Q2

2018 SECOND QUARTER REPORT

Sherritt International Corporation

For the three and six months ended June 30, 2018

For immediate release

Sherritt Reports Second Quarter 2018 Results

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Toronto, Ontario – July 31, 2018 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three- and six-month periods ended June 30, 2018. All amounts are in Canadian currency unless noted.

CEO COMMENTARY

"The effects of rising commodity prices and improved production at our Moa Joint Venture combined to produce our strongest quarterly financial results since Q1 2013," said David Pathe, President and CEO of Sherritt International.

"Although commodity prices are expected to remain volatile in the near term due to the slower summer customer buying period and to speculation about the impact of tariffs on international trade, our prospects over the longer term are strong. With favorable supply-demand trends emerging as a result of the expected growth of the electric vehicle battery market, we are particularly encouraged by the positive outlook for nickel and cobalt prices."

Q2 2018 HIGHLIGHTS

- Adjusted EBITDA was $49.5 million, up 70% from $29.2 million in Q2 2017. Growth was largely due to higher realized nickel and cobalt prices, offsetting the impact of lower oil production due to the expiration of a production sharing contract at Varadero West.
- Sherritt's share of finished nickel production at the Moa Joint Venture ("Moa JV") was 3,749 tonnes while finished cobalt was 388 tonnes. Q2's production totals, which are consistent with Sherritt's historical performance, indicate that the production challenges experienced in Q1 2018 that limited the availability of mixed sulphides due to the highest level of rainfall at Moa in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta have been resolved.
- Net direct cash cost (NDCC)(1) at the Moa JV was US$1.68 per pound of finished nickel sold, marking the lowest unit operating cost since Q3 2004. Q2's NDCC represents the fifth consecutive quarter that the Moa JV is in the lowest cost quartile relative to other nickel producers based on annualized information tracked by Wood Mackenzie.
- Average-reference prices for nickel improved 57% from last year to US$6.56/lb while average-reference prices for cobalt increased 66% to US$42.93/lb.
- Received $9 million from the Moa JV as a final repayment on a $45 million working capital facility provided by Sherritt. This working capital facility is now fully repaid and future available free cash flow from the Moa JV is expected in the form of dividends commencing in Q3 2018
- Sherritt reduced its long-term debt to $730.5 million based on the book value of outstanding debt by purchasing for cancellation $10.7 million of outstanding debentures in Q2 2018. Combined with the results of its modified Dutch auction tender offer completed in Q1, Sherritt has eliminated $131.9 million of indebtedness in 2018 and approximately $2 billion since 2014.
- Sherritt ended the quarter with $197.2 million in cash, cash equivalents and short-term investments, down from $237.3 million at March 31, 2018. The decrease was due to a number of factors, including the timing of fertilizer receipts and the timing of interest payments on debentures. In addition, Sherritt purchased $10.7 million of the Corporation's debentures for cancellation during Q2 2018.
- Net earnings for Q2 2018 totaled $2.8 million or $0.01 on a per share basis. In Q2 2017, Sherritt incurred a net loss of $101.9 million or $0.35 per share
- Announced the successful completion of a pilot-scale test of a proprietary process to upgrade Alberta bitumen at a lower cost. The pilot-scale test was based on Sherritt's 60 years of experience developing hydrometallurgical processes and use of autoclaves.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- Resumed drilling on the Block 10 concession through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated when the Corporation reports its Q3 2018 results. Capital to complete the drilling is expected to be approximately US$14 million.

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

Q2 2018 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended **2018 June 30**	2017 June 30	Change		For the six months ended **2018 June 30**		2017 June 30	Change
Revenue	**46.5**	76.8	(39%)	**$**	**85.9**	$	149.2	(42%)
Combined Revenue[(1)]	**201.1**	231.0	(13%)		**348.0**		459.0	(24%)
Net earnings (loss) for the period	**2.8**	(101.9)	103%		**2.2**		(174.5)	101%
Adjusted EBITDA[(1)]	**49.5**	29.2	70%		**85.9**		66.4	29%
Cash provided (used) by continuing operations	**(30.4)**	(21.0)	(45%)		**(19.3)**		(4.4)	(339%)
Combined free cash flow [(1)]	**(16.5)**	(38.2)	57%		**(10.4)**		(28.2)	63%
Net earnings (loss) from continuing operations per share	**0.01**	(0.35)	103%		**0.01**		(0.59)	102%

(1) For additional information, see the Non-GAAP measures section of this release.
(2) The amounts for the periods ended June 30, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 4 in the condensed consolidated financial statements for March 31, 2018 for more information.

$ millions, except as otherwise noted, as at		**2018 June 30**		2017 December 31	Change
Cash, cash equivalents and short term investments	**$**	**197.2**	$	203.0	(3%)
Loans and borrowings		**694.8**		824.1	(16%)

In Q2 2018, Sherritt used $30.4 million in cash flow from operations largely as a result of non-cash working capital changes totaling approximately $33 million related to the deliveries of fertilizer product pre-purchased in previous quarters. The impact of the negative working capital changes was partially offset by positive cash flow from operations of $10.5 million from the Oil and Gas division and $8.1 million from the Power division.

Cash, cash equivalents and short-term investments at June 30, 2018 were $197.2 million, down from $237.3 million at March 31, 2018. The decrease was due to a number of items, including the purchase for cancellation of $10.7 million of outstanding debentures, the timing of interest payments totaling approximately $15.8 million related to outstanding debentures, and working capital changes related to fertilizer sales from the Fort Site.

Cuban overdue scheduled receivables at June 30 totaled US$136.9 million, up from US$126.7 million at March 31, 2018. In Q2 Sherritt received US$25.2 million of Cuban energy payments. Sherritt has experienced variability in its Cuban receivables over the years but has not incurred any losses related to any scheduled Cuban receivables.

Adjusted earnings (loss) from continuing operations(1)

For the three months ended June 30	**2018** $ millions	**$/share**	2017 $ millions	$/share
Net earnings (loss) from continuing operations	2.8	0.01	(101.9)	(0.35)
Adjusting items, net of tax:				
Unrealized foreign exchange gain (loss)	(11.0)	(0.03)	4.4	0.01
Other	(0.5)	-	(2.3)	(0.01)
Adjusted net earnings (loss) from continuing operations	(8.7)	(0.02)	(99.8)	(0.34)

For the six months ended June 30	**2017** $ millions	**$/share**	2016 $ millions	$/share
Net earnings (loss) from continuing operations	2.2	0.01	(174.5)	(0.59)
Adjusting items, net of tax:				
Unrealized foreign exchange (gain) loss	(18.7)	(0.05)	(2.9)	(0.01)
Other	(7.0)	(0.02)	(5.1)	(0.02)
Adjusted net earnings (loss) from continuing operations	(23.5)	(0.06)	(182.5)	(0.62)

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

Sherritt generated net earnings from continuing operations of $2.8 million, or $0.01 per share outstanding, in Q2 2018. These compare to a net loss from operations of $101.9 million, or $0.35 per share, in Q2 2017.

On an adjusted basis, Sherritt incurred a net loss from operations of $8.7 million, or $0.01 per share outstanding, in Q2 2018 after the effect of an unrealized foreign exchange loss of $11.0 million. These compare to an adjusted net loss of $99.8 million, or $0.34 per share, for the same period of 2017. In Q2 2017, Sherritt recorded a foreign exchange gain of $4.4 million.

METAL MARKETS

Nickel

Nickel prices extended their rally into Q2 2018, sustaining the momentum established in the second half of 2017. The average reference price in Q2 2018 was US$6.56/lb, up 57% from US$4.18lb in the second quarter of 2017. The average reference price for Q2 2018 was the highest since Q4 2014 when it was US$7.17/lb.

The continued increase in nickel prices is being driven by a number of factors, including the ongoing drawdown of available inventory. Combined LME and SHFE nickel inventories at the end of Q2 2018 totaled 298,803 tonnes, down 19% from 367,694 tonnes at the end of Q1 2018. As demand continues to exceed available supply, the nickel market is expected to be in a structural deficit in the coming years.

According to market research by CRU, stainless steel demand is expected to grow at an average annual rate of 4% through 2022 with production emanating largely from China and Indonesia. Demand for nickel -- particularly Class 1 Nickel -- from non-stainless steel sectors is also expected to accelerate given the growth of the electric vehicle battery market. Class I nickel, along with cobalt, are key metals needed to manufacture electric vehicle batteries.

Beyond 2018, a shortage of high purity nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects.

Cobalt

Cobalt prices rose in Q2 2018, marking the eighth consecutive quarter of higher reference prices. The average-reference price for Q2 2018 was US$42.93/lb, up 66% from US$25.87/lb for Q2 2017.

Cobalt prices started to soften in Q2 due to a number of factors, the most notable being increased availability of physical metal and growing market sentiment that cobalt prices had risen prematurely in advance of actual demand increases. As the prices started to decline in Q2, consumers began to delay purchases waiting for prices to bottom. The recent softening of prices is expected to be temporary due to the growing demand emanating from the electric vehicle battery market and persistent supply risk concerns linked to the Democratic Republic of Congo, which is currently the world’s largest source of cobalt supply.

As cobalt prices have a limited impact on overall battery pack costs, high prices are not expected to cause supply-chain disruptions or delay the growth of the electric vehicle market. As a result, the risk of cobalt substitution in electric vehicle battery production in the near term is relatively low given cobalt's unique energy transference properties. While battery manufacturers continue to explore alternatives to cobalt, the likely beneficiary of any substitution is expected to be Class I nickel.

REVIEW OF OPERATIONS

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

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 145.5**	$ 103.0	41%	**$ 241.8**	$ 193.4	25%
Earnings from operations	**32.1**	(3.4)	1044%	**48.4**	(1.4)	3557%
Adjusted EBITDA(1)	**44.4**	11.7	279%	**71.5**	24.5	192%
CASH FLOW						
Cash provided by operations	**$ 10.1**	$ (6.6)	253%	**$ 28.2**	$ 8.2	244%
Free cash flow(1)	**1.1**	(14.6)	108%	**14.7**	(2.0)	835%
Adjusted operating cash flow(1)	**36.9**	9.9	273%	**63.7**	19.0	235%
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,226**	4,370	(3%)	**8,108**	8,652	(6%)
Finished Nickel	**3,749**	3,739	-	**6,603**	7,579	(13%)
Finished Cobalt	**388**	436	(11%)	**724**	872	(17%)
Fertilizer	**52,741**	62,858	(16%)	**105,181**	121,726	(14%)
NICKEL RECOVERY (%)	**80%**	88%	(9%)	**80%**	87%	(8%)
SALES VOLUMES (tonnes)						
Finished Nickel	**3,668**	3,670	-	**6,578**	7,532	(13%)
Finished Cobalt	**388**	435	(11%)	**713**	856	(17%)
Fertilizer	**63,735**	57,816	10%	**89,207**	95,270	(6%)
AVERAGE-REFERENCE PRICES (US$ per pound)						
Nickel	**$ 6.56**	$ 4.18	57%	**$ 6.29**	$ 4.43	42%
Cobalt(2)	**42.93**	25.87	66%	**40.97**	22.83	79%
AVERAGE REALIZED PRICE						
Nickel ($ per pound)	**$ 8.50**	$ 5.58	52%	**$ 8.19**	$ 5.89	39%
Cobalt ($ per pound)	**54.01**	33.12	63%	**51.49**	28.73	79%
Fertilizer ($ per tonne)	**427**	414	3%	**407**	386	6%
UNIT OPERATING COSTS(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 1.68**	$ 2.55	(34%)	**$ 1.84**	$ 2.86	(36%)
SPENDING ON CAPITAL						
Sustaining	**$ 13.1**	$ 8.1	62%	**$ 13.1**	$ 10.2	28%
	$ 13.1	$ 8.1	62%	**$ 13.1**	$ 10.2	28%

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

The Moa JV produced 3,749 tonnes of finished nickel in Q2 2018, relatively unchanged from 3,739 tonnes produced in Q2 2017. Although production challenges experienced in Q1 2018 that limited the availability of mixed sulphides due to highest levels of rainfall in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta by the service provider were resolved, production in Q2 2018 was impacted by the planned annual maintenance refinery shutdown in June, consistent with previous years.

Finished cobalt production in Q2 2018 was 388 tonnes, down 11% from 436 tonnes produced in Q2 2017. The decline was due to a higher nickel to cobalt ratio in the refinery feed when compared to Q2 2017. Moa's nickel to cobalt ratio in Q2 2018 was within range of historic norm.

Q2 2018 revenue for the Moa JV and the Fort Site totaled $145.4 million, up 41% from $103.0 million for the comparable period of 2017. The growth was driven by higher realized prices in 2018 for nickel (+52%), cobalt (+63%) and fertilizer (+3%) although offset by a stronger Canadian dollar relative to the U.S. dollar.

Nickel sales represented 47% of the Moa JV's total Q2 2018 revenue while cobalt sales represented 32%. Fertilizer sales in Q2 2018 were up 13% from last year, reflecting higher demand for spring season fertilizer application.

Mining, processing and refining (MPR) costs for Q2 2018 were US$5.62/lb, up 12% from US$5.00/lb for Q2 2017. The increase was primarily due to higher input costs largely from increased sulphur and energy prices.

Despite higher energy and sulphur input costs, Moa's NDCC of US$1.68/lb for Q2 2018 was the lowest since Q3 2004. Q2's NDCC represents the fifth consecutive quarter that the Moa JV is in the lowest cost quartile relative to other nickel producers based on annualized information tracked by Wood Mackenzie.

NDCC in Q2 2018 declined by 34% compared to the prior year period, largely because of a higher cobalt by-product credit. The cobalt credit of US$4.42/lb reflects Moa's relatively high cobalt to nickel production ratio as well as the 66% growth in cobalt reference prices since Q2 2017.

Given that production challenges of Q1 have been resolved and that the Moa JV is currently deploying a new mining fleet and equipment to address previous availability issues, Sherritt continues to expect that its nickel and cobalt production will be near the lower range of guidance provided at the start of the year.

Excluding the impact of non-cash working capital changes primarily relating to the timing of fertilizer product deliveries, the Moa JV generated adjusted operating cash flow of $36.9 million, up 273% from $9.9 million in the same period of 2017. The increase was largely due to the year-over-year improvement in commodity prices.

Moa's sustaining capital spending in Q2 2018 was $13.1 million, up from $8.1 million in Q2 2017. The increase was due to higher planned spending, including the purchase of mining equipment and construction of the new slurry preparation plant dump pocket at Moa. The Moa JV is expected to continue to operate and fund capital expenditures through cash flow generated by the joint venture or external loans without shareholder funding.

Investment in Ambatovy Joint Venture (12% interest effective December 11, 2017)

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 31.3**	$ 68.3	(54%)	**$ 49.1**	$ 143.1	(66%)
Earnings (loss) from operations	**(1.5)**	(38.6)	96%	**(10.5)**	(67.6)	84%
Adjusted EBITDA(2)	**8.9**	(1.6)	656%	**9.8**	6.6	48%
CASH FLOW						
Cash provided by operations	**$ 4.4**	$ (12.1)	136%	**$ (1.6)**	$ (14.4)	89%
Free cash flow(2)	**1.8**	(14.8)	112%	**(7.1)**	(21.1)	66%
Adjusted operating cash flow(2)	**3.7**	(18.6)	120%	**2.9**	(11.5)	125%
PRODUCTION VOLUMES (tonnes)(3)						
Mixed Sulphides	**1,270**	1,135	12%	**1,945**	2,430	(20%)
Finished Nickel	**1,147**	1,033	11%	**1,815**	2,178	(17%)
Finished Cobalt	**99**	81	22%	**148**	178	(17%)
Fertilizer	**3,762**	3,271	15%	**5,751**	6,810	(16%)
NICKEL RECOVERY (%)	**88%**	85%	4%	**87%**	85%	2%
SALES VOLUMES (tonnes)(3)						
Finished Nickel	**1,184**	1,040	14%	**1,849**	2,183	(15%)
Finished Cobalt	**95**	89	6%	**147**	195	(25%)
Fertilizer	**2,658**	3,101	(14%)	**4,137**	6,835	(39%)
AVERAGE-REFERENCE PRICES (US$ per pound)						
Nickel	**$ 6.56**	$ 4.18	57%	**$ 6.29**	$ 4.43	42%
Cobalt(4)	**42.93**	25.87	66%	**40.97**	22.83	79%
AVERAGE-REALIZED PRICE						
Nickel ($ per pound)	**$ 8.39**	$ 5.83	44%	**$ 7.93**	$ 5.99	32%
Cobalt ($ per pound)	**45.01**	33.07	36%	**51.68**	29.64	74%
Fertilizer ($ per tonne)	**189.00**	176	8%	**193.18**	169	14%
UNIT OPERATING COSTS(2) (US$ per pound)						
Nickel - net direct cash cost	**$ 3.14**	$ 3.66	(14%)	**$ 3.85**	$ 3.79	2%
SPENDING ON CAPITAL						
Sustaining	**$ 3.1**	$ 12.8	(76%)	**$ 5.6**	$ 21.2	(74%)
Expansion	**-**	-	-	**-**	-	-
	$ 3.1	$ 12.8	(76%)	**$ 5.6**	$ 21.2	(74%)

(1) Sherritt's share for Ambatovy Joint Venture reflects its interest at 40% through December 10, 2017 and 12% thereafter.
(2) For additional information, see the Non-GAAP measures section of this release.
(3) To allow for easier comparison, Ambatovy production and sales volume information for the periods r ended June 30, 2017 is presented on a 12% basis.
(4) Average low-grade cobalt published price per Metals Bulletin.

Sherritt's financial results at Ambatovy are presented on a 12% basis for Q1 2018 and on a 40% basis for Q1 2017. Production totals are presented on a 12% for both periods for better comparison purposes. Along with its partners, Sherritt completed the restructuring of the Ambatovy Joint Venture on December 11, 2017. The restructuring led to Sherritt's ownership interest being reduced to 12% in exchange for the elimination of $1.4 billion of debt. Sherritt will continue to serve as operator of Ambatovy at least through 2024, however, as a result of the reduction in its ownership interest, Sherritt's ability to direct local decision-making at Ambatovy has diminished.

Finished nickel production at Ambatovy in Q2 2018 was 1,147 tonnes (12% basis), up from 1,033 tonnes (12% basis) produced in Q2 2017. Finished cobalt production in Q2 2018 was 99 tonnes (12% basis), up from 81 tonnes (12% basis) for Q2 2017. Despite the year-over-year nickel and cobalt production increases, the Ambatovy JV was impacted in Q2 2018 by a number of factors that affected performance, including reduced sulphuric acid availability due to a failed economizer at Acid Plan 1 that has since been successfully replaced, ongoing repairs to equipment damaged by Cyclone Ava in Q1, reduced autoclave availability and a conveyor failure which reduced slurry deliveries.

The Ambatovy JV is currently implementing a number of initiatives aimed at improving production and increasing the reliability of acid production and PAL circuits. These initiatives will include the replacement of an economizer on Acid Plant 2, which is expected for completion in Q3. Based on production improvements in Q2 and the progress of the initiatives to strengthen asset reliability, Sherritt continues to expect that its nickel and cobalt production at Ambatovy in the second half of 2018 will be greater than production through the first six months of the year. Sherritt has, however, updated its production and unit costs estimates for the year at Ambatovy to take recent developments into account.

MPR costs for Q2 2018 were US$6.60/lb, up from US$6.14/lb in Q2 2017. The year-over-year increase was largely due to the impact of higher input costs, including sulphur and energy.

NDCC for finished nickel at Ambatovy in Q2 2018 was US$3.14/lb, down from the US$3.66/lb for Q2 2017. The decrease was due to higher sales volume and higher cobalt by-product credits, offset by higher energy and sulphur input costs.

Spending on sustaining capital at Ambatovy on a 100% basis was relatively unchanged in Q2 2018 from the same period last year. Capital spend in Q2 2018 was approximately $26 million (100% basis) and was largely allocated towards the replacement of the economizer at Acid Plant 1, restoring the conditions of the acid plants, repairing corroded equipment and improving plant reliability.

OIL AND GAS

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 9.6**	$ 34.1	(72%)	**$ 27.7**	$ 69.4	(60%)
Earnings (loss) from operations	**(3.1)**	8.9	(135%)	**(1.4)**	19.9	(107%)
Adjusted EBITDA(1)	**(0.6)**	17.8	(103%)	**4.0**	37.4	(89%)
Cash provided by operations	**10.5**	11.2	(6%)	**17.8**	25.2	(29%)
Free cash flow(1)	**3.7**	7.8	(53%)	**7.9**	18.1	(56%)
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) - Cuba	**4,689**	14,545	(68%)	**5,128**	14,877	(66%)
Total net working-interest (NWI)	**1,821**	8,805	(79%)	**2,862**	8,848	(68%)
AVERAGE EXCHANGE RATE (CAD/USD)	**1.291**	1.345	(4%)	**1.278**	1.334	(4%)
AVERAGE REFERENCE PRICE (US$ per barrel)						
West Texas Intermediate (WTI)	**$ 68.14**	$ 48.06	42%	**$ 65.56**	$ 49.83	32%
U.S. Gulf Coast High Sulpher Fuel Oil (USGC HSFO)(2)	**62.42**	43.23	44%	**58.86**	44.36	33%
Brent	**74.67**	49.13	52%	**70.78**	51.23	38%
AVERAGE-REALIZED PRICE(1) (NWI)						
Cuba ($ per barrel)	**$ 59.97**	$ 42.10	42%	**$ 53.44**	$ 42.86	25%
UNIT OPERATING COSTS(1) (GWI)						
Cuba ($ per barrel)	**$ 16.10**	$ 9.95	62%	**$ 18.66**	$ 9.29	101%
SPENDING ON CAPITAL						
Development, facilities and other	**$ 0.3**	$ (0.4)	175%	**$ -**	$ (1.2)	100%
Exploration	**6.9**	2.1	229%	**9.5**	5.9	61%
	$ 7.2	$ 1.7	324%	**$ 9.5**	$ 4.7	102%

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

(2) Starting in 2018, the Oil and Gas division uses U.S. Gulf Coast High Sulphur Fuel Oil for pricing purposes, replacing U.S. Gulf Coast Fuel Oil #6 used previously. The comparative period has been adjusted accordingly.

Gross working-interest oil production in Q2 2018 in Cuba was 4,689 barrels of oil per day (“bopd”), down 68% from 14,545 bopd for the comparable period of 2017. The decrease was primarily due to the expiration of the Varadero West Production Sharing Contract (PSC) in November 2017, natural reservoir declines and the absence of new development drilling.

Revenue in Q2 2018 was $9.6 million, down 72% from $34.1 million for last year. The decline was attributable to lowered production due to the expiration of the Varadero West PSC and the reduction of Sherritt's profit oil percentage to 6% from 45% with the renewal of the Puerto Escondido/Yumuri PSC. The revenue decline was partially offset by higher realized oil prices of 42% to $59.97 per barrel in Cuba, though partially offset by the negative impact of a stronger Canadian dollar.

Total net working-interest production for Q2 2018 was 1,821 barrels of oil equivalent per day ("boepd"), down from 8,805 boepd in the same period of 2017. The decline was due to the impact of the expiration of the Varadero West PSC and decrease in profit oil percentage with the renewal of the Puerto Escondido/Yumuri PSC already noted, and the impact of higher oil prices in 2018.

Unit operating costs in Q2 2018 in Cuba were $16.10 per barrel, up 83% from $9.95 in Q2 2017, driven largely by reduced production. Costs were positively impacted by the strengthening Canadian dollar relative to the U.S. dollar in Q2 2018.

Capital spending in Q2 2018 was $7.2 million, up from $1.7 million, largely due to the purchase of drilling supplies and materials for Block 10.

Subsequent to quarter end, Sherritt resumed drilling on its Block 10 concession through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated by the time Sherritt reports its Q3 2018 results. Capital forecasted to complete the drilling is expected to be approximately US$14 million.

Total estimated capital spend for the Oil and Gas division in 2018 has been lowered to US$25 million from US$35 million to reflect deferral of equipment purchases and drilling activities in anticipation of Block 10 results.

POWER

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions (33 ⅓% basis), except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 12.4**	$ 13.6	(9%)	**$ 24.3**	$ 27.0	(10%)
Earnings (loss) from operations	**1.5**	1.5	-	**3.3**	4.3	(23%)
Adjusted EBITDA(1)	**7.6**	7.9	(4%)	**15.4**	17.1	(10%)
Cash provided by operations	**8.1**	7.9	3%	**19.3**	20.7	(7%)
Free cash flow(1)	**7.9**	7.5	5%	**19.0**	19.5	(3%)
PRODUCTION AND SALES						
Electricity (GWh)	**204**	220	(7%)	**406**	437	(7%)
AVERAGE-REALIZED PRICE(1)						
Electricity ($/MWh)	**$ 54.18**	$ 57.02	(5%)	**$ 53.71**	$ 56.66	(5%)
UNIT OPERATING COSTS(1) ($/MWh)						
Base	**15.63**	15.80	(1%)	**15.04**	15.65	(4%)
Non-base(2)	**2.94**	5.56	(47%)	**2.86**	3.03	(6%)
	18.57	21.36	(13%)	**17.90**	18.68	(4%)
NET CAPACITY FACTOR (%)	**64**	68	(6%)	**63**	68	(7%)
SPENDING ON CAPITAL						
Sustaining	**$ 0.2**	$ 0.4	(50%)	**$ 0.3**	$ 1.2	(75%)
	$ 0.2	$ 0.4	(50%)	**$ 0.3**	$ 1.2	(75%)

(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.

Power production in Q2 2018 was 204 gigawatt hours (“GWh”) of electricity, down 7% from 220 GWh for the comparable period of 2017. The decline was largely due to reduced gas supply.

Average-realized prices in Q2 2018 declined to $54.18 per Megawatt hour (“MWh’) of electricity from $57.02 per MWh in Q2 2017. The decline was due to the appreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q2 2018 totaled $12.4 million, down 9% from $13.6 million for Q2 2017. The decrease is attributable to lower production and lower realized prices.

Free cash flow in Q2 2018 increased by 3% to $7.9 million due to lower operating costs, which were positively impacted by the appreciation of the Canadian dollar relative to the U.S. currency.

Unit operating cost in Q2 2018 was $18.57 per MWh of electricity, down 13% from $21.36 per MWh for Q2 2017. The decline was mainly attributable to the timing of planned maintenance activities.

Total capital spending in Q2 2018 was negligible and relatively unchanged from last year.

2018 REVIEW OF STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2018, and summarizes how the Corporation has performed against those priorities on a year to date basis.

Strategic Priorities	2018 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet	Purchased $131.9 million of outstanding debentures through June 30, 2018, including $10.7 million in Q2. The debt reduction allows Sherritt to generate annual savings of approximately $11 million in interest expense.
	Optimize working capital and receivables collection	Management continues to take action to expedite Cuban energy receipts and received US$25.2 million in payments in Q2 2018. Overdue scheduled receivables at quarter end were US$136.9 million.
	Operate the Metals businesses to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV and Fort Site has generated $63.7 million of adjusted operating cash flow through the first half of 2018, up 235% from the same period in 2017.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC at the Moa JV in Q2 2018 was US$1.68/lb, down 34% from last year. Moa's NDCC ranked it within the lowest cost quartile relative to other nickel producers for the fifth consecutive quarter. Ambatovy's NDCC of US$3.14/lb in Q2 2018 improved by 14% from last year, largely as a result of efforts to increase production stability and acid plant reliability.
	Maximize production of finished nickel and cobalt and improve predictability over 2017 results	Combined nickel production at the Moa JV and the Ambatovy JV improved in Q2 2018 by 51% to 17,056 tonnes (100% basis) from 11,275 tonnes (100% basis) in Q1 2018. The improvement was due to efforts aimed at resolving production challenges experienced in Q1 relating to heavy rainfall, transportation delays, the impact of Cyclone Ava and acid plant reliability. Production at the Moa JV and Ambatovy is expected to be higher in the second half of 2018 when compared to the first six months of the current year.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q2, Sherritt published its 2017 Sustainability Report in accordance with the Global Reporting Initiative's Standards. Through June 30th, Sherritt's operations at Moa, Ambatovy, Oil & Gas and Power had zero work-related fatalities, two lost time incidents and zero high-severity environmental incidents. Sherritt's Recordable injury frequency rate in Q2 was 0.21 and the lost time injury frequency rate was 0.08, both are in the lowest quartile of benchmark peer set data. Sherritt's recordable injury frequency rate decreased by 25% and the lost time injury frequency rate decreased by 38% on a year-over-year basis.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Drilling on Block 10 resumed in July 2018 and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are expected by the time Sherritt reports its Q3 2018 results. Capital spend is expected to be approximately US$14 million.
	Review opportunities to leverage Oil and Gas experience and relationships	The Production Sharing Contract at Puerto Escondido/Yumuri was extended for three years to 2021.

OUTLOOK

2018 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	2018 Guidance	Year-to-date actual at June 30, 2018	Updated Guidance at June 30, 2018
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	13,206	Unchanged
Cobalt, finished	3,500 - 3,800	1,448	Unchanged
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	15,125	35,000 - 38,000
Cobalt, finished	3,500 - 3,800(1)	1,233	3,100 -3,400
Oil – Cuba (gross working-interest, bopd)	4,300 - 4,800	5,128	Unchanged
Oil and Gas – All operations (net working-interest, boepd)	2,300-2,600(1)	2,862	Unchanged
Electricity (GWh, 33⅓% basis)	750 - 800	406	Unchanged
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$1.75 - $2.25(1)	$1.84	Unchanged
Ambatovy Joint Venture	$2.50 - $3.00(1)	$3.85	$3.00 - $3.50
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$22.00 - $23.50	$19.63	Unchanged
Electricity (unit operating cost, $ per MWh)	$20.75 - $21.50	$17.90	Unchanged
Spending on capital (US$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	US$41 (CDN$52)	US$13.8 (CDN$17.6)	Unchanged
Ambatovy Joint Venture (12% basis)(3)	US$13 (CDN$17)	US$4.4 (CDN$5.6)	Unchanged
Oil and Gas	US$39 (CDN$50)	US$7.5 (CDN$9.5)	US$25 (CDN$32)
Power (33⅓% basis)	US$1 (CDN$1)	US$0.2 (CDN$0.3)	Unchanged
Spending on capital (excluding Corporate)	US$94 (CDN$119)	US$25.2 (CDN$32.1)	US$80 (CDN$102)

(1) Guidance updated March 31, 2018

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

(3) Sherritt's ownership interest at the Ambatovy Joint Venture was reduced to 12% following a restructuring completed on December 10, 2017.

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, adjusted operating cash flow and free cash flow to monitor the performance of the Corporation and its operating divisions. Management 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, 2018 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast today at 9:00 a.m. Eastern Time to review its Q2 and 2018 results.

Conference Call and Webcast:	August 1, 2018, 9:00 a.m. ET
North American callers, please dial:	1-800-458-4121
International callers, please dial:	647-484-0477
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 5, 2018 by calling 647-436-0148 or 1-888-203-1112, access code 9065061#.

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, 2018 are available at www.sherritt.com and should be read in conjunction with this news release. Financial and operating data can also viewed in the investor relations section of Sherritt's website.

ABOUT SHERRITT

Sherritt is a world leader in the mining and refining of nickel and cobalt 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".

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 regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; anticipated payments of outstanding receivables; future distributions from the Moa Joint Venture, drill plans and results on exploration wells and amounts of certain other commitments.

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans. 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; access to capital; access to financing; risks related to the liquidity and funding of the Ambatovy Joint Venture; the risk to Sherritt’s entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation’s joint venture partners; 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; environmental risks and risks related to 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 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 Sherritt’s operations in Madagascar; risks associated with Sherritt’s development, construction and operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; 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; risks relating to community relations and maintaining the Corporation’s social license to grow and operate; 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; risks to information technologies systems and cybersecurity; 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. 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, including without limitation the Annual Information Form of the Corporation dated March 20, 2018 for the period ending December 31, 2017, which is available on SEDAR at www.sedar.com.

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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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2018

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 31, 2018, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and six months ended June 30, 2018 and the MD&A for the year ended December 31, 2017. 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 MD&A 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. The relationship for accounting purposes that Sherritt has with these operations and the interest recognized in the Corporation's financial statements are as follows:

	Relationship for accounting purposes	Interest	Basis of accounting
Moa Joint Venture	Joint venture	50%	Equity method
Ambatovy Joint Venture	Associate	12%	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. The financial results and review of operations sections in this MD&A include the Corporation's 50% interest in the Moa Joint Venture, 100% interest in the utility and fertilizer operations at Fort Site, 100% interest in the Corporation's Oil and Gas business, 33⅓% interest in its Power businesses, 100% interest in the Technologies business presented in Corporate and other and wholly-owned subsidiaries presented in "Other Metals" established to buy, market and sell certain Moa Joint Venture (and prior to December 2017, Ambatovy Joint Venture) nickel and cobalt production.

In December 2017, the Corporation concluded an agreement with its Ambatovy Joint Venture partners to reduce its interest in the joint venture from 40% to 12%. The financial and operating results for the Ambatovy Joint Venture continue to be included in combined results with details provided in the Investment in the Ambatovy Joint Venture section. Results of operations to December 10, 2017 are accounted for on a 40% basis; results thereafter are on a 12% basis. Any balance sheet amounts in this MD&A (at June 30, 2018 and December 31, 2017) reflect the Corporation's interest in the joint venture at 12%.

Amounts presented in this MD&A can be reconciled to note 5 of the condensed consolidated financial statements for the three and six months ended June 30, 2018.

NON-GAAP MEASURES

Management uses the following non-GAAP financial performance measures in this MD&A:

- combined revenue,
- adjusted EBITDA,
- average-realized price,
- unit operating cost/Net Direct Cash Cost (NDCC),
- adjusted earnings,
- adjusted operating cash flow, and
- free cash flow.

Management uses non-GAAP measures 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 are intended to provide additional information, not to replace IFRS measures. Non-GAAP 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.

The non-GAAP measures are reconciled to the most directly comparable IFRS measure in the non-GAAP measures section starting on page 27.

Strategic priorities

The table below summarizes how the Corporation performed against its strategic priorities for 2018.

Strategic Priorities	2018 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet	Purchased $131.9 million of outstanding debentures through June 30, 2018, including $10.7 million in Q2. The debt reduction allows Sherritt to generate annual savings of approximately $11 million in interest expense.
	Optimize working capital and receivables collection	Management continues to take action to expedite Cuban energy receipts and received US$25.2 million in payments in Q2 2018. Overdue scheduled receivables at quarter end were US$136.9 million.
	Operate the Metals businesses to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV and Fort Site has generated $63.7 million of adjusted operating cash flow through the first half of 2018, up 235% from the same period in 2017.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC at the Moa JV in Q2 2018 was US$1.68/lb, down 34% from last year. Moa's NDCC ranked it within the lowest cost quartile relative to other nickel producers for the fifth consecutive quarter. Ambatovy's NDCC of US$3.14/lb in Q2 2018 improved by 14% from last year, largely as a result of efforts to increase production stability and acid plant reliability.
	Maximize production of finished nickel and cobalt and improve predictability over 2017 results	Combined nickel production at the Moa JV and the Ambatovy JV improved in Q2 2018 by 51% to 17,056 tonnes (100% basis) from 11,275 tonnes (100% basis) in Q1 2018. The improvement was due to efforts aimed at resolving production challenges experienced in Q1 relating to heavy rainfall, transportation delays, the impact of Cyclone Ava and acid plant reliability. Production at the Moa JV and Ambatovy is expected to be higher in the second half of 2018 when compared to the first six months of the current year.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q2, Sherritt published its 2017 Sustainability Report in accordance with the Global Reporting Initiative's Standards. Through June 30^{th}, Sherritt's operations at Moa, Ambatovy, Oil & Gas and Power had zero work-related fatalities, two lost time incidents and zero high-severity environmental incidents. Sherritt's Recordable injury frequency rate in Q2 was 0.21 and the lost time injury frequency rate was 0.08, both are in the lowest quartile of benchmark peer set data. Sherritt's recordable injury frequency rate decreased by 25% and the lost time injury frequency rate decreased by 38% on a year-over-year basis.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Drilling on Block 10 resumed in July 2018 and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are expected by the time Sherritt reports its Q3 2018 results. Capital spend is expected to be approximately US$14 million.
	Review opportunities to leverage Oil and Gas experience and relationships	The Production Sharing Contract at Puerto Escondido/Yumuri was extended for three years to 2021.

Highlights

MOA JOINT VENTURE OPERATIONS UPDATE

The Moa Joint Venture produced 3,749 tonnes of finished nickel (Sherritt's share) in the second quarter of 2018.

Mixed sulphides production was lower compared to the prior year quarter as a result of limited access to planned mining areas at Moa. This was primarily due to equipment availability issues which are currently being addressed though the purchase and lease of new trucks and other mining equipment with delivery and deployment beginning in the second quarter.

Finished nickel production at the Moa Joint Venture was relatively unchanged in the three months ended June 30, 2018 compared to the same period in the prior year and 31% higher than Q1 2018 as the Canadian rail transportation issues and heavy rainfall experienced in Q1 2018 have been resolved. Production in Q2 2018 was impacted by the planned annual maintenance refinery shutdown in June, consistent with previous years.

Moa Joint Venture's average net direct cash cost (NDCC) for nickel of US$1.68/lb in the three months ended June 30, 2018 was the lowest NDCC realized by Moa since Q3 2004 primarily due to higher cobalt credits which more than offset the impact of higher sulphur, fuel oil and third-party feed prices.

OIL AND GAS BLOCK 10 UPDATE

In early July 2018, Sherritt resumed drilling on the Block 10 concession through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated when the Corporation reports its Q3 2018 results. Capital forecasted to complete the drilling is expected to be approximately US$14 million.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at June 30, 2018 were $197.2 million, a decrease of $40.1 million from March 31, 2018. This decrease is primarily due to lower Cuban energy receipts, the timing of fertilizer receipts, the payment of interest on outstanding debentures (which is typically higher in the second and fourth quarters) and the repurchase of $10.7 million of the Corporation's debentures. Receipts from the Moa Joint Venture on its working capital facility were lower during the quarter as the facility was repaid in full in the quarter.

During the quarter, US$25.2 million of Cuban energy payments were received compared to US$40.7 million in Q1 2018. Total Cuban overdue scheduled receivables were US$136.9 million at June 30, 2018 compared to US$126.7 million at March 31, 2018.

BITUMEN UPGRADING PROJECT UPDATE

During the quarter, the Corporation announced the successful completion of a pilot-scale test of a proprietary process to upgrade Alberta bitumen at a lower cost. The pilot-scale test was based on Sherritt's 60 years of experience developing hydrometallurgical processes and use of autoclaves.

Financial results(1)(2)

$ millions, except as otherwise noted	For the three months ended 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 46.5**	$ 76.8	(39%)	**$ 85.9**	$ 149.2	(42%)
Combined revenue(3)	**201.1**	231.0	(13%)	**348.0**	459.0	(24%)
Loss from operations, associate and joint venture	**(3.0)**	(64.0)	95%	**(8.6)**	(113.4)	92%
Earnings(loss) from continuing operations	**2.8**	(101.9)	103%	**2.2**	(174.5)	101%
Net earnings (loss) for the period	**2.8**	(101.9)	103%	**2.2**	(174.5)	101%
Adjusted loss from continuing operations(3)	**(8.7)**	(99.8)	91%	**(23.5)**	(182.5)	87%
Adjusted EBITDA(3)	**49.5**	29.2	70%	**85.9**	66.4	29%
Earnings (loss) per share (basic and diluted)($ per share)						
Net earnings (loss) from continuing operations	**0.01**	(0.35)	103%	**0.01**	(0.59)	102%
Net earnings (loss) for the period	**0.01**	(0.35)	103%	**0.01**	(0.59)	102%
CASH						
Cash, cash equivalents and short-term investments (prior period, December 31, 2017)	**$ 197.2**	$ 203.0	(3%)	**$ 197.2**	$ 203.0	(3%)
Cash used by continuing operating activities	**(30.4)**	(21.0)	(45%)	**(19.3)**	(4.4)	(339%)
Combined free cash flow(3)	**(16.5)**	(38.2)	57%	**(10.4)**	(28.2)	63%
Combined adjusted operating cash flow(3)	**21.0**	(12.8)	264%	**26.9**	7.7	249%
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS	**$ 23.8**	$ 23.0	3%	**$ 33.2**	$ 37.3	(11%)
PRODUCTION VOLUMES						
Moa Joint Venture (50% basis, tonnes)						
Finished nickel	**3,749**	3,739	-	**6,603**	7,579	(13%)
Finished cobalt	**388**	436	(11%)	**724**	872	(17%)
Ambatovy Joint Venture (12%(1)(4)basis, tonnes)						
Finished nickel	**1,147**	1,033	11%	**1,815**	2,178	(17%)
Finished cobalt	**99**	81	22%	**148**	178	(17%)
Oil (boepd, NWI production)(5)	**1,821**	8,805	(79%)	**2,862**	8,848	(68%)
Electricity (gigawatt hours) (33⅓% basis)	**204**	220	(7%)	**406**	437	(7%)
AVERAGE EXCHANGE RATE (CAD/USD)	**1.291**	1.345	(4%)	**1.278**	1.334	(4%)
AVERAGE-REALIZED PRICES(3)						
Moa Joint Venture ($ per pound)						
Nickel	**$ 8.50**	$ 5.58	52%	**$ 8.19**	$ 5.89	39%
Cobalt	**54.01**	33.12	63%	**51.49**	28.73	79%
Ambatovy Joint Venture ($ per pound)						
Nickel	**8.39**	5.83	44%	**7.93**	$ 5.99	32%
Cobalt	**45.01**	33.07	36%	**51.68**	29.64	74%
Oil ($ per boe, NWI)(5)	**52.26**	41.39	26%	**49.81**	42.08	18%
Electricity ($ per megawatt hour)	**54.18**	57.02	(5%)	**53.71**	56.66	(5%)
UNIT OPERATING COSTS(3)						
Moa Joint Venture (US$ per pound)(NDCC)	**$ 1.68**	$ 2.55	(34%)	**$ 1.84**	$ 2.86	(36%)
Ambatovy Joint Venture (US$ per pound)(NDCC)	**3.14**	3.66	(14%)	**3.85**	3.79	2%
Oil ($ per boe, GWI)(5)	**17.91**	10.67	68%	**20.05**	10.11	98%
Electricity ($ per megawatt hour)	**18.57**	21.36	(13%)	**17.90**	18.68	(4%)

(1) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its ownership interest at 40% to December 10, 2017 and 12% thereafter.

(2) The amounts for the periods ended June 30, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 4 in the condensed consolidated financial statements for the three months ended March 31, 2018 for further information.

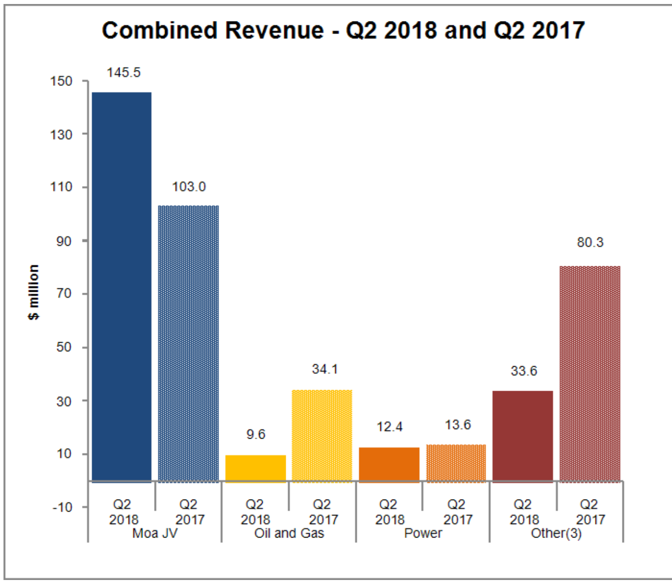
(3) For additional information see the Non-GAAP measures section.

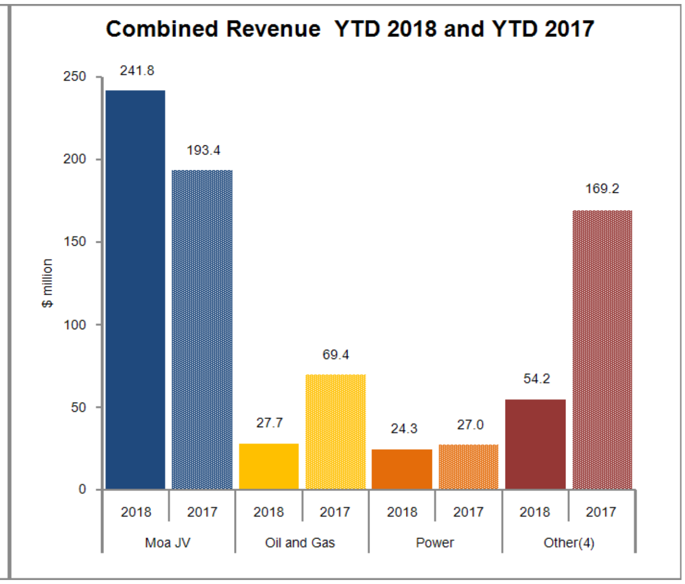
(4) To allow for easier comparison, Ambatovy production volume information for the periods ended June 30, 2017 are presented on a 12% basis.

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

Revenue for accounting purposes, which excludes revenue from the Moa and Ambatovy joint ventures, was lower for the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to lower oil production and sales volume which more than offset higher realized prices.

Total combined revenue[(1)(2)] of $201.1 million and $348.0 million, respectively, for the three and six months ended June 30, 2018 compared to $231.0 million and $459.0 million 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.

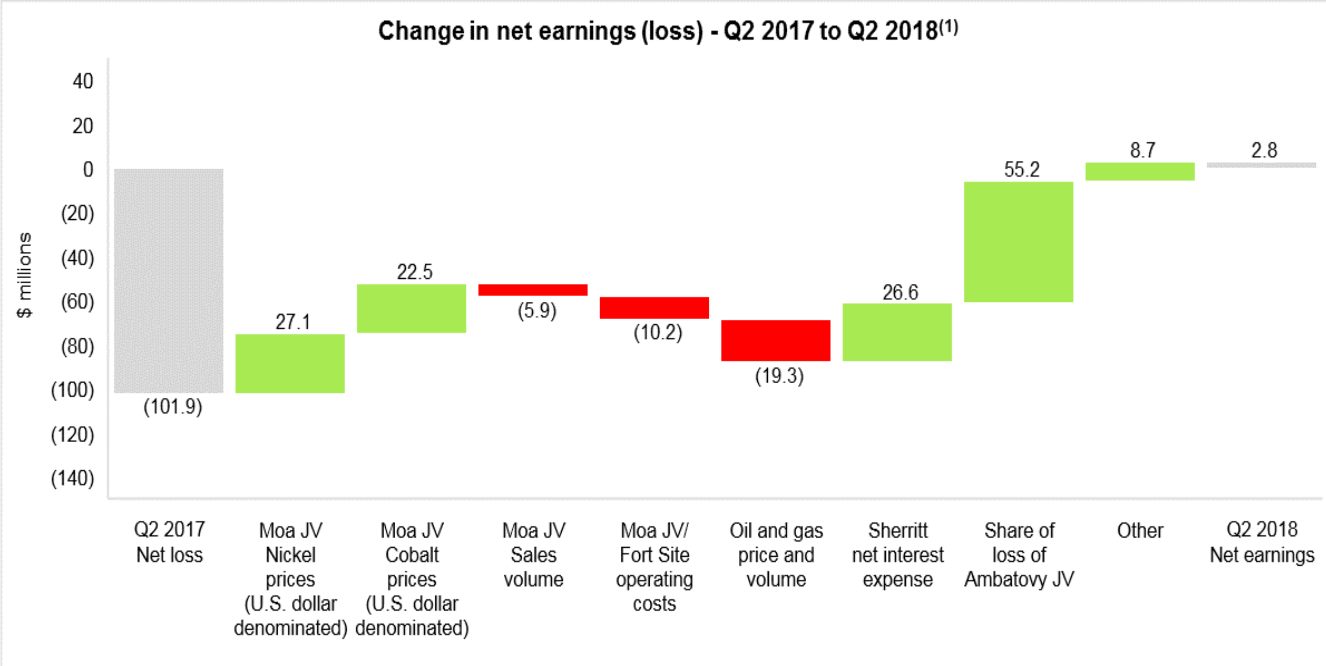
(2) Sherritt's share of financial and operating results for the Ambatovy Joint Venture reflects its interest at 40% to December 10, 2017 and 12% thereafter.

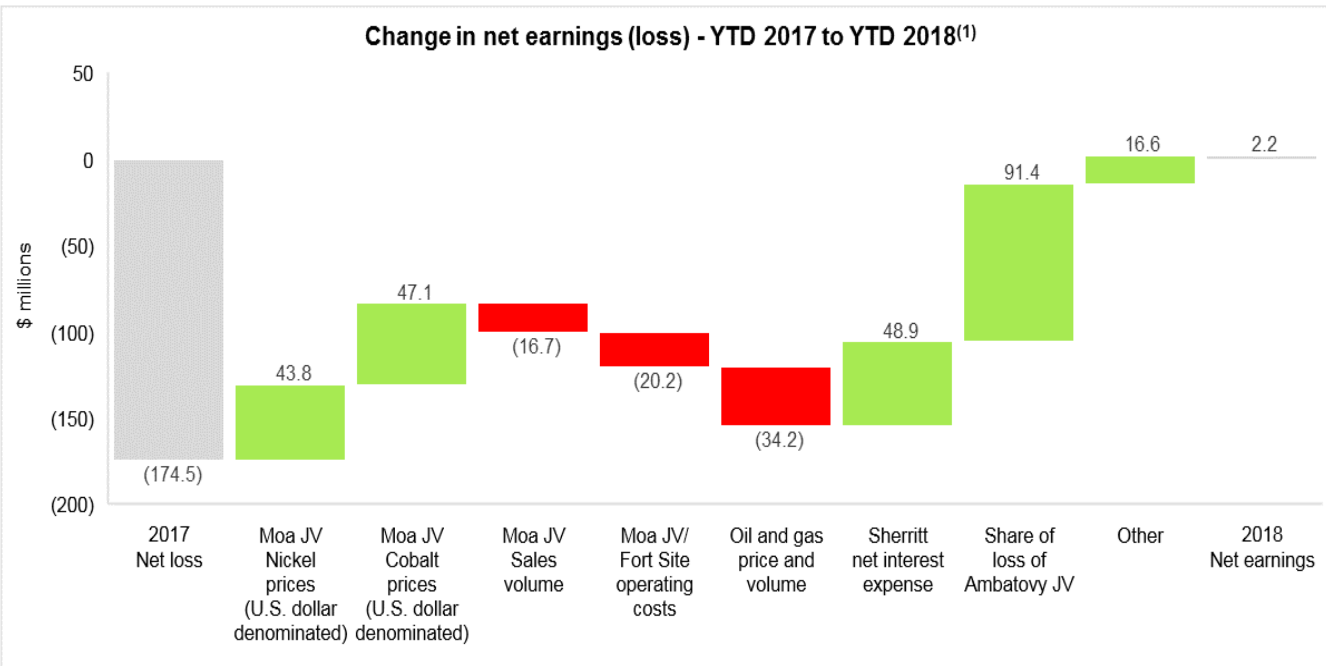
(3) Q2 2018 Other includes - Ambatovy Joint Venture - $31.3 million, Other Metals - $2.7 million and Corporate and other - $ (0.4) million. (Q2 2017 Other includes - Ambatovy Joint Venture - $68.3 million, Other Metals - $11.7 million and Corporate and other - $ 0.3 million).

(4) YTD 2018 Other includes - Ambatovy Joint Venture - $49.1 million, Other Metals - $5.5 million and Corporate and other - $ (0.4) million. (YTD 2017 Other includes - Ambatovy Joint Venture - $143.1 million, Other Metals - $26.0 million and Corporate and other - $ 0.1 million).

For the three months ended June 30, 2018, the net earnings from continuing operations was $2.8 million, or $0.01 per share, compared to a loss of $101.9 million, or $0.35 per share in the same period in the prior year. For the six months ended June 30, 2018, the net earnings from continuing operations was $2.2 million, or $0.01 per share, compared to a loss of $174.5 million, or $0.59 per share in the prior year.

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





(1) The amounts for the periods ended June 30, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 4 in the condensed consolidated financial statements for the three months ended March 31, 2018 for further information.

Average reference prices for nickel, cobalt and U.S. Gulf Coast High Suphur Fuel Oil (USGC HSFO) were all higher for the respective three and six month periods ended June 30, 2018 compared to the same prior year periods. Nickel was 57% and 42% higher; cobalt was 66% and 79% higher; and USGC HSFO was 44% and 33% higher.

At the Moa Joint Venture revenue was higher primarily due to the impact of higher nickel and cobalt realized prices. Moa Joint Venture finished nickel sales volume was relatively unchanged for the three month ended and lower for the six months ended June 30, 2018; however, cobalt sales volume was lower in each of the current year periods as a result the higher nickel to cobalt ratio in the mixed sulphides.

Moa Joint Venture operating costs were higher for the three and six month periods ended June 30, 2018 compared to the same periods in the prior year primarily as a result of higher sulphur prices, third-party feed costs, energy input and maintenance costs.

At Oil and Gas, the impact of higher reference prices was more than offset by lower production volumes and a stronger Canadian dollar relative to the U.S. dollar for the three and six months ended June 30, 2018 compared to the same periods in the prior year. Lower production was primarily due to the impact of the expiration of the Varadero West PSC in November 2017 and a reduction in profit oil percentage on the renewed Puerto Escondido/Yumuri PSC as well as natural reservoir declines.

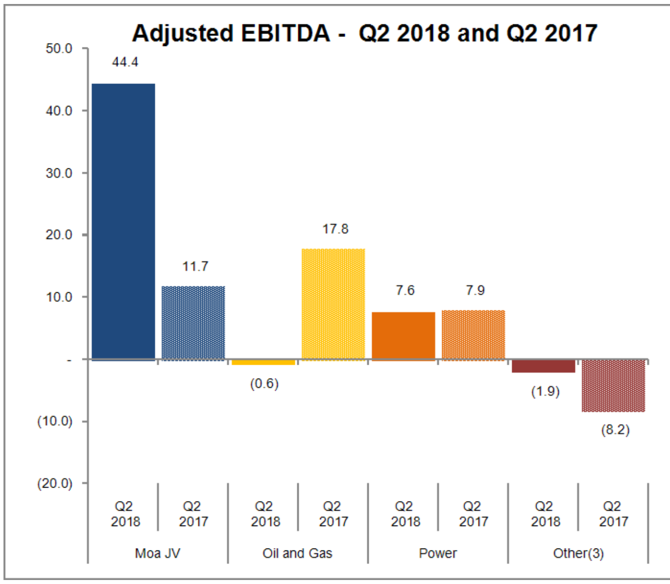
On a 100% basis, the operating loss of the Ambatovy Joint Venture was lower in each of the current year periods compared to the same periods in the prior year. As a result, the impact of the Ambatovy Joint Venture on the Corporation's operating results was lower in the three and six months ended June 30, 2018 including the impact of Sherritt's reduction in its ownership interest from 40% to 12% at the end of 2017. The Corporation's loss from associate, was $9.0 million and $22.9 million for the three and six months ended June 30, 2018, respectively, compared to $64.2 million and $114.3 million in the same periods in the prior year.

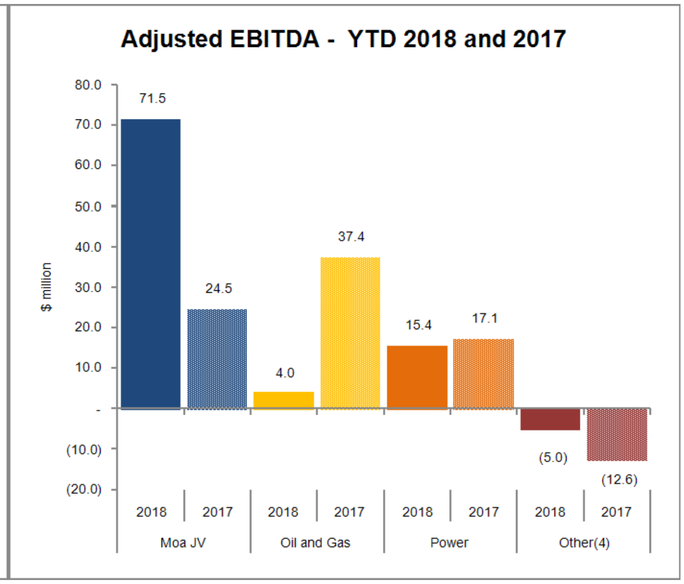
Net interest expense includes the impact of lower net interest expense primarily due to the lower interest on debt and advances to the Ambatovy Joint Venture extinguished as part of the Ambatovy restructuring in December 2017 as well as the impact of lower interest resulting from the repurchase of the senior unsecured debentures in the Q1 2018.

Other includes the recognition of unrealized foreign exchange gains of $11.0 million and $18.7 million in the three and six months ended June 30, 2018, respectively, compared to a loss of $4.4 million and gain of $2.9 for the same periods in the prior year, respectively. 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.

ADJUSTED EBITDA

Total Adjusted EBITDA(1)(2) for the three and six months ended June 30, 2018 was $49.5 million and $85.9 million, respectively, compared to $29.2 million and $66.4 million, respectively, 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.
(2) Sherritt's share of financial and operating results for the Ambatovy Joint Venture reflects its interest at 40% to December 10, 2017 and 12% thereafter.
(3) Q2 2018 Other includes - Ambatovy Joint Venture - $8.9 million, Other Metals - $0.5 million and Corporate and other - $(11.3) million. (Q2 2017 Other includes - Ambatovy Joint Venture - $(1.6) million, Other Metals - $0.4 million and Corporate and other - $(7.0) million).
(4) YTD 2018 Other includes - Ambatovy Joint Venture - $9.8 million, Other Metals - $1.3 million and Corporate and other - $(16.1) million. (YTD 2017 Other includes - Ambatovy Joint Venture - $6.6 million, Other Metals - $0.7 million and Corporate and other - $(19.9) million).

CONSOLIDATED FINANCIAL POSITION

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

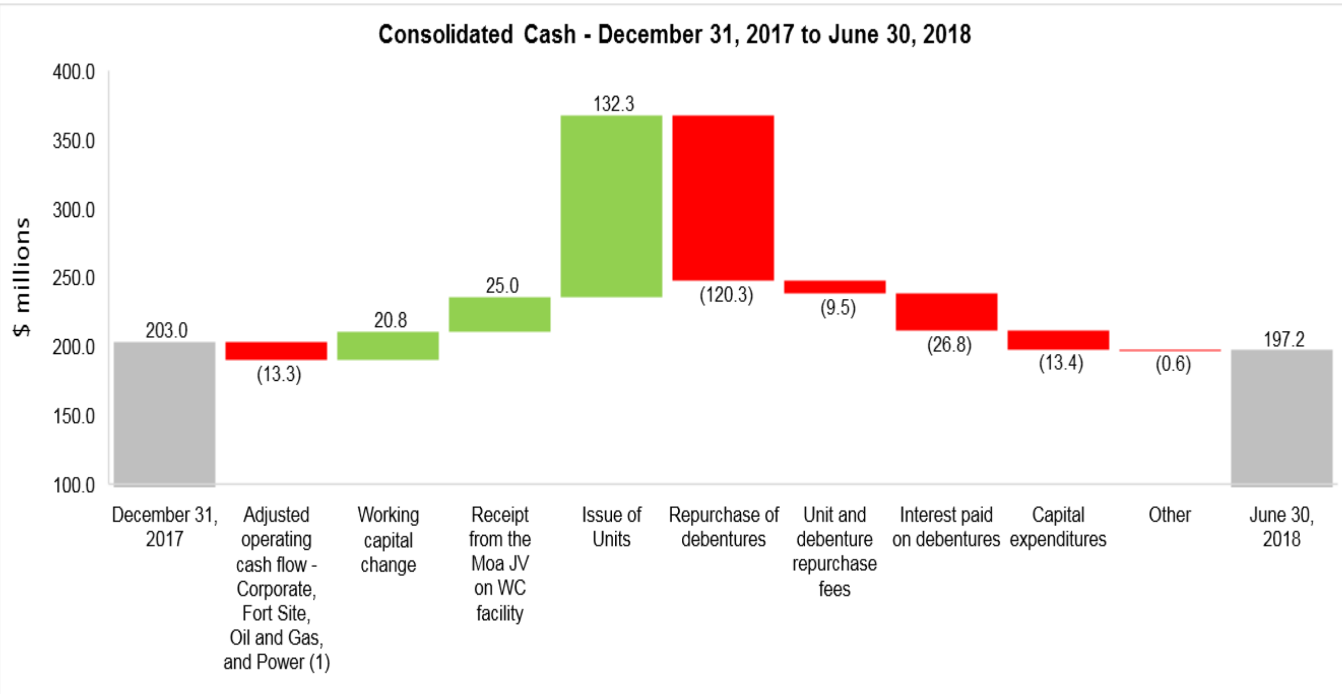
$ millions, except as noted, as at		**2018 June 30**		2017 December 31	Change
Financial Condition					
Cash, cash equivalents and short-term investments	**$**	**197.2**	$	203.0	(3%)
Net working capital balance		**292.1**		335.2	(13%)
Current ratio		**2.53:1**		2.37:1	6%
Total assets	**$**	**2,179.5**	$	2,244.8	(3%)
Other loans and borrowings		**694.8**		824.1	(16%)
Total liabilities		**1,013.3**		1,188.5	(15%)
Shareholders' equity		**1,166.2**		1,056.3	10%

(1) The amounts for the periods ended June 30, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 4 in the condensed consolidated financial statements for the three months ended March 31, 2018 for further information.

LIQUIDITY

At June 30, 2018, total available liquidity was $215.5 million which is composed of cash, cash equivalents, short-term investments and $18.3 million of available credit facilities. The total liquidity excludes restricted cash of $4.2 million.

Cash, cash equivalents and short-term investments at June 30, 2018 decreased by $5.8 million from December 31, 2017. The components of this change is shown below:



(1) Excludes debenture interest.

The change in consolidated cash, cash equivalents and short-term investments is primarily due to:

- negative adjusted operating cash flow at Oil and Gas, Fort Site and Corporate, partly offset by positive adjusted cash flow at Power;
- positive working capital change due to collections on Cuban Energy receivables partly offset by the impact of timing of fertilizer pre-sales and deliveries;
- payment of interest on the Corporation's debentures which is typically higher in the second and fourth quarters of the year when two of the three senior debenture series' interest payments are due; and
- receipt from the Moa Joint Venture as repayment on its working capital facility. This facility is now fully repaid and future available free cash flow payments from the Moa Joint Venture to Sherritt are expected in the form of dividends, which are expected to commence in the third quarter.

Outlook

2018 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	2018 Guidance	Year-to-date actual at June 30, 2018	Updated Guidance at June 30, 2018
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	13,206	Unchanged
Cobalt, finished	3,500 - 3,800	1,448	Unchanged
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	15,125	35,000 - 38,000
Cobalt, finished	3,500 - 3,800[(1)]	1,233	3,100 -3,400
Oil – Cuba (gross working-interest, bopd)	4,300 - 4,800	5,128	Unchanged
Oil and Gas – All operations (net working-interest, boepd)	2,300-2,600[(1)]	2,862	Unchanged
Electricity (GWh, 33⅓% basis)	750 - 800	406	Unchanged
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$1.75 - $2.25[(1)]	$1.84	Unchanged
Ambatovy Joint Venture	$2.50 - $3.00[(1)]	$3.85	$3.00 - $3.50
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$22.00 - $23.50	$19.63	Unchanged
Electricity (unit operating cost, $ per MWh)	$20.75 - $21.50	$17.90	Unchanged
Spending on capital (US$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis)[(2)]	US$41 (CDN$52)	US$13.8 (CDN$17.6)	Unchanged
Ambatovy Joint Venture (12% basis)[(3)]	US$13 (CDN$17)	US$4.4 (CDN$5.6)	Unchanged
Oil and Gas	US$39 (CDN$50)	US$7.5 (CDN$9.5)	US$25 (CDN$32)
Power (33⅓% basis)	US$1 (CDN$1)	US$0.2 (CDN$0.3)	Unchanged
Spending on capital (excluding Corporate)	US$94 (CDN$119)	US$25.2 (CDN$32.1)	US$80 (CDN$102)

(1) Guidance updated March 31, 2018
(2) Spending is 50% of US$ expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities.
(3) Sherritt's ownership interest at the Ambatovy Joint Venture was reduced to 12% following a restructuring completed on December 10, 2017.

MOA JOINT VENTURE

Given that production challenges of Q1 have been resolved and that the Moa Joint Venture is currently deploying a new mining fleet and equipment to address previous availability issues, Sherritt continues to expect that its nickel and cobalt production will be near the lower range of guidance provided at the start of the year.

AMBATOVY JOINT VENTURE

The Ambatovy Joint Venture is currently implementing a number of initiatives aimed at improving production and increasing the reliability of acid production and PAL circuits. These initiatives will include the replacement of an economizer on Acid Plant 2, which is expected for completion in Q3. Based on production improvements in Q2 and the progress of the initiatives to strengthen asset reliability, Sherritt continues to expect that its nickel and cobalt production at Ambatovy in the second half of 2018 will be greater than production through the first six months of the year. Sherritt has, however, updated its production and unit costs estimates for the year at Ambatovy to take recent developments into account.

OIL AND GAS

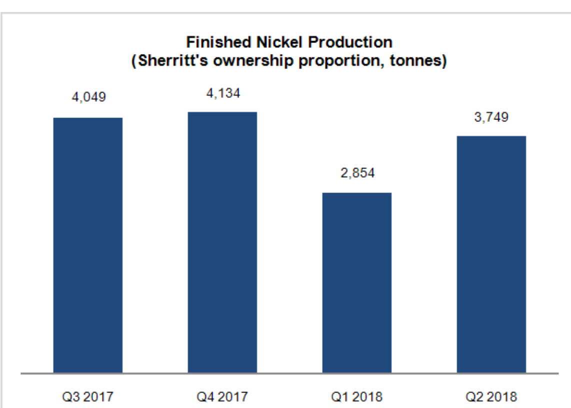
Total estimated capital spend for the Oil and Gas division in 2018 has been lowered to US$25 million from US$39 million to reflect deferral of equipment purchases and drilling activities in anticipation of Block 10 results.

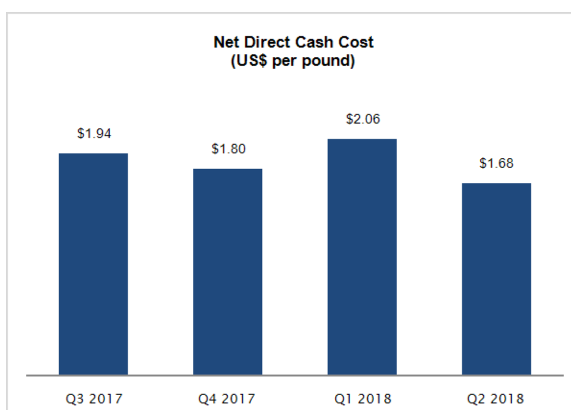
Review of operations

MOA JOINT VENTURE AND FORT SITE

		For the three months ended				For the six months ended		
		2018	2017			**2018**	2017	
$ millions, except as otherwise noted		**June 30**	June 30	Change		**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS								
Revenue	**$**	**145.5**	$ 103.0	41%	**$**	**241.8**	$ 193.4	25%
Earnings (loss) from operations		**32.1**	(3.4)	1044%		**48.4**	(1.4)	3557%
Adjusted EBITDA[1]		**44.4**	11.7	279%		**71.5**	24.5	192%
CASH FLOW								
Cash provided by operations	**$**	**10.1**	$ (6.6)	253%	**$**	**28.2**	$ 8.2	244%
Free cash flow[1]		**1.1**	(14.6)	108%		**14.7**	(2.0)	835%
Adjusted operating cash flow[1]		**36.9**	9.9	273%		**63.7**	19.0	235%
PRODUCTION VOLUMES (tonnes)								
Mixed Sulphides		**4,226**	4,370	(3%)		**8,108**	8,652	(6%)
Finished Nickel		**3,749**	3,739	-		**6,603**	7,579	(13%)
Finished Cobalt		**388**	436	(11%)		**724**	872	(17%)
Fertilizer		**52,741**	62,858	(16%)		**105,181**	121,726	(14%)
NICKEL RECOVERY (%)		**80%**	88%	(9%)		**80%**	87%	(8%)
SALES VOLUMES (tonnes)								
Finished Nickel		**3,668**	3,670	-		**6,578**	7,532	(13%)
Finished Cobalt		**388**	435	(11%)		**713**	856	(17%)
Fertilizer		**63,735**	57,816	10%		**89,207**	95,270	(6%)
AVERAGE REFERENCE PRICES (US$ per pound)								
Nickel	**$**	**6.56**	$ 4.18	57%	**$**	**6.29**	$ 4.43	42%
Cobalt[2]		**42.93**	25.87	66%		**40.97**	22.83	79%
AVERAGE REALIZED PRICE[1]								
Nickel ($ per pound)	**$**	**8.50**	$ 5.58	52%	**$**	**8.19**	$ 5.89	39%
Cobalt ($ per pound)		**54.01**	33.12	63%		**51.49**	28.73	79%
Fertilizer ($ per tonne)		**427**	414	3%		**407**	386	6%
UNIT OPERATING COST[1] (US$ per pound)								
Nickel - net direct cash cost (NDCC)	**$**	**1.68**	$ 2.55	(34%)	**$**	**1.84**	$ 2.86	(36%)
SPENDING ON CAPITAL								
Sustaining	$	**13.1**	$ 8.1	62%	$	**17.6**	$ 10.2	73%
	$	**13.1**	$ 8.1	62%	$	**17.6**	$ 10.2	73%

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



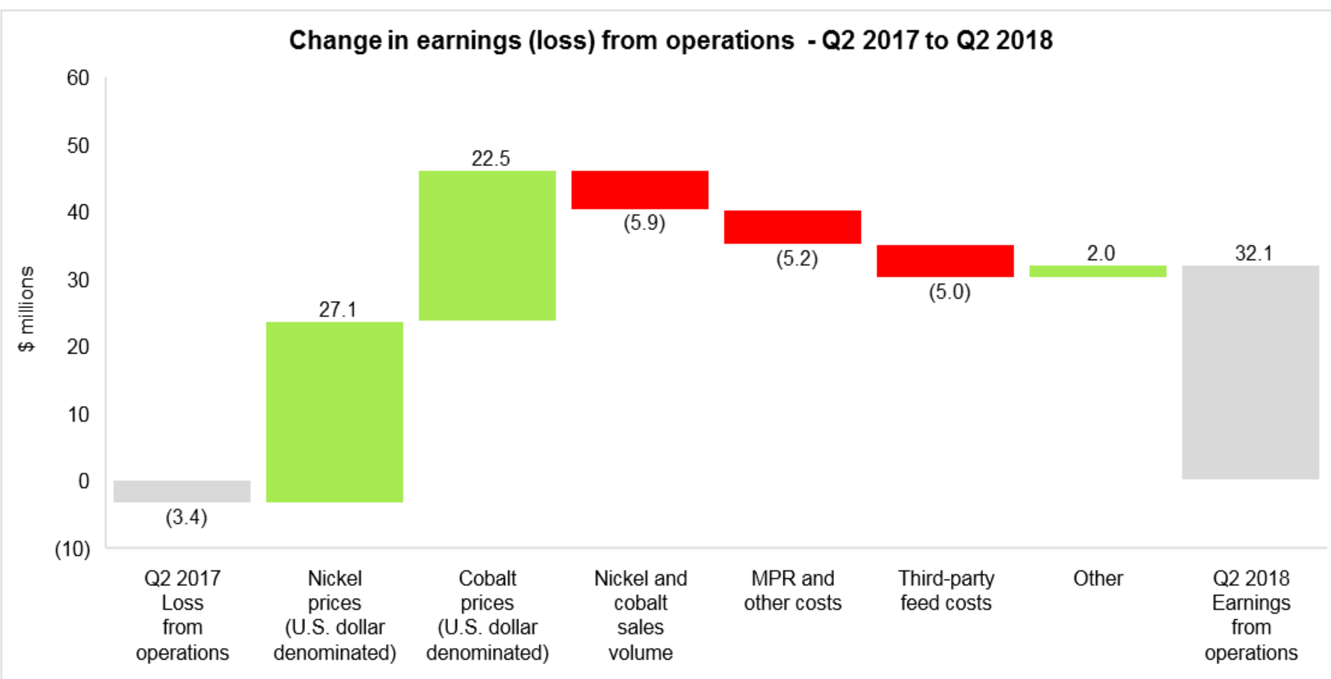


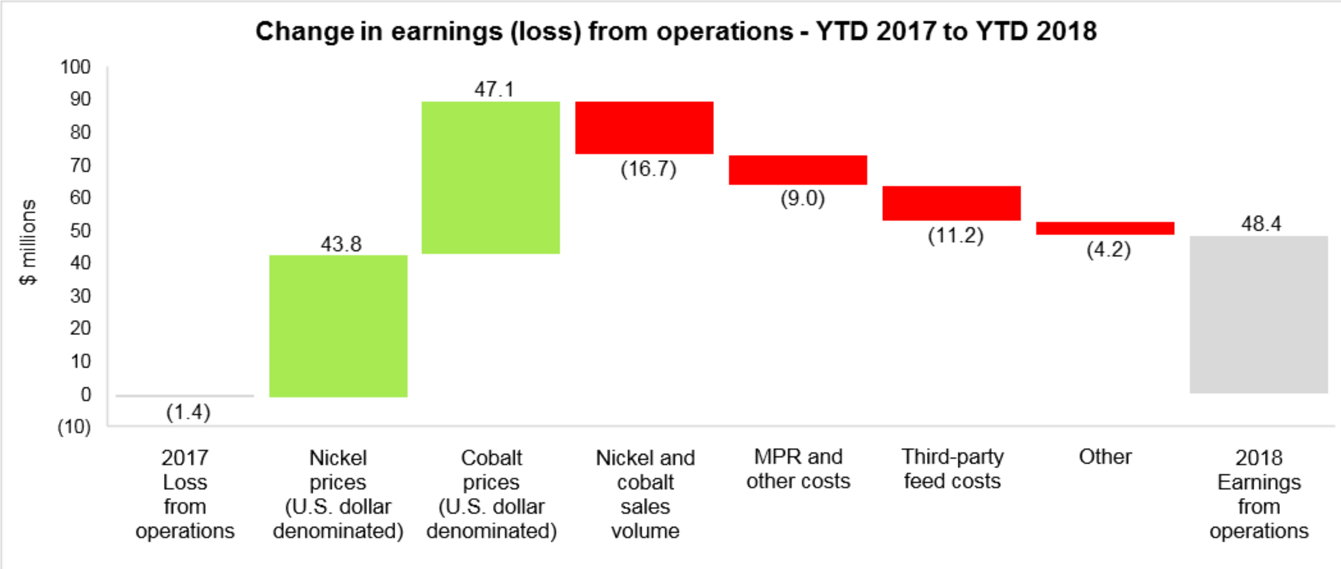
Revenue, cost of sales and NDCC are composed of the following:

$ millions	For the three months ended 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
REVENUE						
Nickel	**$ 68.7**	$ 45.2	52%	**$ 118.7**	$ 97.9	21%
Cobalt	**46.2**	31.7	46%	**80.9**	54.2	49%
Fertilizers	**27.2**	24.0	13%	**36.3**	36.8	(1%)
Other	**3.4**	2.1	62%	**5.9**	4.5	31%
	$ 145.5	$ 103.0	41%	**$ 241.8**	$ 193.4	25%
COST OF SALES(1)						
Mining, processing and refining	**$ 56.2**	$ 54.1	4%	**$ 96.2**	$ 105.9	(9%)
Third-party feed costs	**7.7**	2.7	185%	**16.1**	8.2	96%
Fertilizers	**22.4**	20.5	9%	**30.5**	29.7	3%
Selling costs	**4.4**	4.5	(2%)	**8.0**	8.7	(8%)
Other	**7.0**	7.6	(8%)	**14.2**	12.8	11%
	$ 97.7	$ 89.4	9%	**$ 165.0**	$ 165.3	(0%)
NET DIRECT CASH COST(2) (US$ per pound of nickel)						
Mining, processing and refining (MPR) costs	**$ 5.62**	$ 5.00	12%	**$ 5.46**	$ 4.87	12%
Third-party feed costs	**0.73**	0.25	192%	**0.87**	0.37	135%
Cobalt by-product credits	**(4.42)**	(2.92)	(51%)	**(4.36)**	(2.44)	(79%)
Other(3)	**(0.25)**	0.22	(214%)	**(0.13)**	0.06	(317%)
	$ 1.68	$ 2.55	(34%)	**$ 1.84**	$ 2.86	(36%)

(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 earnings from operations is detailed below:





Reference prices for nickel were 57% and 42% higher for the three and six months ended June 30, 2018, respectively, compared to the same periods in the prior year while cobalt reference prices were 66% and 79% higher than in the comparable prior year periods. Realized prices were also higher but were negatively impacted by a stronger Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

Mixed sulphide production was lower for the three and six months ended June 30, 2018 compared to the same periods in the prior year as a result of limited access to planned mining areas in Moa primarily due to the impact of unusually heavy rainfall in Cuba in Q4 2017 through to the early part of Q2 2018 and lower equipment availability in both current year periods. Nickel recovery rates were lower for each of the current year periods due to mining access limitations resulting in higher feed ore impurities.

Finished nickel production at the Moa Joint Venture was relatively unchanged in the three months ended June 30, 2018 compared to the same period in the prior year as the Canadian rail transportation issues and heavy rainfall experienced in Q1 2018 have been resolved. Production in Q2 2018 was impacted by the planned annual maintenance refinery shutdown in June, consistent with previous years. Cobalt production was lower for the period as a result of a higher nickel to cobalt ratio in the mixed sulphides. This nickel to cobalt ratio in Q2 2018 was within the range of historic norm. For the six months ended June 30, 2018, finished nickel and cobalt production was lower primarily as a result of lower Q1 2018 production due to heavy rains and transportation delays.

The Moa Joint Venture is in the process of deploying a new fleet of trucks and other mining equipment to address fleet availability issues that have affected production over recent periods. In Q2 2018, approximately half of the ordered equipment was in service with the balance on schedule for deployment in Q3 2018. With the improvement in weather conditions and improved mining equipment availability, mixed sulphide production is expected to improve for the balance of the year.

Net direct cash cost of nickel (NDCC) for the three and six months ended June 30, 2018 was lower compared to the same periods in the prior year primarily due to higher cobalt and other credits which more than offset the impact of higher sulphur and fuel oil prices, higher third party feed prices and for the year to date period the impact of lower production. Higher other credits reflect higher margin on Fort Saskatchewan sulphuric acid sales as a result of lower costs associated with the absence of a bi-annual acid plant shutdown at Fort Saskatchewan in 2018.

Fertilizer’s contribution to operating earnings for the three and six months ended June 30, 2018 was relatively unchanged compared to the same periods in the prior year. Other costs in each of the current year periods includes higher royalties primarily as a result of higher nickel and cobalt reference prices.

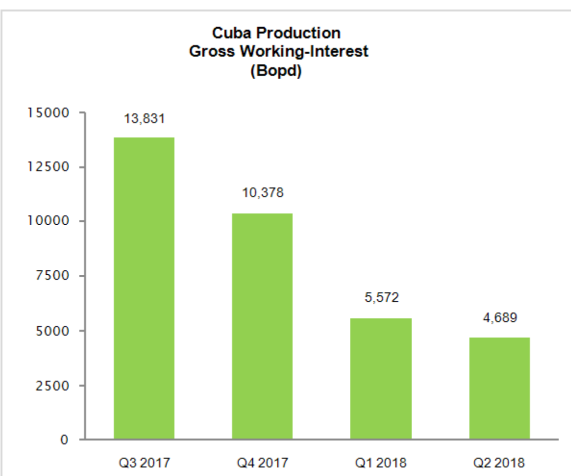
Sustaining capital spending in the three and six months ended June 30, 2018 was higher compared to the same periods in the prior year due to higher planned spending including the purchase of mining equipment and construction of the slurry preparation plant dump pocket at Moa. The Moa Joint Venture is expected to continue to operate and fund capital expenditures through internally generated joint venture cash flows and/or external loans, without shareholder funding.

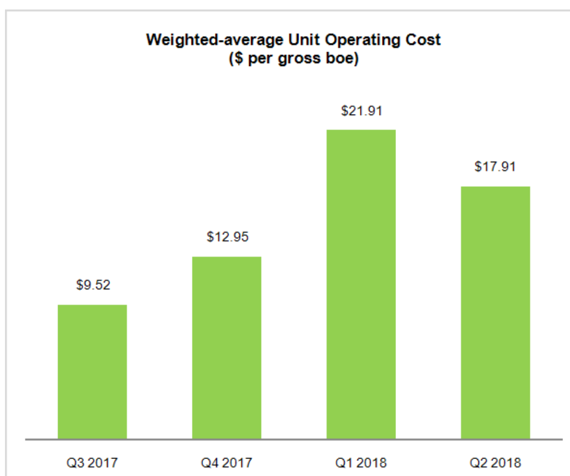
OIL AND GAS

$ millions, except as otherwise noted		For the three months ended **2018 June 30**		2017 June 30	Change		For the six months ended **2018 June 30**		2017 June 30	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**9.6**	$	34.1	(72%)	**$**	**27.7**	$	69.4	(60%)
Earnings (loss) from operations		**(3.1)**		8.9	(135%)		**(1.4)**		19.9	(107%)
Adjusted EBITDA(1)		**(0.6)**		17.8	(103%)		**4.0**		37.4	(89%)
CASH FLOW										
Cash provided by operations	**$**	**10.5**	$	11.2	(6%)	**$**	**17.8**	$	25.2	(29%)
Free cash flow(1)		**3.7**		7.8	(53%)		**7.9**		18.1	(56%)
Adjusted operating cash flow(1)		**(3.3)**		14.4	(123%)		**(11.0)**		29.3	(138%)
PRODUCTION AND SALES(2)										
Gross working-interest (GWI) - Cuba		**4,689**		14,545	(68%)		**5,128**		14,877	(66%)
Total net working-interest (NWI)		**1,821**		8,805	(79%)		**2,862**		8,848	(68%)
AVERAGE REFERENCE PRICES (US$ per barrel)										
West Texas Intermediate (WTI)	**$**	**68.14**	$	48.06	42%	**$**	**65.56**	$	49.83	32%
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)		**62.42**		43.23	44%		**58.86**		44.36	33%
Brent		**74.67**		49.13	52%		**70.78**		51.23	38%
AVERAGE-REALIZED PRICES(1) (per NWI)										
Cuba ($ per barrel)	**$**	**59.97**	$	42.10	42%	**$**	**53.44**	$	42.86	25%
Spain ($ per barrel)		**95.47**		65.92	45%		**89.24**		67.82	32%
Pakistan ($ per boe)(2)		**10.61**		10.72	(1%)		**10.49**		10.67	(2%)
Weighted-average ($ per boe)		**52.26**		41.39	26%		**49.81**		42.08	18%
UNIT OPERATING COSTS(1)(2) (per GWI)										
Cuba	**$**	**16.10**	$	9.95	62%	**$**	**18.66**	$	9.29	101%
Spain		**72.74**		44.22	64%		**67.94**		51.73	31%
Pakistan		**7.30**		7.57	(4%)		**7.81**		7.74	1%
Weighted-average ($ per boepd)		**17.91**		10.67	68%		**20.05**		10.11	98%
SPENDING ON CAPITAL										
Development, facilities and other	**$**	**0.3**	$	(0.4)	175%	**$**	**-**	$	(1.2)	100%
Exploration		**6.9**		2.1	229%		**9.5**		5.9	61%
	$	**7.2**	$	1.7	324%	**$**	**9.5**	$	4.7	102%

(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).



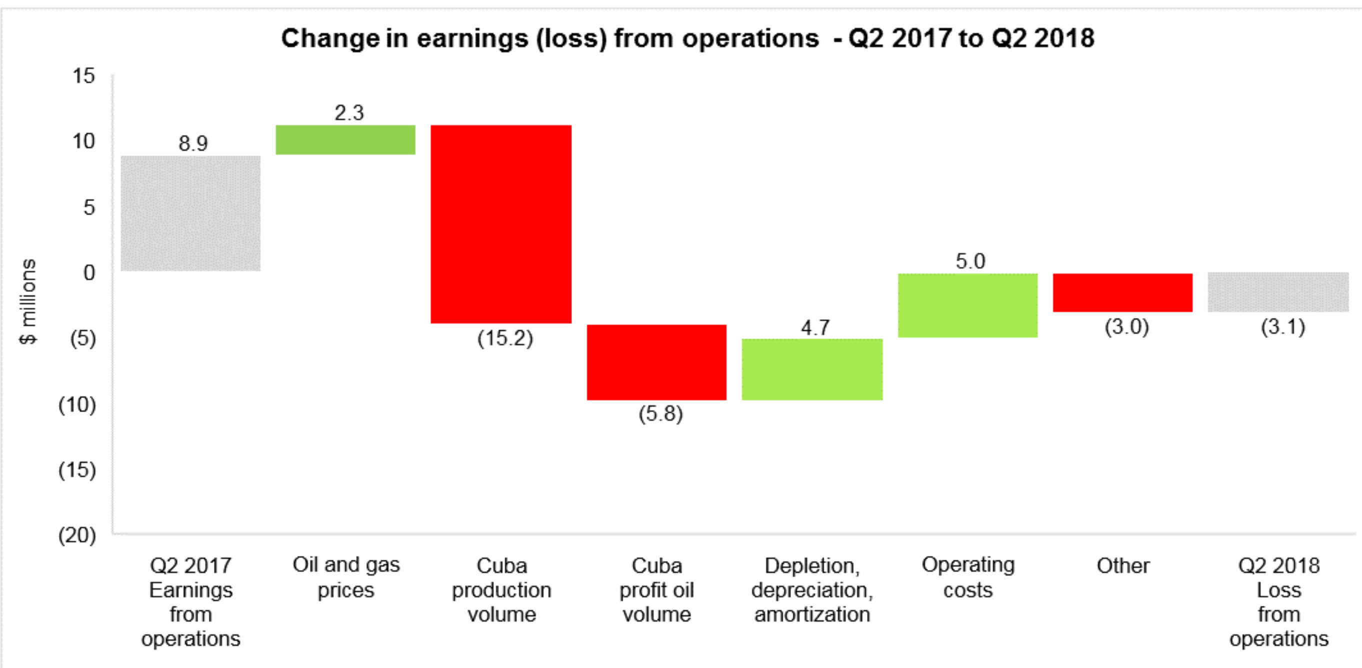


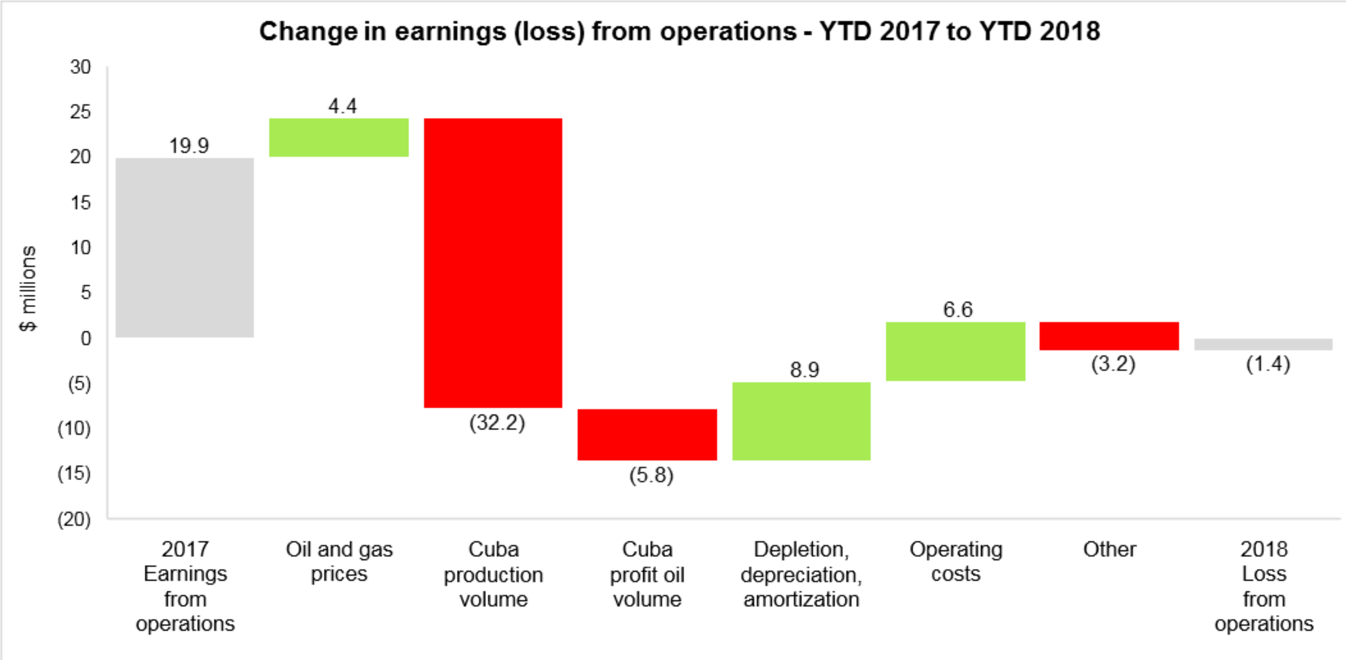
$ millions	For the three months ended 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
REVENUE						
Cuba	**$ 6.0**	$ 30.6	(80%)	**$ 20.7**	$ 62.7	(67%)
Spain	**2.1**	2.1	-	**4.2**	3.8	11%
Pakistan	**0.5**	0.5	-	**0.9**	0.9	-
Processing	**1.0**	0.9	11%	**1.9**	2.0	(5%)
	$ 9.6	$ 34.1	(72%)	**$ 27.7**	$ 69.4	(60%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[1][2]						
Gross working-interest oil production in Cuba	**4,689**	14,545	(68%)	**5,128**	14,877	(66%)
Net working-interest oil production						
Cuba (heavy oil)						
Cost recovery	**935**	2,664	(65%)	**1,206**	2,531	(52%)
Profit oil	**187**	5,346	(97%)	**936**	5,556	(83%)
Total	**1,122**	8,010	(86%)	**2,142**	8,087	(74%)
Spain (light oil)	**241**	338	(29%)	**261**	307	(15%)
Pakistan (natural gas)	**458**	457	-	**459**	454	1%
	1,821	8,805	(79%)	**2,862**	8,848	(68%)

(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, 2017.

The change in earnings from operations is detailed below:





Realized prices for oil in the three and six months ended June 30, 2018 were higher than in the same periods in the prior year reflecting higher market prices partly offset by a stronger Canadian dollar relative to the U.S. dollar in the current year periods.

GWI production in Cuba was lower for the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily due to the expiry of the Varadero West PSC in November 2017 plus natural reservoir declines and the absence of new development drilling. Cost recovery and profit oil production and Cuban oil revenue were all lower accordingly. Lower cost recovery oil production was also impacted by 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 additionally impacted in the current year periods as Sherritt's profit oil percentage was reduced to 6% from 45% as per the terms of the renewal of the Puerto Escondido/Yumuri PSC. More importantly for Sherritt, renewal of this PSC allowed Sherritt to retain access to equipment and personnel, some of which is being used to support drilling in Block 10.

Unit operating costs in Cuba were higher in the three and six months ended June 30, 2018 compared to the same periods in the prior year as lower maintenance, workover costs and treatment and transportation costs were more than offset by the impact of lower production. Costs were positively impacted by a strengthening of the Canadian dollar relative to the U.S. dollar in the current year periods compared to the same periods in the prior year.

Exploration spending was higher in both the three and six months ended June 30, 2018 compared to the same periods in the prior year. Current period quarterly spending was focused on the purchase of drilling supplies and materials for Block 10. In early July 2018, Sherritt resumed drilling through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated when the Corporation reports its Q3 2018 results. Capital forecasted to complete the drilling is expected to be approximately US$14 million.

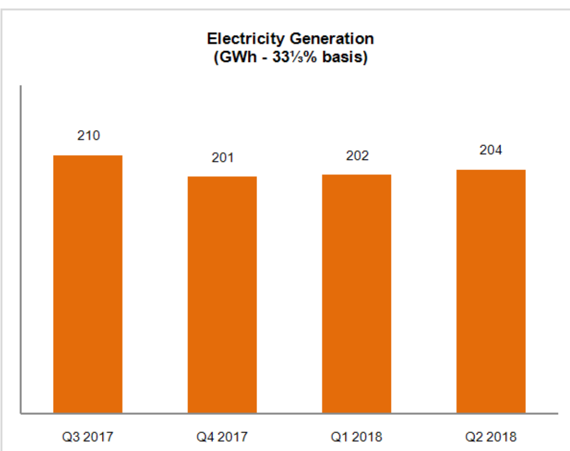
POWER

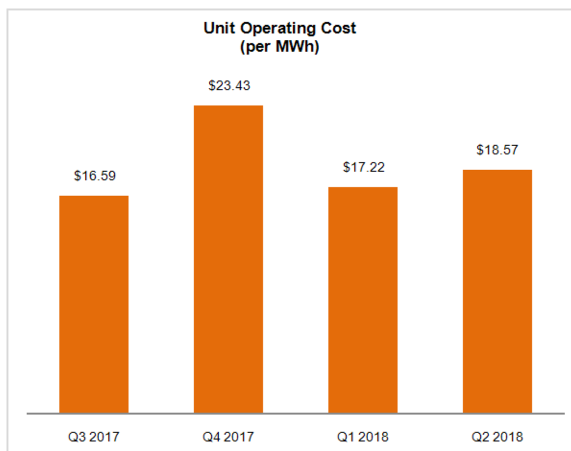
$ millions (33 1/3% basis), except as otherwise noted	For the three months ended 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 12.4**	$ 13.6	(9%)	**$ 24.3**	$ 27.0	(10%)
Earnings from operations	**1.5**	1.5	-	**3.3**	4.3	(23%)
Adjusted EBITDA(1)	**7.6**	7.9	(4%)	**15.4**	17.1	(10%)
CASH FLOW						
Cash provided by operations	**$ 8.1**	$ 7.9	3%	**$ 19.3**	$ 20.7	(7%)
Free cash flow(1)	**7.9**	7.5	5%	**19.0**	19.5	(3%)
Adjusted operating cash flow(1)	**7.3**	7.7	(5%)	**14.8**	16.6	(11%)
PRODUCTION AND SALES						
Electricity (GWh(2))	**204**	220	(7%)	**406**	437	(7%)
AVERAGE-REALIZED PRICES(1)						
Electricity (per MWh(2))	**$ 54.18**	$ 57.02	(5%)	**$ 53.71**	$ 56.66	(5%)
UNIT OPERATING COSTS(1) (per MWh)						
Base	**$ 15.63**	$ 15.80	(1%)	**$ 15.04**	$ 15.65	(4%)
Non-base(3)	**2.94**	5.56	(47%)	**2.86**	3.03	(6%)
	18.57	21.36	(13%)	**17.90**	18.68	(4%)
SPENDING ON CAPITAL						
Sustaining	**$ 0.2**	0.4	(50%)	**$ 0.3**	$ 1.2	(75%)
	$ 0.2	0.4	(50%)	**$ 0.3**	$ 1.2	(75%)

(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 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
Electricity sales	**$ 11.1**	$ 12.5	(11%)	**$ 21.8**	$ 24.7	(12%)
By-products and other	**1.3**	1.1	18%	**2.5**	2.3	9%
	$ 12.4	$ 13.6	(9%)	**$ 24.3**	$ 27.0	(10%)

Electricity production and sales volumes were lower for the three and six months ended June 30, 2018 compared to the same periods in the prior year primarily as a result of lower gas supply. The average-realized price of electricity was lower for the three and six months ended June 30, 2018 compared to the same periods in the prior year was due to a strengthening of the Canadian dollar relative to the U.S. dollar.

Unit operating costs were relatively unchanged for the three and six months ended June 30, 2018 compared to the same periods in the prior year. The strengthening of the Canadian dollar relative to the U.S. dollar had a positive impact on operating costs.

Capital spending was relatively unchanged for the three and six months ended June 30, 2018 compared to the same periods in the prior year.

Investment in the Ambatovy Joint Venture

REVIEW OF OPERATIONS(1)

$ millions, except as otherwise noted	For the three months ended 2018 June 30	2017 June 30	Change	For the six months ended 2018 June 30	2017 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 31.3**	$ 68.3	(54%)	**$ 49.1**	$ 143.1	(66%)
Loss from operations	**(1.5)**	(38.6)	96%	**(10.5)**	(67.6)	84%
Adjusted EBITDA(2)	**8.9**	(1.6)	656%	**9.8**	6.6	48%
CASH FLOW						
Cash provided by operations	**$ 4.4**	$ (12.1)	136%	**$ (1.6)**	$ (14.4)	89%
Free cash flow(2)	**1.8**	(14.8)	112%	**(7.1)**	(21.1)	66%
Adjusted operating cash flow(2)	**3.7**	(18.6)	120%	**2.9**	(11.5)	125%
PRODUCTION VOLUMES (tonnes)(3)						
Mixed Sulphides	**1,270**	1,135	12%	**1,945**	2,430	(20%)
Finished Nickel	**1,147**	1,033	11%	**1,815**	2,178	(17%)
Finished Cobalt	**99**	81	22%	**148**	178	(17%)
Fertilizer	**3,762**	3,271	15%	**5,751**	6,810	(16%)
NICKEL RECOVERY (%)	**88%**	85%	4%	**87%**	85%	2%
SALES VOLUMES (tonnes)(3)						
Finished Nickel	**1,184**	1,040	14%	**1,849**	2,183	(15%)
Finished Cobalt	**95**	89	6%	**147**	195	(25%)
Fertilizer	**2,658**	3,101	(14%)	**4,137**	6,835	(39%)
AVERAGE REFERENCE PRICES (US$ per pound)						
Nickel	**$ 6.56**	$ 4.18	57%	**$ 6.29**	$ 4.43	42%
Cobalt(4)	**42.93**	25.87	66%	**40.97**	22.83	79%
AVERAGE REALIZED PRICE(2)						
Nickel ($ per pound)	**$ 8.39**	$ 5.83	44%	**$ 7.93**	$ 5.99	32%
Cobalt ($ per pound)	**45.01**	33.07	36%	**51.68**	29.64	74%
Fertilizer ($ per tonne)	**189**	176	8%	**193**	169	14%
UNIT OPERATING COST(2) (US$ per pound)						
Nickel - net direct cash cost	**$ 3.14**	$ 3.66	(14%)	**$ 3.85**	$ 3.79	2%
SPENDING ON CAPITAL						
Sustaining	**$ 3.1**	$ 12.8	(76%)	**$ 5.6**	$ 21.2	(74%)
	$ 3.1	$ 12.8	(76%)	**$ 5.6**	$ 21.2	(74%)

(1) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its ownership interest at 40% to December 10, 2017 and 12% thereafter.
(2) For additional information see the Non-GAAP measures section.
(3) To allow for easier comparison, Ambatovy production and sales volume information for the periods ended June 30, 2017 are presented on a 12% basis.
(4) Average low-grade cobalt published price per Metals Bulletin.

Revenue, cost of sales and NDCC are composed of the following:

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
REVENUE(1)						
Nickel	**$ 21.6**	$ 44.6	(52%)	**$ 31.8**	$ 96.2	(67%)
Cobalt	**9.2**	21.6	(57%)	**16.5**	42.5	(61%)
Fertilizers	**0.5**	1.9	(74%)	**0.8**	3.9	(79%)
Other	**-**	0.2	(100%)	**-**	0.5	(100%)
	$ 31.3	$ 68.3	(54%)	**$ 49.1**	$ 143.1	(66%)
COST OF SALES(1)(2)						
Mining, processing and refining	**$ 20.7**	$ 62.2	(67%)	**$ 37.3**	$ 120.7	(69%)
Selling costs	**0.6**	2.9	(79%)	**1.0**	5.9	(83%)
Other	**0.7**	1.4	(50%)	**1.3**	2.9	(55%)
	$ 22.0	$ 66.5	(67%)	**$ 39.6**	$ 129.5	(69%)
NET DIRECT CASH COST(3) (US$ per pound of nickel)						
Mining, processing and refining (MPR) costs	**$ 6.60**	$ 6.14	7%	**$ 7.07**	$ 5.82	21%
Cobalt by-product credits	**(3.53)**	(2.44)	(45%)	**(3.37)**	(2.06)	(64%)
Other(4)	**0.07**	(0.04)	275%	**0.15**	0.03	400%
	$ 3.14	$ 3.66	(14%)	**$ 3.85**	$ 3.79	2%

(1) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its ownership interest at 40% to December 10, 2017 and 12% thereafter.
(2) Excludes depletion, depreciation and amortization.
(3) For additional information see the Non-GAAP measures section.
(4) Includes selling costs, discounts and other by-product credits.

Beginning on December 11, 2017, Sherritt's reduced its ownership interest in the Ambatovy Joint Venture from 40% to 12%; therefore, in addition to the impact of the production results discussion below, Sherritt's share of financial and operating results in the current year periods reflect the impact of its reduced ownership interest.

On a 100% basis, finished nickel production was 11% higher and 17% lower, respectively, and finished cobalt production was 22% higher and 17% lower, respectively, for the three and six months ended June 30, 2018 compared to the same periods in the prior year. Production in both current year periods was impacted by reduced sulphuric acid availability as a result of the economizer failure in Acid Plant 1 in late 2017. Acid Plant 2 remained operational during this period and as a result total acid production was between 50% and 70% of total capacity which constrained nickel production. By the end of May 2018 a replacement economizer was commissioned and both Acid Plants were fully operational which lifted the acid constraint on the plant. In addition, production in the current year periods was impacted in June by reduced autoclave availability and a conveyor failure at the mine which affected slurry deliveries to the autoclaves. For the six months ended June 30, 2018, production was also impacted by Cyclone Ava which necessitated a plant shutdown in January and caused damage to equipment and facilities. Production resumed at the end of January following completion of critical repairs.

The Ambatovy Joint Venture has initiated a number of projects which continue to focus on improving asset reliability, specifically in the acid production and PAL circuits. As part of these initiatives, it is expected that the economizer in Acid plant 2 will be replaced in Q3 2018.

Net direct cash cost (NDCC) of nickel was lower in the three months ended June 30, 2018 compared to the same period in the prior year primarily as the higher cobalt credit more than offset the impact of lower sales volume. For the six months ended June 30, 2018, NDCC was relatively unchanged as the higher cobalt credit was offset by the impact of lower sales volume.

Spending on sustaining capital was relatively unchanged on a 100% basis for the three months and six months ended June 30, 2018 compared to the same periods in the prior year reflecting the timing of planned spending. Capital spending in the current year periods is primarily related to replacing the economizers, restoring the general condition of the acid plants, fixing corroded equipment and improving plant reliability.

Liquidity and capital resources

Total available liquidity at June 30, 2018 was $215.5 million which is composed of available cash, cash equivalents, short term investments and $18.3 million available on the syndicated revolving-term credit facility.

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, 2018	Cash	Cash equivalents and short-term investments	Total
Canada	$ 68.3	$ 67.3	$ 135.6
Cuba	56.0	-	56.0
Other	5.6	-	5.6
	$ 129.9	$ 67.3	$ 197.2

Sherritt's share of cash in the Moa Joint Venture and Ambatovy Joint Venture, not included in the above balances:	
Moa Joint Venture	$ 25.4
Ambatovy Joint Venture	10.4
	$ 35.8

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 condensed consolidated statements of cash flow.

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	**$ 10.5**	$ 11.2	(6%)	**$ 17.8**	$ 25.2	(29%)
Power operating cash flow	**8.1**	7.9	3%	**19.3**	20.7	(7%)
Fort Site operating cash flow	**(18.1)**	(16.0)	(13%)	**(11.7)**	(7.6)	(54%)
Interest paid on debentures	**(15.8)**	(20.1)	21%	**(26.8)**	(30.0)	11%
Corporate, Metals Other, and other operating cash flow	**(15.1)**	(4.0)	(278%)	**(17.9)**	(12.7)	(41%)
Cash provided by continuing operations	**(30.4)**	(21.0)	(45%)	**(19.3)**	(4.4)	(339%)
Cash used by discontinued operations[1]	**(0.4)**	(0.7)	43%	**(4.2)**	(0.8)	(425%)
	$ (30.8)	$ (21.7)	(42%)	**$ (23.5)**	$ (5.2)	(352%)
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible expenditures	**$ (9.3)**	$ (6.1)	(52%)	**$ (13.4)**	$ (11.0)	(22%)
Receipts of advances, loans receivable and other financial assets	**9.0**	8.6	5%	**25.0**	8.6	191%
Repayment of other loans and borrowings	**-**	(6.5)	100%	**-**	(27.0)	100%
Repurchase of senior unsecured debentures	**(10.0)**	-	-	**(120.3)**	-	-
Issuance of common shares units	**-**	-	-	**132.3**	-	-
Fees paid on debenture repurchase and unit offer	**(0.1)**	-	-	**(9.5)**	-	-
Issuance of common shares	**0.1**	0.2	(50%)	**0.7**	0.3	133%
Other	**1.0**	(1.0)	200%	**2.9**	(1.1)	364%
	$ (9.3)	$ (4.8)	(94%)	**$ 17.7**	$ (30.2)	159%
	(40.1)	(26.5)	(51%)	**(5.8)**	(35.4)	84%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**237.3**	299.7	(21%)	**203.0**	308.6	(34%)
End of the period	**$ 197.2**	$ 273.2	(28%)	**$ 197.2**	$ 273.2	(28%)

(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 its Coal operations in 2014.

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

Cash from continuing operations was lower in the three and six months ended June 30, 2018 compared to the prior-year periods, respectively, primarily as a result of the following:

- cash from operating activities at Oil and Gas was lower in the current year as lower revenues were partly offset by the impact of higher oil prices in the current year periods. Receipts on receivables were lower in the current year periods compared to the same periods in the prior year;
- cash from operating activities at Power was relatively unchanged in the current year periods. Receipts of Energas receivables were higher in the current year periods compared to the same periods in the prior year;
- the change in cash from operating activities at Fort Site was primarily due to the timing of collections and realization of fertilizer sales;
- cash used by Corporate, Metals Other and other operating activities were higher primarily due to timing of working capital payments; and
- lower interest payments on the secured debentures.

Included in investing and financing activities:

- the Corporation received $9.0 million and $25.0 million from the Moa Joint Venture in the three and six months ended June 30, 2018 as repayment on its working capital facility. The facility was fully repaid during the quarter;
- cash received in first quarter of 2018 on the Unit offering of $132.3 million was primarily used to repurchase for cancellation $131.9 million principal amount of the Corporation's senior unsecured debentures, including $10.7 million in the second quarter, at a total cost, excluding fees and accrued interest, of $120.3 million; and
- expenditures on property, plant and equipment and intangibles primarily related to Block 10 and sustaining activities.

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, 2018	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	$ 154.4	$ 154.4	$ -	$ -	$ -	$ -	$ -
Income taxes payable	0.6	0.6	-	-	-	-	-
Senior unsecured debentures	847.6	37.1	45.8	45.8	208.6	32.2	478.1
Ambatovy Joint Venture Partner loans	161.0	-	10.7	-	-	-	150.3
Syndicated revolving-term credit facility	8.3	8.3	-	-	-	-	-
Provisions	159.9	13.3	0.9	6.5	0.4	-	138.8
Operating leases	18.4	3.3	3.5	2.6	1.6	1.6	5.8
Capital commitments	19.3	19.3	-	-	-	-	-
Other	0.6	0.2	0.2	0.2	-	-	-
Total	$ 1,370.1	$ 236.5	$ 61.1	$ 55.1	$ 210.6	$ 33.8	$ 773.0

Repurchase of senior unsecured debentures

In May 2018, the Corporation purchased $10.7 million principal amount of debentures at a cost, of $10.0 million. Debentures that were purchased were retired and cancelled and no longer remain outstanding. See note 14 of the June 30, 2018 condensed consolidated financial statements for further details.

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 $93.4 million, with no significant payments due in the next five years;
- Advances and loans payable of $231.0 million. Included within advances and loans payable is the loan related to the construction of the acid plant of $7.9 million.

Ambatovy Joint Venture

As a result of the Corporation's 12% interest in the Ambatovy Joint Venture, its proportionate share of significant commitments of the Joint Venture includes the following:

- Environmental rehabilitation commitments of $52.9 million, with no significant payments due in the next five years;
- Other contractual commitments of $10.7 million;
- Ambatovy revolving credit facility of $8.6 million. The facility bears interest rates between 9.00% and 11.85% and matures on July 31, 2018. The joint venture is in discussions with the local financial institutions to extend the maturity date of this revolving credit facility agreement; and
- The Ambatovy Joint Venture senior debt financing of US$195.1 million ($256.9 million) which is non-recourse to the Joint Venture partners. Interest is payable based on LIBOR plus a weighted-average margin of 2.6%. 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 $306.8 million.

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, 2018, there are no events of default on the Corporation's borrowings or debentures.

COMMON SHARES

As at July 31, 2018, the Corporation had 397,265,024 common shares outstanding. An additional 10,539,142 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan, a maximum of 47,232,200 on the issue of Cobalt-Linked Warrants and 10,396,016 common shares issuable on the exercise of other common share 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 2018 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 the three and six months ended June 30, 2018.

The condensed consolidated financial statements referenced in this MD&A have been prepared in accordance with IAS 34, Interim Financial Reporting, using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2017 except for changes relating to IFRS 9 and IFRS 15 which were adopted effective January 1, 2018. For further information, see note 4 of the condensed consolidated financial statements for the three months ended March 31, 2018.

Summary of quarterly results[1]

The following table presents selected amounts derived from the Corporation's consolidated financial statements:

$ millions, except per share amounts, for the three months ended	**2018 June 30[2]**	2018 Mar 31[2]	2017 Dec 31	2017 Sept 30	2017 June 30	2017 Mar 31	2016 Dec 31	2016 Sept 30
Revenue per financial statements	**$ 46.5**	$ 39.4	$ 54.8	$ 63.3	$ 76.8	$ 72.4	$ 70.5	$ 58.5
Share of loss of an associate, net of tax	**(9.0)**	(13.9)	(27.5)	(53.2)	(64.2)	(50.1)	(31.3)	(55.9)
Share of earnings (loss) of a joint venture, net of tax	**21.4**	11.9	17.4	11.6	1.8	1.1	(7.7)	(3.5)
Net (loss) earnings from continuing operations	**2.8**	(0.6)	552.9	(69.5)	(101.9)	(72.6)	(109.6)	(120.8)
(Loss) earnings from discontinued operations, net of tax[3]	**-**	-	(15.1)	-	-	-	2.9	-
Net (loss) earnings for the period	**$ 2.8**	$ (0.6)	$ 537.8	$ (69.5)	$ (101.9)	$ (72.6)	$ (106.7)	$ (120.8)
Net (loss) earnings per share, basic ($ per share)[4]								
Net (loss) earnings from continuing operations	**$ 0.01**	$ 0.00	$ 1.85	$ (0.24)	$ (0.35)	$ (0.25)	$ (0.37)	$ (0.41)
Net (loss) earnings for the period	**0.01**	0.00	1.80	(0.24)	(0.35)	(0.25)	(0.36)	(0.41)

(1) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its ownership interest at 40% to December 10, 2017 and 12% thereafter.

(2) The amounts for the periods ended after December 31, 2017 have been prepared in accordance with IFRS 9 and IFRS 15; amounts for the periods December 31, 2017 and prior have not been restated. Refer to note 4 in the condensed consolidated financial statements for the three months ended March 31, 2018 for further information.

(3) Expenses relate to additional costs and penalties in respect of the Obed tailing pond breach, the liability for which was retained by the Corporation following the sale of the Coal operations in 2014. Earnings relate to insurance recoveries received by the Corporation.

(4) Diluted per share results are the same in all periods except the quarter ended December 31, 2017 when net earnings from continuing operations per share was $1.80 and net earnings per share was $1.75.

In general, net loss or earnings for the Corporation are primarily affected by production and sales volume, commodity prices, maintenance and operating costs, and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters ranged from $1.25 (Q3 2017) to $1.34 (Q2 2017) and period-end rates ranged between $1.25 (Q3 2017) to $1.34 (Q4 2016).

Effective December 11, 2017, the Corporation reduced its interest in the Ambatovy Joint Venture from 40% to 12%. In general, this change in ownership interest has a positive impact on financial results of the Corporation for quarters ending after December 11, 2017 as a result of the corresponding reduction in losses of the Ambatovy Joint Venture.

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

- The second quarter of 2018 includes $11.0 million of unrealized foreign exchange gains and approximately $5.8 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC;
- the first quarter of 2018 includes the recognition of $7.7 million of unrealized foreign exchange gains and the impact on net earnings as a result of the expiry of the Varadero West PSC in Oil and Gas in November 2017;
- the fourth quarter of 2017 includes a gain of $629.0 million on the Ambatovy restructuring and the recognition of $24.1 million of unrealized foreign exchange losses primarily as a result of the reduction of U.S. dollar denominated loans derecognized as part of the Ambatovy restructuring;
- the third quarter of 2017 includes a $13.5 million unrealized foreign exchange gain;
- the second quarter of 2017 includes a $4.4 million unrealized foreign exchange loss;
- 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.

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 18 of the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2018. 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, 2018, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2018, 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, 2018 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	$ 12	$ 0.03
Cobalt - Metal Bulletin price per pound(1)	US$	5.00	6	0.01
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(12)	(0.03)
Operating costs(1)				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(2)	-

(1) 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 12% interest in the Ambatovy Joint Venture.

NON-GAAP MEASURES

Management uses the following non-GAAP financial performance measures in this MD&A and/or press release:

- combined revenue,
- adjusted EBITDA,
- average-realized price,
- unit operating cost/NDCC,
- adjusted earnings,
- adjusted operating cash flow, and
- free cash flow.

Management uses non-GAAP measures 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 are intended to provide additional information, not to replace IFRS measures. Non-GAAP 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.

The non-GAAP measures are reconciled to the most directly comparable IFRS measure in the sections below.

Combined results

The Corporation uses combined revenue (along with other combined measures, not used in this current MD&A) as a measure to help management assess the Corporation's financial performance across its operating divisions. The combined results include the Corporation's consolidated financial results and the results of its 50% share of the Moa Joint Venture and its share of the Ambatovy Joint Venture (40% to December 10, 2017 and 12% thereafter), 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 operating divisions prior to the application of equity accounting to help allocate financial resources and provide investors with information that it believes is useful in understanding the scope of Sherritt's business, based on its economic interest, irrespective of the accounting treatment.

The table below reconciles Combined revenue to financial statement revenue:

	For the three months ended			For the six months ended		
	2018	2017		**2018**	2017	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Revenue by segment						
Moa Joint Venture	**$ 145.5**	$ 103.0	41%	**$ 241.8**	$ 193.4	25%
Oil and Gas	**9.6**	34.1	(72%)	**27.7**	69.4	(60%)
Power	**12.4**	13.6	(9%)	**24.3**	27.0	(10%)
Other(1)(2)	**33.6**	80.3	(58%)	**54.2**	169.2	(68%)
Combined revenue	**201.1**	231.0	(13%)	**348.0**	459.0	(24%)
Adjust joint venture and associate	**(154.6)**	(154.2)		**(262.1)**	(309.8)	
Financial statement revenue	**46.5**	76.8	(39%)	**85.9**	149.2	(42%)

(1) Other Q2 2018 revenue includes - Ambatovy Joint Venture - $31.3 million, Other Metals - $2.7 million and Corporate and other - $ (0.4) million. (Other Q1 2017 revenue includes - Ambatovy Joint Venture - $68.3 million, Other Metals - $11.7 million and Corporate and other - $ 0.3 million).

(2) Other YTD 2018 revenue includes - Ambatovy Joint Venture - $49.1 million, Other Metals - $5.5 million and Corporate and other - $ (0.4) million. (Other YTD 2017 revenue includes - Ambatovy Joint Venture - $143.1 million, Other Metals - $26.0 million and Corporate and other - $ 0.1 million).

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; gain or loss on disposal of property, plant and equipment of the Corporation, associate and joint venture; and gain or loss on disposition of an interest in investment in associate or joint venture of the Corporation. The exclusion of impairment charges eliminates the non-cash impact. Management uses Adjusted EBITDA internally to evaluate Sherritt's operating divisions on a combined and individual basis as an indicator of ability to fund working capital needs, service debt and fund capital expenditure as well as provide a level of comparability to similar entities, Management 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	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2018
Loss (earnings) from operations, associate and joint venture per financial statements	**$ 32.1**	**$ (1.5)**	**$ 0.5**	**$ (3.1)**	**$ 1.5**	**$ (11.5)**	**$ (21.0)**	**$ (3.0)**
Add (deduct):								
Depletion, depreciation and amortization	**3.0**	**-**	**-**	**2.5**	**6.1**	**0.2**	**-**	**11.8**
Adjustments for share of associate and joint venture:								
Depletion, depreciation and amortization	**9.3**	**10.4**	**-**	**-**	**-**	**-**	**-**	**19.7**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**12.4**	**12.4**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**8.6**	**8.6**
Adjusted EBITDA	**$ 44.4**	**$ 8.9**	**$ 0.5**	**$ (0.6)**	**$ 7.6**	**$ (11.3)**	**$ -**	**$ 49.5**
Earnings from operations, associate and joint venture								**$ (3.0)**
Net finance expense								**6.6**
Income tax expense								**(0.8)**
Net earnings from continuing operations								**$ 2.8**

$ millions, for the three months ended June 30	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2017
(Loss) earnings from operations, associate and joint venture per financial statements	$ (3.4)	$ (38.6)	$ 0.4	$ 8.9	$ 1.5	$ (7.8)	$ (25.0)	$ (64.0)
Add (deduct):								
Depletion, depreciation and amortization	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
Net finance expense	-	-	-	-	-	-	24.8	24.8
Income tax expense	-	-	-	-	-	-	0.2	0.2
Adjusted EBITDA	$ 11.7	$ (1.6)	$ 0.4	$ 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 six months ended June 30	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2018
Loss (earnings) from operations, associate and joint venture per financial statements	**$ 48.4**	**$ (10.5)**	**$ 1.3**	**$ (1.4)**	**$ 3.3**	**$ (16.6)**	**$ (33.1)**	**$ (8.6)**
Add (deduct):								
Depletion, depreciation and amortization	**4.2**	**-**	**-**	**5.4**	**12.1**	**0.5**	**-**	**22.2**
Adjustments for share of associate and joint venture:								
Depletion, depreciation and amortization	**18.9**	**20.3**	**-**	**-**	**-**	**-**	**-**	**39.2**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**17.8**	**17.8**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**15.3**	**15.3**
Adjusted EBITDA	**$ 71.5**	**$ 9.8**	**$ 1.3**	**$ 4.0**	**$ 15.4**	**$ (16.1)**	**$ -**	**$ 85.9**
Earnings from operations, associate and joint venture								**$ (8.6)**
Net finance expense								**13.1**
Income tax expense								**(2.3)**
Net earnings from continuing operations								**$ 2.2**

$ millions, for the six months ended June 30								2017
	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (1.4)	$ (67.6)	$ 0.7	$ 19.9	$ 4.3	$ (21.5)	$ (47.8)	$ (113.4)
Add (deduct):								
Depletion, depreciation and amortization	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
Net finance expense	-	-	-	-	-	-	46.9	46.9
Income tax expense	-	-	-	-	-	-	0.9	0.9
Adjusted EBITDA	$ 24.5	$ 6.6	$ 0.7	$ 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)

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. Transactions by the metals marketing company, included in other revenue, are excluded. 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, and believes investors use this measure, to compare the relationship between the revenue and direct costs on a per unit basis in each reporting period for nickel, cobalt, fertilizer, oil and gas, and power and provide comparability with other similar external operations.

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							**2018**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ **68.7**	$ **46.2**	$ **27.2**	$ **3.4**	$ **145.5**	$ **9.6**	$ **12.4**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(1.3)**
Processing revenue	**-**	**-**	**-**			**(1.0)**	**-**
Revenue for purposes of average-realized price calculation	**68.7**	**46.2**	**27.2**			**8.6**	**11.1**
Sales volume for the period	**8.1**	**0.9**	**63.7**			**0.17**	**204**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ **8.50**	$ **54.01**	$ **427**			$ **52.26**	$ **54.18**

$ millions, except average-realized price and sales volume, for the three months ended June 30							2017
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 45.2	$ 31.7	$ 24.0	$ 2.1	$ 103.0	$ 34.1	$ 13.6
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.1)
Processing revenue	-	-	-			(0.9)	-
Revenue for purposes of average-realized price calculation	45.2	31.7	24.0			33.2	12.5
Sales volume for the period	8.1	1.0	57.8			0.81	220
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 5.58	$ 33.12	$ 414			$ 41.39	$ 57.02

$ millions, except average-realized price and sales volume, for the six months ended June 30														**2018**
	Moa Joint Venture													
		Nickel		Cobalt		Fertilizer		Other revenue		Total		Oil and Gas		Power
Revenue per financial statements	$	**118.7**	$	**80.9**	$	**36.3**	$	**5.9**	$	**241.8**	$	**27.7**	$	**24.3**
Adjustments to revenue:														
By-product revenue		**-**		**-**		**-**						**-**		**(2.5)**
Processing revenue		**-**		**-**		**-**						**(1.9)**		**-**
Revenue for purposes of average-realized price calculation		**118.7**		**80.9**		**36.3**						**25.8**		**21.8**
Sales volume for the period		**14.5**		**1.6**		**89.2**						**0.52**		**406**
Volume units		Millions of pounds		Millions of pounds		Thousands of tonnes						Millions of barrels(1)		Gigawatts
Average-realized price(2)(3)	$	**8.19**	$	**51.49**	$	**407**					$	**49.81**	$	**53.71**

$ millions, except average-realized price and sales volume, for the six months ended June 30														2017
	Moa Joint Venture													
		Nickel		Cobalt		Fertilizer		Other revenue		Total		Oil and Gas		Power
Revenue per financial statements	$	97.9	$	54.2	$	36.8	$	4.5	$	193.4	$	69.4	$	27.0
Adjustments to revenue:														
By-product revenue		-		-		-						-		(2.3)
Processing revenue		-		-		-						(2.0)		-
Revenue for purposes of average-realized price calculation		97.9		54.2		36.8						67.4		24.7
Sales volume for the period		16.6		1.9		95.3						1.61		437
Volume units		Millions of pounds		Millions of pounds		Thousands of tonnes						Millions of barrels(1)		Gigawatts
Average-realized price(2)(3)	$	5.89	$	28.73	$	386					$	42.08	$	56.66

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/NDCC

With the exception of the Moa and Ambatovy joint ventures, which use net direct cash cost (NDCC), 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.

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.

Unit operating costs for nickel, oil, and electricity are key measures that management and investors uses to monitor performance. NDCC of nickel is a widely used performance measure for nickel producers. Management uses unit operating costs/NDCC to assess how well the Corporation's producing mines, oil wells and power facilities are performing and to assess overall production efficiency and effectiveness internally across periods and compared to its competitors.

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

$ millions, except unit cost and sales volume, for the three months ended June 30			**2018**			2017
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 110.0**	**$ 10.9**	**$ 9.8**	$ 104.5	$ 23.5	$ 11.1
Less:						
Depletion, depreciation and amortization in cost of sales	**(12.3)**	**(2.5)**	**(6.1)**	(15.1)	(8.7)	(6.4)
	97.7	**8.4**	**3.7**	89.4	14.8	4.7
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(76.8)**	**-**	**-**	(57.8)	-	-
Impact of opening/closing inventory and other	**(3.5)**	**-**	**-**	(4.8)	-	-
Cost of sales for purposes of unit cost calculation	**17.4**	**8.4**	**3.7**	26.8	14.8	4.7
Sales volume for the period	**8.1**	**0.50**	**204**	8.1	1.41	220
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatts**	Millions of pounds	Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 2.15**	**$ 17.91**	**$ 18.57**	$ 3.31	$ 10.67	$ 21.36
Unit operating cost (U.S. dollars) (NDCC)	**$ 1.68**			$ 2.55		

$ millions, except unit cost and sales volume, for the six months ended June 30			**2018**			2017
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 188.0**	**$ 26.1**	**$ 19.3**	$ 191.1	$ 45.5	$ 20.9
Less:						
Depletion, depreciation and amortization in cost of sales	**(23.0)**	**(5.4)**	**(12.1)**	(25.8)	(16.9)	(12.8)
	165.0	**20.7**	**7.2**	165.3	28.6	8.1
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(123.1)**	**-**	**-**	(95.5)	-	-
Impact of opening/closing inventory and other	**(7.8)**	**-**	**-**	(6.3)	-	-
Cost of sales for purposes of unit cost calculation	**34.1**	**20.7**	**7.2**	63.5	28.6	8.1
Sales volume for the period	**14.5**	**1.06**	**406**	16.6	2.80	437
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatts**	Millions of pounds	Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 2.35**	**$ 20.05**	**$ 17.90**	$ 3.81	$ 10.11	$ 18.68
Unit operating cost (U.S. dollars) (NDCC)	**$ 1.84**			$ 2.86		

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 foreign exchange and rounding.

(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 VAT receivable provision fair value adjustment, impairment of assets, gains and losses on the acquisition or disposition of assets (including the Corporation's interest in the Ambatovy Joint Venture), 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 uses this measure internally and believes that it provides investors with a performance measure with which to assess the Corporation's core operations by adjusting for items or transactions that are not reflective of its core operating activities.

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

$ millions	For the three months ended **2018 June 30**	For the three months ended 2017 June 30	For the six months ended **2018 June 30**	For the six months ended 2017 June 30
Net earnings (loss) from continuing operations	**$ 2.8**	$ (101.9)	**$ 2.2**	$ (174.5)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - Continuing	**(11.0)**	4.4	**(18.7)**	(2.9)
Corporate - Gain on repurchase of debentures	**-**	-	**(1.0)**	-
Corporate - Cobalt linked warrants - fair value adjustment	**(0.6)**	-	**(4.7)**	-
Ambatovy - VAT adjustment	**(0.3)**	(2.9)	**(2.5)**	(6.2)
Severance	**0.4**	0.6	**1.2**	1.1
Total adjustments, before tax	**$ (11.5)**	$ 2.1	**$ (25.7)**	$ (8.0)
Adjusted net loss from continuing operations	**$ (8.7)**	$ (99.8)	**$ (23.5)**	$ (182.5)
Adjusted net loss per share (basic) ($ per share)	**$ (0.02)**	$ (0.34)	**$ (0.06)**	$ (0.62)

Combined adjusted operating cash flow

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, and management believes this information is used by investors, to assess its ability to generate cash from its operations in each period without the impact of working capital changes.

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

$ millions, for the three months ended June 30 **2018**	Moa JV and Fort Site	Ambatovy JV	Metals Other	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	**$ 10.1**	**$ 4.4**	**$ (1.8)**	**$ 10.5**	**$ 8.1**	**$ (29.0)**	**$ 2.3**	**$ (32.7)**	**$ (30.4)**
Adjust: net change in non-cash working capital	**26.8**	**(0.7)**	**2.1**	**(13.8)**	**(0.8)**	**5.1**	**18.7**	**(6.4)**	**12.3**
Adjusted continuing operating cash flow	**$ 36.9**	**$ 3.7**	**$ 0.3**	**$ (3.3)**	**$ 7.3**	**$ (23.9)**	**$ 21.0**	**$ (39.1)**	**$ (18.1)**

$ millions, for the three months ended June 30 2017	Moa JV and Fort Site	Ambatovy JV	Metals Other	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	$ 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)	3.2	(0.2)	0.1	10.9	5.7	16.6
Combined adjusted operating cash flow	$ 9.9	$ (18.6)	$ 1.4	$ 14.4	$ 7.7	$ (27.6)	$ (12.8)	$ 8.4	$ (4.4)

$ millions, for the six months ended June 30	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture Associate	Total derived from financial statements
2018									
Cash provided (used) by continuing operations	**$ 28.2**	**$ (1.6)**	**$ -**	**$ 17.8**	**$ 19.3**	**$ (44.7)**	**$ 19.0**	**$ (38.3)**	**$ (19.3)**
Adjust: net change in non-cash working capital	**35.5**	**4.5**	**0.6**	**(28.8)**	**(4.5)**	**0.6**	**7.9**	**(28.7)**	**(20.8)**
Adjusted continuing operating cash flow	**$ 63.7**	**$ 2.9**	**$ 0.6**	**$ (11.0)**	**$ 14.8**	**$ (44.1)**	**$ 26.9**	**$ (67.0)**	**$ (40.1)**

$ millions, for the six months ended June 30	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture Associate	Total derived from financial statements
2017									
Cash provided (used) by continuing operations	$ 8.2	$ (14.4)	$ 5.2	$ 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)	4.1	(4.1)	0.3	10.7	(4.5)	6.2
Combined adjusted operating cash flow	$ 19.0	$ (11.5)	$ 1.9	$ 29.3	$ 16.6	$ (47.6)	$ 7.7	$ (5.9)	$ 1.8

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.

Free cash flow is used by management, and management believes this information is used by investors as a non-GAAP measure to analyze cash flows generated from operations and assess its operations' ability to provide cash or its use of cash, after funding cash capital requirements, to service current and future working capital need and service debt.

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

$ millions, for the three months ended June 30	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture Associate	Total derived from financial statements
2018									
Cash provided (used) by continuing operations	**$ 10.1**	**$ 4.4**	**$ (1.8)**	**$ 10.5**	**$ 8.1**	**$ (29.0)**	**$ 2.3**	**$ (32.7)**	**$ (30.4)**
Less:									
Property, plant and equipment expenditures	**(9.0)**	**(2.6)**	**-**	**(2.4)**	**(0.2)**	**(0.2)**	**(14.4)**	**9.5**	**(4.9)**
Intangible expenditures	**-**	**-**	**-**	**(4.4)**	**-**	**-**	**(4.4)**	**-**	**(4.4)**
Free cash flow	**$ 1.1**	**$ 1.8**	**$ (1.8)**	**$ 3.7**	**$ 7.9**	**$ (29.2)**	**(16.5)**	**$ (23.2)**	**$ (39.7)**

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

$ millions, for the six months ended June 30									**2018**
	Moa JV and Fort Site	Ambatovy JV	Metals Other	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	**$ 28.2**	**$ (1.6)**	**$ -**	**$ 17.8**	**$ 19.3**	**$ (44.7)**	**$ 19.0**	**$ (38.3)**	**$ (19.3)**
Less:									
Property, plant and equipment expenditures	**(13.5)**	**(5.5)**	**-**	**(4.8)**	**(0.3)**	**(0.2)**	**(24.3)**	**16.0**	**(8.3)**
Intangible expenditures	**-**	**-**	**-**	**(5.1)**	**-**	**-**	**(5.1)**	**-**	**(5.1)**
Free cash flow	**$ 14.7**	**$ (7.1)**	**$ -**	**$ 7.9**	**$ 19.0**	**$ (44.9)**	**(10.4)**	**$ (22.3)**	**$ (32.7)**

$ millions, for the six months ended June 30									2017
	Moa JV and Fort Site	Ambatovy JV	Metals Other	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	$ 25.2	$ 20.7	$ (47.9)	$ (3.0)	$ (1.4)	$ (4.4)
Less:									
Property, plant and equipment expenditures	(10.2)	(6.7)	-	(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	$ 18.1	$ 19.5	$ (47.9)	(28.2)	$ 12.8	$ (15.4)

Investment in the Ambatovy Joint Venture – Non-GAAP reconciliations

The following tables reconcile average-realized price and NDCC to the Ambatovy Joint Venture segment in note 5 of the condensed consolidated financial statements. See the discussions above regarding usage of these measures by management and investors.

Average-realized price

$ millions, except average-realized price and sales volume, for the three months ended June 30					**2018**
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ **21.6**	$ **9.2**	$ **0.5**	$ **-**	$ **31.3**
Sales volume for the period(1)	**2.6**	**0.2**	**2.7**		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price(2)	$ **8.39**	$ **45.01**	$ **189**		

$ millions, except average-realized price and sales volume, for the three months ended June 30					2017
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ 44.6	$ 21.6	$ 1.9	$ 0.2	$ 68.3
Sales volume for the period(1)	7.6	0.7	10.3		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price(2)	$ 5.83	$ 33.07	$ 176		

$ millions, except average-realized price and sales volume, for the six months ended June 30					**2018**
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ **31.8**	$ **16.5**	$ **0.8**	$ **-**	$ **49.1**
Sales volume for the period(1)	**4.1**	**0.3**	**4.1**		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price(2)	$ **7.93**	$ **51.68**	$ **193**		

$ millions, except average-realized price and sales volume, for the six months ended June 30					2017
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ 96.2	$ 42.5	$ 3.9	$ 0.5	$ 143.1
Sales volume for the period(1)	16.0	1.4	22.8		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price(2)	$ 5.99	$ 29.64	$ 169		

(1) For purposes of these reconciliations, revenue and sales volume information is based on Sherritt's ownership interest for each respective period.

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

Net Direct Cash Cost

$ millions, except unit cost and sales volume	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Cost of sales per financial statements	**$ 32.4**	103.4	**$ 59.9**	$ 203.5
Less:				
Depletion, depreciation and amortization in cost of sales	**(10.4)**	(36.9)	**(20.3)**	(74.0)
	22.0	66.5	**39.6**	129.5
Adjustments to cost of sales:				
Cobalt by-product, fertilizer and other revenue	**(9.7)**	(23.7)	**(17.3)**	(46.9)
Impact of opening/closing inventory and other	**(2.3)**	(5.5)	**(2.1)**	(1.7)
Cost of sales for purposes of unit cost calculation	**10.0**	37.3	**20.2**	80.9
Sales volume for the period(1)	**2.6**	7.5	**4.1**	16.0
Volume units	**Millions of pounds**	Millions of pounds	**Millions of pounds**	Millions of pounds
Unit operating cost(2)	**$ 3.86**	$ 4.92	**$ 4.92**	$ 5.04
Unit operating cost (U.S. dollars) (NDCC)(2)	**$ 3.14**	$ 3.66	**$ 3.85**	$ 3.79

(1) For purposes of these reconciliations, costs and sales volume information is based on Sherritt's ownership interest for each respective period.

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

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” section of this MD&A and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; anticipated payments of outstanding receivables; future distributions from the Moa Joint Venture, drill plans and results on exploration wells and amounts of certain other commitments.

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans. 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; access to capital; access to financing; risks related to the liquidity of the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Moa and Ambatovy Joint Ventures; risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation's joint venture partners; 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 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 Sherritt's operations in Madagascar; risks associated with Sherritt's development, construction and operation of large projects generally; 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; risks to information technologies systems and cybersecurity; 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; and certain corporate objectives, goals and plans for 2018; 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, including without limitation the Annual Information Form of the Corporation dated March 20, 2018 for the period ending December 31, 2017, which is available on SEDAR at www.sedar.com.

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, 2018 and 2017

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Revenue	5	**$ 46.5**	$ 76.8	**$ 85.9**	$ 149.2
Cost of sales	6	**(48.7)**	(67.7)	**(86.6)**	(126.5)
Administrative expenses	6	**(13.2)**	(10.7)	**(18.3)**	(24.7)
Share of loss of an associate, net of tax	7	**(9.0)**	(64.2)	**(22.9)**	(114.3)
Share of earnings of a joint venture, net of tax	8	**21.4**	1.8	**33.3**	2.9
Loss from operations, associate and joint venture		**(3.0)**	(64.0)	**(8.6)**	(113.4)
Financing income	9	**11.5**	15.1	**28.4**	33.2
Financing expense	9	**(4.9)**	(49.7)	**(15.3)**	(87.6)
Net finance income (expense)		**6.6**	(34.6)	**13.1**	(54.4)
Earnings (loss) before tax		**3.6**	(98.6)	**4.5**	(167.8)
Income tax expense	10	**(0.8)**	(3.3)	**(2.3)**	(6.7)
Net earnings (loss) from continuing operations		**2.8**	(101.9)	**2.2**	(174.5)
Earnings from discontinued operations, net of tax		**-**	-	**-**	-
Net earnings (loss) for the period		**$ 2.8**	$ (101.9)	**$ 2.2**	$ (174.5)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	16	**16.6**	(22.0)	**40.1**	(40.3)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains (losses) on pension plans, net of tax	16	**0.1**	(0.5)	**(0.1)**	0.1
Other comprehensive income (loss)		**16.7**	(22.5)	**40.0**	(40.2)
Total comprehensive income (loss)		**$ 19.5**	$ (124.4)	**$ 42.2**	$ (214.7)
Net earnings (loss) from continuing operations per common share, basic and diluted	11	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)
Net earnings (loss) per common share, basic and diluted	11	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)

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	2018 June 30	2017 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	**$ 173.2**	$ 185.0
Restricted cash	7	**4.2**	13.0
Short-term investments	12	**24.0**	18.0
Advances, loans receivable and other financial assets	13	**19.1**	42.8
Trade accounts receivable, net, and unbilled revenue	12	**225.8**	284.9
Inventories		**32.1**	33.9
Prepaid expenses		**5.2**	2.7
		483.6	580.3
Non-current assets			
Advances, loans receivable and other financial assets	13	**719.8**	713.0
Other non-financial assets		**0.1**	0.2
Property, plant and equipment		**224.5**	228.5
Investment in an associate	7	**191.6**	211.9
Investment in a joint venture	8	**409.4**	367.1
Intangible assets		**149.6**	142.9
		1,695.0	1,663.6
Assets held for sale		**0.9**	0.9
Total assets		**$ 2,179.5**	$ 2,244.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other loans and borrowings	14	**$ 8.0**	$ 8.0
Trade accounts payable and accrued liabilities		**154.4**	182.3
Income taxes payable		**0.6**	11.8
Other financial liabilities	14	**11.7**	8.0
Deferred revenue		**3.5**	16.7
Provisions	15	**13.3**	18.3
		191.5	245.1
Non-current liabilities			
Other loans and borrowings	14	**686.8**	816.1
Other financial liabilities	14	**16.6**	16.2
Other non-financial liabilities		**3.1**	3.3
Provisions	15	**99.4**	92.0
Deferred income taxes		**15.9**	15.8
		821.8	943.4
Total liabilities		**1,013.3**	1,188.5
Shareholders' equity			
Capital stock	16	**2,894.7**	2,784.6
Deficit		**(2,468.2)**	(2,427.7)
Reserves	16	**233.2**	232.9
Accumulated other comprehensive income	16	**506.5**	466.5
		1,166.2	1,056.3
Total liabilities and shareholders' equity		**$ 2,179.5**	$ 2,244.8

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 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Operating activities					
Net earnings (loss) from continuing operations		**$ 2.8**	$ (101.9)	**$ 2.2**	$ (174.5)
Add (deduct):					
Depletion, depreciation and amortization	6	**11.8**	18.9	**22.2**	37.2
Share of loss of an associate, net of tax	7	**9.0**	64.2	**22.9**	114.3
Share of earnings of a joint venture, net of tax	8	**(21.4)**	(1.8)	**(33.3)**	(2.9)
Net finance (income) expense (less accretion expense)	9	**(6.8)**	34.4	**(13.4)**	54.0
Income tax expense	10	**0.8**	3.3	**2.3**	6.7
Net change in non-cash working capital	17	**(12.3)**	(16.6)	**20.8**	(6.2)
Interest received		**1.4**	5.1	**2.6**	6.2
Interest paid		**(15.8)**	(20.1)	**(26.8)**	(30.0)
Income tax paid		**(2.2)**	(5.0)	**(14.1)**	(9.2)
Liabilities settled for environmental rehabilitation provisions		**-**	(0.3)	**-**	(0.7)
Other operating items	17	**2.3**	(1.2)	**(4.7)**	0.7
Cash used by continuing operations		**(30.4)**	(21.0)	**(19.3)**	(4.4)
Cash used by discontinued operations	15	**(0.4)**	(0.7)	**(4.2)**	(0.8)
Cash used by operating activities		**(30.8)**	(21.7)	**(23.5)**	(5.2)
Investing activities					
Property, plant and equipment expenditures		**(4.9)**	(5.9)	**(8.3)**	(8.7)
Intangible asset expenditures		**(4.4)**	(0.2)	**(5.1)**	(2.3)
Receipts of advances, loans receivable and other financial assets		**9.0**	8.6	**25.0**	8.6
Proceeds from (purchase of) short-term investments		**52.0**	(28.0)	**(6.0)**	(47.0)
Cash provided (used) by continuing operations		**51.7**	(25.5)	**5.6**	(49.4)
Cash provided (used) by investing activities		**51.7**	(25.5)	**5.6**	(49.4)
Financing activities					
Repayment of other loans and borrowings		**-**	(6.5)	**-**	(27.0)
Repurchase of senior unsecured debentures	14	**(10.0)**	-	**(120.3)**	-
Issuance of units	16	**-**	-	**132.3**	-
Fees paid on repurchase of senior unsecured debentures and issuance of units	14	**(0.1)**	-	**(9.5)**	-
Issuance of common shares		**0.1**	0.2	**0.7**	0.3
Cash (used) provided by continuing operations		**(10.0)**	(6.3)	**3.2**	(26.7)
Cash (used) provided by financing activities		**(10.0)**	(6.3)	**3.2**	(26.7)
Effect of exchange rate changes on cash and cash equivalents		**1.0**	(1.0)	**2.9**	(1.1)
Increase (decrease) in cash and cash equivalents		**11.9**	(54.5)	**(11.8)**	(82.4)
Cash and cash equivalents at beginning of the period		**161.3**	240.7	**185.0**	268.6
Cash and cash equivalents at end of the period	12	**$ 173.2**	$ 186.2	**$ 173.2**	$ 186.2

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, 2016		**$ 2,775.7**	**$ (2,721.5)**	**$ 234.7**	**$ 809.0**	**$ 1,097.9**
Total comprehensive loss:						
Net loss for the period		-	(174.5)	-	-	(174.5)
Foreign currency translation differences on foreign operations		-	-	-	(40.3)	(40.3)
Actuarial gains on pension plans, net of tax		-	-	-	0.1	0.1
		-	(174.5)	-	(40.2)	(214.7)
Shares issued for:						
Restricted stock plan (vested)		0.1	-	(0.1)	-	-
Warrants exercised - 2016 debenture extension		0.5	-	(0.3)	-	0.2
Stock option plan expense		-	-	1.0	-	1.0
Balance as at June 30, 2017		**$ 2,776.3**	**$ (2,896.0)**	**$ 235.3**	**$ 768.8**	**$ 884.4**
Total comprehensive income:						
Net earnings for the period		-	468.3	-	-	468.3
Foreign currency translation differences on foreign operations		-	-	-	(31.8)	(31.8)
Actuarial losses on pension plans, net of tax		-	-	-	(0.3)	(0.3)
		-	468.3	-	(32.1)	436.2
Shares issued for:						
Warrants exercised - 2016 debenture extension		8.3	-	(2.9)	-	5.4
Reclassification to Gain on Ambatovy Joint Venture restructuring		-	-	-	(269.6)	(269.6)
Reclassification to net finance expense upon dissolution of foreign operation		-	-	-	(0.6)	(0.6)
Stock option expense		-	-	0.5	-	0.5
Balance as at December 31, 2017		**$ 2,784.6**	**$ (2,427.7)**	**$ 232.9**	**$ 466.5**	**$ 1,056.3**
Cumulative transitional adjustment on initial application of IFRS 9		-	(42.7)	-	-	(42.7)
Total comprehensive income:						
Net earnings for the period		-	2.2	-	-	2.2
Foreign currency translation differences on foreign operations	16	-	-	-	40.1	40.1
Actuarial losses on pension plans, net of tax	16	-	-	-	(0.1)	(0.1)
		-	2.2	-	40.0	42.2
Shares issued for:						
Stock options exercised	16	0.2	-	(0.1)	-	0.1
Equity issuance, net of transaction costs - 2018 unit offering	16	109.0	-	-	-	109.0
Warrants exercised - 2016 debenture extension	16	0.9	-	(0.3)	-	0.6
Stock option plan expense	16	-	-	0.7	-	0.7
Balance as at June 30, 2018		**$ 2,894.7**	**$ (2,468.2)**	**$ 233.2**	**$ 506.5**	**$ 1,166.2**

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 31, 2018. 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 and cash-settled share-based payments, which have been measured at fair value. All financial information is presented in Canadian dollars rounded to the nearest hundred thousand, 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, 2017, with the exception of the adoption of IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15) with a date of initial application of January 1, 2018.

The adoption of IFRS 9 had a material impact on the accounting policies, methods of computation and presentation of financial instruments applied by the Corporation. The adoption of IFRS 9 also resulted in the Corporation identifying new critical accounting estimates and judgments related to financial instruments. The adoption of IFRS 15 did not have a material impact on the accounting policies, methods of computation and presentation of revenue applied by the Corporation. The Corporation’s accounting policies and critical accounting estimates and judgments related to IFRS 9 and IFRS 15 and the effects of adoption are described in the Corporation’s condensed consolidated financial statements as at and for the three months ended March 31, 2018.

The Corporation adopted IFRS 9 and IFRS 15 using transition methods that did not require the comparative periods to be restated and therefore comparative information is presented as previously reported under IAS 39 Financial Instruments (IAS 39), IAS 18 Revenue (IAS 18) and IAS 11 Construction Contracts (IAS 11).

The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017 and the condensed consolidated financial statements for the three months ended March 31, 2018.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

Effective January 1, 2018, the Corporation adopted the requirements of IFRS 9 and IFRS 15. The Corporation's accounting policies and critical accounting estimates and judgments related to IFRS 9 and IFRS 15 and the effects of adoption are described in the Corporation's condensed consolidated financial statements for the three months ended March 31, 2018. There has been no change to the Corporation's accounting policies or critical accounting estimates and judgments related to IFRS 9 and IFRS 15 during the three months ended June 30, 2018.

Accounting pronouncements issued but not yet effective

The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases (IFRS 16) which replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease effective January 1, 2019.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Corporation is in the process of evaluating the impact of this standard on its consolidated financial statements. The Corporation has not early adopted IFRS 16. The Corporation expects to recognize new right-of-use assets and lease liabilities in respect of operating leases previously expensed.

5. SEGMENTED INFORMATION

Canadian $ millions, for the three months ended June 30 — **2018**

	Moa JV and Fort Site[(1)]	Ambatovy JV[(2)]	Metals Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue[(3)(6)]	$ 145.5	$ 31.3	$ 2.7	$ 9.6	$ 12.4	$ (0.4)	$ (154.6)	$ 46.5
Cost of sales	(110.0)	(32.4)	(2.1)	(10.9)	(9.8)	(3.2)	119.7	(48.7)
Administrative expenses	(3.4)	(1.1)	(0.1)	(1.8)	(1.1)	(7.9)	2.2	(13.2)
Other gains	-	0.7	-	-	-	-	(0.7)	-
Share of loss of an associate, net of tax	-	-	-	-	-	-	(9.0)	(9.0)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	-	21.4	21.4
Earnings (loss) from operations, associate and joint venture	32.1	(1.5)	0.5	(3.1)	1.5	(11.5)	(21.0)	(3.0)
Financing income								11.5
Financing expense								(4.9)
Net finance income								6.6
Earnings before tax								3.6
Income tax expense								(0.8)
Net earnings from continuing operations								2.8
Earnings from discontinued operations, net of tax								-
Net earnings for the period								2.8

Supplementary information

Depletion, depreciation and amortization	$ 12.3	$ 10.4	$ -	$ 2.5	$ 6.1	$ 0.2	$ (19.7)	$ 11.8
Property, plant and equipment expenditures	9.0	2.6	-	2.4	0.2	0.2	(9.5)	4.9
Intangible asset expenditures	-	-	-	4.4	-	-	-	4.4

Canadian $ millions, as at June 30 — **2018**

Non-current assets[(7)]	$ 683.7	$ 726.1	$ -	$ 104.6	$ 126.1	$ 4.0	$ (1,270.4)	$ 374.1
Total assets	973.7	822.0	91.1	1,176.7	568.0	(450.9)	(1,001.1)	2,179.5

Canadian $ millions, for the three months ended June 30 — 2017

	Moa JV and Fort Site[(1)]	Ambatovy JV[(2)]	Metals Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue[(3)(6)]	$ 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 December 31 — 2017

Non-current assets[(7)]	$ 666.7	$ 704.7	$ -	$ 96.3	$ 132.3	$ 4.1	$ (1,232.7)	$ 371.4
Total assets	932.8	789.8	109.6	1,186.6	553.7	(394.6)	(933.1)	2,244.8

Canadian $ millions, for the six months ended June 30								2018
	Moa JV and Fort Site[(1)]	**Ambatovy JV[(2)]**	**Metals Other[(3)]**	**Oil and Gas**	**Power**	**Corporate and Other[(4)]**	**Adjustments for Joint Venture and Associate[(5)]**	**Total**
Revenue[(3)(6)]	**$ 241.8**	**$ 49.1**	**$ 5.5**	**$ 27.7**	**$ 24.3**	**$ (0.4)**	**$ (262.1)**	**$ 85.9**
Cost of sales	**(188.0)**	**(59.9)**	**(4.2)**	**(26.1)**	**(19.3)**	**(5.8)**	**216.7**	**(86.6)**
Administrative expenses	**(5.4)**	**(1.9)**	**-**	**(3.0)**	**(1.7)**	**(10.4)**	**4.1**	**(18.3)**
Other gains	**-**	**2.2**	**-**	**-**	**-**	**-**	**(2.2)**	**-**
Share of loss of an associate, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(22.9)**	**(22.9)**
Share of earnings of a joint venture, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**33.3**	**33.3**
Earnings (loss) from operations, associate and joint venture	**48.4**	**(10.5)**	**1.3**	**(1.4)**	**3.3**	**(16.6)**	**(33.1)**	**(8.6)**
Financing income								**28.4**
Financing expense								**(15.3)**
Net finance income								**13.1**
Earnings before tax								**4.5**
Income tax expense								**(2.3)**
Net earnings from continuing operations								**2.2**
Earnings from discontinued operations, net of tax								**-**
Net earnings for the period								**2.2**

Supplementary information								
Depletion, depreciation and amortization	**$ 23.1**	**$ 20.3**	**$ -**	**$ 5.4**	**$ 12.1**	**$ 0.5**	**$ (39.2)**	**$ 22.2**
Property, plant and equipment expenditures	**13.5**	**5.5**	**-**	**4.8**	**0.3**	**0.2**	**(16.0)**	**8.3**
Intangible asset expenditures	**-**	**-**	**-**	**5.1**	**-**	**-**	**-**	**5.1**

Canadian $ millions, as at June 30								**2018**
Non-current assets[(7)]	**$ 683.7**	**$ 726.1**	**$ -**	**$ 104.6**	**$ 126.1**	**$ 4.0**	**$ (1,270.4)**	**$ 374.1**
Total assets	**973.7**	**822.0**	**91.1**	**1,176.7**	**568.0**	**(450.9)**	**(1,001.1)**	**2,179.5**

Canadian $ millions, for the six months ended June 30								2017
	Moa JV and Fort Site[(1)]	Ambatovy JV[(2)]	Metals Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue[(3)(6)]	$ 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 December 31								2017
Non-current assets[(7)]	$ 666.7	$ 704.7	$ -	$ 96.3	$ 132.3	$ 4.1	$ (1,232.7)	$ 371.4
Total assets	932.8	789.8	109.6	1,186.6	553.7	(394.6)	(933.1)	2,244.8

(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 interest in the Ambatovy Joint Venture. Prior to the Ambatovy Joint Venture restructuring on December 11, 2017, the Corporation's interest was 40%. Subsequent to the restructuring, the Corporation's interest was 12%.

(3) Included in the Metals Other segment are the operations of wholly-owned subsidiaries of the Corporation established to buy, market and sell certain Moa Joint Venture nickel and cobalt production. Included in the three and six months ended June 30, 2017 is the financial performance of a subsidiary established to buy, market and sell certain Ambatovy Joint Venture production which was dissolved during the three months ended December 31, 2017. The earnings of this subsidiary in these comparative periods were negligible.

(4) Revenue from the Corporate and Other segment primarily relates 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) Revenue in the Metals Other segment includes $1.6 million and $3.0 million of intersegment revenue with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the three and six months ended June 30, 2018, respectively ($1.8 million and $3.5 million for the three and six months ended June 30, 2017, respectively).

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

Disaggregation of revenue by product type

Revenue in the below table excludes the revenue of equity-accounted investments in the Ambatovy Joint Venture and Moa Joint Venture:

	For the three months ended		For the six months ended	
	2018	2017	**2018**	2017
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
	Total revenue	Total revenue	**Total revenue**	Total revenue
Nickel[1]	**$ -**	$ 8.7	**$ -**	$ 20.2
Fertilizer	**22.8**	18.1	**30.3**	28.5
Oil and gas[2]	**8.7**	33.2	**25.8**	67.4
Power generation[3]	**11.1**	12.5	**21.8**	24.7
Other	**3.9**	4.3	**8.0**	8.4
	$ 46.5	$ 76.8	**$ 85.9**	$ 149.2

(1) Nickel revenue for the three and six months ended June 30, 2017 includes revenue from a subsidiary established to buy, market and sell certain Ambatovy Joint Venture production. This subsidiary was dissolved during the three months ended December 31, 2017. The earnings of this subsidiary in these comparative periods were negligible.

(2) Oil and gas revenue for the three and six months ended June 30, 2018 decreased compared to the comparative periods as a result of the reduction in profit oil percentage from 45% to 6% upon the extension of the Puerto Escondido/Yumuri production-sharing contract during the three months ended March 31, 2018. Oil and gas revenue for the three and six months ended June 30, 2017 includes revenue from the Varadero West production-sharing contract which expired during the three months ended December 31, 2017.

(3) All of the revenue in the table above is revenue recognized from contracts with customers in accordance with IFRS 15, except for lease revenue related to power generation facilities, which is recognized in accordance with IAS 17 Leases. Included in power generation revenue for the three and six months ended June 30, 2018 is $7.7 million and $15.1 million of revenue from service concession arrangements, respectively, and $3.4 million and $6.7 million of lease revenue related to power generation facilities, respectively ($9.0 million and $17.7 million of revenue from service concession arrangements, respectively, and $3.6 million and $7.1 million of lease revenue related to power generation facilities for the three and six months ended June 30, 2017, respectively).

6. EXPENSES

Cost of sales includes the following:

	For the three months ended		For the six months ended	
	2018	2017	**2018**	2017
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Employee costs	**$ 15.2**	$ 14.5	**$ 32.7**	$ 31.4
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**11.5**	18.1	**21.7**	35.4
Raw materials and consumables	**9.2**	11.7	**18.5**	20.7
Repairs and maintenance	**8.7**	14.6	**18.2**	23.8
Shipment and treatment costs	**1.1**	3.7	**2.3**	7.3
Stock-based compensation expense (recovery)	**0.6**	(0.6)	**0.5**	(1.7)
Changes in inventories and other	**2.4**	5.7	**(7.3)**	9.6
	$ 48.7	$ 67.7	**$ 86.6**	$ 126.5

Administrative expenses include the following:

Canadian $ millions	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Employee costs	**$ 7.6**	$ 7.8	**$ 14.4**	$ 15.4
Severance	**0.4**	0.6	**1.2**	1.1
Depreciation	**0.3**	0.8	**0.5**	1.8
Stock-based compensation expense (recovery)	**2.6**	(1.3)	**(2.6)**	0.1
Consulting services and audit fees	**1.1**	1.0	**2.5**	2.8
Other	**1.2**	1.8	**2.3**	3.5
	$ 13.2	$ 10.7	**$ 18.3**	$ 24.7

7. INVESTMENT IN AN ASSOCIATE

Ambatovy Joint Venture restructuring

On December 11, 2017, the Corporation closed the transaction to restructure its ownership interest in the Ambatovy Joint Venture from 40% to 12%. As a result, the Corporation's investment in an associate and share of loss of an associate as at and for the three and six months ended June 30, 2017 are recognized at 40%, while all periods subsequent to December 11, 2017 are recognized at 12%.

Deferral of principal repayment on Ambatovy Joint Venture financing

No principal repayments are required to be made on the Ambatovy Joint Venture financing until June 2019 as a result of the deferral agreed to in August 2016, unless there is sufficient free cash flow. The Ambatovy Joint Venture continues to pay semi-annual interest payments in June and December. Total interest payments made to the lenders were US$35.0 million during the three and six months ended June 30, 2018 (US$30.9 million for the three and six months ended June 30, 2017).

Ambatovy Joint Venture funding

For the three and six months ended June 30, 2018, nil and US$7.9 million ($10.0 million), respectively, of post-financial completion funding was provided to the Ambatovy Joint Venture at the Corporation's 12% interest (nil for the three and six months ended June 30, 2017). The Corporation's funding obligations were satisfied through use of the escrow account classified within restricted cash on the Corporation's condensed consolidated statements of financial position. Post-financial completion funding is presented within advances, loans receivable and other financial assets (note 13) on the Corporation's condensed consolidated statements of financial position.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	2018 June 30	2017 December 31
Assets		
Cash and cash equivalents	**$ 87.0**	$ 56.6
Other current assets	**22.4**	27.1
Trade accounts receivable, net	**128.8**	104.0
Inventories	**548.2**	517.4
Other non-current assets	**15.1**	7.7
Property, plant and equipment	**6,048.2**	5,870.0
Total assets	**6,849.7**	6,582.8
Liabilities		
Trade accounts payable and accrued liabilities	**303.1**	315.7
Other taxes payable	**31.3**	24.8
Other current financial liabilities	**1.4**	0.5
Current portion of loans and borrowings:		
Ambatovy Joint Venture financing(1)	**124.0**	-
Ambatovy revolving credit facility(2)	**71.9**	66.6
Non-current portion of loans and borrowings:		
Ambatovy Joint Venture financing(3)	**2,017.1**	1,991.0
Ambatovy subordinated loans payable(4)	**1,838.8**	1,861.5
Ambatovy subordinated loans payable - post-financial completion(5)	**528.2**	399.5
Environmental rehabilitation provisions	**133.7**	129.7
Other non-current liabilities	**24.9**	28.0
Total liabilities	**5,074.4**	4,817.3
Net assets of Ambatovy Joint Venture	**$ 1,775.3**	$ 1,765.5
Proportion of Sherritt's ownership interest	**12%**	12%
Total	**213.0**	211.9
Intercompany elimination(4)	**(21.4)**	-
Carrying value of investment in an associate	**$ 191.6**	$ 211.9

(1) During the six months ended June 30, 2018, US$94.2 million of the Ambatovy Joint Venture financing was reclassified from non-current to current due to the first principal repayment due in June 2019.

(2) The Ambatovy revolving credit facility is comprised of a Malagasy Ariary (MGA) 172.0 billion ($68.3 million) revolving and MGA 20.0 billion ($7.9 million) overdraft credit facility agreement with local financial institutions which matures on July 31, 2018 (December 31, 2017 – MGA 156.0 billion ($60.6 million) and MGA 20.0 billion ($7.8 million), respectively). The facility bears interest rates between 9.00% and 11.85% and is subordinated to the Ambatovy Joint Venture financing. As at June 30, 2018, MGA 172.0 billion ($68.3 million) and MGA 9.0 billion ($3.6 million) were drawn on the revolving and overdraft facilities, respectively (December 31, 2017 – MGA 156.0 billion ($60.6 million) and MGA 15.6 billion ($6.0 million), respectively). The Ambatovy Joint Venture is in discussions with the local financial institutions to extend the maturity date of this revolving credit facility agreement.

(3) The Ambatovy Joint Venture financing increased by $47.8 million on January 1, 2018 upon initial application of IFRS 9.

(4) During the six months ended June 30, 2018, US$140.0 million of the Ambatovy Joint Venture subordinated loans payable was converted to equity which, at the Corporation's 12% share, resulted in a US$16.8 million ($21.4 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for credit losses, resulting in a net nil change. 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.

(5) 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 rates from six-month LIBOR plus 4.6% to six-month LIBOR plus 8%.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Revenue	**$ 260.9**	$ 170.8	**$ 409.0**	$ 357.7
Cost of sales(1)	**(269.4)**	(258.6)	**(498.8)**	(508.8)
Administrative expenses	**(9.0)**	(8.6)	**(15.9)**	(17.9)
Other gains	**5.3**	-	**18.0**	-
Loss from operations	**(12.2)**	(96.4)	**(87.7)**	(169.0)
Financing income	**1.5**	-	**3.9**	-
Financing expense(2)	**(68.8)**	(80.4)	**(117.2)**	(149.4)
Net finance expense	**(67.3)**	(80.4)	**(113.3)**	(149.4)
Loss before tax	**(79.5)**	(176.8)	**(201.0)**	(318.4)
Income tax expense	**(1.7)**	(1.1)	**(2.5)**	(2.2)
Net loss and comprehensive loss for the period	**$ (81.2)**	$ (177.9)	**$ (203.5)**	$ (320.6)
Proportion of Sherritt's ownership interest	**12%**	40%	**12%**	40%
Total	**(9.7)**	(71.2)	**(24.4)**	(128.2)
Intercompany elimination	**0.7**	6.9	**1.5**	13.9
Share of loss of an associate, net of tax	**$ (9.0)**	$ (64.2)	**$ (22.9)**	$ (114.3)

(1) Included in cost of sales for the three and six months ended June 30, 2018 is depreciation and amortization of $86.5 million and $168.9 million, respectively ($92.1 million and $185.0 million for the three and six months ended June 30, 2017, respectively).

(2) The Ambatovy Joint Venture has a value added tax (VAT) receivable of $41.0 million (December 31, 2017 - $31.2 million) from the government of Madagascar. The VAT receivable is net of a provision of $15.8 million (December 31, 2017 - $73.0 million) reflecting an assessment of the likelihood of receipt of these amounts. During the three and six months ended June 30, 2018, a gain on the partial reversal of this provision of $2.9 million and $21.3 million, respectively, was recognized in financing expense ($7.2 million and $15.5 million for the three and six months ended June 30, 2017, respectively).

8. JOINT ARRANGEMENTS

Investment in a joint venture

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

Statements of financial position

Canadian $ millions, 100% basis, as at	2018 June 30	2017 December 31
Assets		
Cash and cash equivalents	**$ 50.9**	$ 39.4
Income taxes receivable	**1.6**	4.6
Other current assets	**17.2**	8.6
Trade accounts receivable, net	**104.4**	107.0
Inventories	**293.4**	225.7
Other non-current assets	**4.0**	3.1
Property, plant and equipment	**1,180.9**	1,144.6
Total assets	**1,652.4**	1,533.0
Liabilities		
Trade accounts payable and accrued liabilities	**75.6**	72.2
Income taxes payable	**15.4**	1.4
Other current financial liabilities(1)	**11.2**	25.5
Loans and borrowings(2)	**29.9**	33.7
Environmental rehabilitation provisions	**73.6**	72.1
Other non-current financial liabilities(3)	**509.3**	481.1
Deferred income taxes	**25.0**	24.8
Total liabilities	**740.0**	710.8
Net assets of Moa Joint Venture	**$ 912.4**	$ 822.2
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**456.2**	411.1
Intercompany capitalized interest elimination	**(46.8)**	(44.0)
Carrying value of investment in a joint venture	**$ 409.4**	$ 367.1

(1) During the three months ended June 30, 2018, the working capital facility with the Corporation was fully repaid (December 31, 2017 - $25.2 million) (note 13).

(2) Included in loans and borrowings as at June 30, 2018 is a $15.8 million loan for the construction of the Moa Joint Venture acid plant (December 31, 2017 - $27.9 million), which accrues interest at a rate of 10% per annum and is payable monthly, and a $9.2 million loan for the purchase of mining equipment (December 31, 2017 - nil).

(3) Included in other non-current financial liabilities as at June 30, 2018 is $503.0 million in expansion loans of which $251.5 million are with the Corporation (December 31, 2017 - $464.0 million, $232.0 million of which are with the Corporation) (note 13). During the year ended December 31, 2017, interest was suspended for two years on the expansion loans, which resulted in a decrease to the Moa Joint Venture expansion loans payable of $64.8 million. During the three and six months ended June 30, 2018, the Moa Joint Venture expansion loans payable increased $7.8 million and $15.4 million due to accretion, respectively (for the three and six months ended June 30, 2017 - nil).

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Revenue	**$ 246.6**	$ 171.8	**$ 426.1**	$ 333.4
Cost of sales[1]	**(174.7)**	(166.8)	**(313.7)**	(320.3)
Administrative expenses	**(2.1)**	(2.5)	**(4.3)**	(5.0)
Earnings from operations	**69.8**	2.5	**108.1**	8.1
Financing income	**0.1**	0.1	**0.4**	0.1
Financing expense[2]	**(15.8)**	(2.1)	**(22.7)**	(15.0)
Net finance expense	**(15.7)**	(2.0)	**(22.3)**	(14.9)
Earnings (loss) before tax	**54.1**	0.5	**85.8**	(6.8)
Income tax (expense) recovery[3]	**(16.7)**	0.5	**(29.9)**	-
Net earnings (loss) and comprehensive income (loss) of Moa Joint Venture	**$ 37.4**	$ 1.0	**$ 55.9**	$ (6.8)
Proportion of Sherritt's ownership interest	**50%**	50%	**50%**	50%
Total	**18.7**	0.5	**28.0**	(3.4)
Intercompany elimination	**2.7**	1.3	**5.3**	6.3
Share of earnings of a joint venture, net of tax	**$ 21.4**	$ 1.8	**$ 33.3**	$ 2.9

(1) Included in cost of sales for the three and six months ended June 30, 2018 is depreciation and amortization of $18.6 million and $37.7 million, respectively ($24.6 million and $41.3 million for the three and six months ended June 30, 2017, respectively).

(2) Included in financing expense for the three and six months ended June 30, 2018 is accretion of $7.8 million and $15.4 million on the Moa Joint Venture expansion loans, respectively (for the three and six months ended June 30, 2017 - nil).

(3) Income tax expense for the three and six months ended June 30, 2017 is nominal due to the utilization of tax losses by one of the operating companies in the Moa Joint Venture. These tax losses were fully utilized in 2017.

Joint operations

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

Canadian $ millions, 33⅓% basis, as at	2018 June 30	2017 December 31
Current assets[1]	**$ 78.6**	$ 66.5
Non-current assets	**115.7**	120.8
Current liabilities	**12.6**	20.1
Non-current liabilities	**104.8**	96.2
Net assets	**$ 76.9**	$ 71.0

(1) Included in current assets is $54.6 million of cash and cash equivalents (December 31, 2017 - $45.3 million).

Canadian $ millions, 33⅓% basis	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Revenue	**$ 12.4**	$ 13.6	**$ 24.3**	$ 27.0
Expense	**(9.1)**	(15.5)	**(17.1)**	(27.5)
Net earnings (loss)	**$ 3.3**	$ (1.9)	**$ 7.2**	$ (0.5)

9. NET FINANCE INCOME (EXPENSE)

		For the three months ended		For the six months ended	
		2018	2017	**2018**	2017
Canadian $ millions	Note	**June 30**	June 30	**June 30**	June 30
Net unrealized (loss) gain on financial instruments(1)		**$ (0.1)**	$ -	**$ 2.7**	$ -
Interest income on cash, cash equivalents and short-term investments		**0.6**	0.8	**1.6**	1.6
Interest income on investments		**0.2**	0.1	**0.4**	0.2
Interest income on advances and loans receivable		**8.8**	14.2	**17.5**	31.4
Interest income on accretion of advances and loans receivable(2)		**2.0**	-	**3.9**	-
Gain on repurchase of debentures	14	**-**	-	**2.3**	-
Total financing income		**11.5**	15.1	**28.4**	33.2
Interest expense and accretion on loans and borrowings(3)		**(15.0)**	(45.1)	**(30.6)**	(89.3)
Unrealized foreign exchange gain (loss)		**11.0**	(4.4)	**18.7**	2.9
Realized foreign exchange (loss) gain	17	**(0.2)**	0.4	**0.1**	0.5
Other finance charges(4)		**(0.5)**	(0.4)	**(3.2)**	(1.3)
Accretion expense on environmental rehabilitation provisions	15, 17	**(0.2)**	(0.2)	**(0.3)**	(0.4)
Total financing expense		**(4.9)**	(49.7)	**(15.3)**	(87.6)
Net finance income (expense)		**$ 6.6**	$ (34.6)	**$ 13.1**	$ (54.4)

(1) Net unrealized (loss) gain on financial instruments for the three and six months ended June 30, 2018 is composed of the following gain/loss components: $0.6 million and $4.7 million gains on the revaluation of the cobalt-linked warrants (note 14), $1.1 million and $2.1 million losses on the revaluation of the allowance for credit losses on the Ambatovy Joint Venture subordinated loans receivable (note 12), $0.1 million gain and $0.2 million loss on the revaluation of the allowance for credit losses on trade accounts receivable (note 12) and $0.3 million and $0.3 million gains on the revaluation of the Ambatovy Joint Venture operator fee receivable (note 12), respectively.

(2) Interest income on accretion of advances and loan receivable relates to the Moa Joint Venture expansion loans receivable, which is recognized to the extent of Sherritt's economic interest (note 13).

(3) Interest expense and accretion on loans and borrowings decreased since the comparative period primarily due to the derecognition of the Ambatovy Joint Venture additional partner loans as part of the Ambatovy Joint Venture restructuring on December 11, 2017.

(4) Other finance charges for the three and six months ended June 30, 2018 include nil and $1.3 million of transaction costs related to the debenture repurchase (note 14) and nil and $1.0 million of transaction costs related to the issuance of cobalt-linked warrants (note 14), respectively.

10. INCOME TAXES

	For the three months ended		For the six months ended	
	2018	2017	**2018**	2017
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Current income tax expense(1)	**$ 0.4**	$ 4.3	**$ 2.5**	$ 17.6
Deferred income tax expense (recovery)(1)	**0.4**	(1.0)	**(0.2)**	(10.9)
Income tax expense	**$ 0.8**	$ 3.3	**$ 2.3**	$ 6.7

(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 paid 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. EARNINGS (LOSS) PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2018 June 30	2017 June 30	For the six months ended 2018 June 30	2017 June 30
Net earnings (loss) from continuing operations	**$ 2.8**	$ (101.9)	**$ 2.2**	$ (174.5)
Earnings from discontinued operations, net of tax	**-**	-	**-**	-
Net earnings (loss) - basic and diluted	**$ 2.8**	$ (101.9)	**$ 2.2**	$ (174.5)
Weighted-average number of common shares - basic	**397.2**	294.5	**384.5**	294.4
Weighted-average effect of dilutive securities:				
Stock options	**1.4**	-	**1.6**	-
Warrants	**3.9**	-	**4.3**	-
Weighted-average number of common shares - diluted(1)	**402.5**	294.5	**390.4**	294.4
Net earnings (loss) from continuing operations per common share:				
Basic	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)
Diluted	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)
Earnings from discontinued operations per common share:				
Basic	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Diluted	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Net earnings (loss) per common share:				
Basic	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)
Diluted	**$ 0.01**	$ (0.35)	**$ 0.01**	$ (0.59)

(1) The determination of the weighted-average number of common shares - diluted excludes 6.9 million shares related to stock options, nil shares related to warrants from the 2016 debenture extension and 52.0 million shares related to cobalt-linked warrants (note 14) that were anti-dilutive for the three months ended June 30, 2018 and 6.5 million, nil and 52.0 million that were anti-dilutive for the six months ended June 30, 2018, respectively (10.7 million, 18.4 million and nil that were anti-dilutive for the three and six months ended June 30, 2017, respectively).

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at		2018 June 30		2017 December 31
Cash equivalents	**$**	**43.3**	$	57.2
Cash held in banks		**129.9**		127.8
	$	**173.2**	$	185.0

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 $0.3 million and $56.0 million, respectively, as at June 30, 2018 (December 31, 2017 – $2.8 million and $46.0 million, respectively).

As at June 30, 2018, $54.6 million of cash on the Corporation's condensed consolidated statements of financial position was held by Energas (December 31, 2017 – $45.3 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

Fair value measurement

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

Canadian $ millions, as at	Note		**2018 June 30**		2017 December 31	
		Hierarchy level	**Carrying value**	**Fair value**	Carrying value	Fair value
Liabilities:						
8.00% senior unsecured debentures due 2021(2)	14	1	**$ 161.0**	**$ 164.5**	$ 213.2	$ 189.8
7.50% senior unsecured debentures due 2023(2)	14	1	**184.8**	**181.9**	240.7	203.4
7.875% senior unsecured debentures due 2025(2)	14	1	**198.6**	**194.2**	234.4	200.6
Ambatovy Joint Venture partner loans(3)	14	3	**142.4**	**100.1**	127.8	79.6
Assets:						
Ambatovy Joint Venture subordinated loans receivable(4)	13	3	**187.7**	**163.4**	223.4	195.2
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(4)	13	3	**63.4**	**38.2**	47.9	47.9
Energas conditional sales agreement - non-current(4)	13	3	**205.6**	**208.3**	189.1	210.3
Moa Joint Venture expansion loans receivable(4)	13	3	**251.5**	**224.0**	232.0	212.0

(1) The carrying values are net of financing costs and the fair values exclude financing costs.

(2) The fair values of the senior unsecured debentures are based on market closing prices.

(3) The fair value of the Ambatovy Joint Venture partner loans is calculated by discounting future cash flows using rates that are based on market rates adjusted for the borrowers' credit quality for instruments with similar maturity horizons.

(4) The fair values of the Ambatovy subordinated loans receivable, Ambatovy subordinated loans receivable - post-financial completion, 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 borrowers' credit quality.

The following table presents financial instruments, measured at fair value through profit or loss and fair value through other comprehensive income (loss), on a recurring basis:

Canadian $ millions, as at	Hierarchy level		2018 June 30
Fair value through profit or loss			
Assets:			
Ambatovy Joint Venture operator fee receivable(1)	3	**$**	**11.6**
Liabilities:			
Cobalt-linked warrant liability(1)	1		**11.3**
Fair value through other comprehensive income (loss)			
Cash equivalents	1		**43.3**
Short-term investments	1		**24.0**

(1) Changes in fair value are recognized within net unrealized (loss) gain on financial instruments within net finance income (expense) (note 9).

The following is a reconciliation of the beginning to ending balance for the Ambatovy Joint Venture operator fee receivable included in Level 3:

Canadian $ millions		For the six months ended June 30 2018
Balance, beginning of the period	**$**	**9.7**
Additions		**1.1**
Revaluation included in net unrealized (loss) gain on financial instruments		**0.3**
Effect of movements in exchange rates		**0.5**
Balance, end of the period	**$**	**11.6**

The fair value of the Ambatovy Joint Venture operator fee receivable is calculated by discounting future cash flows using a rate that is based on a market rate adjusted for the borrowers' credit quality.

Trade accounts receivable, net, and unbilled revenue

Trade accounts receivable, net, and unbilled revenue consist of:

Canadian $ millions, as at		2018 June 30		2017 December 31
Trade accounts receivable, net	**$**	**224.4**	$	283.5
Unbilled revenue(1)		**1.4**		1.4
	$	**225.8**	$	284.9

(1) Unbilled revenue represents amounts to which the Corporation expects to be entitled that have not yet been approved by an agency of the Government of Cuba. The Corporation is entitled to the recovery of certain costs incurred as a result of its production-sharing contracts in the Oil and Gas segment. Unbilled revenue increases when the Corporation incurs recoverable costs that have not yet been approved and decreases when the recoverable costs are approved and billed. Unbilled revenue is reclassified to trade accounts receivable, net, when the recoverable costs are approved and billed.

Aging of trade accounts receivable, net, not impaired

Canadian $ millions, as at	2018 June 30	2017 December 31
Not past due	**$ 166.7**	$ 221.2
Past due no more than 30 days	**9.4**	12.6
Past due for more than 30 days but no more than 60 days	**7.7**	8.1
Past due for more than 60 days	**40.6**	41.6
	$ 224.4	$ 283.5

Trade accounts receivable, net

Canadian $ millions, as at	2018 June 30	2017 December 31
Trade accounts receivable	**$ 193.3**	$ 239.8
Allowance for credit losses	**(16.3)**	(10.7)
Accounts receivable from joint operations	**0.1**	0.2
Accounts receivable from joint venture	**16.1**	15.0
Accounts receivable from associate	**9.9**	8.2
Other	**21.3**	31.0
	$ 224.4	$ 283.5

Allowance for credit losses

Financial assets measured at amortized cost are presented net of allowances for credit losses within the condensed consolidated statements of financial position.

		For the six months ended June 30, 2018			
Canadian $ millions	As at 2018 January 1	Revaluation (note 9)	Debt-to-equity conversion(1)	Foreign exchange and other non-cash items	As at 2018 June 30
Lifetime expected credit losses					
Trade accounts receivable, net	$ (16.3)	**$ (0.2)**	**$ -**	**$ 0.2**	**$ (16.3)**
Ambatovy Joint Venture subordinated loans receivable	(50.4)	**(2.1)**	**21.4**	**(1.8)**	**(32.9)**

(1) During the six months ended June 30, 2018, the Ambatovy Joint Venture converted US$140.0 million of its subordinated loans payable to equity (note 7) which, at the Corporation's 12% share, resulted in a US$16.8 million ($21.4 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for credit losses, resulting in a net nil change.

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at		2018 June 30		2017 December 31
Ambatovy Joint Venture subordinated loans receivable[(1)(2)(3)]	$	**187.7**	$	223.4
Ambatovy Joint Venture subordinated loans receivable - post-financial completion[(1)(4)]		**63.4**		47.9
Ambatovy Joint Venture operator fee receivable		**11.6**		9.7
Energas conditional sales agreement[(1)]		**213.8**		206.7
Moa Joint Venture expansion loans receivable[(1)(5)]		**251.5**		232.0
Moa Joint Venture working capital facility[(6)]		**-**		25.2
Other		**10.9**		10.9
		738.9		755.8
Current portion of advances, loans receivable and other financial assets		**(19.1)**		(42.8)
	$	**719.8**	$	713.0

(1) As at June 30, 2018, the non-current portions of the Ambatovy subordinated loans receivable, Ambatovy subordinated loans receivable - post-financial completion, Energas conditional sales agreement and the Moa Joint Venture expansion loans receivable are $187.7 million, $63.4 million, $205.6 million, and $251.5 million, respectively (December 31, 2017 – $223.4 million, $47.9 million, $189.1 million and $232.0 million, respectively).

(2) During the six months ended June 30, 2018, the Ambatovy Joint Venture converted US$140.0 million of its subordinated loans payable to equity (note 7) which, at the Corporation's 12% share, resulted in a US$16.8 million ($21.4 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for credit losses, resulting in a net nil change. There was no change to the Corporation's ownership interest as a result of the conversion.

(3) During the three and six months ended June 30, 2018, the Ambatovy Joint Venture subordinated loans receivable decreased by $1.1 million and $2.1 million, respectively, (June 30, 2017 – nil) as a result of revaluation of the allowance for credit losses. The revaluation is presented within net unrealized (loss) gain on financial instruments within net finance expense (note 9). As at June 30, 2018, the Ambatovy Joint Venture subordinated loans receivable is presented net of an allowance for credit losses of $32.9 million within the condensed consolidated statements of financial position (note 12).

(4) The Ambatovy subordinated loans receivable – post-financial completion is comprised of funding from the Corporation provided to the Ambatovy Joint Venture and bears interest at rates from six-month LIBOR plus 4.6% to six-month LIBOR plus 8%. For the three and six months ended June 30, 2018, nil and US$7.9 million, respectively, of post-financial completion cash funding was provided to the Ambatovy Joint Venture at the Corporation's 12% interest (nil for the three and six months ended June 30, 2017).

(5) During the year ended December 31, 2017, interest was suspended for two years on the expansion loans, which resulted in a decrease to the Moa Joint Venture expansion loans receivable of $32.4 million. During the three and six months ended June 30, 2018, the Moa Joint Venture expansion loans payable increased by $3.9 million and $7.7 million, respectively, due to accretion (for the year ended December 31, 2017 - $12.7 million).

(6) In January 2018, the maturity of the Moa Joint Venture working capital facility was extended to January 30, 2019 and the maximum credit available was increased from $38.6 million to $45.0 million. The interest rates continue to be prime plus 3.50% or bankers' acceptance plus 4.50%. During the three months ended June 30, 2018, the Moa Joint Venture working capital facility was fully repaid.

14. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

					For the six months ended June 30, 2018					
					Cash flows		Non-cash changes			
Canadian $ millions	Note		As at 2017 December 31		Repurchase		Effect of movement in exchange rates		Other	As at 2018 June 30
Other loans and borrowings										
8.00% senior unsecured debentures due 2021[(1)]	12	$	213.2	$	**(47.9)**	$	**-**	$	**(4.3)**	$ **161.0**
7.50% senior unsecured debentures due 2023[(1)]	12		240.7		**(46.9)**		**-**		**(9.0)**	**184.8**
7.875% senior unsecured debentures due 2025[(1)]	12		234.4		**(25.5)**		**-**		**(10.3)**	**198.6**
Ambatovy Joint Venture partner loans[(2)]	12		127.8		**-**		**6.3**		**8.3**	**142.4**
Syndicated revolving-term credit facility			8.0		**-**		**-**		**-**	**8.0**
		$	824.1	$	**(120.3)**	$	**6.3**	$	**(15.3)**	$ **694.8**
Current portion of other loans and borrowings			(8.0)							**(8.0)**
		$	816.1							$ **686.8**

(1) Other non-cash changes consists of the effect of initial application of IFRS 9 on January 1, 2018, accretion and gains/losses on repurchase of senior unsecured debentures.

(2) Other non-cash changes on the Ambatovy Joint Venture partner loans consists of the effect of initial application of IFRS 9 on January 1, 2018, accretion and accrued interest. Accrued and unpaid interest on these loans is capitalized to the loan balance semi-annually in June and December.

Repurchase of senior unsecured debentures

During the three months ended June 30, 2018, the Corporation repurchased $10.7 million total principal amount of the senior unsecured debentures at a total cost of $10.0 million. A gain on repurchase of debentures of nil, net of $0.8 million related to deferred financing costs and the impact of the adoption of IFRS 9, was recognized during the three months ended June 30, 2018. The Corporation also paid accrued interest of $0.1 million on these repurchased debentures during the three months ended June 30, 2018.

During the six months ended June 30, 2018, the Corporation repurchased $131.9 million total principal amount of the senior unsecured debentures at a total cost of $120.3 million. A gain on repurchase of debentures of $2.3 million, net of $9.4 million related to deferred financing costs and the impact of the adoption of IFRS 9, was recognized during the six months ended June 30, 2018. The gain was recognized within net finance expense in the condensed consolidated statements of comprehensive income (loss) (note 9). The Corporation also paid accrued interest of $3.2 million on these repurchased debentures during the six months ended June 30, 2018.

Transaction costs for the repurchase of the senior unsecured debentures totalled nil and $1.3 million for the three and six months ended June 30, 2018, respectively, of which $0.1 million and $1.3 million were paid during the three and six months ended June 30, 2018, respectively.

Syndicated revolving-term credit facility

In January 2018, the maturity of the syndicated revolving-term credit facility was extended to January 30, 2019 and the maximum credit available was increased from $63.6 million to $70.0 million. The total available draw is based on eligible receivables and inventory. The interest rates continue to be prime plus 3.50% or bankers' acceptance plus 4.50%.

The facility is subject to the following financial covenants and restrictions:

- EBITDA, as defined in the agreement, of not less than $100 million;
- EBITDA-to-interest expense covenant of not less than 1.75:1;
- Limits on capital expenditures and funding of the Ambatovy Joint Venture and Moa Joint Venture; and
- Maintenance of a minimum balance of cash and cash equivalents, short-term investments and undrawn credit held by the Corporation's wholly-owned subsidiaries greater than the facility size multiplied by two. The facility size multiplied by two as at June 30, 2018 is $140.0 million.

Covenants

As at June 30, 2018, there are no events of default on the Corporation's borrowings or debentures. The Corporation did not meet the financial ratios required to remove limitations on the incurrence of debt or certain distributions under the senior unsecured debentures indenture agreement.

Other financial liabilities

Canadian $ millions, as at	**2018 June 30**	2017 December 31
Cobalt-linked warrant liability[1]	**$ 11.3**	$ -
Stock-based compensation liability	**16.4**	23.6
Other non-current financial liabilities	**0.6**	0.6
	28.3	24.2
Current portion of other financial liabilities	**(11.7)**	(8.0)
	$ 16.6	$ 16.2

(1) The cobalt-linked warrants are measured at fair value using the closing market price as at each reporting date. As at June 30, 2018, the closing price of the cobalt-linked warrants decreased to $0.24 per warrant, resulting in unrealized gains on financial instruments of $0.6 million and $4.7 million for the three and six months ended June 30, 2018, respectively, recognized within net finance expense (note 9) (nil for the three and six months ended June 30, 2017). As at June 30, 2018, 47.2 million cobalt-linked warrants related to the 2018 unit offering were outstanding (note 16).

15. PROVISIONS

Canadian $ millions, as at	2018 June 30	2017 December 31
Environmental rehabilitation provisions	**$ 98.5**	$ 95.3
Other provisions	**14.2**	15.0
	112.7	110.3
Current portion of provisions	**(13.3)**	(18.3)
	$ 99.4	$ 92.0

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the six months ended 2018 June 30	For the year ended 2017 December 31
Balance, beginning of the period		**$ 95.3**	$ 103.2
Change in estimates		**1.5**	(12.0)
Utilized during the period		**-**	(0.4)
Accretion	9	**0.3**	1.0
Effect of movement in exchange rates		**1.4**	3.5
Balance, end of the period		**$ 98.5**	$ 95.3

The following is a reconciliation of other provisions:

Canadian $ millions	For the six months ended 2018 June 30	For the year ended 2017 December 31
Balance, beginning of the period	**$ 15.0**	$ 11.4
Changes in estimates	**-**	15.1
Reclassified to trade accounts payable and accrued liabilities	**-**	(3.4)
Utilized during the period	**(0.8)**	(8.1)
Balance, end of the period	**$ 14.2**	$ 15.0

For the three and six months ended June 30, 2018, the Corporation recognized $0.4 million and $4.2 million in cash used by discontinued operations in the condensed consolidated statements of cash flow, respectively ($0.7 million and $0.8 million for the three and six months ended June 30, 2017, 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 and includes payments of $3.4 million for amounts reclassified to trade accounts payable and accrued liabilities in prior periods.

16. SHAREHOLDERS' EQUITY

Capital stock

In January 2018, the Corporation completed a unit offering and issued units consisting of 94.5 million common shares and 47.2 million cobalt-linked warrants (note 14) at $1.40 per unit for gross proceeds of $132.3 million. The value of the common shares was determined to be $1.23 per common share which totaled $116.2 million after measuring the fair value of the cobalt-linked warrants. Transaction costs of $7.2 million were allocated to the common shares based on the relative fair values of the common shares and cobalt-linked warrants and were deducted from equity, resulting in a net increase to equity of $109.0 million.

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 2018 June 30		For the year ended 2017 December 31
	Number	**Capital stock**	Number	Capital stock
Balance, beginning of the period	**301,758,665**	**$ 2,784.6**	294,174,923	$ 2,775.7
Stock options exercised	**193,800**	**0.2**	-	-
Restricted stock plan (vested)	**-**	**-**	27,000	0.1
Equity issuance, net of transaction costs - 2018 unit offering	**94,464,400**	**109.0**	-	-
Warrants exercised - 2016 debenture extension	**800,347**	**0.9**	7,556,742	8.8
Balance, end of the period	**397,217,212**	**$ 2,894.7**	301,758,665	$ 2,784.6

As at June 30, 2018, 10.4 million warrants related to the 2016 debenture extension were outstanding.

Reserves

Canadian $ millions	For the six months ended 2018 June 30	For the year ended 2017 December 31
Stated capital reserve		
Balance, beginning of the period	**$ 222.6**	$ 225.8
Warrants exercised - 2016 debenture extension	**(0.3)**	(3.2)
Balance, end of the period	**$ 222.3**	$ 222.6
Stock-based compensation reserve		
Balance, beginning of the period	**$ 10.3**	$ 8.9
Restricted stock plan (vested)	**-**	(0.1)
Stock options exercised	**(0.1)**	-
Stock option plan expense	**0.7**	1.5
Balance, end of the period	**10.9**	10.3
Total reserves, end of the period	**$ 233.2**	$ 232.9

Accumulated other comprehensive income

Canadian $ millions	For the six months ended 2018 June 30	For the year ended 2017 December 31
Foreign currency translation reserve		
Balance, beginning of the period	**$ 470.9**	$ 813.2
Foreign currency translation differences on foreign operations	**40.1**	(72.1)
Reclassification to Gain on Ambatovy Joint Venture restructuring	**-**	(269.6)
Reclassification to net finance expense upon dissolution of foreign operation	**-**	(0.6)
Balance, end of the period	**511.0**	470.9
Actuarial losses on pension plans		
Balance, beginning of the period	**$ (4.4)**	$ (4.2)
Actuarial losses on pension plans, net of tax	**(0.1)**	(0.2)
Balance, end of the period	**(4.5)**	(4.4)
Total accumulated other comprehensive income	**$ 506.5**	$ 466.5

17. SUPPLEMENTAL CASH FLOW INFORMATION

Other operating items

Canadian $ millions	Note	For the three months ended 2018 June 30	For the three months ended 2017 June 30	For the six months ended 2018 June 30	For the six months ended 2017 June 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9, 15	**$ 0.2**	$ 0.2	**$ 0.3**	$ 0.4
Stock-based compensation expense (recovery), net	6	**3.2**	(4.0)	**(2.1)**	(2.3)
Other items		**(0.6)**	2.6	**(2.2)**	3.4
Cash flow arising from changes in:					
Other finance charges		**(0.3)**	(0.4)	**(0.8)**	(1.3)
Realized foreign exchange (loss) gain	9	**(0.2)**	0.4	**0.1**	0.5
		$ 2.3	$ (1.2)	**$ (4.7)**	$ 0.7

Net change in non-cash working capital

Canadian $ millions	For the three months ended 2018 June 30	For the three months ended 2017 June 30	For the six months ended 2018 June 30	For the six months ended 2017 June 30
Trade accounts receivable, net and unbilled revenue	**$ 27.5**	$ 5.0	**$ 67.3**	$ 7.1
Inventories	**8.7**	3.7	**2.9**	2.5
Prepaid expenses	**(2.0)**	(2.7)	**(2.3)**	(2.4)
Trade accounts payable and accrued liabilities	**(12.9)**	0.9	**(33.8)**	(3.8)
Deferred revenue	**(33.6)**	(23.5)	**(13.3)**	(9.6)
	$ (12.3)	$ (16.6)	**$ 20.8**	$ (6.2)

18. 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.

19. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30		**2018**
Property, plant and equipment commitments	**$**	**19.3**
Joint venture:		
Property, plant and equipment commitments		**8.4**

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