by purchasing third-party feed, but has decided not to add an additional nickel-rich feed source as current pricing terms have made additional purchases uneconomical due to the tightness of the market.

For the six months ended June 30, 2017, production was also impacted by lower mixed sulphides availability in the first quarter as a result of lower mixed sulphides production in the fourth quarter of 2016 following Hurricane Matthew. Refinery operations were optimized to maintain continuous feed into the plant in the first quarter until mixed sulphide availability returned to normal levels in the second quarter. The impact of lower mixed sulphides availability was partly offset by increased third party feed usage in the first quarter.

Fertilizer's contributions to operating earnings for the three and six months ended June 30, 2017 were lower compared to the same periods in the prior year reflecting lower realized prices, higher energy costs and the impact of the annual Fort Saskatchewan acid plant shutdown on fertilizer costs. Sales volumes were lower in the second quarter and higher in the year-to-date period of 2017 compared to the same periods in the prior year reflecting timing of sales.

Net direct cash cost of nickel (NDCC) for the three and six months ended June 30, 2017 was lower compared to the same periods in the prior year primarily as higher cobalt credits more than offset lower metals sales volumes, higher energy costs, higher third party feed costs, higher planned maintenance cost and lower net fertilizer by-product credits. NDCC continues to benefit by approximately US$0.50 from the use of internally produced acid from new acid plant at Moa.

Other costs includes higher depreciation primarily related to the acid plant at Moa and lower margin on Fort Saskatchewan sulphuric acid sales as a result of costs associated with bi-annual plant shutdown and lower realized prices.

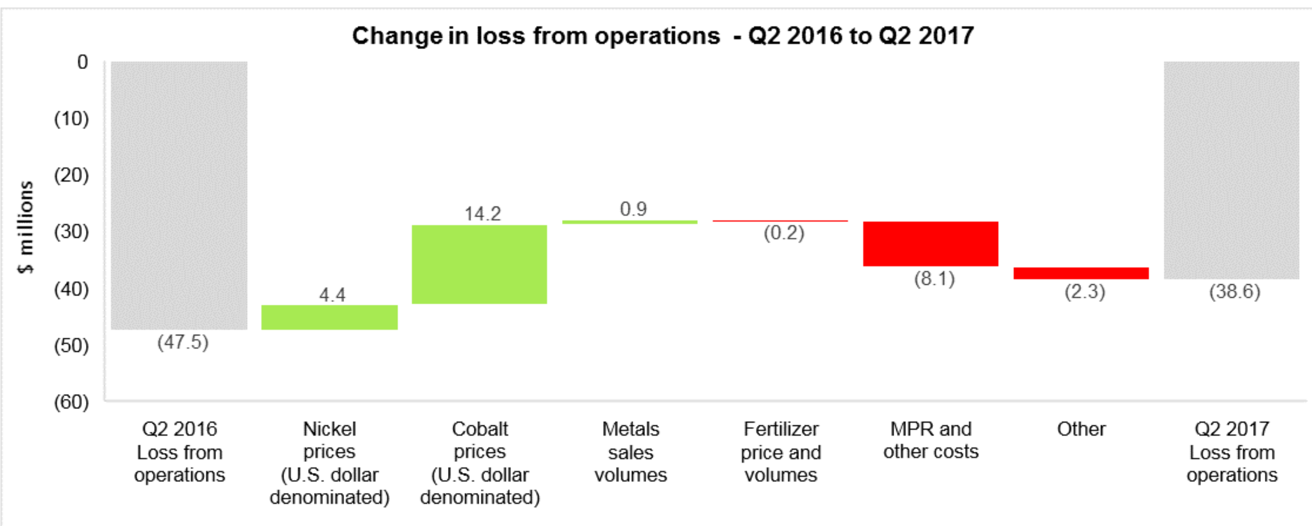
Sustaining capital spending in the three and six months ended June 30, 2017 was relatively unchanged compared to the same periods in the prior year; the variances reflect timing of expenditures. Expansion spending in 2016 was related to the acid plant. The Moa Joint Venture is expected to continue to operate and fund capital expenditures through internally generated joint venture cash flows and/or external loans, without shareholder funding.

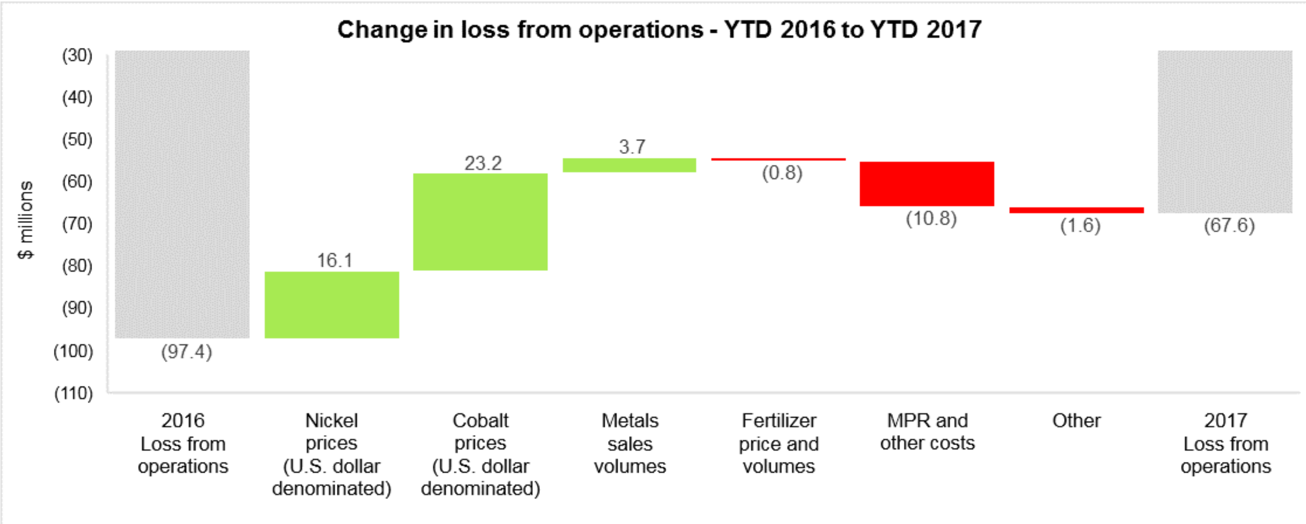
Ambatovy

$ millions	For the three months ended 2017 June 30	2016 June 30	Change	For the six months ended 2017 June 30	2016 June 30	Change
REVENUE						
Nickel	**$ 44.6**	$ 47.5	(6%)	**$ 96.2**	$ 98.6	(2%)
Cobalt	**21.6**	10.7	102%	**42.5**	22.0	93%
Fertilizers	**1.9**	2.0	(5%)	**3.9**	4.6	(15%)
Other	**0.2**	0.3	(33%)	**0.5**	0.4	25%
	$ 68.3	$ 60.5	13%	**$ 143.1**	$ 125.6	14%
COST OF SALES[1]						
Mining, processing and refining	**$ 62.2**	$ 66.9	(7%)	**$ 120.7**	$ 135.2	(11%)
Selling costs	**2.9**	3.6	(19%)	**5.9**	7.4	(20%)
Other	**1.4**	(0.1)	1500%	**2.9**	1.1	164%
	$ 66.5	$ 70.4	(6%)	**$ 129.5**	$ 143.7	(10%)
NET DIRECT CASH COST[2] (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 6.14**	$ 5.74	7%	**$ 5.82**	$ 5.31	10%
Cobalt by-product credits	**(2.44)**	(0.81)	(201%)	**(2.06)**	(0.74)	(178%)
Other[3]	**(0.04)**	0.19	(121%)	**0.03**	0.18	(83%)
	$ 3.66	$ 5.12	(29%)	**$ 3.79**	$ 4.75	(20%)

(1) Excludes depletion, depreciation and amortization.
(2) For additional information see the Non-GAAP measures section.
(3) Includes selling costs, discounts and other by-product credits.

The change in loss from operations is detailed below:





Realized prices for nickel and cobalt were higher for three and six months ended June 30, 2017 compared to the same periods in the prior year reflecting higher reference prices. Realized prices for both nickel and cobalt were positively impacted by a weakening of the Canadian dollar relative to the U.S. dollar in the second quarter of 2017 compared to the same period in the prior year. For the year-to-date periods the exchange rate was relatively unchanged.

Nickel sales volumes were consistent with lower production volume for the three and six months ended June 30, 2017. Sales of cobalt in the year-to-date period of 2017 were higher than production as one shipment delayed at the end of 2016 was shipped in 2017.

Production of nickel was lower in both the three and six months ended June 30, 2017 compared to the same periods in the prior year due to limited sulphuric acid availability due to substantial unplanned maintenance required on an acid plant in April and lower than expected metal recoveries caused by inconsistent PAL operations and lower counter current decantation (CCD) thickener availability. The year-to-date period also reflects the impact of limited acid production following the failure of a molten sulphur tank in February, a power trip in late January and Cyclone Enawo in March which resulted in decreased production due to impact of extreme wind and rain on mining operations and bulk commodity handling in the process plant.

Net direct cash cost of nickel for the three and six months ended June 30, 2017 was lower compared to the same periods in the prior year primarily due to higher cobalt credits which more than offset the impact of lower nickel sales volume and higher maintenance costs.

Spending on capital increased in the three and six months ended June 30, 2017 compared to the same periods in the prior year reflecting the timing of planned spending. Capital spending for the Ambatovy Joint Venture is focused on improving plant reliability and is composed of sustaining capital for mining and production equipment, specifically mine development, tailings management facility construction and the purchase of heavy mine equipment.

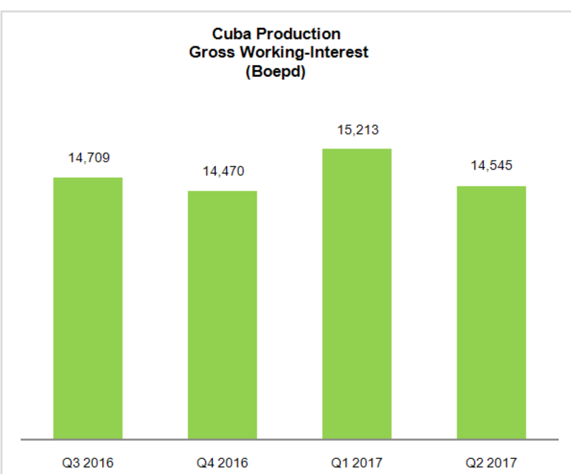
OIL AND GAS

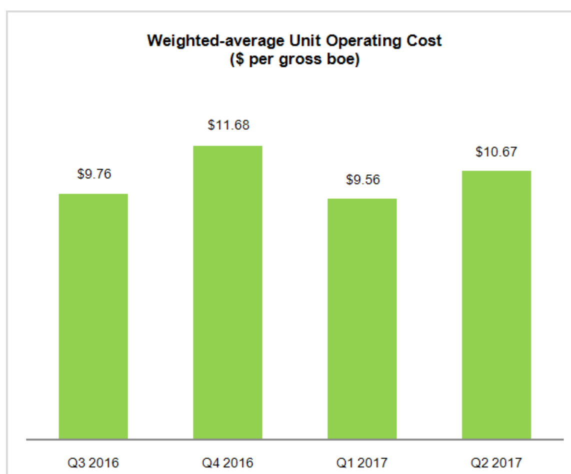
Financial review

$ millions, except as otherwise noted	For the three months ended 2017 June 30	2016 June 30	Change	For the six months ended 2017 June 30	2016 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 34.1**	$ 28.3	20%	**$ 69.4**	$ 50.7	37%
Earnings (loss) from operations	**8.9**	(3.0)	397%	**19.9**	(11.7)	270%
Adjusted EBITDA[(1)]	**17.8**	8.9	100%	**37.4**	12.9	190%
CASH FLOW						
Cash provided by operations	**$ 11.2**	$ 7.9	42%	**$ 25.2**	10.5	140%
Free cash flow[(1)]	**7.8**	3.0	160%	**18.1**	0.6	2917%
Adjusted operating cash flow[(1)]	**14.4**	9.4	53%	**29.3**	11.9	146%
PRODUCTION AND SALES[(2)]						
Gross working-interest (GWI) - Cuba	**14,545**	16,200	(10%)	**14,877**	16,324	(9%)
Total net working-interest (NWI)	**8,805**	10,567	(17%)	**8,848**	10,537	(16%)
AVERAGE REFERENCE PRICES (US$ per barrel)						
West Texas Intermediate (WTI)	**$ 48.06**	$ 45.59	5%	**$ 49.83**	$ 39.64	26%
Gulf Coast Fuel Oil No. 6	**43.26**	31.02	39%	**44.43**	26.19	70%
Brent	**49.13**	45.29	8%	**51.23**	39.51	30%
AVERAGE-REALIZED PRICES[(1)] (per NWI)						
Cuba ($ per barrel)	**$ 42.10**	$ 28.16	50%	**$ 42.86**	$ 24.98	72%
Spain ($ per barrel)	**65.92**	57.49	15%	**67.82**	51.16	33%
Pakistan ($ per boe)[(2)]	**10.72**	10.49	2%	**10.67**	10.61	1%
Weighted-average ($ per boe)	**41.39**	28.35	46%	**42.08**	25.32	66%
UNIT OPERATING COSTS[(1)(2)] (per GWI)						
Cuba	**$ 9.95**	$ 9.30	7%	**$ 9.29**	$ 9.42	(1%)
Spain	**44.22**	72.65	(39%)	**51.73**	60.51	(15%)
Pakistan	**7.57**	6.92	9%	**7.74**	7.98	(3%)
Weighted-average ($ per boepd)	**10.67**	10.57	1%	**10.11**	10.46	(3%)
SPENDING ON CAPITAL						
Development, facilities and other	**$ (0.4)**	$ 3.6	(111%)	**$ (1.2)**	$ 7.7	(116%)
Exploration	**2.1**	1.3	62%	**5.9**	1.9	211%
	$ 1.7	$ 4.9	(65%)	**$ 4.7**	$ 9.6	(51%)

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

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

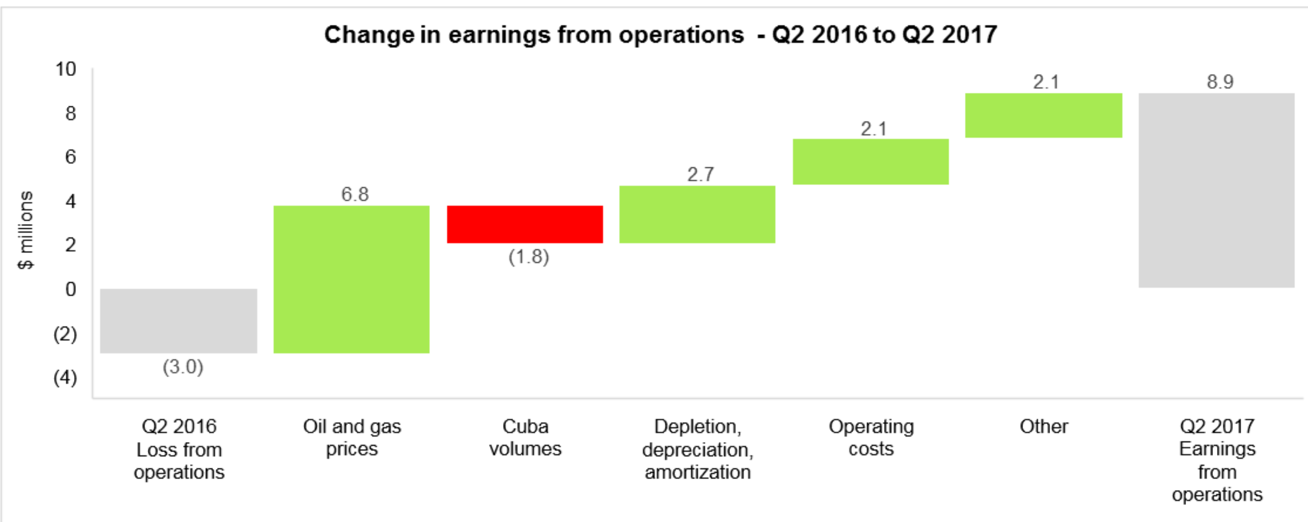


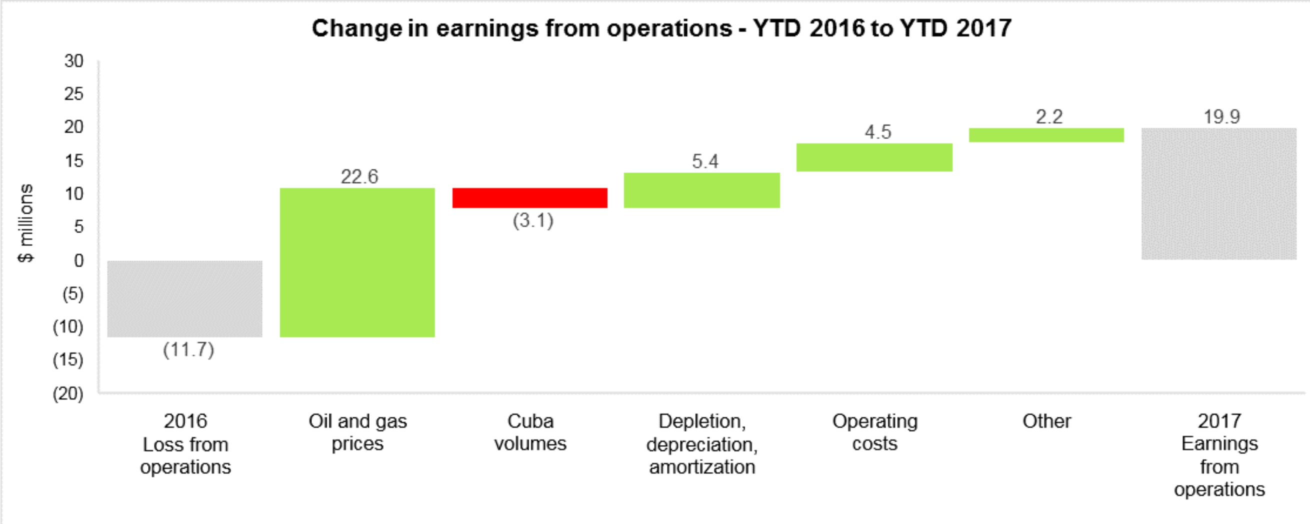


$ millions		For the three months ended 2017 June 30		2016 June 30	Change		For the six months ended 2017 June 30		2016 June 30	Change
REVENUE										
Cuba	**$**	**30.6**	$	25.5	20%	**$**	**62.7**	$	45.1	39%
Spain		**2.1**		1.5	40%		**3.8**		2.9	31%
Pakistan		**0.5**		0.3	67%		**0.9**		0.6	50%
Processing		**0.9**		1.0	(10%)		**2.0**		2.1	(5%)
	$	**34.1**	$	28.3	20%	**$**	**69.4**	$	50.7	37%
DAILY PRODUCTION AND SALES VOLUMES (boepd)(1)(2)										
Gross working-interest oil production in Cuba		**14,545**		16,200	(10%)		**14,877**		16,324	(9%)
Net working-interest oil production										
Cuba (heavy oil)										
Cost recovery		**2,664**		4,805	(45%)		**2,531**		4,624	(45%)
Profit oil		**5,346**		5,128	4%		**5,556**		5,288	5%
Total		**8,010**		9,933	(19%)		**8,087**		9,912	(18%)
Spain (light oil)		**338**		281	20%		**307**		308	-
Pakistan (natural gas)		**457**		353	29%		**454**		317	43%
		8,805		10,567	(17%)		**8,848**		10,537	(16%)

(1) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to CUPET at the time of production.
(2) For additional information regarding determination of gross working-interest and net working–interest, see the Corporation's MD&A for the year ended December 31, 2016.

The change in earnings from operations is detailed below:





Reference prices in the three and six months ended June 30, 2017 were higher than in the same periods in the prior year. Realized prices were positively impacted by a weakening of the Canadian dollar relative to the U.S. dollar in the second quarter of 2017 compared to the same period in the prior year. For the year-to-date periods the exchange rate was relatively unchanged.

Gross working-interest oil production in Cuba decreased for the three and six months ended June 30, 2017 compared to the same periods in the prior year primarily due to natural reservoir declines and the absence of new development drilling.

Cost-recovery oil production in Cuba for the three and six months was lower compared to the same periods in the prior year as a result of lower cost-recovery spending and the impact of higher oil prices in the current-year periods.

Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, was marginally higher in the three and six months ended June 30, 2017 as a result of a reduction in cost recovery oil volumes.

Unit operating costs were relatively unchanged in Cuba in the three and six months ended June 30, 2017 compared to the same periods in the prior year as lower labour and treatment and transportation costs offset the impact of lower production. Costs in the second quarter were also impacted by a weakening of the Canadian dollar relative to the U.S. dollar.

Spending continues to focus on Block 10 drilling; however, Block 10 spending was minimal in the quarter as the Corporation prepared for the drilling of the second well. Year-to-date spending primarily reflects spending related to the first well drilled on Block 10. Negative capital spending for development, facilities and other reflects the reversal of accruals.

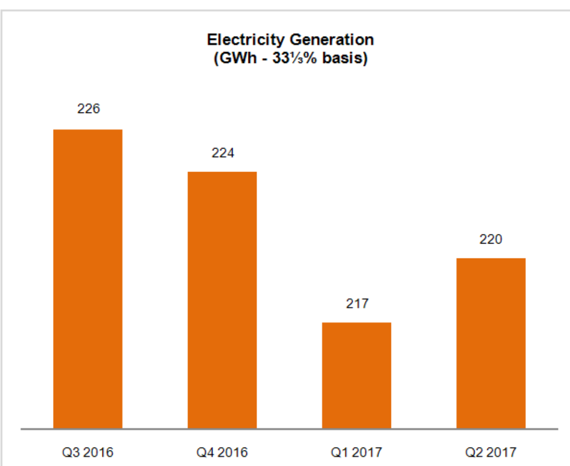
Drilling on the second well at Block 10 is expected to commence in August with results expected in the fourth quarter of this year.

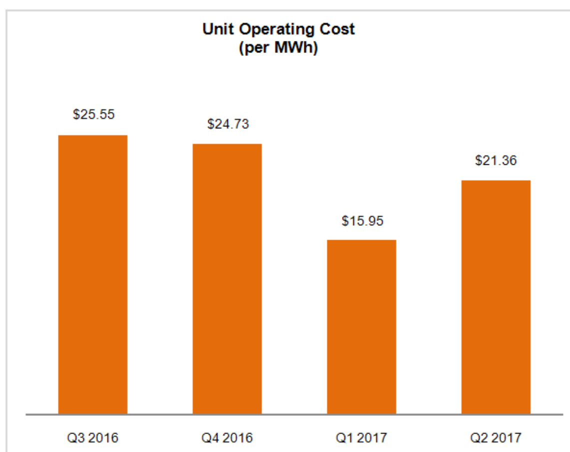
POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2017 June 30	2016 June 30	Change	For the six months ended 2017 June 30	2016 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 13.6**	$ 14.9	(9%)	**$ 27.0**	$ 30.5	(11%)
Earnings (loss) from operations	**1.5**	(1.8)	183%	**4.3**	(2.0)	315%
Adjusted EBITDA[(1)]	**7.9**	6.8	16%	**17.1**	15.5	10%
CASH FLOW						
Cash provided by operations	**7.9**	4.9	61%	**20.7**	5.8	257%
Free cash flow[(1)]	**7.5**	4.8	56%	**19.5**	5.6	248%
Adjusted operating cash flow[(1)]	**7.7**	5.5	40%	**16.6**	12.0	38%
PRODUCTION AND SALES						
Electricity (GWh[(2)])	**220**	227	(3%)	**437**	444	(2%)
AVERAGE-REALIZED PRICES[(1)]						
Electricity (per MWh[(2)])	**$ 57.02**	$ 54.51	5%	**$ 56.66**	$ 56.35	1%
UNIT OPERATING COSTS[(1)] (per MWh)						
Base	**$ 15.80**	$ 15.64	1%	**$ 15.65**	$ 15.26	3%
Non-base[(3)]	**5.56**	8.76	(37%)	**3.03**	5.45	(44%)
	21.36	24.40	(12%)	**18.68**	20.71	(10%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS						
Sustaining	**$ 0.4**	0.2	100%	**$ 1.2**	$ 0.3	300%
Service concession arrangements	**-**	1.7	(100%)	**-**	3.6	(100%)
	$ 0.4	1.9	(79%)	**$ 1.2**	$ 3.9	(69%)

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).
(3) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.



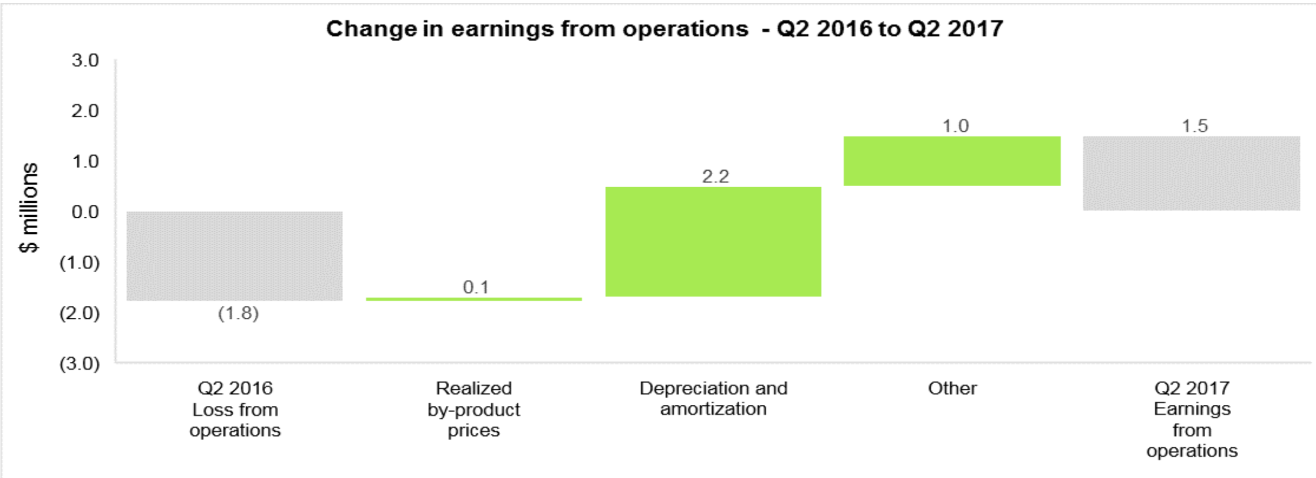


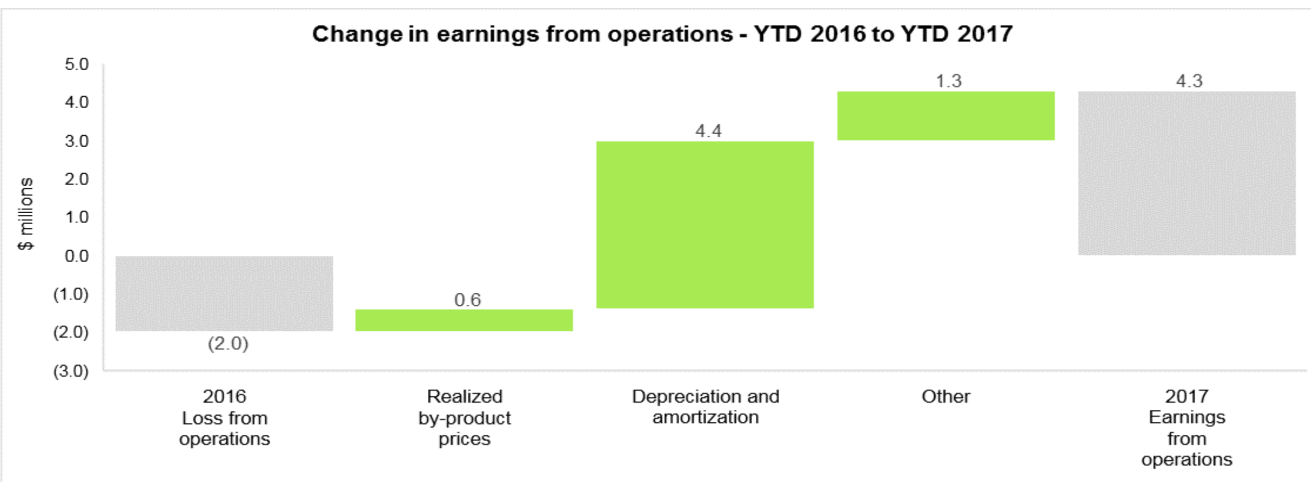
Power revenue is composed of the following:

$ millions (33 1/3% basis)		For the three months ended 2017 June 30		2016 June 30	Change		For the six months ended 2017 June 30		2016 June 30	Change
Electricity sales	**$**	**12.5**	$	12.3	2%	**$**	**24.7**	$	25.0	(1%)
By-products and other		**1.1**		0.9	22%		**2.3**		1.9	21%
Construction activity[1]		**-**		1.7	(100%)		**-**		3.6	(100%)
	$	**13.6**	$	14.9	(9%)	**$**	**27.0**	$	30.5	(11%)

(1) Value of construction, enhancement or upgrading activity of the Boca de Jaruco and Puerto Escondido facilities. The contractual arrangements related to the activities of these facilities are treated as service concession arrangements for accounting purposes. Construction activity revenue is offset equally by construction activity expenses recorded in cost of goods sold.

The change in earnings from operations is detailed below:





Production and sales volumes were slightly lower for the three and six months ended June 30, 2017 compared to the same periods in the prior year primarily as a result of lower gas supply. The change in average-realized price of electricity in the quarter and year-to-date periods was due to the change in the value of the Canadian dollar relative to the U.S. dollar.

Unit operating cost was lower in the three and six months ended June 30, 2017 compared to the same periods in the prior year primarily due to less maintenance activities in the current-year periods.

Depreciation was lower for the three and six months ended June 30, 2017 compared to the same periods in the prior year as a result of the extension of the Varadero contract term in December 2016 from 2018 to 2023.

Total capital spending was lower for the three and six months ended June 30, 2017 compared to the same periods in the prior year as there was no service concession spending in 2017.

Investment in Ambatovy

AMBATOVY JOINT VENTURE FUNDING AND SHAREHOLDERS AGREEMENT

Sherritt continues not to fund further cash calls due to the structure of the Ambatovy partner loans, which, at current nickel prices, effectively reduces Sherritt's 40% interest in Ambatovy to a 12% economic interest[(1)]. Sherritt continues to serve as operator. The outcome of ongoing partner discussions is not certain – for additional information see the *"Ambatovy Liquidity and Funding Risks"* and *"Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments"* in the Corporation's 2016 AIF.

In May, Sherritt reached an agreement in principle to reduce its interest in the Ambatovy Joint Venture from 40% to 12% to better reflect Sherritt's economic interest. The Ambatovy Joint Venture partners continue to work towards implementation of the Agreement in Principle, with closing expected to occur late in the third quarter or the fourth quarter this year.

Total post-financial completion cash funding provided by Sumitomo Corporation (Sumitomo) and Korea Resources Corporation (KORES) to June 30, 2017 is US$193.0 million, pursuant to total post-financial completion cash calls of US$321.7 million, with cash funding of US$20.0 million provided in June 2017. Sherritt's unfunded amounts remain payable.

By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through October 30, 2017.

(1) 70% of Sherritt's distributable cash flow from Ambatovy (after opex, capex and project debt service) goes to Partner Loan repayment, leaving Sherritt with 30%; 30% of Sherritt's 40% ownership = 12%.

NET INVESTMENT IN AMBATOVY

Management reviews its investment in Ambatovy (Net Investment) on a net basis as management believes this more accurately reflects its exposure to and potential returns from Ambatovy. The Corporation defines its Net Investment in Ambatovy as its Investment in Associate plus Ambatovy subordinated loans receivable less the Corporation's non-recourse Ambatovy Joint Venture Additional Partner Loans as reported in the financial statements. For additional information see the Non-GAAP measures section.

The Ambatovy Joint Venture additional partner loans were used to fund a portion of Sherritt's contributions to the Ambatovy Joint Venture. These loans are non-recourse to the Corporation. Interest and principal on these loans will be repaid solely through the Corporation's share of the distributions from the Ambatovy Joint Venture. The Corporation categorizes recourse and non-recourse debt differently because lenders of non-recourse debt do not have access to the Corporation's assets and repayment is solely from distributions of the Ambatovy Joint Venture, resulting in a significantly different debt to capital structure as shown in the table below.

The table below reconciles the Net Investment in Ambatovy to the consolidated statement of financial position:

Unaudited, Canadian $ millions, as at	2017 June 30	Investment in Associate	Ambatovy Subordinated Loan Receivable	Non-recourse Ambatovy JV Partner Loans	Adjusted 2017 June 30	Adjusted 2016 December 31[(1)]
ASSETS						
Current assets	$ 656.9	$ -	$ -	$ -	$ 656.9	$ 720.9
Non-current assets						
Advances, loans receivable and other financial assets	1,420.5	-	(842.7)	-	577.8	599.3
Investment in an associate	721.2	(721.2)	-	-	-	-
Net investment in Ambatovy	-	721.2	842.7	(1,377.4)	186.5	343.8
Other non-current assets	768.0	-	-	-	768.0	775.4
Total assets	$ 3,566.6	$ -	$ -	$ (1,377.4)	$ 2,189.2	$ 2,439.4
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	$ 192.1	$ -	$ -	$ -	$ 192.1	$ 226.0
Non-current liabilities						
Non-recourse loans and borrowings	1,377.4	-	-	(1,377.4)	-	-
Loans and borrowings	816.8	-	-	-	816.8	817.7
Other non-current liabilities	295.9	-	-	-	295.9	297.8
Total liabilities	2,682.2	-	-	(1,377.4)	1,304.8	1,341.5
Shareholders' equity	884.4	-	-	-	884.4	1,097.9
Total liabilities and shareholders' equity	$ 3,566.6	$ -	$ -	$ (1,377.4)	$ 2,189.2	$ 2,439.4
Total debt-to-capital [(2)]	73%				53%	48%

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

(2) Calculated as total debt divided by the sum of total debt and shareholders' equity.

Liquidity and capital resources

Total available liquidity at June 30, 2017 was $283.0 million which is composed of available cash, cash equivalents, short term investments and $8.8 million available on the syndicated revolving-term credit facility at June 30, 2017.

In April 2017, approximately $17 million of the syndicated revolving-term credit facility matured in accordance with the loan terms. Approximately $3 million of this credit facility matures in each of July 2017, October 2017 and January 2018.

CASH AND SHORT-TERM INVESTMENTS

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard & Poor's, except for institutions located in Madagascar and Cuba that are not rated.

$ millions, as at June 30, 2017	Cash	Cash equivalents and short-term investments	Total
Canada	$ 68.6	$ 160.1	$ 228.7
Cuba	38.7	-	38.7
Other	6.8	-	6.8
	$ 114.1	$ 160.1	$ 274.2
Sherritt's share of cash in the Moa Joint Venture and Ambatovy Joint Venture, not included in the above balances:			
Moa Joint Venture			$ 11.8
Ambatovy Joint Venture			17.1
			$ 28.9

SOURCES AND USES OF CASH

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

	For the three months ended			For the six months ended		
$ millions	**2017 June 30**	2016 June 30	Change	**2017 June 30**	2016 June 30	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	**$ 11.2**	$ 7.9	42%	**$ 25.2**	$ 10.5	140%
Power operating cash flow (excluding interest received on Energas CSA loan)	**7.9**	4.6	72%	**20.7**	5.5	276%
Fort Site operating cash flow	**(16.0)**	(14.0)	(14%)	**(7.6)**	(13.7)	45%
Interest received on the Moa Joint Venture loans	**0.7**	0.6	17%	**1.4**	1.3	8%
Interest received on Energas CSA loan	**-**	0.3	(100%)	**-**	0.3	(100%)
Interest paid on debentures	**(20.1)**	(20.5)	2%	**(30.0)**	(30.8)	3%
Corporate, Metals Other, and other operating cash flow	**(4.7)**	(5.3)	11%	**(14.1)**	(9.2)	(53%)
Cash provided by continuing operations	**(21.0)**	(26.4)	20%	**(4.4)**	(36.1)	88%
Cash used by discontinued operations(1)	**(0.7)**	(3.1)	77%	**(0.8)**	(6.0)	87%
	$ (21.7)	$ (29.5)	26%	**$ (5.2)**	$ (42.1)	88%
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible expenditures	**$ (6.1)**	$ (10.4)	41%	**$ (11.0)**	$ (16.8)	35%
Receipts of advances, loans receivable and other financial assets	**8.6**	0.5	1620%	**8.6**	0.9	856%
Repayment of other loans and borrowings	**(6.5)**	(17.8)	63%	**(27.0)**	(63.2)	57%
Issuance of common shares	**0.2**	-	-	**0.3**	-	-
Other	**(1.0)**	(0.1)	(900%)	**(1.1)**	(1.6)	31%
	$ (4.8)	$ (27.8)	83%	**$ (30.2)**	$ (80.7)	63%
	(26.5)	(57.3)	54%	**(35.4)**	(122.8)	71%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**300.7**	369.9	(19%)	**309.6**	435.4	(29%)
End of the period	**$ 274.2**	$ 312.6	(12%)	**$ 274.2**	$ 312.6	(12%)

(1) Cash used by discontinued operations relates to payments made in respect of a provision on Obed tailing pond breach retained by the Corporation following the sale of the Coal operations in 2014.

The following significant items affected the sources and uses of cash:

Cash from continuing operations was higher during the three and six months ended June 30, 2017 compared to the prior-year period:

- cash from operating activities at Oil and Gas was higher primarily due to improved collections of Cuban receivables and higher oil prices;
- no interest or principal was received on the Energas conditional sales agreement (CSA) in the year; however the Corporation received US$9.8 million from Energas in the second quarter of 2017 related to overdue receivable. A total of US$22.4 million of Energas overdue receivables, was received in the six months ended June 30, 2017;
- the change in cash from operating activities at Fort Site was primarily due to the timing of collections and realization of fertilizer sales; and
- cash used by Corporate, Metals Other and other operating activities were higher primarily due to timing of working capital payments.

Included in investing and financing activities:

- expenditures on property, plant and equipment and intangibles primarily related to Block 10. All other spending was limited to sustaining activities; and
- The Corporation repaid $6.5 million and $27.0 million in the three and six months ended June 30, 2017, respectively, on its syndicated revolving-term credit facility.
- The Corporation received $8.6 million from the Moa Joint Venture as repayment on its working capital facility in the second quarter

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Canadian $ millions, as at June 30, 2017	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	$ 148.4	$ 148.4	$ -	$ -	$ -	$ -	$ -
Income taxes payable	12.5	12.5	-	-	-	-	-
Senior unsecured debentures	1,088.2	56.0	56.0	56.0	56.0	267.2	597.0
Ambatovy Joint Venture Additional Partner loans (non-recourse)(1)	3,127.9	-	-	-	-	-	3,127.9
Ambatovy Joint Venture Partner loans(1)	154.6	-	-	-	-	-	154.6
Syndicated revolving-term credit facility	16.5	16.5	-	-	-	-	-
Provisions	145.9	13.4	2.2	-	-	-	130.3
Operating leases	15.5	2.9	3.0	3.0	2.0	1.0	3.6
Capital commitments	20.7	20.7	-	-	-	-	-
Other	0.8	-	-	-	-	0.8	-
Total	$ 4,731.0	$ 270.4	$ 61.2	$ 59.0	$ 58.0	$ 269.0	$ 4,013.4

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

Non-recourse Loans and Borrowings

$1.4 billion in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of funding requirements of the Joint Venture bearing interest of six-month LIBOR plus a margin of 7.0%. These loans are non-recourse to the Corporation. Interest and principal on these loans will be repaid solely through the Corporation's share of the distributions from the Ambatovy Joint Venture.

Syndicated revolving-term credit facility

In accordance with the revised terms of the syndicated revolving-term credit facility entered into on January 31, 2017, the maximum amount available at June 30, 2017 was $73.1 million. Approximately $3 million of this credit facility matures in each of July 2017, October 2017 and January 2018.

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $90.8 million, with no significant payments due in the next five years;
- Advances and loans payable of $209.0 million. Included within advances and loans payable is the loan related to the construction of the acid plant of $23.6 million; interest accrues at 10% per annum and is payable monthly. The acid plant loan is expected to be repaid in full by January 2019.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $241.2 million, with no significant payments due in the next five years;
- Other contractual commitments of $38.6 million;
- Ambatovy revolving credit facility of $27.0 million. The facility bears interest rates between 10.00% and 10.85% and matures on July 31, 2018; and
- The Ambatovy Joint Venture senior debt financing of US$640.4 million ($821.1 million) which is non-recourse to the Joint Venture partners. Interest is payable based on LIBOR plus a weighted-average margin of 2.5%. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. On an undiscounted basis, principal and interest repayments are $1.0 billion.

Covenants

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

As at June 30, 2017, there are no events of default on the Corporation's borrowings or debentures.

COMMON SHARES

As at July 26, 2017, the Corporation had 294,603,366 common shares outstanding. An additional 10,485,061 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan and 18,399,474 common shares are issuable on the exercise of warrants.

Managing risk

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

Accounting Pronouncements

There have been no new accounting pronouncements issued in the second quarter of 2017 that are expected to impact the Corporation. For a summary of accounting pronouncements issued but not yet effective, see the accounting pronouncements note in the Corporation's condensed consolidated financial statements for three and six months ended June 30, 2017.

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 September 30, 2015 to June 30, 2017.

$ millions, except per share amounts, for the three months ended	**2017 June 30**	2017 Mar 31	2016 Dec 31	2016 Sept 30	2016 June 30	2016 Mar 31	2015 Dec 31	2015 Sept 30
Revenue								
Metals	**$ 183.0**	$ 179.5	$ 195.6	$ 143.0	$ 160.5	$ 153.0	$ 183.8	$ 193.4
Oil and Gas	**34.1**	35.3	30.6	27.3	28.3	22.4	30.5	38.5
Power	**13.6**	13.4	13.7	14.4	14.9	15.6	13.7	14.5
Corporate and Other	**0.3**	(0.2)	0.4	(0.2)	0.4	0.3	1.5	0.1
Combined Revenue[1]	**$ 231.0**	$ 228.0	$ 240.3	$ 184.5	$ 204.1	$ 191.3	$ 229.5	$ 246.5
Adjust joint venture and associate revenue	**(154.2)**	(155.6)	(169.8)	(126.0)	(129.2)	(132.9)	(153.0)	(169.6)
Financial statement revenue	**$ 76.8**	$ 72.4	$ 70.5	$ 58.5	$ 74.9	$ 58.4	$ 76.5	$ 76.9
Share of loss of an associate, net of tax	**(64.2)**	(50.1)	(31.3)	(55.9)	(58.9)	(65.9)	(1,703.2)	(68.6)
Share of (loss) earnings of a joint venture, net of tax	**1.8**	1.1	(7.7)	(3.5)	(20.6)	(12.9)	(9.1)	(6.4)
Net loss from continuing operations	**(101.9)**	(72.6)	(109.6)	(120.8)	(103.6)	(47.8)	(1,757.3)	(210.0)
Earnings from discontinued operations, net of tax[2]	**-**	-	2.9	-	-	-	-	-
Net loss for the period	**$ (101.9)**	$ (72.6)	$ (106.7)	$ (120.8)	$ (103.6)	$ (47.8)	$ (1,757.3)	$ (210.0)
Net loss per share, basic and diluted ($ per share)								
Net loss from continuing operations	**$ (0.35)**	$ (0.25)	$ (0.37)	$ (0.41)	$ (0.35)	$ (0.16)	$ (5.99)	$ (0.72)
Net loss for the period	**(0.35)**	(0.25)	(0.36)	(0.41)	(0.35)	(0.16)	(5.99)	(0.72)

(1) For additional information see the Non-GAAP measures section.
(2) Amounts are insurance recoveries related to the Corporation's Coal operations which were sold in 2014.

In general, net loss or earnings for the Corporation are primarily affected by production and sales volumes, commodity prices, and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has ranged from $1.29 (Q2 2016) to $1.37 (Q1 2016) and period-end rates between $1.30 (Q1 2016) to $1.38 (Q4 2015).

In addition to the impact of commodity prices and sales volumes, the net losses in the eight quarters were impacted by the following significant items (pre-tax):

- The second quarter of 2017 includes a $4.4 million unrealized foreign exchange loss on net U.S. dollar denominated financial liabilities due to a weakening of the period-end Canadian dollar relative to the U.S. dollar compared to March 31, 2017;
- the first quarter of 2017 includes a $7.3 million unrealized foreign exchange gain;
- the fourth quarter of 2016 includes a $25.7 million unrealized foreign exchange loss;
- the third quarter of 2016 includes an impairment of $8.5 million recognized on oil assets. Net finance expense includes an unrealized foreign exchange loss of $12.8 million;
- the second quarter of 2016 includes a $12.6 million gain on repurchase of $30.0 million of debentures;
- the first quarter of 2016 includes unrealized foreign exchange gains of $76.0 million, due to the significant strengthening of the period-end Canadian dollar relative to the U.S. dollar compared to the December 31, 2015;
- the fourth quarter of 2015 includes an impairment of $1.6 billion recognized on Ambatovy Joint Venture assets and an unrealized foreign exchange loss of $18.3 million;

- the third quarter of 2015 includes an impairment of $80.6 million recognized on oil assets. Net finance expense includes a loss on financial instruments of $13.7 million related to the expiry of the Ambatovy call option and an unrealized foreign exchange loss of $10.2 million.

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts.

Transactions with related parties

The Corporation enters into transactions related to its investment in an associate and joint arrangements. For further detail, refer to Note 7, 8 and 19 of the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2017. Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

As at June 30, 2017, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2017, the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended June 30, 2017 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel - LME price per pound[(1)]	US$	1.00	$ 19	$ 0.06
Cobalt - Metal Bulletin price per pound[(1)]	US$	5.00	9	0.03
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	3	0.01
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	11	0.04
Operating costs[(1)]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(3)	(0.01)
Coal - per tonne (Ambatovy)	US$	20.00	(1)	-
Limestone - per tonne (Ambatovy)	US$	5.00	(1)	-

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

NON-GAAP MEASURES

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

Combined results

The Corporation presents combined revenue, combined cost of sales, combined administrative expenses, combined net finance expense, and combined income taxes (together, combined results) as measures which help management assess the Corporation's financial performance across its business units. The combined results include the Corporation's consolidated financial results, and the results of its 50% share of the Moa Joint Venture and its 40% share of the Ambatovy Joint Venture, both of which are accounted for using the equity method for accounting purposes. Management uses these measures to reflect the Corporation's economic interest in its business units prior to the application of equity accounting.

$ millions	2017 June 30	2016 June 30	Change	2017 June 30	2016 June 30	Change
	For the three months ended			For the six months ended		
Revenue by segment						
Metals	**$ 183.0**	$ 160.5	14%	**$ 362.5**	$ 313.5	16%
Oil and Gas	**34.1**	28.3	20%	**69.4**	50.7	37%
Power	**13.6**	14.9	(9%)	**27.0**	30.5	(11%)
Corporate and Other	**0.3**	0.4	(25%)	**0.1**	0.7	(86%)
Combined revenue	**231.0**	204.1	13%	**459.0**	395.4	16%
Adjust joint venture and associate	**(154.2)**	(129.2)		**(309.8)**	(262.1)	
Financial statement revenue	**76.8**	74.9	3%	**149.2**	133.3	12%

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations, associate and joint venture as reported in the financial statements for the period adjusted for depletion, depreciation and amortization; impairment charges for long lived assets, intangible assets, goodwill and investments; and gain or loss on disposal of property, plant and equipment of the Corporation, associate and joint venture. The exclusion of impairment charges eliminates the non-cash impact. The Corporation believes that Adjusted EBITDA provides useful information to investors in evaluating our operating results in the same manner as management and the board of directors.

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

$ millions, for the three months ended June 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	2017 Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ **(3.4)**	$ **(38.6)**	$ **0.4**	$ **(41.6)**	$ **8.9**	$ **1.5**	$ **(7.8)**	$ **(25.0)**	$ **(64.0)**
Add (deduct):									
Depletion, depreciation and amortization	**2.8**	**-**	**-**	**2.8**	**8.9**	**6.4**	**0.8**	**-**	**18.9**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**12.3**	**37.0**	**-**	**49.3**	**-**	**-**	**-**	**-**	**49.3**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24.8**	**24.8**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Adjusted EBITDA	$ **11.7**	$ **(1.6)**	$ **0.4**	$ **10.5**	$ **17.8**	$ **7.9**	$ **(7.0)**	$ **-**	$ **29.2**
Loss from operations, associate and joint venture									$ **(64.0)**
Net finance expense									**(34.6)**
Income tax expense									**(3.3)**
Net loss from continuing operations									$ **(101.9)**

$ millions, for the three months ended June 30									2016
	Metals							Adjustment for Joint	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (5.5)	$ (47.5)	$ -	$ (53.0)	$ (3.0)	$ (1.8)	$ (8.6)	$ (22.4)	$ (88.8)
Add (deduct):									
Depletion, depreciation and amortization	3.0	-	-	3.0	11.9	8.6	0.5	-	24.0
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	9.2	33.4	-	42.6	-	-	-	-	42.6
Net finance expense	-	-	-	-	-	-	-	13.7	13.7
Income tax recovery	-	-	-	-	-	-	-	8.7	8.7
Adjusted EBITDA	$ 6.7	$ (14.1)	$ -	$ (7.4)	$ 8.9	$ 6.8	$ (8.1)	$ -	$ 0.2

Loss from operations, associate and joint venture	$ (88.8)
Net finance expense	(12.9)
Income tax recovery (expenses	(1.9)
Net loss from continuing operations	$ (103.6)

$ millions, for the six months ended June 30									**2017**
	Metals							Adjustment for Joint	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements	**$ (1.4)**	**$ (67.6)**	**$ 0.7**	**$ (68.3)**	**$ 19.9**	**$ 4.3**	**$ (21.5)**	**$ (47.8)**	**$ (113.4)**
Add (deduct):									
Depletion, depreciation and amortization	**5.3**	**-**	**-**	**5.3**	**17.5**	**12.8**	**1.6**	**-**	**37.2**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**20.6**	**74.2**	**-**	**94.8**	**-**	**-**	**-**	**-**	**94.8**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46.9**	**46.9**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Adjusted EBITDA	**$ 24.5**	**$ 6.6**	**$ 0.7**	**$ 31.8**	**$ 37.4**	**$ 17.1**	**$ (19.9)**	**$ -**	**$ 66.4**

Loss from operations, associate and joint venture	$ **(113.4)**
Net finance expense	**(54.4)**
Income tax expense	**(6.7)**
Net loss from continuing operations	$ **(174.5)**

$ millions, for the six months ended June 30									2016
	Metals							Adjustment for Joint	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (16.8)	$ (97.4)	$ 0.3	$ (113.9)	$ (11.7)	$ (2.0)	$ (18.4)	$ (40.5)	$ (186.5)
Add (deduct):									
Depletion, depreciation and amortization	5.1	-	-	5.1	24.6	17.5	1.2	-	48.4
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	18.2	70.5	-	88.7	-	-	-	-	88.7
Net finance expense	-	-	-	-	-	-	-	32.8	32.8
Income tax recovery	-	-	-	-	-	-	-	7.7	7.7
Adjusted EBITDA	$ 6.5	$ (26.9)	$ 0.3	$ (20.1)	$ 12.9	$ 15.5	$ (17.2)	$ -	$ (8.9)

Loss from operations, associate and joint venture	$ (186.5)
Net finance expense	37.7
Income tax recovery	(2.6)
Net loss from continuing operations	$ (151.4)

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue and the metals marketing company. The average-realized price for oil and gas is based on net working-interest oil plus natural gas production stated in barrels of oil equivalent. Management uses this measure to better understand the price realized in each reporting period for nickel, cobalt, fertilizer, oil and gas, and power.

The tables below reconcile average-realized price to revenue as per the financial statements:

$ millions, except average-realized price and sales volume, for the three months ended June 30							**2017**
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 89.8**	**$ 53.3**	**$ 25.9**	**$ 14.0**	**$ 183.0**	**$ 34.1**	**$ 13.6**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(1.1)**
Processing revenue	**-**	**-**	**-**			**(0.9)**	**-**
Revenue for purposes of average-realized price calculation	**89.8**	**53.3**	**25.9**			**33.2**	**12.5**
Sales volume for the period	**15.7**	**1.6**	**68.2**			**0.8**	**220**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	**$ 5.70**	**$ 33.10**	**$ 380**			**$ 41.39**	**$ 57.02**

$ millions, except average-realized price and sales volume, for the three months ended June 30							2016
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 92.8	$ 24.6	$ 29.2	$ 13.9	$ 160.5	$ 28.3	$ 14.9
Adjustments to revenue:							
By-product revenue	-	-	-			-	(0.9)
Processing revenue	-	-	-			(1.0)	-
Service concession arrangement revenue	-	-	-			-	(1.7)
Revenue for purposes of average-realized price calculation	92.8	24.6	29.2			27.3	12.3
Sales volume for the period	18.4	1.8	73.7			1.0	227
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 5.07	$ 13.38	$ 396			$ 28.35	$ 54.51

$ millions, except average-realized price and sales volume, for the six months ended June 30							**2017**
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ **194.1**	$ **96.7**	$ **40.7**	$ **31.0**	$ **362.5**	$ **69.4**	$ **27.0**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(2.3)**
Processing revenue	**-**	**-**	**-**			**(2.0)**	**-**
Revenue for purposes of average-realized price calculation	**194.1**	**96.7**	**40.7**			**67.4**	**24.7**
Sales volume for the period	**32.6**	**3.3**	**118.1**			**1.6**	**437**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ **5.94**	$ **29.09**	$ **345**			$ **42.08**	$ **56.66**

$ millions, except average-realized price and sales volume, for the six months ended June 30							2016
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 191.1	$ 50.2	$ 44.2	$ 28.0	$ 313.5	$ 50.7	$ 30.5
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.9)
Processing revenue	-	-	-			(2.1)	-
Service concession arrangement revenue	-	-	-			-	(3.6)
Revenue for purposes of average-realized price calculation	191.1	50.2	44.2			48.6	25.0
Sales volume for the period	37.4	3.6	119.5			1.9	444
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 5.12	$ 13.93	$ 370			$ 25.32	$ 56.35

For purposes of average-realized price tables, above:

(1) Net working-interest oil production.

(2) Average-realized price may not calculate based on amounts presented due to foreign exchange and rounding.

(3) Power, average-realized price per MWh.

Unit operating cost

With the exception of Metals, which uses net direct cash cost, unit operating cost is generally calculated by dividing cost of sales as reported in the financial statements, less depreciation, depletion and amortization in cost of sales, the impact of impairment, gains and losses on property, plant, and equipment and exploration and evaluation assets and certain other non-production related costs by the number of units sold.

Unit operating costs for nickel, oil, and electricity are key measures that management uses to monitor performance. Management uses these statistics to assess how well the Corporation's producing mines, oil wells and power facilities are performing and to assess overall efficiency and effectiveness of the mining operations.

The Moa Joint Venture's and Ambatovy Joint Venture's net direct cash cost is calculated by dividing cost of sales, as reported in the financial statements, adjusted for the following: depreciation, depletion and amortization in cost of sales; cobalt by-product, fertilizer and other revenue; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, and expressed in U.S. dollars.

Average unit operating costs for oil and gas is based on gross working-interest oil plus natural gas production stated in barrels of oil equivalent.

The tables below reconcile unit operating cost to cost of sales per the financial statements:

$ millions, except unit cost and sales volume, for the three months ended June 30						**2017**
	Metals					
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**
Cost of sales per financial statements	**$ 104.5**	**$ 103.4**	**$ 11.1**	**$ 219.0**	**$ 23.5**	**$ 11.1**
Less:						
Depletion, depreciation and amortization in cost of sales	**(15.1)**	**(36.9)**	**-**	**(52.0)**	**(8.7)**	**(6.4)**
	89.4	**66.5**	**11.1**	**167.0**	**14.8**	**4.7**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(57.8)**	**(23.7)**			**-**	**-**
Impact of opening/closing inventory and other	**(4.8)**	**(5.5)**			**-**	**-**
Cost of sales for purposes of unit cost calculation	**26.8**	**37.3**			**14.8**	**4.7**
Sales volume for the period	**8.1**	**7.5**			**1.4**	**220**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 3.31**	**4.92**			**$ 10.67**	**$ 21.36**
Unit operating cost (U.S. dollars) (NDCC)	**$ 2.55**	**3.66**				

$ millions, except unit cost and sales volume, for the three months ended June 30						2016
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 92.9	$ 103.6	$ 10.2	$ 206.7	$ 28.1	$ 15.7
Less:						
Depletion, depreciation and amortization in cost of sales	(12.1)	(33.2)	-	(45.3)	(11.8)	(8.5)
	80.8	70.4	10.2	161.4	16.3	7.2
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(44.2)	(12.0)			-	-
Impact of opening/closing inventory and other	(2.7)	(0.6)			-	-
Service concession arrangements – Cost of construction	-	-			-	(1.7)
Cost of sales for purposes of unit cost calculation	33.9	57.8			16.3	5.5
Sales volume for the period	9.0	9.4			1.5	227
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	$ 3.78	6.17			$ 10.57	$ 24.40
Unit operating cost (U.S. dollars) (NDCC)	$ 2.94	5.12				

$ millions, except unit cost and sales volume, for the six months ended June 30						**2017**
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	**$ 191.1**	**$ 203.5**	**$ 24.8**	**$ 419.4**	**$ 45.5**	**$ 20.9**
Less:						
Depletion, depreciation and amortization in cost of sales	**(25.8)**	**(74.0)**	**-**	**(99.8)**	**(16.9)**	**(12.8)**
	165.3	**129.5**	**24.8**	**319.6**	**28.6**	**8.1**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(95.5)**	**(46.9)**			**-**	**-**
Impact of opening/closing inventory and other	**(6.3)**	**(1.7)**			**-**	**-**
Cost of sales for purposes of unit cost calculation	**63.5**	**80.9**			**28.6**	**8.1**
Sales volume for the period	**16.6**	**16.0**			**2.8**	**437**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 3.81**	**$ 5.04**			**$ 10.11**	**$ 18.68**
Unit operating cost (U.S. dollars) (NDCC)	**$ 2.86**	**$ 3.79**				

$ millions, except unit cost and sales volume, for the six ended June 30												2016
	Metals											
		Moa JV and Fort Site		Ambatovy JV		Other		Total		Oil and Gas		Power
Cost of sales per financial statements	$	178.5	$	213.9	$	20.9	$	413.3	$	56.8	$	30.3
Less:												
Depletion, depreciation and amortization in cost of sales		(23.2)		(70.2)		(0.1)		(93.5)		(24.5)		(17.4)
		155.3		143.7		20.8		319.8		32.3		12.9
Adjustments to cost of sales:												
Cobalt by-product, fertilizer and other revenue		(73.7)		(23.8)						-		-
Impact of opening/closing inventory and other		(5.8)		(1.2)						-		-
Service concession arrangements – Cost of construction		-		-						-		(3.6)
Cost of sales for purposes of unit cost calculation		75.8		118.7						32.3		9.3
Sales volume for the period		18.1		19.3						3.1		444
Volume units		Millions of pounds		Millions of pounds						Millions of barrels(1)		Gigawatts
Unit operating cost(2)(3)	$	4.19	$	6.16					$	10.46	$	20.71
Unit operating cost (U.S. dollars) (NDCC)	$	3.15	$	4.75								

For purposes of unit operating cost tables, above:

(1) Gross working-interest oil production.

(2) Unit operating costs may not calculate based on amounts presented due to rounding and foreign exchange.

(3) Power, unit operating cost per MWh.

Adjusted earnings from continuing operations

The Corporation defines adjusted earnings from continuing operations as earnings from continuing operations less items not reflective of operational performance. These adjusting items include, but are not limited to, the Ambatovy call option fair value adjustment, impairment of assets, gains and losses on the acquisition or disposition of assets, gains and losses on unrealized foreign exchange, and other one-time adjustments. While some adjustments are recurring (such as unrealized foreign exchange (gain) loss), management believes that they do not reflect the Corporation's operational performance or future operational performance. Management believes that these measures, which are used internally to monitor operational performance, provide investors the ability to better assess the Corporation's operations.

The table below reconciles adjusted earnings to net earnings (loss) from continuing operations per the financial statements:

		For the three months ended			For the six months ended		
		2017		2016	**2017**		2016
$ millions		**June 30**		June 30	**June 30**		June 30
Net loss from continuing operations	**$**	**(101.9)**	$	(103.6)	**$ (174.5)**	$	(151.4)
Adjusting items:							
Sherritt - Unrealized foreign exchange (gain) loss - Continuing		**4.4**		1.6	**(2.9)**		(74.4)
Corporate - Gain on repurchase of debentures		**-**		(12.6)	**-**		(12.6)
Ambatovy - VAT adjustment		**(2.9)**		(6.5)	**(6.2)**		(10.3)
Oil and Gas - Deferred consideration		**-**		(2.7)	**-**		(2.7)
Severance		**0.6**		-	**1.1**		-
Total adjustments, before tax	**$**	**2.1**	$	(20.2)	**$ (8.0)**	$	(100.0)
Moa joint venture deferred tax asset write-off		**-**		7.7	**-**		7.7
Adjusted net loss from continuing operations	**$**	**(99.8)**	$	(116.1)	**$ (182.5)**	$	(243.7)

Combined adjusted operating cash

The Corporation defines combined adjusted operating cash flow as cash provided (used) by continuing operations adjusted for dividends received from joint venture and associate and before net changes in non-cash working capital.

Combined adjusted operating cash flow is used by management to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Corporation.

The tables below reconcile combined adjusted operating cash to the consolidated statement of cash flow:

$ millions, except per share amounts, for the three months ended June 30 — **2017**

	Metals									
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ (6.6)**	**$ (12.1)**	**$ 3.6**	**$ (15.1)**	**$ 11.2**	**$ 7.9**	**$ (27.7)**	**$ (23.7)**	**$ 2.7**	**$ (21.0)**
Adjust: net change in non-cash working capital	**16.5**	**(6.5)**	**(2.2)**	**7.8**	**3.2**	**(0.2)**	**0.1**	**10.9**	**5.7**	**16.6**
Adjusted continuing operating cash flow	**9.9**	**(18.6)**	**1.4**	**(7.3)**	**14.4**	**7.7**	**(27.6)**	**(12.8)**	**8.4**	**(4.4)**

$ millions, except per share amounts, for the three months ended June 30 — 2016

	Metals									
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture Associate	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ (8.4)	$ (16.9)	$ 1.0	$ (24.3)	$ 7.9	$ 4.9	$ (26.1)	$ (37.6)	$ 11.2	$ (26.4)
Adjust: net change in non-cash working capital	13.6	(13.0)	(1.1)	(0.5)	1.5	0.6	0.2	1.8	20.7	22.5
Adjusted continuing operating cash flow	5.2	(29.9)	(0.1)	(24.8)	9.4	5.5	(25.9)	(35.8)	31.9	(3.9)

$ millions, for the six months ended June 30 — **2017**

	Metals									
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 8.2**	**$ (14.4)**	**$ 5.2**	**$ (1.0)**	**$ 25.2**	**$ 20.7**	**$ (47.9)**	**$ (3.0)**	**$ (1.4)**	**$ (4.4)**
Adjust: net change in non-cash working capital	**10.8**	**2.9**	**(3.3)**	**10.4**	**4.1**	**(4.1)**	**0.3**	**10.7**	**(4.5)**	**6.2**
Adjusted continuing operating cash flow	**19.0**	**(11.5)**	**1.9**	**9.4**	**29.3**	**16.6**	**(47.6)**	**7.7**	**(5.9)**	**1.8**

$ millions, for the six months ended June 30 — 2016

	Metals									
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture Associate	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ (11.4)	$ (22.4)	$ 5.2	$ (28.6)	$ 10.5	$ 5.8	$ (43.9)	$ (56.2)	$ 20.1	$ (36.1)
Adjust: net change in non-cash working capital	14.8	(20.5)	(5.0)	(10.7)	1.4	6.2	1.2	(1.9)	28.5	26.6
Adjusted continuing operating cash flow	3.4	(42.9)	0.2	(39.3)	11.9	12.0	(42.7)	(58.1)	48.6	(9.5)

Combined free cash flow

The Corporation defines combined free cash flow as cash flow provided (used) by continuing operations adjusted for dividends received from joint venture and associate less cash spending on property plant and equipment, exploration and evaluation, and intangible expenditures.

Management uses free cash flow as a non-GAAP measure to analyze cash flows generated from operations. Free cash flow should be viewed as a measure that provides supplemental information to the Corporation’s condensed consolidated statements of cash flow, as reconciled below.

$ millions, for the three months ended June 30										**2017**
	Metals								Adjustment for Joint Venture Associate	**Total derived from financial statements**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**		
Cash (used) provided by continuing operations	**$ (6.6)**	**$ (12.1)**	**$ 3.6**	**$ (15.1)**	**$ 11.2**	**$ 7.9**	**$ (27.7)**	**$ (23.7)**	**$ 2.7**	**$ (21.0)**
Less:										
Property, plant and equipment expenditures	**(8.0)**	**(2.7)**	**-**	**(10.7)**	**(3.2)**	**(0.4)**	**-**	**(14.3)**	**8.4**	**(5.9)**
Intangible Expenditures	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Free Cash Flow	**$ (14.6)**	**$ (14.8)**	**$ 3.6**	**$ (25.8)**	**$ 7.8**	**$ 7.5**	**$ (27.7)**	**(38.2)**	**$ 11.1**	**$ (27.1)**

$ millions, for the three months ended June 30										2016
	Metals								Adjustment for Joint Venture Associate	**Total derived from financial statements**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**		
Cash provided (used) by continuing operations	$ (8.4)	$ (16.9)	$ 1.0	$ (24.3)	$ 7.9	$ 4.9	$ (26.1)	$ (37.6)	$ 11.2	$ (26.4)
Less:										
Property, plant and equipment expenditures	(11.6)	(1.1)	-	(12.7)	(3.6)	(0.1)	-	(16.4)	7.3	(9.1)
Intangible expenditures	-	-	-	-	(1.3)	-	-	(1.3)	-	(1.3)
Free Cash Flow	$ (20.0)	$ (18.0)	$ 1.0	$ (37.0)	$ 3.0	$ 4.8	$ (26.1)	(55.3)	$ 18.5	$ (36.8)

$ millions, for the six months ended June 30										**2017**
	Metals								Adjustment for Joint Venture Associate	**Total derived from financial statements**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**		
Cash provided (used) by continuing operations	**$ 8.2**	**$ (14.4)**	**$ 5.2**	**$ (1.0)**	**$ 25.2**	**$ 20.7**	**$ (47.9)**	**$ (3.0)**	**$ (1.4)**	**$ (4.4)**
Less:										
Property, plant and equipment expenditures	**(10.2)**	**(6.7)**	**-**	**(16.9)**	**(4.8)**	**(1.2)**	**-**	**(22.9)**	**14.2**	**(8.7)**
Intangible Expenditures	**-**	**-**	**-**	**-**	**(2.3)**	**-**	**-**	**(2.3)**	**-**	**(2.3)**
Free Cash Flow	**$ (2.0)**	**$ (21.1)**	**$ 5.2**	**$ (17.9)**	**$ 18.1**	**$ 19.5**	**$ (47.9)**	**(28.2)**	**$ 12.8**	**$ (15.4)**

$ millions, for the six months ended June 30										2016
	Metals								Adjustment for Joint Venture Associate	**Total derived from financial statements**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**		
Cash (used) provided by continuing operations	$ (11.4)	$ (22.4)	$ 5.2	$ (28.6)	$ 10.5	$ 5.8	$ (43.9)	$ (56.2)	$ 20.1	$ (36.1)
Less:										
Property, plant and equipment expenditures	(19.2)	(1.1)	-	(20.3)	(8.0)	(0.2)	(0.1)	(28.6)	13.7	(14.9)
Intangible expenditures	-	-	-	-	(1.9)	-	-	(1.9)	-	(1.9)
Free Cash Flow	$ (30.6)	$ (23.5)	$ 5.2	$ (48.9)	$ 0.6	$ 5.6	$ (44.0)	(86.7)	$ 33.8	$ (52.9)

Net Investment in Ambatovy

The table below reconciles the Net Investment in Ambatovy to the consolidated statement of financial position at December 31, 2016.

Audited, Canadian $ millions, as at	**2016 December 31**	Investment in Associate	Ambatovy Subordinated Loan Receivable	Non-recourse Ambatovy JV Partner Loans	**Adjusted 2016 December 31**
ASSETS					
Current assets	$ 720.9	$ -	$ -	$ -	$ 720.9
Non-current assets					
Advances, loans receivable and other financial assets	1,542.7	-	(943.4)	-	599.3
Investment in an associate	767.9	(767.9)	-	-	-
Net investment in Ambatovy	-	767.9	943.4	(1,367.5)	343.8
Other non-current assets	775.4	-	-	-	775.4
Total assets	$ 3,806.9	$ -	$ -	$ (1,367.5)	$ 2,439.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	$ 226.0	$ -	$ -	$ -	$ 226.0
Non-current liabilities					
Non-recourse loans and borrowings	1,367.5	-	-	(1,367.5)	-
Loans and borrowings	817.7	-	-	-	817.7
Other non-current liabilities	297.8	-	-	-	297.8
Total liabilities	2,709.0	-	-	(1,367.5)	1,341.5
Shareholders' equity	1,097.9	-	-	-	1,097.9
Total liabilities and shareholders' equity	$ 3,806.9	$ -	$ -	$ (1,367.5)	$ 2,439.4
Total debt-to-capital (1)	69%				48%

(1) Calculated as total debt divided by the sum of total debt and shareholders' equity.

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", "potential", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the "Outlook" sections of this MD&A and certain expectations about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding the partnership structure and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. 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. These risks, uncertainties and other factors include, but are not limited to changes in the global price for nickel, cobalt, oil and gas or certain other commodities, share-price volatility, level of liquidity and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation's joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt's operations in Madagascar and Cuba; potential interruptions in transportation; uncertainty of gas supply for electrical generation; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks related to Sherritt's operations in Madagascar and Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; risks related to amounts owed to the Corporation by the Malagasy and Cuban governments; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding greenhouse gas emissions; maintaining the Corporation's social license to grow and operate; risks relating to community relations; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of Foreign Public Officials Act* or applicable local anti-corruption law; uncertainties in growth management; risks related to information technology systems; and certain corporate objectives, goals and plans for 2017; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this MD&A and in the Corporation's other documents filed with the Canadian securities authorities.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2017 and 2016

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Revenue	5	**$ 76.8**	$ 74.9	**$ 149.2**	$ 133.3
Cost of sales	6	**(67.7)**	(70.7)	**(126.5)**	(135.3)
Administrative expenses	6	**(10.7)**	(13.5)	**(24.7)**	(26.2)
Share of loss of an associate, net of tax	7	**(64.2)**	(58.9)	**(114.3)**	(124.8)
Share of earnings (loss) of a joint venture, net of tax	8	**1.8**	(20.6)	**2.9**	(33.5)
Loss from operations, associate and joint venture		**(64.0)**	(88.8)	**(113.4)**	(186.5)
Financing income	9	**15.1**	31.0	**33.2**	48.3
Financing expense	9	**(49.7)**	(43.9)	**(87.6)**	(10.6)
Net finance (expense) income		**(34.6)**	(12.9)	**(54.4)**	37.7
Loss before tax		**(98.6)**	(101.7)	**(167.8)**	(148.8)
Income tax expense	10	**(3.3)**	(1.9)	**(6.7)**	(2.6)
Net loss from continuing operations		**(101.9)**	(103.6)	**(174.5)**	(151.4)
Earnings from discontinued operations, net of tax		**-**	-	**-**	-
Net loss for the period		**$ (101.9)**	$ (103.6)	**$ (174.5)**	$ (151.4)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	16	**(22.0)**	5.3	**(40.3)**	(164.0)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial (losses) gains on pension plans, net of tax	16	**(0.5)**	0.3	**0.1**	0.1
Other comprehensive (loss) income		**(22.5)**	5.6	**(40.2)**	(163.9)
Total comprehensive loss		**$ (124.4)**	$ (98.0)	**$ (214.7)**	$ (315.3)
Net loss from continuing operations per common share, basic and diluted	11	**$ (0.35)**	$ (0.35)	**$ (0.59)**	$ (0.52)
Net loss per common share, basic and diluted	11	**$ (0.35)**	$ (0.35)	**$ (0.59)**	$ (0.52)

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	2017 June 30	2016 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	**$ 187.2**	$ 269.6
Short-term investments		**87.0**	40.0
Advances, loans receivable and other financial assets	13	**69.4**	83.5
Trade accounts receivable, net	12	**272.6**	285.8
Inventories		**35.9**	39.6
Prepaid expenses		**4.8**	2.4
		656.9	720.9
Non-current assets			
Advances, loans receivable and other financial assets	13	**1,420.5**	1,542.7
Other non-financial assets		**0.2**	0.4
Property, plant and equipment		**260.2**	286.4
Investment in an associate	7	**721.2**	767.9
Investment in a joint venture	8	**365.0**	336.8
Intangible assets		**141.7**	150.9
		2,908.8	3,085.1
Assets held for sale		**0.9**	0.9
Total assets		**$ 3,566.6**	$ 3,806.9
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other loans and borrowings	14	**$ 16.0**	$ 43.0
Trade accounts payable and accrued liabilities		**148.4**	148.3
Income taxes payable	10	**12.5**	4.4
Other financial liabilities	14	**3.3**	5.0
Deferred revenue		**3.8**	13.1
Provisions	15	**8.1**	12.2
		192.1	226.0
Non-current liabilities			
Non-recourse loans and borrowings	14	**1,377.4**	1,367.5
Other loans and borrowings	14	**816.8**	817.7
Other financial liabilities	14	**172.2**	163.0
Deferred revenue		**3.4**	3.5
Other non-financial liabilities		**0.4**	0.4
Provisions	15	**103.0**	102.4
Deferred income taxes	10	**16.9**	28.5
		2,490.1	2,483.0
Total liabilities		**2,682.2**	2,709.0
Shareholders' equity			
Capital stock	16	**2,776.3**	2,775.7
Deficit		**(2,896.0)**	(2,721.5)
Reserves	16	**235.3**	234.7
Accumulated other comprehensive income	16	**768.8**	809.0
		884.4	1,097.9
Total liabilities and shareholders' equity		**$ 3,566.6**	$ 3,806.9

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions	Note	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Operating activities					
Net loss from continuing operations		**$ (101.9)**	$ (103.6)	**$ (174.5)**	$ (151.4)
Add (deduct):					
Depletion, depreciation and amortization		**18.9**	24.0	**37.2**	48.4
Share of loss of an associate, net of tax	7	**64.2**	58.9	**114.3**	124.8
Share of (earnings) loss of a joint venture, net of tax	8	**(1.8)**	20.6	**(2.9)**	33.5
Net finance expense (income) (less accretion expense)	9	**34.4**	12.7	**54.0**	(38.1)
Income tax expense	10	**3.3**	1.9	**6.7**	2.6
Service concession arrangement		**-**	(1.6)	**-**	(3.6)
Net change in non-cash working capital	18	**(16.6)**	(22.5)	**(6.2)**	(26.7)
Interest received		**5.1**	1.5	**6.2**	2.7
Interest paid		**(20.1)**	(20.5)	**(30.0)**	(30.8)
Income tax paid		**(5.0)**	(1.7)	**(9.2)**	(4.0)
Liabilities settled for environmental rehabilitation provisions		**(0.3)**	(0.5)	**(0.7)**	(0.5)
Other operating items	18	**(1.2)**	4.4	**0.7**	7.0
Cash used by continuing operations		**(21.0)**	(26.4)	**(4.4)**	(36.1)
Cash used by discontinued operations	15	**(0.7)**	(3.1)	**(0.8)**	(6.0)
Cash used by operating activities		**(21.7)**	(29.5)	**(5.2)**	(42.1)
Investing activities					
Property, plant and equipment expenditures		**(5.9)**	(9.1)	**(8.7)**	(14.9)
Intangible asset expenditures		**(0.2)**	(1.3)	**(2.3)**	(1.9)
Receipts of advances, loans receivable and other financial assets		**8.6**	0.5	**8.6**	0.9
(Purchase of) proceeds from short-term investments		**(28.0)**	(86.8)	**(47.0)**	24.9
Cash (used) provided by continuing operations		**(25.5)**	(96.7)	**(49.4)**	9.0
Cash (used) provided by investing activities		**(25.5)**	(96.7)	**(49.4)**	9.0
Financing activities					
Repayment of other loans and borrowings	14	**(6.5)**	(17.8)	**(27.0)**	(63.2)
Issuance of common shares		**0.2**	-	**0.3**	-
Cash used by continuing operations		**(6.3)**	(17.8)	**(26.7)**	(63.2)
Cash used by financing activities		**(6.3)**	(17.8)	**(26.7)**	(63.2)
Effect of exchange rate changes on cash and cash equivalents		**(1.0)**	(0.1)	**(1.1)**	(1.6)
Decrease in cash and cash equivalents		**(54.5)**	(144.1)	**(82.4)**	(97.9)
Cash and cash equivalents at beginning of the period		**241.7**	276.8	**269.6**	230.6
Cash and cash equivalents at end of the period	12	**$ 187.2**	$ 132.7	**$ 187.2**	$ 132.7

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2015		**$ 2,775.3**	**$ (2,342.6)**	**$ 224.9**	**$ 899.5**	**$ 1,557.1**
Total comprehensive income (loss):						
Net loss for the period		-	(151.4)	-	-	(151.4)
Foreign currency translation differences on foreign operations		-	-	-	(164.0)	(164.0)
Actuarial gains on pension plans, net of tax		-	-	-	0.1	0.1
		-	(151.4)	-	(163.9)	(315.3)
Stock option plan expense		-	-	0.9	-	0.9
Balance as at June 30, 2016		**$ 2,775.3**	**$ (2,494.0)**	**$ 225.8**	**$ 735.6**	**$ 1,242.7**
Total comprehensive income (loss):						
Net loss for the period		-	(227.5)	-	-	(227.5)
Foreign currency translation differences on foreign operations		-	-	-	74.2	74.2
Actuarial losses on pension plans, net of tax		-	-	-	(0.8)	(0.8)
		-	(227.5)	-	73.4	(154.1)
Shares issued for:						
Warrants exercised		0.4	-	(0.2)	-	0.2
Stock option plan expense		-	-	0.9	-	0.9
Warrant issuance		-	-	8.2	-	8.2
Balance as at December 31, 2016		**$ 2,775.7**	**$ (2,721.5)**	**$ 234.7**	**$ 809.0**	**$ 1,097.9**
Total comprehensive income (loss):						
Net loss for the period		-	(174.5)	-	-	(174.5)
Foreign currency translation differences on foreign operations	16	-	-	-	(40.3)	(40.3)
Actuarial gains on pension plans, net of tax	16	-	-	-	0.1	0.1
		-	(174.5)	-	(40.2)	(214.7)
Shares issued for:						
Warrants exercised	16	0.5	-	(0.3)	-	0.2
Restricted stock plan (vested)	16	0.1	-	(0.1)	-	-
Stock option plan expense	16	-	-	1.0	-	1.0
Balance as at June 30, 2017		**$ 2,776.3**	**$ (2,896.0)**	**$ 235.3**	**$ 768.8**	**$ 884.4**

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

Notes to the condensed consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation ("Sherritt" or the "Corporation") is a world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba, and Madagascar. The Corporation 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 is domiciled in Ontario, Canada and its registered office is 181 Bay Street, Toronto, Ontario, M5J 2T3. These condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on July 26, 2017. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2016. The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2016.

4. ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements issued but not yet effective

IFRS 9 – Financial Instruments

The Corporation is currently evaluating the impact of this standard on its consolidated financial statements. The Corporation will adopt IFRS 9 for the annual period beginning January 1, 2018 and expects to apply the standard on a retrospective basis using certain available transitional provisions. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening balance of retained earnings will be recognized at the date of initial application. Management has made progress in its review of all financial instruments held and has performed cash flow and business model assessments on the Corporation's financial assets. The Corporation expects that cash equivalents and short-term investments will now be measured at fair value through other comprehensive loss and continues to evaluate the remaining financial assets.

IFRS 15 – Revenue from Contracts with Customers

The Corporation is currently evaluating the impact of this standard on its consolidated financial statements. The Corporation will adopt IFRS 15 for the annual period beginning January 1, 2018 and expects to apply the standard on a modified retrospective basis using certain practical expedients. Under this approach, the 2017 comparative period will not be restated and a cumulative transitional adjustment to the opening balance of retained earnings will be recognized at the date of initial application. Management has identified a potential impact to revenue recognition in the Power segment which is not expected to be material, the assessment of which is currently being finalized. No impact on the consolidated statements of cash flow is expected from adoption.

IFRS 16 – Leases

The Corporation is currently evaluating the impact of this standard on its consolidated financial statements. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Corporation does not expect to early adopt IFRS 16. Management expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

5. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended June 30	Metals: Moa JV and Fort Site[1]	Metals: Ambatovy JV[2]	Metals: Other[3]	Oil and Gas	Power	Corporate and Other[4]	Adjustments for Joint Venture and Associate[5]	2017 Total
Revenue	$ 103.0	$ 68.3	$ 11.7	$ 34.1	$ 13.6	$ 0.3	$ (154.2)	$ 76.8
Cost of sales	(104.5)	(103.4)	(11.1)	(23.5)	(11.1)	(1.0)	186.9	(67.7)
Administrative expenses	(1.9)	(3.5)	(0.2)	(1.7)	(1.0)	(7.1)	4.7	(10.7)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(64.2)	(64.2)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	-	1.8	1.8
(Loss) earnings from operations, associate and joint venture	(3.4)	(38.6)	0.4	8.9	1.5	(7.8)	(25.0)	(64.0)
Financing income								15.1
Financing expense								(49.7)
Net finance expense								(34.6)
Loss before tax								(98.6)
Income tax expense								(3.3)
Net loss from continuing operations								(101.9)
Earnings from discontinued operations, net of tax								-
Net loss for the period								(101.9)
Supplementary information								
Depletion, depreciation and amortization	$ 15.1	$ 37.0	$ -	$ 8.9	$ 6.4	$ 0.8	$ (49.3)	$ 18.9
Property, plant and equipment expenditures	8.0	2.7	-	3.2	0.4	-	(8.4)	5.9
Intangible asset expenditures	-	-	-	0.2	-	-	-	0.2
Canadian $ millions, as at June 30								2017
Non-current assets[6]	$ 707.8	$ 2,486.7	$ -	$ 101.9	$ 148.6	$ 5.7	$ (3,048.8)	$ 401.9
Total assets	930.2	2,811.2	95.7	1,189.8	545.0	447.1	(2,452.4)	3,566.6

Canadian $ millions, for the three months ended June 30	Metals: Moa JV and Fort Site[1]	Metals: Ambatovy JV[2]	Metals: Other[3]	Oil and Gas	Power	Corporate and Other[4]	Adjustments for Joint Venture and Associate[5]	2016 Total
Revenue	$ 89.5	$ 60.5	$ 10.5	$ 28.3	$ 14.9	$ 0.4	$ (129.2)	$ 74.9
Cost of sales	(92.9)	(103.6)	(10.2)	(28.1)	(15.7)	(1.2)	181.0	(70.7)
Administrative expenses	(2.1)	(4.4)	(0.3)	(3.2)	(1.0)	(7.8)	5.3	(13.5)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(58.9)	(58.9)
Share of loss of a joint venture, net of tax	-	-	-	-	-	-	(20.6)	(20.6)
Loss from operations, associate and joint venture	(5.5)	(47.5)	-	(3.0)	(1.8)	(8.6)	(22.4)	(88.8)
Financing income								31.0
Financing expense								(43.9)
Net finance expense								(12.9)
Loss before tax								(101.7)
Income tax expense								(1.9)
Net loss from continuing operations								(103.6)
Earnings from discontinued operations, net of tax								-
Net loss for the period								(103.6)
Supplementary information								
Depletion, depreciation and amortization	$ 12.2	$ 33.4	$ -	$ 11.9	$ 8.6	$ 0.5	$ (42.6)	$ 24.0
Property, plant and equipment expenditures	11.6	1.1	-	3.6	0.1	-	(7.3)	9.1
Intangible asset expenditures	-	-	-	1.3	-	-	-	1.3
Canadian $ millions, as at December 31								2016
Non-current assets[6]	$ 734.0	$ 2,620.8	$ -	$ 119.9	$ 165.1	$ 7.3	$ (3,209.8)	$ 437.3
Total assets	961.1	2,934.8	92.2	1,194.0	542.6	658.9	(2,576.7)	3,806.9

Canadian $ millions, for the six months ended June 30								**2017**
	Metals							
	Moa JV and Fort Site[(1)]	**Ambatovy JV[(2)]**	**Other[(3)]**	**Oil and Gas**	**Power**	**Corporate and Other[(4)]**	**Adjustments for Joint Venture and Associate[(5)]**	**Total**
Revenue	**$ 193.4**	**$ 143.1**	**$ 26.0**	**$ 69.4**	**$ 27.0**	**$ 0.1**	**$ (309.8)**	**$ 149.2**
Cost of sales	**(191.1)**	**(203.5)**	**(24.8)**	**(45.5)**	**(20.9)**	**(4.4)**	**363.7**	**(126.5)**
Administrative expenses	**(3.7)**	**(7.2)**	**(0.5)**	**(4.0)**	**(1.8)**	**(17.2)**	**9.7**	**(24.7)**
Share of loss of an associate, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(114.3)**	**(114.3)**
Share of earnings of a joint venture, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
(Loss) earnings from operations, associate and joint venture	**(1.4)**	**(67.6)**	**0.7**	**19.9**	**4.3**	**(21.5)**	**(47.8)**	**(113.4)**
Financing income								**33.2**
Financing expense								**(87.6)**
Net finance expense								**(54.4)**
Loss before tax								**(167.8)**
Income tax expense								**(6.7)**
Net loss from continuing operations								**(174.5)**
Earnings from discontinued operations, net of tax								**-**
Net loss for the period								**(174.5)**

Supplementary information								
Depletion, depreciation and amortization	**$ 25.9**	**$ 74.2**	**$ -**	**$ 17.5**	**$ 12.8**	**$ 1.6**	**$ (94.8)**	**$ 37.2**
Property, plant and equipment expenditures	**10.2**	**6.7**	**-**	**4.8**	**1.2**	**-**	**(14.2)**	**8.7**
Intangible asset expenditures	**-**	**-**	**-**	**2.3**	**-**	**-**	**-**	**2.3**

Canadian $ millions, as at June 30								**2017**
Non-current assets[(6)]	**$ 707.8**	**$ 2,486.7**	**$ -**	**$ 101.9**	**$ 148.6**	**$ 5.7**	**$ (3,048.8)**	**$ 401.9**
Total assets	**930.2**	**2,811.2**	**95.7**	**1,189.8**	**545.0**	**447.1**	**(2,452.4)**	**3,566.6**

Canadian $ millions, for the six months ended June 30								2016
	Metals							
	Moa JV and Fort Site[(1)]	Ambatovy JV[(2)]	Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue	$ 166.2	$ 125.6	$ 21.7	$ 50.7	$ 30.5	$ 0.7	$ (262.1)	$ 133.3
Cost of sales	(178.5)	(213.9)	(20.9)	(56.8)	(30.3)	(3.6)	368.7	(135.3)
Administrative expenses	(4.5)	(9.1)	(0.5)	(5.6)	(2.2)	(15.5)	11.2	(26.2)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(124.8)	(124.8)
Share of loss of a joint venture, net of tax	-	-	-	-	-	-	(33.5)	(33.5)
(Loss) earnings from operations, associate and joint venture	(16.8)	(97.4)	0.3	(11.7)	(2.0)	(18.4)	(40.5)	(186.5)
Financing income								48.3
Financing expense								(10.6)
Net finance income								37.7
Loss before tax								(148.8)
Income tax expense								(2.6)
Net loss from continuing operations								(151.4)
Earnings from discontinued operations, net of tax								-
Net loss for the period								(151.4)

Supplementary information								
Depletion, depreciation and amortization	$ 23.3	$ 70.5	$ -	$ 24.6	$ 17.5	$ 1.2	$ (88.7)	$ 48.4
Property, plant and equipment expenditures	19.2	1.1	-	8.0	0.2	0.1	(13.7)	14.9
Intangible asset expenditures	-	-	-	1.9	-	-	-	1.9

Canadian $ millions, as at December 31								2016
Non-current assets[(6)]	$ 734.0	$ 2,620.8	$ -	$ 119.9	$ 165.1	$ 7.3	$ (3,209.8)	$ 437.3
Total assets	961.1	2,934.8	92.2	1,194.0	542.6	658.9	(2,576.7)	3,806.9

(1) Included in the Moa JV and Fort Site segment are the operations of the Corporation's 50% interest in the Moa Joint Venture and its 100% interest in the utility and fertilizer operations in Fort Saskatchewan.

(2) Included in the Ambatovy JV segment are the operations of the Corporation's 40% interest in the Ambatovy Joint Venture.

(3) Included in the Metals Other segment are the operations of three wholly-owned subsidiaries of the Corporation established to buy, market and sell certain Ambatovy Joint Venture and Moa Joint Venture nickel and cobalt production.

(4) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business. Also included in the Corporate and Other segment are the operations of wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture.

(5) The Adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Ambatovy Joint Venture and Moa Joint Venture.

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

Revenue components

	For the three months ended		For the six months ended	
	2017	2016	**2017**	2016
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
	Total revenue(1)	Total revenue(1)	**Total revenue(1)**	Total revenue(1)
Nickel	**$ 8.7**	$ 9.6	**$ 20.2**	$ 19.7
Fertilizer	**18.1**	21.4	**28.5**	30.9
Oil and gas	**33.2**	27.2	**67.4**	48.5
Power generation	**12.5**	12.3	**24.7**	25.0
Other	**4.3**	4.4	**8.4**	9.2
	$ 76.8	$ 74.9	**$ 149.2**	$ 133.3

(1) Revenue excludes the revenue of equity-accounted investments.

6. EXPENSES

Cost of sales includes the following:

Canadian $ millions	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Employee costs	**$ 14.5**	$ 16.0	**$ 31.4**	$ 33.5
Stock-based compensation recovery	**(0.6)**	-	**(1.7)**	-
Depletion, depreciation and amortization	**18.1**	23.3	**35.4**	47.0
Raw materials and consumables	**11.7**	7.0	**20.7**	16.3
Repairs and maintenance	**14.6**	11.1	**23.8**	18.1
Shipment and treatment costs	**3.7**	4.1	**7.3**	8.3
Construction costs	**-**	1.6	**-**	3.6
Other	**5.7**	7.6	**9.6**	8.5
	$ 67.7	$ 70.7	**$ 126.5**	$ 135.3

Administrative expenses include the following:

Canadian $ millions	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Employee costs	**$ 7.8**	$ 8.7	**$ 15.4**	$ 15.8
Severance	**0.6**	0.6	**1.1**	1.3
Depreciation	**0.8**	0.7	**1.8**	1.4
Stock-based compensation (recovery) expense	**(1.3)**	1.7	**0.1**	3.5
Consulting services and audit fees	**1.0**	2.7	**2.8**	3.8
Other	**1.8**	(0.9)	**3.5**	0.4
	$ 10.7	$ 13.5	**$ 24.7**	$ 26.2

For consistency with the current period presentation, certain comparative amounts have been reclassified.

7. INVESTMENT IN AN ASSOCIATE

Deferral of principal repayment on Ambatovy Joint Venture financing

Total principal repayments were nil for the three and six months ended June 30, 2017 as a result of the deferral of principal repayment on Ambatovy Joint Venture financing in August 2016 (nil for the three and six months ended June 30, 2016). Total interest payments made to the lenders were US$30.9 million during the three and six months ended June 30, 2017 (US$28.0 million for the three and six months ended June 30, 2016).

Ambatovy Joint Venture funding and Shareholders Agreement

Total post-financial completion cash funding provided by Sumitomo and KORES was US$193.0 million, pursuant to total post-financial completion cash calls of US$321.7 million. Sherritt has not funded any portion of these cash calls, and continues not to fund. Sherritt's unfunded amounts remain payable. These amounts will be subtracted from future Ambatovy Joint Venture distributions, or may be set off against other amounts owed to Sherritt.

By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through October 30, 2017.

The Ambatovy Joint Venture partners continue to work towards implementation of the previously announced Agreement in Principle, with closing expected to occur in late Q3 or Q4 this year.

The following provides additional information relating to the Corporation's 40% interest in the Ambatovy Joint Venture on a 100% basis:

Statements of financial position

Canadian $ millions, 100% basis, as at		2017 June 30		2016 December 31
Assets				
Cash and cash equivalents	**$**	**42.7**	$	76.7
Other current assets		**25.6**		26.0
Trade accounts receivable, net		**108.1**		109.6
Inventories		**465.4**		415.5
Other non-current assets(1)		**172.2**		160.2
Property, plant and equipment		**6,214.2**		6,549.3
Total assets		**7,028.2**		7,337.3
Liabilities				
Trade accounts payable and accrued liabilities		**358.8**		321.0
Other taxes payable		**28.9**		21.7
Other current financial liabilities		**-**		0.1
Current portion of loans and borrowings:				
Ambatovy revolving credit facility(2)		**67.4**		50.5
Non-current portion of loans and borrowings:				
Ambatovy Joint Venture financing		**2,052.9**		2,118.7
Ambatovy subordinated loans payable(3)		**2,106.7**		2,358.5
Ambatovy subordinated loans payable - post-financial completion(4)		**271.8**		242.9
Environmental rehabilitation provisions		**153.3**		142.0
Other non-current liabilities(1)		**185.5**		162.2
Total liabilities		**5,225.3**		5,417.6
Net assets of Ambatovy Joint Venture	**$**	**1,802.9**	$	1,919.7
Proportion of Sherritt's ownership interest		**40%**		40%
Carrying value of investment in an associate	**$**	**721.2**	$	767.9

(1) As at June 30, 2017, the Ambatovy Joint Venture has recognized a financial asset of $167.0 million (December 31, 2016 - $154.9 million) relating to its right to receive outstanding shareholder funding from the Corporation (note 14). The Ambatovy Joint Venture has also recognized a financial liability relating to future distributions payable to the Corporation if and when the funding deficit is cured (note 13). This financial liability has not been included within the Ambatovy subordinated loans payable as the funding has not yet been provided by the Corporation.

(2) During the three months ended June 30, 2017, the maturity of the Ambatovy revolving credit facility was extended to July 31, 2018 and the maximum credit available increased by MGA 30.0 billion. The facility is a Malagasy Ariary (MGA) 156.0 billion ($67.4 million) revolving credit facility agreement with local financial institutions (December 31, 2016 – MGA 126.0 billion ($50.5 million)). The facility bears interest rates between 10.00% and 10.85% and is subordinated to the Ambatovy Joint Venture financing.

(3) During the six months ended June 30, 2017, US$200.0 million of the Ambatovy Joint Venture subordinated loans payable was converted to equity which, at the Corporation's 40% share, resulted in a US$80.0 million ($104.9 million) decrease in the Corporation's subordinated loans receivable. The Corporation has recorded its share of the related subordinated loans receivable within advances, loans receivable and other financial assets (note 13). There was no change to the Corporation's ownership interest as a result of the conversion.

(4) The subordinated loans payable – post-financial completion is comprised of the Ambatovy Joint Venture partner contributions from and including December 15, 2015, and accrues interest at a rate of LIBOR plus 8.0%. Repayments of principal and interest will not be made prior to certain conditions being satisfied.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Revenue	**$ 170.8**	$ 151.2	**$ 357.7**	$ 313.9
Cost of sales(1)	**(258.6)**	(259.0)	**(508.8)**	(534.8)
Administrative expenses	**(8.6)**	(11.0)	**(17.9)**	(22.7)
Loss from operations	**(96.4)**	(118.8)	**(169.0)**	(243.6)
Financing income	**-**	0.6	**-**	1.8
Financing expense(2)	**(80.4)**	(44.0)	**(149.4)**	(102.5)
Net finance expense	**(80.4)**	(43.4)	**(149.4)**	(100.7)
Loss before tax	**(176.8)**	(162.2)	**(318.4)**	(344.3)
Income tax expense	**(1.1)**	-	**(2.2)**	-
Net loss and comprehensive loss for the period	**$ (177.9)**	$ (162.2)	**$ (320.6)**	$ (344.3)
Proportion of Sherritt's ownership interest	**40%**	40%	**40%**	40%
Total	**(71.2)**	(64.9)	**(128.2)**	(137.7)
Intercompany elimination	**6.9**	6.0	**13.9**	12.9
Share of loss of an associate, net of tax	**$ (64.2)**	$ (58.9)	**$ (114.3)**	$ (124.8)

(1) Included in cost of sales for the three and six months ended June 30, 2017 is depreciation and amortization of $92.1 million and $185.0 million, respectively ($82.9 million and $175.4 million for the three and six months ended June 30, 2016, respectively).

(2) The Ambatovy Joint Venture has a value added tax (VAT) receivable of $31.3 million (December 31, 2016 - $23.7 million) from the government of Madagascar. The VAT receivable is net of a provision of $90.4 million (December 31, 2016 - $145.8 million) reflecting an assessment of the likelihood of receipt of these amounts. During the three and six months ended June 30, 2017, a gain on the partial reversal of this provision of $7.2 million and $15.5 million, respectively, was recognized in financing expense ($16.3 million and $25.8 million for the three and six months ended June 30, 2016, respectively).

8. JOINT ARRANGEMENTS

Investment in a joint venture

The following provides additional information relating to the Corporation's 50% interest in the Moa Joint Venture on a 100% basis:

Statements of financial position

Canadian $ millions, 100% basis, as at	**2017 June 30**	2016 December 31
Assets		
Cash and cash equivalents	**$ 23.5**	$ 13.9
Income taxes receivable	**1.2**	-
Other current assets	**8.4**	8.4
Trade accounts receivable, net	**85.1**	86.0
Inventories	**199.2**	193.2
Other non-current assets	**12.9**	13.3
Property, plant and equipment	**1,216.6**	1,274.3
Total assets	**1,546.9**	1,589.1
Liabilities		
Trade accounts payable and accrued liabilities	**65.9**	57.2
Income taxes payable	**1.3**	5.1
Other current financial liabilities(1)	**48.6**	57.1
Loans and borrowings(2)	**47.1**	48.3
Environmental rehabilitation provisions	**81.5**	77.6
Other non-current financial liabilities(3)	**455.1**	548.0
Deferred income taxes	**25.0**	26.1
Total liabilities	**724.5**	819.4
Net assets of Moa Joint Venture	**$ 822.4**	$ 769.7
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**411.2**	384.9
Intercompany capitalized interest elimination	**(46.2)**	(48.1)
Carrying value of investment in a joint venture	**$ 365.0**	$ 336.8

(1) Included in other current financial liabilities as at June 30, 2017 is a $48.3 million working capital facility with the Corporation (December 31, 2016 - $56.9 million) (note 13).

(2) Included in loans and borrowings as at June 30, 2017 is a $41.0 million loan for the construction of the Moa Joint Venture acid plant (December 31, 2016 - $48.3 million). The acid plant loan accrues interest at a rate of 10% per annum which is payable monthly.

(3) Included in other non-current financial liabilities as at June 30, 2017 is $437.6 million in expansion loans of which $218.8 million are with the Corporation (December 31, 2016 - $529.9 million, $264.9 million of which are with the Corporation) (note 13). During the three months ended June 30, 2017, interest was suspended for two years on the expansion loans, which resulted in an $80.0 million decrease of the expansion loans payable.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis		For the three months ended 2017 June 30		2016 June 30		For the six months ended 2017 June 30		2016 June 30
Revenue	**$**	**171.8**	$	137.4	**$**	**333.4**	$	273.0
Cost of sales[(1)]		**(166.8)**		(154.8)		**(320.3)**		(309.6)
Administrative expenses		**(2.5)**		(1.8)		**(5.0)**		(4.2)
Profit (loss) from operations		**2.5**		(19.2)		**8.1**		(40.8)
Financing income		**0.1**		-		**0.1**		0.1
Financing expense		**(2.1)**		(9.9)		**(15.0)**		(21.3)
Net finance expense		**(2.0)**		(9.9)		**(14.9)**		(21.2)
Earnings (loss) before tax		**0.5**		(29.1)		**(6.8)**		(62.0)
Income tax recovery (expense)[(2)]		**0.5**		(17.3)		**-**		(15.3)
Net earnings (loss) and comprehensive earnings (loss) of Moa Joint Venture	**$**	**1.0**	$	(46.4)	**$**	**(6.8)**	$	(77.3)
Proportion of Sherritt's ownership interest		**50%**		50%		**50%**		50%
Total		**0.5**		(23.2)		**(3.4)**		(38.7)
Intercompany elimination		**1.3**		2.6		**6.3**		5.2
Share of earnings (loss) of a joint venture, net of tax	**$**	**1.8**	$	(20.6)	**$**	**2.9**	$	(33.5)

(1) Included in cost of sales for the three and six months ended June 30, 2017 is depreciation and amortization of $24.6 million and $41.3 million, respectively (for the three and six months ended June 30, 2016 - $18.4 million and $36.4 million, respectively).

(2) Included in income tax recovery (expense) for the three and six months ended June 30, 2017 is an income tax expense of nil related to the derecognition of the deferred tax asset at Moa Nickel S.A. ($15.4 million for the three and six months ended June 30, 2016, respectively).

Joint operations

The following provides information relating to the Corporation's one-third interest in Energas S.A. (Energas) on a 33⅓% basis:

Canadian $ millions, 33⅓% basis, as at		2017 June 30		2016 December 31
Current assets[(1)]	$	**58.6**	$	49.6
Non-current assets		**135.9**		151.3
Current liabilities		**21.2**		27.0
Non-current liabilities		**92.2**		86.0
Net assets	$	**81.1**	$	87.9

(1) Included in current assets is $35.1 million of cash and cash equivalents (December 31, 2016 - $25.5 million).

Canadian $ millions, 33⅓% basis		For the three months ended 2017 June 30		2016 June 30		For the six months ended 2017 June 30		2016 June 30
Revenue	**$**	**13.6**	$	14.9	**$**	**27.0**	$	30.5
Expense		**(15.5)**		(15.0)		**(27.5)**		(35.2)
Net loss	**$**	**(1.9)**	$	(0.1)	**$**	**(0.5)**	$	(4.7)

9. NET FINANCE (EXPENSE) INCOME

Canadian $ millions	Note	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Revaluation on financial instruments		**$ -**	$ 2.7	**$ -**	$ 2.7
Interest income on cash, cash equivalents and short-term investments		**0.8**	0.5	**1.6**	1.2
Interest income on investments		**0.1**	0.2	**0.2**	0.3
Interest income on advances and loans receivable		**14.2**	15.0	**31.4**	31.5
Gain on repurchase of debentures		**-**	12.6	**-**	12.6
Total financing income		**15.1**	31.0	**33.2**	48.3
Interest expense and accretion on loans and borrowings		**(45.1)**	(40.9)	**(89.3)**	(83.3)
Unrealized foreign exchange (loss) gain		**(4.4)**	(1.6)	**2.9**	74.4
Realized foreign exchange gain (loss)	18	**0.4**	(0.5)	**0.5**	(0.2)
Other finance charges	18	**(0.4)**	(0.7)	**(1.3)**	(1.1)
Accretion expense on environmental rehabilitation provisions	15, 18	**(0.2)**	(0.2)	**(0.4)**	(0.4)
Total financing expense		**(49.7)**	(43.9)	**(87.6)**	(10.6)
Net finance (expense) income		**$ (34.6)**	$ (12.9)	**$ (54.4)**	$ 37.7

10. INCOME TAXES

Canadian $ millions	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Current income tax expense(1)	**$ 4.3**	$ 3.0	**$ 17.6**	$ 4.6
Deferred income tax recovery(1)	**(1.0)**	(1.1)	**(10.9)**	(2.0)
Income tax expense	**$ 3.3**	$ 1.9	**$ 6.7**	$ 2.6

(1) During the six months ended June 30, 2017, a deferred income tax liability of $8.4 million was reclassified to current income taxes payable as a result of certain tax payments due during the first quarter of 2018. These tax payments relate to taxes owed upon the relinquishment of the Varadero West oil field in November 2017 in the Oil and Gas segment. The reclassification resulted in a current income tax expense of nil and $8.4 million and a corresponding deferred income tax recovery of nil and $8.4 million during the three and six months ended June 30, 2017, respectively.

11. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Net loss from continuing operations	**$ (101.9)**	$ (103.6)	**$ (174.5)**	$ (151.4)
Earnings from discontinued operations, net of tax	**-**	-	**-**	-
Net loss - basic and diluted	**$ (101.9)**	$ (103.6)	**$ (174.5)**	$ (151.4)
Weighted-average number of common shares - basic and diluted(1)	**294.5**	293.9	**294.4**	293.9
Net loss from continuing operations per common share, basic and diluted	**$ (0.35)**	$ (0.35)	**$ (0.59)**	$ (0.52)
Earnings from discontinued operations per common share, basic and diluted	**$ -**	$ -	**$ -**	$ -
Net loss per common share, basic and diluted	**$ (0.35)**	$ (0.35)	**$ (0.59)**	$ (0.52)

(1) The determination of the weighted-average number of common shares - diluted excludes 10.7 million shares related to stock options and 18.4 million warrants that were anti-dilutive for the three and six months ended June 30, 2017 (9.6 million and nil, respectively, for the three and six months ended June 30, 2016).

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at		2017 June 30		2016 December 31
Cash equivalents	$	**73.1**	$	162.9
Cash held in banks		**113.1**		105.7
Restricted cash		**1.0**		1.0
	$	**187.2**	$	269.6

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Madagascar and Cuba that are not rated. The total cash held in Madagascan and Cuban bank deposit accounts was $4.0 million and $38.7 million, respectively, as at June 30, 2017 (December 31, 2016 – $3.8 million and $26.8 million, respectively).

As at June 30, 2017, $35.1 million of cash on the Corporation's consolidated statements of financial position was held by Energas (December 31, 2016 – $25.5 million). These funds are for use by the joint operation.

Fair value measurement

The following table presents financial instruments with carrying values different from their fair values(1):

Canadian $ millions, as at	Note	Hierarchy level		Carrying value (2017 June 30)		Fair value (2017 June 30)		Carrying value (2016 December 31)		Fair Value (2016 December 31)
Liabilities:										
8.00% senior unsecured debentures due 2021	14	1	$	**212.4**	$	**147.4**	$	211.8	$	162.8
7.50% senior unsecured debentures due 2023	14	1		**240.1**		**157.5**		239.5		181.3
7.875% senior unsecured debentures due 2025	14	1		**233.8**		**150.0**		233.1		177.5
Ambatovy Joint Venture additional partner loans(2)	14	2		**1,377.4**		**14.6**		1,367.5		77.7
Ambatovy Joint Venture partner loans(2)	14	2		**130.5**		**56.5**		133.3		66.3
Assets:										
Ambatovy subordinated loans receivable(3)	13	2		**842.7**		**909.3**		943.4		959.8
Energas conditional sales agreement(3)	13	2		**181.3**		**91.4**		168.6		101.3
Moa Joint Venture expansion loans receivable(3)	13	2		**218.8**		**218.8**		264.9		198.2

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

(2) The fair values of the Ambatovy Joint Venture partner loans and Ambatovy Joint Venture additional partner loans are calculated by discounting future cash flows using rates that are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

(3) The fair values of the Ambatovy subordinated loans receivable, Energas conditional sales agreement and Moa Joint Venture expansion loans receivable are calculated by discounting future cash flows using rates that are based on market rates adjusted for the entity's credit quality.

The following table presents financial assets, measured at fair value through profit or loss on a recurring basis:

Canadian $ millions, as at	Hierarchy level		2017 June 30		2016 December 31
Cash equivalents	1	$	**73.1**	$	162.9
Short-term investments	1		**87.0**		40.0
Restricted cash	1		**1.0**		1.0

Trade accounts receivable, net

Canadian $ millions, as at	2017 June 30	2016 December 31
Trade accounts receivable	$ 203.6	$ 211.4
Allowance for doubtful accounts	(11.8)	(11.0)
Accounts receivable from joint operations	0.2	0.4
Accounts receivable from joint venture	14.5	11.4
Accounts receivable from associate	32.9	33.9
Other	33.2	39.7
	$ 272.6	$ 285.8

Aging of receivables not impaired

Canadian $ millions, as at	2017 June 30	2016 December 31
Not past due	$ 232.9	$ 227.7
Past due no more than 30 days	13.1	25.2
Past due for more than 30 days but no more than 60 days	6.7	6.3
Past due for more than 60 days	19.9	26.6
	$ 272.6	$ 285.8

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	2017 June 30	2016 December 31
Advances and loans receivable		
Ambatovy subordinated loans receivable(1)(2)	$ 842.7	$ 943.4
Energas conditional sales agreement(1)	199.4	192.4
Moa Joint Venture expansion loans receivable(1)(3)	218.8	264.9
Moa Joint Venture working capital facility(4)	48.3	56.9
Other	10.8	10.8
Other financial assets(5)	169.9	157.8
	1,489.9	1,626.2
Current portion of advances, loans receivable and other financial assets	(69.4)	(83.5)
	$ 1,420.5	$ 1,542.7

(1) As at June 30, 2017, the non-current portions of the Ambatovy subordinated loans receivable, Energas conditional sales agreement and the Moa Joint Venture expansion loans receivable are $842.7 million, $181.3 million and $218.8 million, respectively (December 31, 2016 – $943.4 million, $168.6 million and $264.9 million, respectively).

(2) During the six months ended June 30, 2017, the Ambatovy Joint Venture converted US$200.0 million of its subordinated loans payable to equity (note 7) which, at the Corporation's 40% share, resulted in a US$80.0 million ($104.9 million) decrease in the Corporation's subordinated loans receivable. There was no change to the Corporation's ownership interest as a result of the conversion.

(3) During the three months ended June 30, 2017, interest was suspended for two years on the expansion loans which, at the Corporation's 50% share, resulted in a $40.0 million decrease of the Corporation's expansion loans receivable.

(4) On January 31, 2017, the working capital facility was renewed with a maximum credit available of $65.0 million, of which $13.7 million matured on April 21, 2017. Thereafter, the maximum amount available decreased by 4.167% quarterly beginning April 28, 2017. Collectively, these reductions in available credit will result in outstanding credit of $38.6 million at January 30, 2018. The interest rates increased from prime plus 2.50% or bankers' acceptance plus 3.50% to prime plus 3.50% or bankers' acceptance plus 4.50%.

(5) As at June 30, 2017, included in other financial assets is $167.0 million (December 31, 2016 - $154.9 million) which relates to the Corporation's right to receive future distributions from the Ambatovy Joint Venture (note 14). This non-current financial asset has not been included within Ambatovy subordinated loans receivable as the funding has not yet been provided by the Corporation (note 7).

14. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

		For the six months ended June 30, 2017				
			Cash flows	Non-cash changes		
Canadian $ millions	Note	As at 2017 June 30	Repayments	Effect of movement in exchange rates	Other[2]	As at 2016 December 31
Non-recourse loans and borrowings						
Ambatovy Joint Venture additional partner loans[1]	12	**$ 1,377.4**	**$ -**	**$ (47.3)**	**$ 57.2**	$ 1,367.5
Other loans and borrowings						
8.00% senior unsecured debentures due 2021	12	**$ 212.4**	**$ -**	**$ -**	**$ 0.6**	$ 211.8
7.50% senior unsecured debentures due 2023	12	**240.1**	**-**	**-**	**0.6**	239.5
7.875% senior unsecured debentures due 2025	12	**233.8**	**-**	**-**	**0.7**	233.1
Ambatovy Joint Venture partner loans[1]	12	**130.5**	**-**	**(4.5)**	**1.7**	133.3
Syndicated revolving-term credit facility		**16.0**	**(27.0)**	**-**	**-**	43.0
		$ 832.8	**$ (27.0)**	**$ (4.5)**	**$ 3.6**	$ 860.7
Current portion of other loans and borrowings		**(16.0)**				(43.0)
		$ 816.8				$ 817.7

(1) Accrued and unpaid interest on these loans is capitalized to the loan balance every six months.

(2) Other non-cash changes are composed of capitalized interest and amortization of deferred financing costs.

Syndicated revolving-term credit facility

On January 31, 2017, the syndicated revolving-term credit facility was renewed with a maximum credit available of $90.0 million, of which $13.7 million matured on April 21, 2017. Thereafter, the maximum amount available decreased by 4.167% quarterly beginning April 28, 2017. Collectively, these reductions in available credit will result in outstanding credit of $63.6 million at January 30, 2018. The interest rates increased from prime plus 2.50% or bankers' acceptance plus 3.50% to prime plus 3.50% or bankers' acceptance plus 4.50%. The facility is subject to the following financial covenants and restrictions:

- Net financial debt-to-EBITDA covenant of 4.5:1, increasing to 4.75:1 by maturity;
- EBITDA-to-interest expense covenant of not less than 1.75:1; and
- Limits on capital expenditures, funding of the Ambatovy Joint Venture and Moa Joint Venture, and maintenance of a minimum balance of $180.0 million of cash and cash equivalents and short-term investments held by the Corporation's wholly-owned subsidiaries.

Covenants

As at June 30, 2017, there are no events of default on the Corporation's borrowings or debentures.

Other financial liabilities

Canadian $ millions, as at	2017 June 30	2016 December 31
Other non-current financial liabilities[1]	**$ 167.8**	$ 155.7
Stock-based compensation liability	**7.7**	12.3
	175.5	168.0
Current portion of other financial liabilities	**(3.3)**	(5.0)
	$ 172.2	$ 163.0

(1) Included in other non-current financial liabilities is $167.0 million (December 31, 2016 - $154.9 million) related to the Corporation's obligation for outstanding shareholder funding to the Ambatovy Joint Venture. This obligation represents cash calls that were not funded since financial completion (note 7). The Corporation has also recognized a financial asset relating to its right to future distributions from the Ambatovy Joint Venture if and when this financial obligation is cured (note 13).

15. PROVISIONS

Canadian $ millions, as at		2017 June 30		2016 December 31
Environmental rehabilitation provisions	**$**	**105.6**	$	103.2
Other provisions		**5.5**		11.4
		111.1		114.6
Current portion of provisions		**(8.1)**		(12.2)
	$	**103.0**	$	102.4

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note		For the six months ended 2017 June 30		For the year ended 2016 December 31
Balance, beginning of the period		**$**	**103.2**	$	107.8
Change in estimates			**-**		(0.6)
Utilized during the period			**(0.7)**		(1.3)
Accretion	9		**0.4**		1.0
Effect of movement in exchange rates			**2.7**		(3.7)
Balance, end of the period		**$**	**105.6**	$	103.2

The following is a reconciliation of other provisions:

Canadian $ millions		For the six months ended 2017 June 30		For the year ended 2016 December 31
Balance, beginning of the period	**$**	**11.4**	$	18.8
Reclassified to trade accounts payable and accrued liabilities		**(5.1)**		-
Utilized during the period		**(0.8)**		(7.4)
Balance, end of the period	**$**	**5.5**	$	11.4

For the three and six months ended June 30, 2017, the Corporation has recognized $0.7 million and $0.8 million in cash used by discontinued operations in the condensed consolidated statements of cash flow, respectively ($3.1 million and $6.0 million for the three and six months ended June 30, 2016, respectively). Cash used by discontinued operations relates to cash paid to settle the obligations relating to the Obed breach retained by the Corporation after the disposition of the Coal operations in 2014.

In June 2017, provincial and federal fines related to the Obed breach were formalized by the Court in Alberta in the amount of $5.1 million. These fines were previously accrued for within provisions and have been reclassified to trade accounts payable and accrued liabilities in the period. Payment of these fines was made in July 2017. The Corporation has one federal fine related to the discontinued operations which has not been formalized.

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 six months ended 2017 June 30		For the year ended 2016 December 31
	Number	**Capital stock**	Number	Capital stock
Balance, beginning of the period	**294,174,923**	**$ 2,775.7**	293,853,001	$ 2,775.3
Restricted stock plan (vested)	**27,000**	**0.1**	-	-
Warrants exercised	**401,443**	**0.5**	321,922	0.4
Balance, end of the period	**294,603,366**	**$ 2,776.3**	294,174,923	$ 2,775.7

Reserves

Canadian $ millions	For the six months ended 2017 June 30	For the year ended 2016 December 31
Stated capital reserve		
Balance, beginning of the period	**$ 225.8**	$ 217.8
Warrant issuance	**-**	8.2
Warrants exercised	**(0.3)**	(0.2)
Balance, end of the period	**$ 225.5**	$ 225.8
Stock-based compensation reserve		
Balance, beginning of the period	**$ 8.9**	$ 7.1
Restricted stock plan (vested)	**(0.1)**	-
Stock option plan expense	**1.0**	1.8
Balance, end of the period	**9.8**	8.9
Total reserves, end of the period	**$ 235.3**	$ 234.7

Accumulated other comprehensive income

Canadian $ millions	For the six months ended 2017 June 30	For the year ended 2016 December 31
Foreign currency translation reserve		
Balance, beginning of the period	**$ 813.2**	$ 903.0
Foreign currency translation differences on foreign operations	**(40.3)**	(89.8)
Balance, end of the period	**772.9**	813.2
Actuarial gains (losses) on pension plans		
Balance, beginning of the period	**$ (4.2)**	$ (3.5)
Actuarial gains (losses) on pension plans, net of tax	**0.1**	(0.7)
Balance, end of the period	**(4.1)**	(4.2)
Total accumulated other comprehensive income	**$ 768.8**	$ 809.0

17. STOCK-BASED COMPENSATION PLANS

Restricted Share Units (RSUs)

In the first quarter of 2016, the Corporation's Board of Directors approved a one-time grant of 8,448,555 performance-based RSUs with net direct cash cost (NDCC) performance conditions. On May 3, 2017, all 8,448,555 units were cancelled.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Other operating items

Canadian $ millions	Note	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9, 15	**$ 0.2**	$ 0.2	**$ 0.4**	$ 0.4
Stock-based compensation (recovery) expense	6	**(4.0)**	1.7	**(2.3)**	3.5
Other items		**2.6**	3.7	**3.4**	4.4
Cash flow arising from changes in:					
Other finance charges	9	**(0.4)**	(0.7)	**(1.3)**	(1.1)
Realized foreign exchange gain (loss)	9	**0.4**	(0.5)	**0.5**	(0.2)
		$ (1.2)	$ 4.4	**$ 0.7**	$ 7.0

Net change in non-cash working capital

Canadian $ millions	For the three months ended 2017 June 30	2016 June 30	For the six months ended 2017 June 30	2016 June 30
Trade accounts receivable, net	**$ 5.0**	$ (4.1)	**$ 7.1**	$ (8.5)
Inventories	**3.7**	6.7	**2.5**	2.9
Prepaid expenses	**(2.7)**	(0.2)	**(2.4)**	2.2
Trade accounts payable and accrued liabilities	**0.9**	(0.5)	**(3.8)**	(5.3)
Deferred revenue	**(23.5)**	(24.4)	**(9.6)**	(18.0)
	$ (16.6)	$ (22.5)	**$ (6.2)**	$ (26.7)

19. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its investment in an associate (note 7) and joint arrangements (note 8). Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

20. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30	2017
Property, plant and equipment commitments	**$ 20.7**
Joint venture:	
Property, plant and equipment commitments	**3.6**

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