sherritt

Q1

2018 FIRST QUARTER REPORT

Sherritt International Corporation

For the three months ended March 31, 2018

For immediate release

Sherritt Reports First Quarter 2018 Results

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Toronto, Ontario – April 24, 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 first quarter ended March 31, 2018. All amounts are in Canadian currency unless noted.

CEO COMMENTARY

"Sherritt's results for Q1 reflect the positive impact of improving commodity prices and our continuing efforts to strengthen our balance sheet," said David Pathe, President and CEO of Sherritt International. "We ended the quarter with more cash on hand, less debt, and higher cash received from the Moa JV – all clear signs of progress."

Mr. Pathe added, "With production challenges at the Moa JV caused by excessive rainfall and rail transportation delays largely behind us, we are bullish about our prospects for the balance of 2018 given the favorable outlook for nickel and cobalt prices due to favorable demand trends, particularly within the electric vehicle battery market."

Q1 HIGHLIGHTS

- Average-realized prices at the Moa Joint Venture ("Moa JV") for nickel improved 26% to $7.80 per pound while average-realized prices for cobalt increased 100% to $48.47 per pound.

- Sherritt ended the quarter with $237.3 million in cash, cash equivalents and short-term investments, up from $203.0 million at December 31, 2017.

- Sherritt strengthened its balance sheet by purchasing for cancellation $121.2 million of outstanding debentures at an aggregate cost of $110.3 million through a modified Dutch auction tender offer. The transaction, which was funded by a unit offering that generated net proceeds of approximately $125 million, brings the total amount of indebtedness eliminated by the Corporation over the past four years to approximately $2 billion.

- Received $16.0 million from the Moa JV as repayment on its working capital facility and US$40.7 million in Cuban energy payments, lowering overdue scheduled receivables to $126.7 million from $132.6 million at year end 2017.

- Net direct cash cost (NDCC)[1] at the Moa Joint Venture was US$2.06 per pound of finished nickel sold, marking the fourth consecutive quarter that the Moa JV is in the lowest cost quartile.

- Sherritt's share of finished nickel production at the Moa JV was 2,854 tonnes in Q1 2018, down 26% from Q1 2017, while its share of finished cobalt was 336 tonnes, down 23% from Q1 2017. Consistent with previous disclosure, the decline in production in Q1 2018 was attributable to the reduced availability of mixed sulphides due to the highest level of rainfall at Moa's operations in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta by the rail service provider. Subsequent to quarter end, delays with rail transportation service have largely been resolved and mixed sulphides availability has been restored to normal levels.

- Executed a three-year extension of the Puerto Escondido/Yumuri oil production sharing contract to 2021.

- Adjusted EBITDA was $36.4 million, relatively flat when compared to Q1 2017. Adjusted EBITDA in Q1 2018 reflected the impact of the restructuring of the Ambatovy Joint Venture completed in December 2017 that reduced Sherritt's ownership interest from 40% to 12%.

- Net loss for Q1 2018 was $0.6 million or $nil on a per share basis. In Q1 2017, net loss was $72.6 million or $0.25 per share.

- Q1 results marked Sherritt's first full quarter of operations since its ownership interest at Ambatovy was reduced to 12% as a result of the Joint Venture restructuring completed in December 2017.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- Sherritt finalized the evaluation of available and proven technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US$13 million.

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

Q1 2018 FINANCIAL HIGHLIGHTS

$ millions, except as otherwise noted, for the three months ended March 31	2018	2017	Change
Revenue	**$ 39.4**	$ 72.4	(46%)
Combined Revenue[1]	**146.9**	228.0	(36%)
Net loss for the period	**(0.6)**	(72.6)	99%
Adjusted EBITDA[1]	**36.4**	37.2	(2%)
Cash provided (used) by continuing operations	**11.1**	16.6	(33%)
Combined adjusted operating cash flow [1]	**5.9**	20.5	(71%)
Combined free cash flow[1]	**6.1**	10.0	(39%)
Average Exchange Rate (CAD/US$)	**1.265**	1.324	N/A
Net loss from continuing operations per share	**$0.00**	-$0.25	100%

(1) For additional information, see the Non-GAAP measures section of this release.
(2) The amounts for the period ended March 31, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 3 in the condensed consolidated financial statements for further information.

$ millions, except as otherwise noted, as at	2018 March 31	2017 December 31	Change
Cash, cash equivalents and short term investments	**$ 237.3**	$ 203.0	17%
Other loans and borrowings	**698.4**	824.1	(15%)

In Q1 2018, Sherritt generated consolidated cash flow from operations of $11.1 million. The consolidated total included $7.3 million in positive cash flow from the Oil and Gas division and $11.2 million in positive cash flow contributions from the Power division. Interest expenses of $11.0 million negatively impacted the consolidated cash flow total for Q1 2018. Although the Moa JV generated positive cash flow in Q1 2018, the total was distributed to Sherritt as a repayment of its working capital facility. The repayment does not impact Sherritt's operating cash flow.

Cash, cash equivalents and short-term investments at March 31, 2018 were $237.3 million, up from $203.0 million at December 31, 2017. The increase was due to a number of factors, including the close of a unit offering that generated net proceeds of approximately $125 million, the receipt of $16 million from the Moa JV on its working capital facility and the receipt of US$40.7 million in Cuban energy payments. In Q4 2017, Sherritt received US7.5 million in Cuban energy payments.

Cuban overdue scheduled receivables at March 31, 2018 totaled $126.7 million, down from $132.6 million at December 31, 2017. 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 March 31	2018 $ millions	2018 $/share	2017 $ millions	2017 $/share
Net loss from continuing operations	(0.6)	(0.00)	(72.6)	(0.25)
Adjusting items, net of tax:				
Unrealized foreign exchange gain	(7.7)	(0.02)	(7.3)	(0.02)
Other	(6.5)	(0.02)	(2.8)	(0.01)
Adjusted net earnings (loss) from continuing operations	(14.8)	(0.04)	(82.7)	(0.28)

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

Sherritt incurred a net loss from operations of $0.6 million, or $nil per share outstanding, in Q1 2018. These compare to a net loss from operations of $72.6 million, or $0.25 per share, in Q1 2017.

On an adjusted basis, Sherritt incurred a net loss from operations of $14.7 million, or $0.04 per share outstanding, in Q1 2018. These compare to an adjusted net loss of $82.7 million, or $0.28 per share, for the same period of 2017.

METAL MARKETS

Nickel

Nickel prices continued to rally in Q1 2018, sustaining the momentum established in second half of 2017. The average reference price in Q1 2018 was US$6.03/lb, up 29% from US$4.66/lb in the first quarter of 2017. The average reference price for Q1 2018 marked the highest since Q1 2015 when it was US$6.50/lb.

The year-over-year price improvement was driven by a number of developments, Chief among them is the growing understanding of the important role that Class I nickel will play in the growing electric vehicle (EV) market. Class I nickel, along with cobalt, are key metals needed to manufacture EV batteries. Demand for Class I nickel and cobalt are expected to grow significantly beginning in 2019 when China expects to begin production quotas requiring that 10% of all vehicles manufactured be electric.

The rise in the nickel reference price was also driven by the decline in inventories. Combined LME and SHFE nickel inventories at March 31 2018, declined to 367,694 tonnes (from 410,828 tonnes) at the start of the year. A further decline in visible inventories is expected to sustain the price increase momentum through the end of 2018.

Beyond 2018, nickel supply deficits are expected to widen as stainless steel sector growth is expected to outpace nickel production. The supply deficit is expected to be exacerbated with the rise of the electric vehicle market and the need for Class I nickel for battery production.

Cobalt

Cobalt prices rose in Q1 2018, marking the seventh consecutive quarter of higher reference prices. The average-reference price for Q1 2018 was US$39.01/lb, up 97% from US$19.80/lb for Q1 2017.

The near doubling of cobalt prices over the past year is primarily linked to the growing strong demand emanating from the EV battery market. Higher cobalt prices were also driven by geopolitical and supply risk concerns given that the Democratic Republic of Congo is currently the world's largest source of cobalt.

As cobalt prices have a limited impact on overall battery pack costs, high prices are not expected to cause supply-chain disruptions or delay EV market growth. As a result, the risk of cobalt substitution in EV 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.

Because of the cobalt market's limited size, significant product orders cause price surges. As end-users are trying to build cobalt positions or to secure long-term supply, spot metal availability is sporadic and prices are expected to remain elevated in the near term.

REVIEW OF OPERATIONS

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

	For the three months ended		
	2018	2017	
$ millions, except as otherwise noted	**March 31**	March 31	Change
FINANCIAL HIGHLIGHTS			
Revenue	**$ 96.3**	$ 90.4	7%
Earnings from operations	**16.3**	2.0	715%
Adjusted EBITDA[1]	**27.1**	12.8	112%
CASH FLOW			
Cash provided by operations	**$ 18.1**	$ 14.8	22%
Free cash flow[1]	**13.6**	12.6	8%
Adjusted operating cash flow[1]	**26.8**	9.1	195%
PRODUCTION VOLUMES (tonnes)			
Mixed Sulphides	**3,882**	4,282	(9%)
Finished Nickel	**2,854**	3,840	(26%)
Finished Cobalt	**336**	436	(23%)
Fertilizer	**52,440**	58,868	(11%)
NICKEL RECOVERY (%)	**79%**	85%	(7%)
SALES VOLUMES (tonnes)			
Finished Nickel	**2,910**	3,862	(25%)
Finished Cobalt	**325**	421	(23%)
Fertilizer	**25,472**	37,454	(32%)
AVERAGE-REFERENCE PRICES (US$ per pound)			
Nickel	**$ 6.03**	$ 4.66	29%
Cobalt[2]	**39.01**	19.80	97%
AVERAGE REALIZED PRICE			
Nickel ($ per pound)	**7.80**	6.19	26%
Cobalt ($ per pound)	**48.47**	24.19	100%
Fertilizer ($ per tonne)	**358**	343	4%
UNIT OPERATING COSTS[1] (US$ per pound)			
Nickel - net direct cash cost	**2.06**	3.25	(37%)
SPENDING ON CAPITAL			
Sustaining	**4.5**	2.1	114%
Expansion	**-**	-	-
	4.5	2.1	114%

(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 2,854 tonnes of finished nickel in Q1 2018, down 26% from 3,840 tonnes produced in Q1 2017. Finished cobalt production in Q1 2018 was 336 tonnes, down 23% from 436 tonnes produced in Q1 2017.

The production decline in Q1 2018 was principally due to reduced availability of mixed sulphides caused by the highest level of rainfall at Moa's operations in more than 20 years that limited access to planned mining areas as well as by transportation delays to the refinery by the rail service provider. The adverse impact of excessive rain fall and rail transportation delays have been alleviated since the start of the second quarter, and Sherritt expects to achieve the lower end of its 2018 production guidance for finished nickel and finished cobalt at the Moa JV. Second quarter production will be impacted, however, by the annual shutdown of the refinery in Fort Saskatchewan due to scheduled maintenance activities. This year's shutdown is expected to be similar in duration to prior years.

Q1 2018 revenue for the Moa JV and the Fort Site totaled $96.3 million, up 7% from $90.4 million for the comparable period of 2017. The growth was driven by higher realized prices in 2018 for nickel (+26%), cobalt (+100%) and fertilizer (+4%) although offset by lower sales volume and a higher Canadian dollar relative to the U.S. dollar.

Nickel sales represented 52% of total Q1 2018 revenue while cobalt sales represented 36%. Fertilizer sales in Q1 2018 were down 29% from last year, reflecting lower demand and timing of shipments ahead of the spring season.

Mining, processing and refining (MPR) costs for Q1 2018 were US$5.26 per pound, up 11% from US$4.75 per pound for Q1 2017. The increase was due to the impact of lower production as well to higher input costs, including increased sulphur and energy costs.

Despite higher energy and sulphur input costs and lower production, Moa's NDCC of US$2.06/lb for Q1 2018 was in the lowest cost quartile relative to other nickel producers, marking the fourth consecutive quarter of such distinction. NDCC in Q1 2018 declined by 37% compared to the prior year period, largely because of a higher cobalt by-product credit. The cobalt credit of US$4.27/lb reflects Moa's high cobalt to nickel production ratio as well as the 100% growth in cobalt prices since Q1 2017.

Given current commodity prices and the expected rate of production for the balance of the year, NDCC guidance at Moa for 2018 has been lowered to US$1.75/lb to US$2.25/lb from US$2.50/lb to US$3.00/lb of finished nickel previously announced.

Cash provided by operations in Q1 2018 totaled $18.1 million, up 22% from $14.8, reflecting the year-over-year improvement in commodity prices.

Moa's sustaining capital spending in Q1 2018 was $4.5 million, up from $2.1 million in Q1 last year. The increase was due to planned spending, including the start of work at a 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.

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

	For the three months ended		
	2018	2017	
$ millions, except as otherwise noted	**March 31**	March 31	Change
FINANCIAL HIGHLIGHTS			
Revenue	**$ 17.8**	$ 74.8	(76%)
Earnings (loss) from operations	**(9.0)**	(29.0)	69%
Adjusted EBITDA[2]	**0.9**	8.2	(89%)
CASH FLOW			
Cash provided by operations	**$ (6.0)**	$ (2.3)	(161%)
Free cash flow[2]	**(8.9)**	(6.3)	(41%)
Adjusted operating cash flow[2]	**(0.8)**	7.1	(111%)
PRODUCTION VOLUMES (tonnes)[3]			
Mixed Sulphides	**675**	1,295	(48%)
Finished Nickel	**668**	1,145	(42%)
Finished Cobalt	**49**	97	(85%)
Fertilizer	**1,989**	3,539	(44%)
NICKEL RECOVERY (%)	**85%**	85%	-
SALES VOLUMES (tonnes)[3]			
Finished Nickel	**665**	1,143	(42%)
Finished Cobalt	**53**	106	(50%)
Fertilizer	**1,479**	3,734	(60%)
AVERAGE-REFERENCE PRICES (US$ per pound)			
Nickel	**$ 6.03**	$ 4.66	29%
Cobalt[4]	**39.01**	19.80	97%
AVERAGE-REALIZED PRICE			
Nickel ($ per pound)	**7.11**	6.15	16%
Cobalt ($ per pound)	**63.74**	26.75	138%
Fertilizer ($ per tonne)	**200.99**	164	23%
UNIT OPERATING COSTS[2] (US$ per pound)			
Nickel - net direct cash cost	**5.34**	3.93	36%
SPENDING ON CAPITAL			
Sustaining	**2.5**	8.4	(70%)
Expansion	**-**	-	-
	2.5	8.4	(70%)

(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 volume information for the quarter ended March 31, 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.

On January 6, the operations of the Ambatovy Joint Venture were significantly impacted by Tropical Cyclone Ava, a Category 2 hurricane equivalent storm. The cyclone necessitated a plant shutdown and caused extensive damage to facilities and equipment. Production resumed at the end of January following the completion of critical repairs. Repairs to damage caused by Cyclone Ava are still ongoing. Metal production in Q1 2018 was also lower due to limited production of sulphuric acid as a result of a failed economizer in Acid Plant.

Consistent with previous disclosure, metal production at Ambatovy will continue to be constrained by lower production of sulphuric acid in Q2 2018. Lower production of sulphuric acid is due to the failed economizer in Acid Plant 1, which is currently operating at approximately 50% of capacity. Acid Plant 2 is operating at 100% capacity. Production capacity is expected to be back to normal once the economizer in Acid Plant 1 is replaced in May 2018. Replacement of the economizer will necessitate a shutdown of Acid Plant 1 for approximately three weeks.

Finished nickel production at Ambatovy in Q1 2018 was 668 tonnes (12% basis), down from 1,145 tonnes (12% basis) produced in Q1 2017. Finished cobalt production in Q1 2018 was 49 tonnes (12% basis), down from 97 tonnes (12% basis) for Q1 2017. The decline was principally due to the impact of Cyclone Ava and effects of the failed economizer.

MPR costs for Q1 2017 were US$7.90 per pound, up from US$5.53 per pound in Q1 2017. The year-over-year increase was largely due to the impact of lower production volumes in 2018.

NDCC for finished nickel at Ambatovy in Q1 2018 was US$5.34/lb, up from the US$3.93/lb for Q1 2017. The increase was due to lower production, higher maintenance costs and higher energy and sulphur input costs offset by higher cobalt by-product credits.

In light of current commodity prices and the expected rate of production for the balance of the year, NDCC guidance at Ambatovy for 2018 has been lowered to US$2.50/lb to US$3.00/lb from US$3.00/lb to US$3.50/lb of finished nickel previously announced.

OIL AND GAS

$ millions, except as otherwise noted, for the three months ended March 31	2018	2017	Change
FINANCIAL HIGHLIGHTS			
Revenue	**$ 18.1**	$ 35.3	(49%)
Earnings from operations	**1.7**	11.0	(85%)
Adjusted EBITDA[1]	**4.6**	19.6	(77%)
Cash provided by operations	**7.3**	14.0	(48%)
Free cash flow[1]	**4.2**	10.3	(59%)
PRODUCTION AND SALES (boepd)			
Gross working-interest (GWI) - Cuba	**5,572**	15,213	(63%)
Total net working-interest (NWI)	**3,916**	8,889	(56%)
AVERAGE-REFERENCE PRICE (US$ per barrel)			
West Texas Intermediate (WTI)	**$ 62.85**	$ 51.62	22%
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) [2]	**55.13**	45.52	21%
Brent	**66.88**	53.33	25%
AVERAGE-REALIZED PRICE[1] (NWI)			
Cuba ($ per barrel)	**51.11**	$ 43.62	17%
UNIT OPERATING COSTS[1] (GWI)			
Cuba ($ per barrel)	**20.83**	$ 8.66	141%
SPENDING ON CAPITAL			
Development, facilities and other	**$ (0.3)**	$ (0.8)	63%
Exploration	**2.6**	3.8	(32%)
	$ 2.3	$ 3.0	(23%)

(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 Q1 2018 in Cuba was 5,572 barrels of oil per day (“bopd”), down 63% from 15,213 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 Q1 2018 was $18.1 million, down 49% from $35.3 million for last year. The decline was due to lowered production, partially offset by an increase in realized prices of 17% to $51.11 per barrel in Cuba, though partially offset by the negative impact of a stronger Canadian dollar.

Total net working-interest production for Q1 2018 was 3,916 barrels of oil equivalent per day (“boepd”), down from 8,889 boepd in the same period of 2017. The decline was due to the impact of the expiration of the Varadero West PSC already noted and the impact of higher oil prices in 2018.

Unit operating costs in Q1 2018 in Cuba were $20.83 per barrel, up 141% from $8.66 in Q1 2017, driven largely by reduced production. Costs were positively impacted by the strengthening Canadian dollar relative to the U.S. dollar in Q1 2018.

Exploration spending in Q1 2018 was lower than in the comparable period of 2017 as spending was primarily focused on detailed engineering for the next well on Block 10. In Q1 2017, drilling on the first well on Block 10 was being completed.

Subsequent to quarter end, Sherritt finalized the evaluation of available and proven technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US$13 million.

POWER

$ millions (33⅓% basis), except as otherwise noted, for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**11.9**	$	13.4	(11%)
Earnings from operations		**1.8**		2.8	(36%)
Adjusted EBITDA[1]		**7.8**		9.2	(15%)
Cash provided by operations		**11.2**		12.8	(13%)
Free cash flow[1]		**11.1**		12.0	(8%)
PRODUCTION AND SALES					
Electricity (GWh)		**202**		217	(7%)
AVERAGE-REALIZED PRICE[1]					
Electricity ($/MWh)	**$**	**53.24**	$	56.30	(5%)
UNIT OPERATING COSTS[1] ($/MWh)					
Base		**14.44**		15.50	(7%)
Non-base[2]		**2.78**		0.45	518%
		17.22		15.95	8%
NET CAPACITY FACTOR (%)		**63**		67	(6%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS					
Sustaining	**$**	**0.1**	$	0.8	(88%)
	$	**0.1**	$	0.8	(88%)

(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 Q1 2018 was 202 gigawatt hours ("GWh") of electricity, down 7% from 217 GWh for the comparable period of 2017. The decline was largely due to reduced gas supply.

Average-realized prices in Q1 2018 declined to $53.24 per Megawatt hour ("MWh') of electricity from $56.30 per MWh in Q1 2017. The decline was due to the appreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q1 2018 totaled $11.9 million, down 11% from $13.4 million for Q1 2017. The decrease is attributable to lower production and lower realized prices.

Cash flow from operations in Q1 2018 declined by 13% to $11.1 million due to changes in working capital in the quarter.

Unit operating cost in Q1 2018 was $17.22 per MWh of electricity, up 8% from $15.95 per MWh for Q1 2017. The increase was due to the impact of lower sales volume.

Total capital spending in Q1 2018 was negligible.

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 $121.2 million of outstanding debentures at an aggregate cost of $110.3 million through a modified Dutch auction tender offer completed in Q1 2018. The transaction also allows Sherritt to generate annual savings of $10 million in interest expense.
	Optimize working capital and receivables collection	Management continues to take action to expedite Cuban energy receipts and received US$40.7 million in payments in Q1 2018. Overdue scheduled receivables at quarter end were US$126.7 million, down from US$132.6 million at December 31, 2017.
	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 Joint Venture and Fort Site generated $13.6 million in free cash flow in Q1 2018.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Management completed the evaluation of available and proven technology and identified a solution to be deployed when drilling is slated to resume in July 2018. Preliminary drilling results are expected in Q3 2018. Capital spend is expected to be approximately US$13 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.
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 Q1 2018 was US$2.06/lb, down 37% from last year. Moa's NDCC ranked it within the lowest cost quartile for the fourth consecutive quarter. Ambatovy's NDCC of US$5.34/lb in Q1 2018 was largely due to the impact of Cyclone Ava that caused damage to equipment and interrupted production.
	Maximize production of finished nickel and cobalt and improve predictability over 2017 results	Production at the Moa JV in Q1 experienced a 26% decline from last year due to the impact of the highest level of rainfall in more than 20 years and rail transportation delays to the Fort Site. Ambatovy production in Q1 experienced a number of unanticipated challenges, largely as a result of Cyclone Ava. Production at the Moa JV and Ambatovy is expected to be higher for the balance of 2018.
	Achieve peer leading performance in environmental, health, safety and sustainability	Operations at Moa, Ambatovy, Oil & Gas and Power had zero work-related fatalities, zero lost time incidents and zero high-severity environmental incidents. Sherritt's Recordable injury frequency rate in Q1 was 0.24 and the lost time injury frequency rate was 0.09, both are in the lowest quartile of benchmark peer set data.

OUTLOOK

2018 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

The guidance for 2018 reflects Sherritt's targets for production, unit costs and capital spending announced on January 12, 2018.

Production volumes, unit operating costs and spending on capital	Guidance at January 12, 2018	Actual at March 31, 2018	Updated Guidance at March 31, 2018
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	5,708	Unchanged
Cobalt, finished	3,500 - 3,800	672	Unchanged
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	5,565	Unchanged
Cobalt, finished	3,900 - 4,200	408	3,500 - 3,800(1)
Oil – Cuba (gross working-interest, bopd)	4,300 - 4,800	5,572	Unchanged
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	3,916	2,300-2,600(2)
Electricity (GWh, 33⅓% basis)	750 - 800	202	Unchanged
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$2.50 - $3.00	$2.06	$1.75 - $2.25
Ambatovy Joint Venture	$3.00 - $3.50	$5.34	$2.50 - $3.00
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$22.00 - $23.50	$20.83	Unchanged
Electricity (unit operating cost, $ per MWh)	$20.75 - $21.50	$17.22	Unchanged
Spending on capital (US$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis)(3)	US$41 (CDN$52)	US$4 (CDN$5)	Unchanged
Ambatovy Joint Venture (12% basis)(4)	US$13 (CDN$17)	US$2 (CDN$3)	Unchanged
Oil and Gas	US$39 (CDN$50)	US$2 (CDN$2)	Unchanged
Power (33⅓% basis)	US$1 (CDN$1)	US$0 (CDN$0)	Unchanged
Spending on capital (excluding Corporate)	US$94 (CDN$119)	US$7 (CDN$9)	Unchanged

(1) The estimate for cobalt production at Ambatovy has been updated to reflect current cobalt grades. Although lower than grades experienced in 2017, the cobalt grades are consistent with the original mine plan.

(2) The increase in net-working interest BOED reflects expected changes in indirect cost allocation, and is not the result of higher gross production at existing blocks. The changes in indirect cost allocation are due to the timing of Block 10 drilling.

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

(4) 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, and adjusted operating cash flow, and free cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended March 31, 2018 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast today at 9:00 a.m. Eastern Time to review its Q1 and 2018 results.

Conference Call and Webcast:	April 25, 2018, 9:00 a.m. ET
North American callers, please dial:	1-866-222-0265
International callers, please dial:	416-640-5944
Live webcast:	www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until May 2, 2018 by calling 647-436-0148 or 1-888-203-1112, access code 8795902#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete condensed consolidated financial statements and MD&A for the three months ended March 31, 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".

Source: Sherritt Investor Relations

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “potential”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” sections of this press release and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; drill results on exploration wells; joint venture environmental rehabilitation costs 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 Ambatovy Joint Venture; 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 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 months ended March 31, 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 April 24, 2018, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three months ended March 31, 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 discussion contains statements about Sherritt's future financial condition, results of operations and business. See the end of this report for more information on forward-looking statements.

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The business we manage

Sherritt manages its nickel, oil, gas, power and technologies operations through different legal structures including 100% owned subsidiaries, joint arrangements and an associate. With the exception of the Moa Joint Venture, which Sherritt operates jointly with its partner, Sherritt is the operator of these assets. The relationship for accounting purposes that Sherritt has with these operations and the 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
Commercial and 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 Commercial and 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 March 31, 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 months ended March 31, 2018.

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 $121.2 million of outstanding debentures at an aggregate cost of $110.3 million through a modified Dutch auction tender offer completed in Q1 2018. The transaction also allows Sherritt to generate annual savings of $10 million in interest expense.
	Optimize working capital and receivables collection	Management continues to take action to expedite Cuban energy receipts and received US$40.7 million in payments in Q1 2018. Overdue scheduled receivables at quarter end were US$126.7 million, down from US$132.6 million at December 31, 2017.
	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 Joint Venture and Fort Site generated $13.6 million in free cash flow in Q1 2018.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Management completed the evaluation of available and proven technology and identified a solution to be deployed when drilling is slated to resume in July 2018. Preliminary drilling results are expected in Q3 2018. Capital spend is expected to be approximately US$13 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.
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 Q1 2018 was US$2.06/lb, down 37% from last year. Moa's NDCC ranked it within the lowest cost quartile for the fourth consecutive quarter. Ambatovy's NDCC of US$5.34/lb in Q1 2018 was largely due to the impact of Cyclone Ava that caused damage to equipment and interrupted production.
	Maximize production of finished nickel and cobalt and improve predictability over 2017 results	Production at the Moa JV in Q1 experienced a 26% decline from last year due to the impact of the highest level of rainfall in more than 20 years and rail transportation delays to the Fort Site. Ambatovy production in Q1 experienced a number of unanticipated challenges, largely as a result of Cyclone Ava. Production at the Moa JV and Ambatovy is expected to be higher for the balance of 2018.
	Achieve peer leading performance in environmental, health, safety and sustainability	Operations at Moa, Ambatovy, Oil & Gas and Power had zero work-related fatalities, zero lost time incidents and zero high-severity environmental incidents. Sherritt's Recordable injury frequency rate in Q1 was 0.24 and the lost time injury frequency rate was 0.09, both are in the lowest quartile of benchmark peer set data.

Highlights

MOA JOINT VENTURE OPERATIONS UPDATE

The Moa Joint Venture produced 2,854 tonnes of finished nickel (Sherritt's share) in the first quarter of 2018.

Finished nickel production at the Moa Joint Venture was lower in the three months ended March 31, 2018 than in the same period in the prior year due to lower mixed sulphides availability. Lower mixed sulphides availability resulted from limited access to planned mining areas at Moa due to the highest level of rainfall at Moa's operations in more than 20 years and rail transportation delays in Canada caused by systemic issues with the rail service provider. Subsequent to quarter end, delays with rail transportation service have largely been resolved and mixed sulphides availability has been restored to normal levels.

Moa Joint Venture's average net direct cash cost (NDCC) for nickel of US$2.06/lb in the three months ended March 31, 2018 was lower compared to the same period in the prior year primarily due to higher cobalt credits which more than offset the impact of higher sulphur prices, higher third party feed prices, and the impact of lower sales volumes.

OIL AND GAS UPDATE

In January 2018, the Corporation executed a three-year extension of the Puerto Escondido/Yumuri production sharing contract to 2021.

Sherritt finalized the evaluation of available technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US$13.0 million.

UNIT ISSUANCE AND DEBENTURE REPURCHASE

On January 25, 2018, the Corporation completed a public offering of units of the Corporation consisting of one common share and one-half of one common share purchase warrant linked to the price of cobalt (a Unit) that generated gross proceeds of $132.3 million (net proceeds $125.1 million). On February 16, 2018, the Corporation completed a modified Dutch Auction tender offer which resulted in the purchase for cancellation of $121.2 million of debentures at a cost of $110.3 million plus accrued interest and fees.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at March 31, 2018 were $237.3 million, an increase of $34.3 million from December 31, 2017. This increase is primarily due to higher Cuban energy receipts during the quarter, higher fertilizer presales, the receipt of payments from the Moa Joint Venture on its working capital facility, cash received on the completion of the public offering of the Units, partly offset by the repurchase of the Corporation's debentures and interest payments on debentures during the first quarter.

During the quarter, US$40.7 million of Cuban energy payments was received compared to US$7.5 million in the fourth quarter of 2017. Total Cuban overdue scheduled receivables were US$126.7 million at March 31, 2018 compared to US$132.6 million at December 31, 2017.

Financial results[1][2]

$ millions, except as otherwise noted, for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**39.4**	$	72.4	(46%)
Combined revenue[3]		**146.9**		228.0	(36%)
Loss from operations, associate and joint venture		**(5.6)**		(49.4)	89%
Loss from continuing operations		**(0.6)**		(72.6)	99%
Net loss for the period		**(0.6)**		(72.6)	99%
Adjusted loss from continuing operations[3]		**(14.8)**		(82.7)	82%
Adjusted EBITDA[3]		**36.4**		37.2	(2%)
Loss per common share (basic and diluted) ($ per share):					
Net loss from continuing operations	**$**	**0.00**	$	(0.25)	100%
Net loss for the period		**0.00**		(0.25)	100%
CASH					
Cash, cash equivalents and short-term investments (prior period, December 31, 2017)	**$**	**237.3**	$	203.0	17%
Cash provided by continuing operations		**11.1**		16.6	(33%)
Combined free cash flow[3]		**6.1**		10.0	(39%)
Combined adjusted operating cash flow[3]		**5.9**		20.5	(71%)
OPERATIONAL DATA					
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[4]	**$**	**9.4**	$	14.3	(34%)
PRODUCTION VOLUMES					
Moa Joint Venture (50% basis, tonnes)					
Finished nickel		**2,854**		3,840	(26%)
Finished cobalt		**336**		436	(23%)
Ambatovy Joint Venture (12%[1][5] basis, tonnes)					
Finished nickel		**668**		1,145	(42%)
Finished cobalt		**49**		97	(49%)
Oil (boepd, net working-interest production)[6]		**3,916**		8,889	(56%)
Electricity (gigawatt hours) (33⅓% basis)		**202**		217	(7%)
AVERAGE EXCHANGE RATE (CAD/US$)		**1.265**		1.324	(4%)
AVERAGE-REALIZED PRICES[3]					
Moa Joint Venture ($ per pound)					
Nickel	**$**	**7.80**	$	6.19	26%
Cobalt		**48.47**		24.19	100%
Ambatovy Joint Venture ($ per pound)					
Nickel		**7.11**		6.15	16%
Cobalt		**63.74**		26.75	138%
Oil ($ per boe, NWI)[6]		**48.67**		42.77	14%
Electricity ($ per megawatt hour)		**53.24**		56.30	(5%)
UNIT OPERATING COSTS[3]					
Moa Joint Venture - Nickel (US$ per pound)(NDCC)	**$**	**2.06**	$	3.25	(37%)
Ambatovy Joint Venture - Nickel (US$ per pound)(NDCC)		**5.34**		3.93	36%
Oil ($ per boe, GWI)[6]		**21.91**		9.56	129%
Electricity ($ per megawatt hour)		**17.22**		15.95	8%

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

(2) The amounts for the period ended March 31, 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 further information.

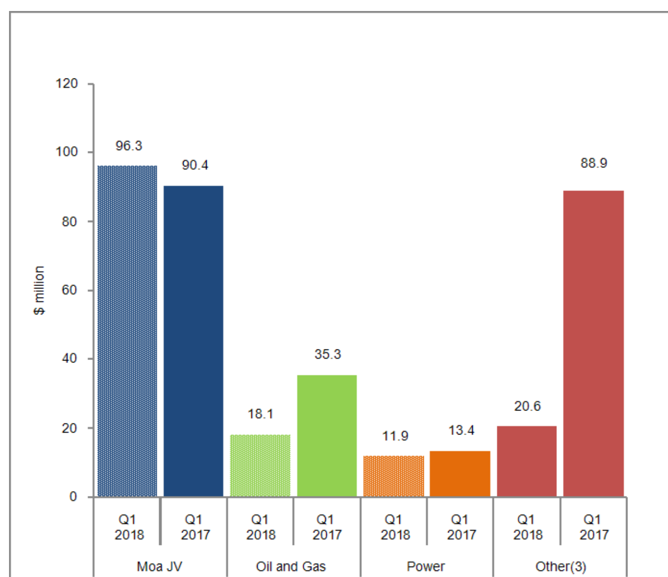
(3) For additional information see the Non-GAAP measures section.

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

(5) To allow for easier comparison, Ambatovy production volume information for the quarter-ended March 31, 2017 is presented on a 12% basis.

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

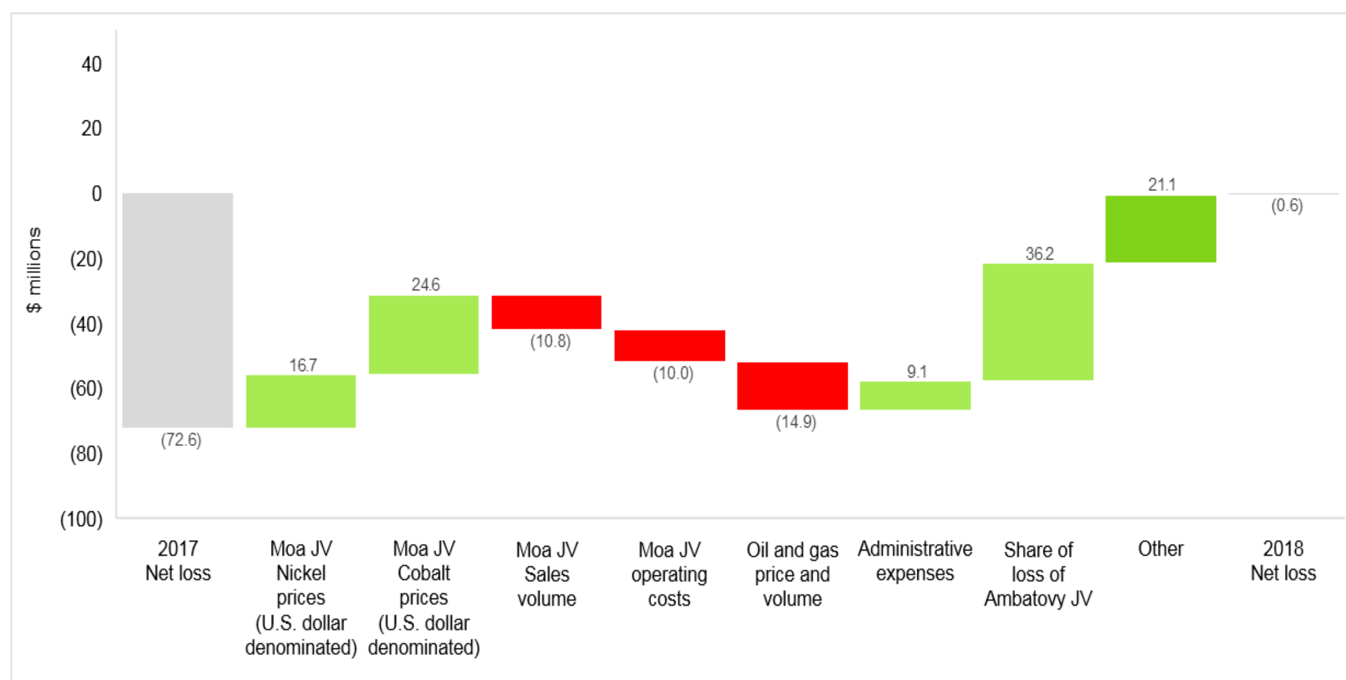
Total combined revenue[(1)(2)] of $146.9 million for the three months ended March 31, 2018 compared to $228.0 million for the same period in the prior year. For the first quarter of 2018, combined revenue was lower primarily as a result of the reduction in the Corporation's interest in the Ambatovy Joint Venture. 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) Other Q1 2018 revenue includes - Ambatovy Joint Venture - $17.8 million, Other Metals - $2.8 million and Corporate and other - $ - million. (Other Q1 2017 revenue includes - Ambatovy Joint Venture - $74.8 million, Other Metals - $14.3 million and Corporate and other - $ (0.2) million).

For the three months ended March 31, 2018, the net loss from continuing operations was $0.6 million, or $nil per share, compared to a loss of $72.6 million, or $0.25 per share in the same period in the prior year.

The change in net loss from continuing operations[(1)] between Q1 2018 and Q1 2017 is detailed below:



(1) The amounts for the period ended March 31, 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 further information.

Average reference prices for nickel, cobalt and U.S. Gulf Coast High Suphur Fuel Oil (USGC HSFO)(1) were all higher for the three months ended March 31, 2018 compared to the prior year. Nickel was 29% higher; cobalt was 97% higher; and USGC HSFO was 21% higher.

At the Moa Joint Venture revenue was marginally higher as the impact of higher nickel and cobalt realized prices more than offset lower sales volumes for nickel and cobalt. Moa Joint Venture costs of sales were lower for the three months ended March 31, 2018 compared to the same period in the prior year as result of lower sales volumes partly offset by an increase in per unit operating costs.

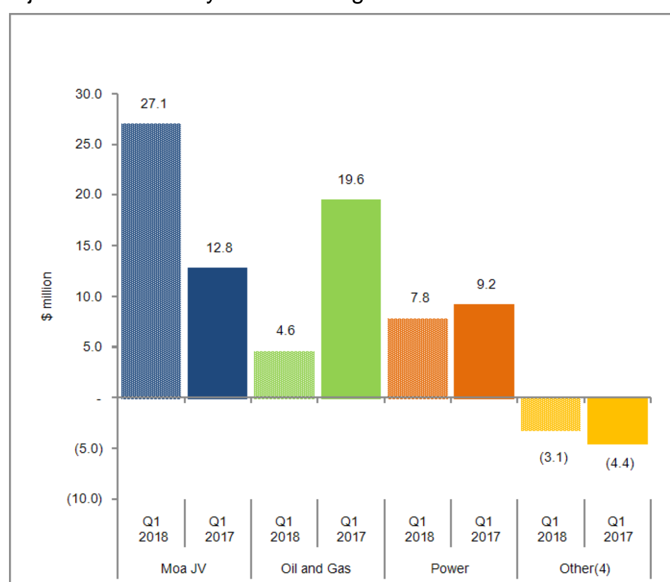
Oil and Gas revenues were lower primarily due to lower sales volumes as a result of the expiration of the Varadero West PSC in November 2017 and natural reservoir declines which more than offset the impact of higher realized prices.

Overall, the impact of the Ambatovy Joint Venture on operating results was lower in the three months ended March 31, 2018 compared to the same period in the prior year as a result of Sherritt's reduction in interest from 40% to 12%. The Corporation's loss from associate, was $13.9 million compared to $50.1 million in the same period in the prior year.

Other includes the impact of lower net finance expenses primarily due to the lower interest on debt extinguished as part of the Ambatovy restructuring in December 2017.

ADJUSTED EBITDA

Total Adjusted EBITDA(2)(3) for the three months ended March 31, 2018 was $36.4 million compared to $37.2 million in the same period in the prior year. Adjusted EBITDA by business segment is as follows:



(1) Oil and Gas now uses USGC HSFO as its reference price instead of Gulf Coast Fuel Oil #6; the two prices are not materially different. The comparative reference price period has been updated accordingly.

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

(3) 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.

(4) Other Q1 2018 Adjusted EBITDA includes - Ambatovy Joint Venture - $0.9 million, Other Metals - $0.8 million and Corporate and other - $(4.8) million. (Other Q1 2017 revenue includes - Ambatovy Joint Venture - $8.2 million, Other Metals - $0.3 million and Corporate and other - $(12.9) 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 March 31**	2017 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	**$ 237.3**	$ 203.0	17%
Net working capital balance	**313.2**	335.2	(7%)
Current ratio	**2.31:1**	2.37:1	(3%)
Total assets	**$ 2,207.7**	$ 2,244.8	(2%)
Other loans and borrowings	**698.4**	824.1	(15%)
Total liabilities	**1,061.3**	1,188.5	(11%)
Shareholders' equity	**1,146.4**	1,056.3	9%

(1) The amounts for the period ended March 31, 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 further information.

On January 1, 2018, the Corporation adopted IFRS 9 and IFRS 15, as required. As permitted under the transition rules, the Corporation chose not to restate prior period amounts with the prior period impacts adjusted to opening shareholders' equity. As a result of the implementation of IFRS 9, opening shareholders' equity was decreased by $42.7 million; IFRS 15 had no impact on opening shareholders' equity. IFRS 9 and 15 adjustments do not affect the cash or liquidity of the Corporation.

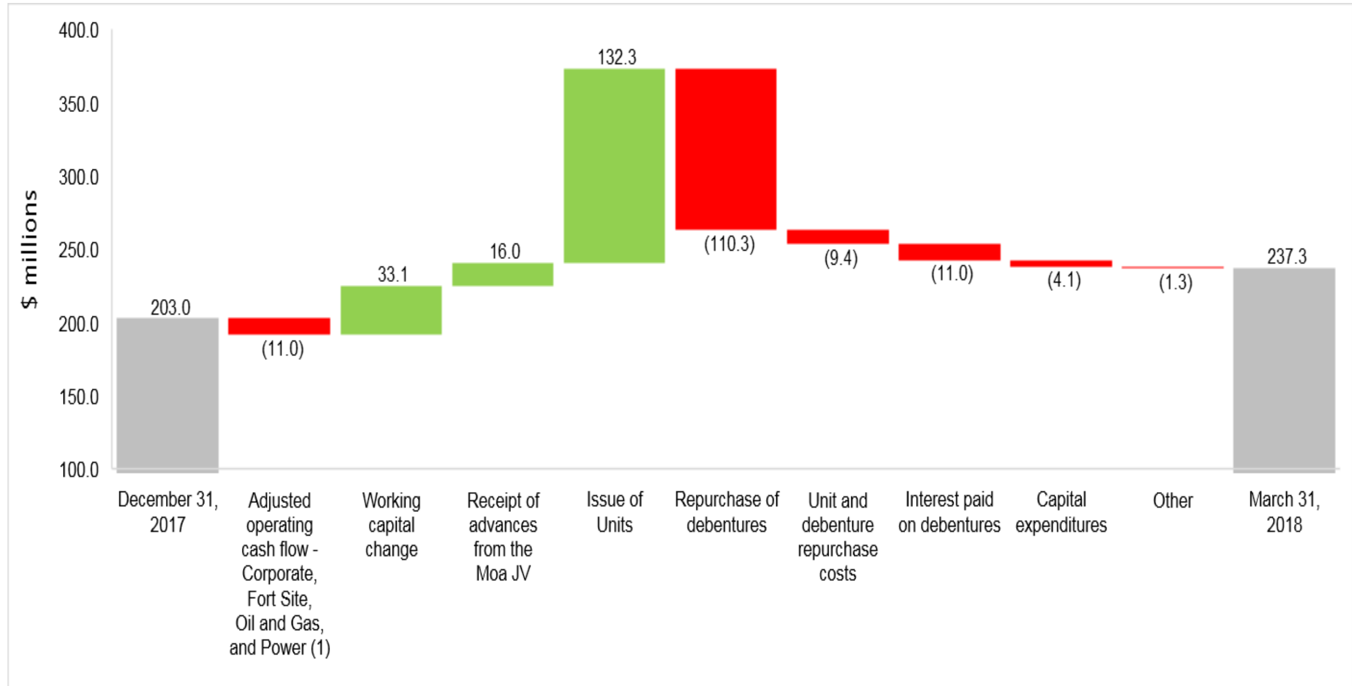
Below is a summary of the impact of IFRS 9 on the opening shareholders' equity. See Note 4 of the condensed consolidated financial statement for details current and prior period impacts.

Canadian $ millions, as at	**2018 March 31**
Ending Shareholders' equity - December 31, 2017	**$ 1,056.3**
Estimated credit loss allowance - loans receivable	(50.4)
Estimated credt loss allowance - trade receivables	(5.6)
Debt modification gains/(losses) - unsecured debentures and Ambatovy Joint Venture Partner loans	18.5
Debt modification loss - Ambatovy senior debt	(5.7)
Tax effect of adjustments	0.5
Opening Shareholders' equity - January 1, 2018	**$ 1,013.6**

LIQUIDITY

At March 31, 2018, total available liquidity was $247.1 million which is composed of cash, cash equivalents, short-term investments and $9.8 million of available credit facilities. The total liquidity excludes restricted cash of $3.2 million.

Cash, cash equivalents and short-term investments at March 31, 2018 increased by $34.3 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;
- receipt of cash on completion of the Unit offering less the cost of repurchasing the Corporation's debentures;
- positive working capital change due to collections on Cuban Energy receivables and fertilizer presales;
- payment of interest on the Corporation's debentures; and
- receipt from the Moa Joint Venture as repayment on its working capital facility.

Outlook

2018 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	Guidance at January 12, 2018	Actual at March 31, 2018	Updated Guidance at March 31, 2018
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	5,708	Unchanged
Cobalt, finished	3,500 - 3,800	672	Unchanged
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	5,565	Unchanged
Cobalt, finished	3,900 - 4,200	408	3,500 - 3,800[1]
Oil – Cuba (gross working-interest, bopd)	4,300 - 4,800	5,572	Unchanged
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	3,916	2,300-2,600[2]
Electricity (GWh, 33⅓% basis)	750 - 800	202	Unchanged
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$2.50 - $3.00	$2.06	$1.75 - $2.25
Ambatovy Joint Venture	$3.00 - $3.50	$5.34	$2.50 - $3.00
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$22.00 - $23.50	$20.83	Unchanged
Electricity (unit operating cost, $ per MWh)	$20.75 - $21.50	$17.22	Unchanged
Spending on capital (US$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis)[3]	US$41 (CDN$52)	US$4 (CDN$5)	Unchanged
Ambatovy Joint Venture (12% basis)[4]	US$13 (CDN$17)	US$2 (CDN$3)	Unchanged
Oil and Gas	US$39 (CDN$50)	US$2 (CDN$2)	Unchanged
Power (33⅓% basis)	US$1 (CDN$1)	US$0 (CDN$0)	Unchanged
Spending on capital (excluding Corporate)	US$94 (CDN$119)	US$7 (CDN$9)	Unchanged

(1) The estimate for cobalt production at the Ambatovy Joint Venture has been updated to reflect current cobalt grades. Although lower than grades experienced in 2017, the cobalt grades are consistent with the original mine plan.

(2) The increase in net-working interest boed reflects expected changes in indirect cost allocation, and is not the result of higher gross production at existing blocks. The changes in indirect cost allocation are due to the timing of Block 10 drilling.

(3) Spending is 50% of US$ expenditures for the Moa Joint Venture and 100% expenditures for Fort Site fertilizer and utilities.

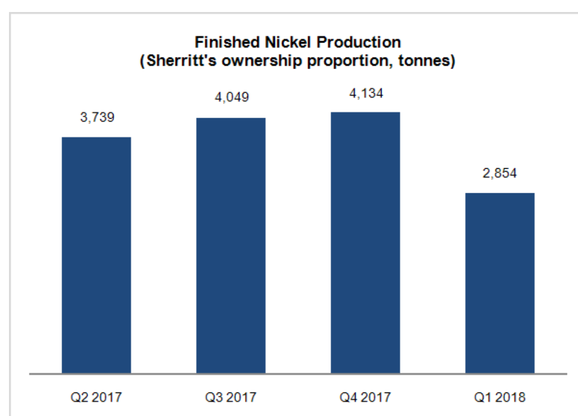
(4) Sherritt's ownership interest at the Ambatovy Joint Venture was reduced to 12% following a restructuring completed on December 11, 2017.

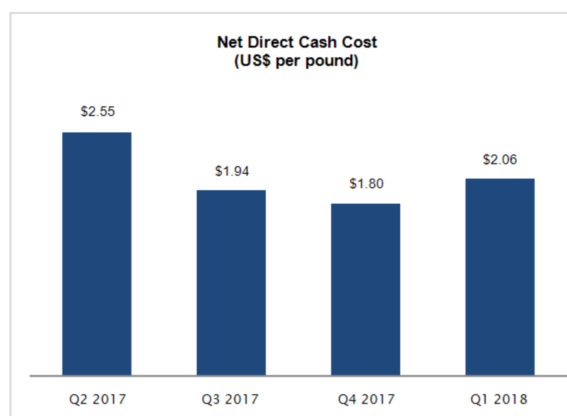
Review of operations

MOA JOINT VENTURE AND FORT SITE

$ millions, except as otherwise noted, for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**96.3**	$	90.4	7%
Earnings from operations		**16.3**		2.0	715%
Adjusted EBITDA(1)		**27.1**		12.8	112%
CASH FLOW					
Cash provided by operations	**$**	**18.1**	$	14.8	22%
Free cash flow(1)		**13.6**		12.6	8%
Adjusted operating cash flow(1)		**26.8**		9.1	195%
PRODUCTION VOLUMES (tonnes)					
Mixed Sulphides		**3,882**		4,282	(9%)
Finished Nickel		**2,854**		3,840	(26%)
Finished Cobalt		**336**		436	(23%)
Fertilizer		**52,440**		58,868	(11%)
NICKEL RECOVERY (%)		**79%**		85%	(7%)
SALES VOLUMES (tonnes)					
Finished Nickel		**2,910**		3,862	(25%)
Finished Cobalt		**325**		421	(23%)
Fertilizer		**25,472**		37,454	(32%)
AVERAGE REFERENCE PRICES (US$ per pound)					
Nickel	**$**	**6.03**	$	4.66	29%
Cobalt(2)		**39.01**		19.80	97%
AVERAGE-REALIZED PRICE(1)					
Nickel ($ per pound)	**$**	**7.80**	$	6.19	26%
Cobalt ($ per pound)		**48.47**		24.19	100%
Fertilizer ($ per tonne)		**358**		343	4%
UNIT OPERATING COSTS(1) (US$ per pound)					
Nickel - net direct cash cost	**$**	**2.06**	$	3.25	(37%)
SPENDING ON CAPITAL					
Sustaining	**$**	**4.5**	$	2.1	114%
Expansion		**-**		-	-
	$	**4.5**	$	2.1	114%

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



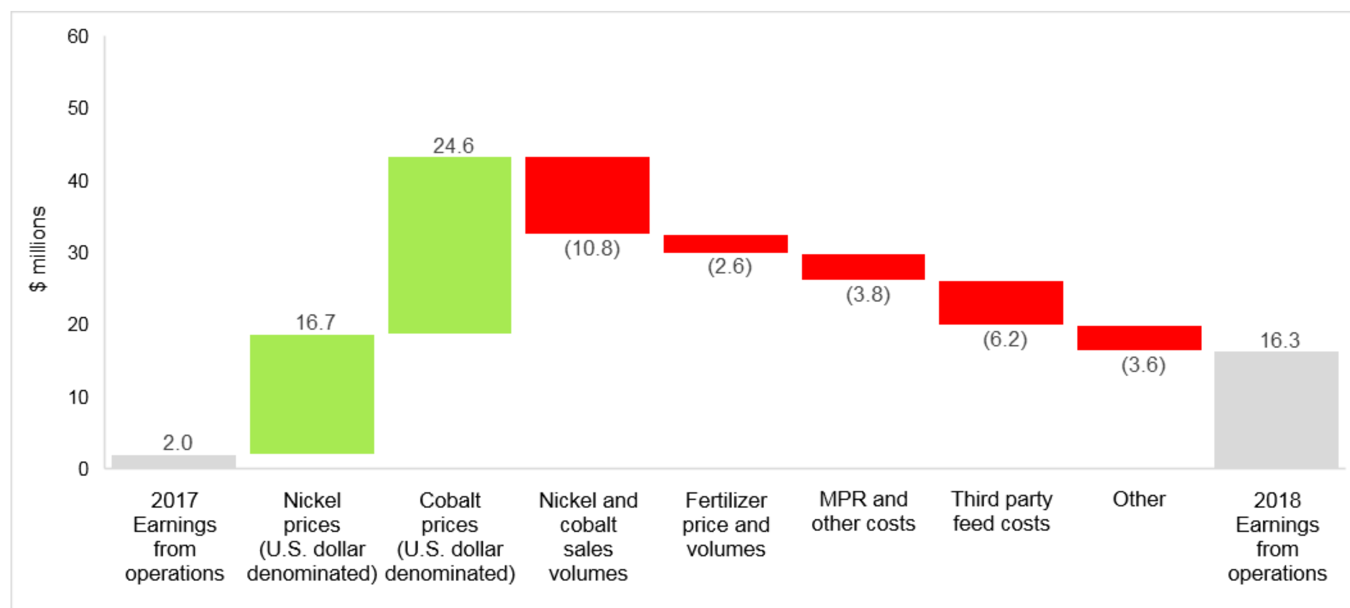


Revenue, cost of sales and NDCC are composed of the following:

$ millions, except as otherwise noted, for the three months ended March 31		**2018**		2017	Change
REVENUE					
Nickel	**$**	**50.0**	$	52.7	(5%)
Cobalt		**34.7**		22.5	54%
Fertilizers		**9.1**		12.8	(29%)
Other		**2.5**		2.4	4%
	$	**96.3**	$	90.4	7%
COST OF SALES(1)					
Mining, processing and refining (MPR)	**$**	**40.0**	$	51.8	(23%)
Third-party feed costs		**8.4**		5.5	53%
Fertilizers		**8.1**		9.2	(12%)
Selling costs		**3.6**		4.2	(14%)
Other		**7.2**		5.2	38%
	$	**67.3**	$	75.9	(11%)
NET DIRECT CASH COST(2) (US$ per pound of nickel)					
Mining, processing and refining costs	**$**	**5.26**	$	4.75	11%
Third-party feed costs		**1.04**		0.49	112%
Cobalt by-product credits		**(4.27)**		(1.99)	(115%)
Other(3)		**0.03**		-	-
	$	**2.06**	$	3.25	(37%)

(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 between Q1 2018 and Q1 2017 is detailed below:



The reference price for nickel was 29% higher for the three months ended March 31, 2018 compared to the same period in the prior year while cobalt prices were 97% higher than in the comparable period. Realized prices were also higher but were negatively impacted by a stronger Canadian dollar relative to the U.S. dollar compared to the same period in the prior year.

Finished nickel and cobalt production and nickel recovery rates for the three months ended March 31, 2018 were lower compared to the same period in the prior year. This was due to lower mixed sulphides availability resulting from limited access to planned mining areas at Moa caused by the highest level of rainfall at Moa's operations in more than 20 years and rail transportation delays in Canada caused by systemic issues with the rail service provider that affected all of its customers for several months and have since been alleviated.

With the adverse impact of excessive rain fall and rail transportation delays having been alleviated since the start of the second quarter, Sherritt expects to achieve the lower end of its 2018 production guidance for finished nickel and finished cobalt at the Moa Joint Venture. Second quarter production will be impacted by the annual shutdown of the refinery in Fort Saskatchewan due to scheduled maintenance activities; however, this year's shutdown is expected to be similar in duration to prior years.

Net direct cash cost of nickel (NDCC) for the three months ended March 31, 2018 was lower compared to the same period in the prior year primarily due to higher cobalt credits which more than offset the impact of higher sulphur prices, higher third party feed prices, and the impact of lower production. Fertilizer's contribution to operating earnings for the three months ended March 31, 2018 was lower compared to the same period in the prior year as the impact of lower production more than offset the higher realized prices. Fertilizer sales volumes are a function of timing and demand ahead of the spring season.

Given current commodity prices and the expected rate of production for the balance of the year, NDCC guidance fo the Moa Joint Venture for 2018 has been lowered to US$1.75/lb to US$2.25/lb from US$2.50/lb to US$3.00/lb of finished nickel as previously announced.

Other costs include higher royalties as higher reference prices more than offset lower sale volumes.

Sustaining capital spending in the three months ended March 31, 2018 was higher compared to the same period in the prior year due to higher planned spending including the starting of work at a new 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.

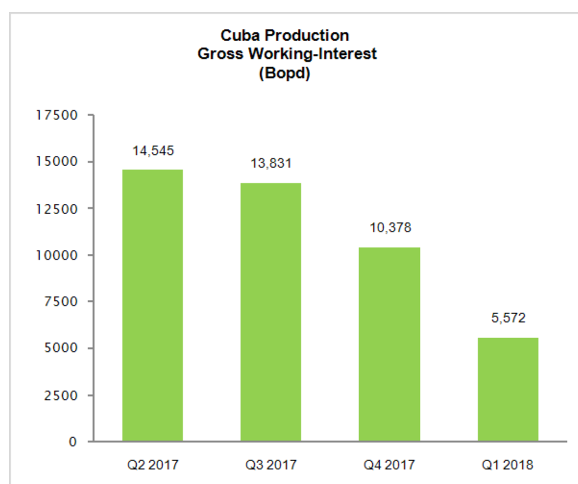
OIL AND GAS

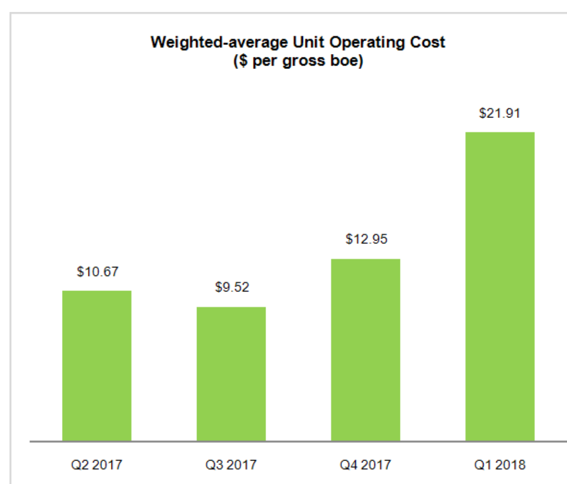
$ millions, except as otherwise noted, for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**18.1**	$	35.3	(49%)
Earnings from operations		**1.7**		11.0	(85%)
Adjusted EBITDA[1]		**4.6**		19.6	(77%)
CASH FLOW					
Cash provided by operations	**$**	**7.3**	$	14.0	(48%)
Free cash flow[1]		**4.2**		10.3	(59%)
Adjusted operating cash flow[1]		**(7.7)**		14.9	(152%)
PRODUCTION AND SALES[2]					
Gross working-interest (GWI) - Cuba		**5,572**		15,213	(63%)
Total net working-interest (NWI)		**3,916**		8,889	(56%)
AVERAGE REFERENCE PRICES (US$ per barrel)					
West Texas Intermediate (WTI)	**$**	**62.85**	$	51.62	22%
U.S. Gulf Coast High Suphur Fuel Oil (USGC HSFO)[3]		**55.13**		45.52	21%
Brent		**66.88**		53.33	25%
AVERAGE-REALIZED PRICES[1] (per NWI)					
Cuba ($ per barrel)	**$**	**51.11**	$	43.62	17%
Spain ($ per barrel)		**83.83**		70.19	19%
Pakistan ($ per boe)[2]		**10.37**		10.62	(2%)
Weighted-average ($ per boe)		**48.67**		42.77	14%
UNIT OPERATING COSTS[1][2] (per GWI)					
Cuba ($ per barrel)	**$**	**20.83**	$	8.66	141%
Spain ($ per barrel)		**63.77**		61.06	4%
Pakistan ($ per boe)[2]		**8.32**		7.92	5%
Weighted-average ($ per boe)		**21.91**		9.56	129%
SPENDING ON CAPITAL					
Development, facilities and other	**$**	**(0.3)**	$	(0.8)	63%
Exploration		**2.6**		3.8	(32%)
	$	**2.3**	$	3.0	(23%)

(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).

(3) Oil and Gas now uses USGC HSFO as its reference price (instead of Gulf Coast Fuel Oil #6). The comparative period reference price has been updated accordingly.



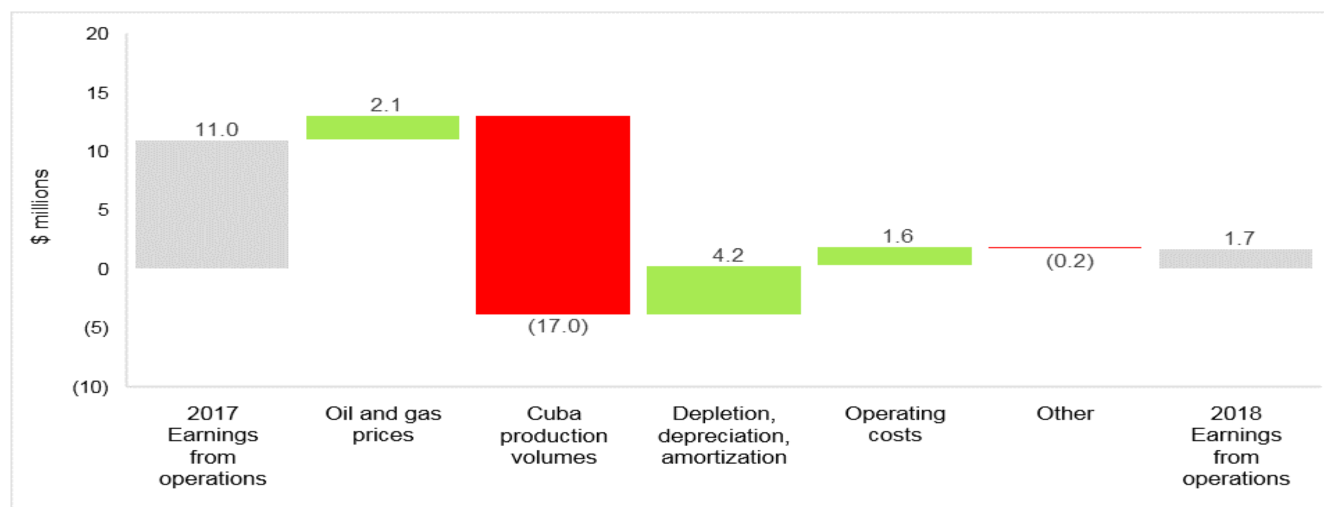


$ million, except as otherwise noted, for the three months ended March 31		2018		2017	Change
REVENUE					
Cuba	**$**	**14.7**	$	32.1	(54%)
Spain		**2.1**		1.7	24%
Pakistan		**0.4**		0.4	-
Processing		**0.9**		1.1	(18%)
	$	**18.1**	$	35.3	(49%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[(1)(2)]					
Gross working-interest (GWI) oil production in Cuba		**5,572**		15,213	(63%)
Net working-interest (NWI) oil production					
Cuba (heavy oil)					
Cost recovery		**1,480**		2,395	(38%)
Profit oil		**1,694**		5,768	(71%)
Total		**3,174**		8,163	(61%)
Spain (light oil)		**281**		275	2%
Pakistan (natural gas)		**461**		451	2%
		3,916		8,889	(56%)

(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 between Q1 2018 and Q1 2017 is detailed below:



Realized prices for oil in the three months ended March 31, 2018 were higher than in the same period 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 period.

GWI, cost-recovery, and profit oil production in Cuba were all lower for the three months ended March 31, 2018 compared to the same period in the prior year primarily due to the expiry of the Varadero West PSC in November 2017, natural reservoir declines, and the absence of new development drilling. Cuba oil revenue was lower accordingly. Lower cost-recovery oil production in Cuba was also impacted by higher oil prices in the current year period. Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, was lower as a result of lower GWI.

Unit operating costs were higher in Cuba in the first quarter of 2018 compared to the same period in the prior year as lower maintenance and workover 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 period compared to the same period in the prior year.

Exploration spending in the three months ended March 31, 2018 was lower than in the same period in the prior year as the spending was focused on detailed engineering for the next well to be drilled on Block 10, compared to Q1 2017 when the drilling of the first well on Block 10 was being completed. Negative capital spending for development and facilities and other reflects the reversal of accruals.

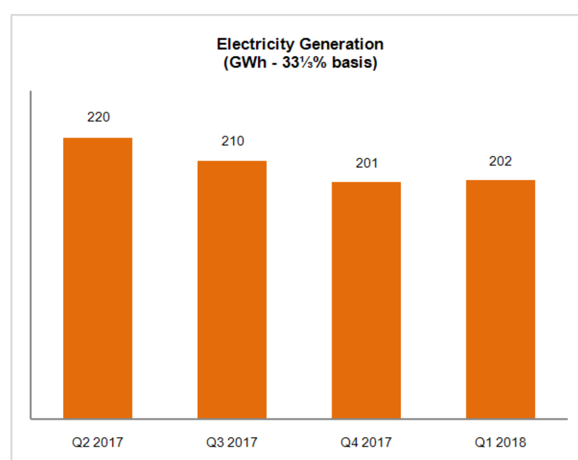
In January 2018, the Corporation executed a three-year extension of the Puerto Escondido/Yumuri production sharing contract from March 2018 to March 2021.

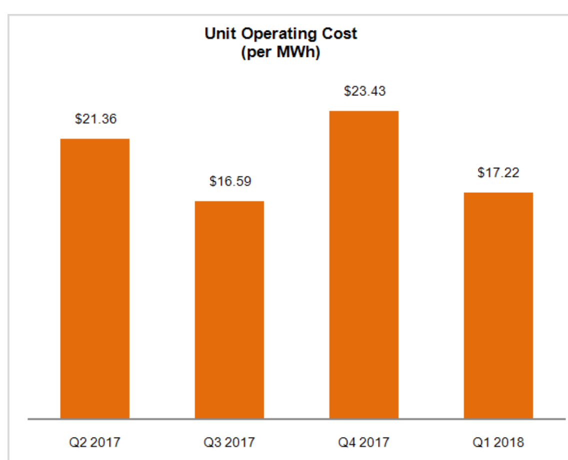
Sherritt finalized the evaluation of available technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US$13.0 million.

POWER

$ millions, except as otherwise noted (331/3% basis),for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**11.9**	$	13.4	(11%)
Earnings from operations		**1.8**		2.8	(36%)
Adjusted EBITDA[1]		**7.8**		9.2	(15%)
CASH FLOW					
Cash provided by operations	**$**	**11.2**	$	12.8	(13%)
Free cash flow[1]		**11.1**		12.0	(8%)
Adjusted operating cash flow[1]		**7.5**		8.9	(16%)
PRODUCTION AND SALES					
Electricity (GWh[2])		**202**		217	(7%)
AVERAGE-REALIZED PRICES[1]					
Electricity (per MWh[2])	**$**	**53.24**	$	56.30	(5%)
UNIT OPERATING COSTS[1](per MWh)					
Base	**$**	**14.44**	$	15.50	(7%)
Non-base[3]		**2.78**		0.45	518%
		17.22		15.95	8%
SPENDING ON CAPITAL					
Sustaining	**$**	**0.1**	$	0.8	(88%)
	$	**0.1**	$	0.8	(88%)

(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 (33⅓% basis), for the three months ended March 31		2018		2017	Change
Electricity sales	**$**	**10.7**	$	12.2	(12%)
By-products and other		**1.2**		1.2	-
	$	**11.9**	$	13.4	(11%)

Production and sales volumes were lower for the three months ended March 31, 2018 compared to the same period in the prior year primarily as a result of lower gas supply. The change in average-realized price of electricity in the current-year quarter compared to the same period in the prior year was due to the stronger Canadian dollar relative to the U.S. dollar.

Unit operating cost was higher in the three months ended March 31, 2018 compared to the same period in the prior year due to the impact of lower sales volume.

Power had negligible capital spending in the current-year quarter.

Investment in the Ambatovy Joint Venture

In December 2017, the Corporation reduced its ownership in the Ambatovy Joint Venture from 40% to 12%.

REVIEW OF OPERATIONS[1]

$ millions, except as otherwise noted, for the three months ended March 31		2018		2017	Change
FINANCIAL HIGHLIGHTS					
Revenue	$	**17.8**	$	74.8	(76%)
Loss from operations		**(9.0)**		(29.0)	69%
Adjusted EBITDA[2]		**0.9**		8.2	(89%)
CASH FLOW					
Cash used by operations	$	**(6.0)**	$	(2.3)	(161%)
Free cash flow[2]		**(8.9)**		(6.3)	(41%)
Adjusted operating cash flow[2]		**(0.8)**		7.1	(111%)
PRODUCTION VOLUMES (tonnes)[3]					
Mixed Sulphides		**675**		1,295	(48%)
Finished Nickel		**668**		1,145	(42%)
Finished Cobalt		**49**		97	(49%)
Fertilizer		**1,989**		3,539	(44%)
NICKEL RECOVERY (%)		**85%**		85%	-
SALES VOLUMES (tonnes)[3]					
Finished Nickel		**665**		1,143	(42%)
Finished Cobalt		**53**		106	(50%)
Fertilizer		**1,479**		3,734	(60%)
AVERAGE REFERENCE PRICES (US$ per pound)					
Nickel	$	**6.03**	$	4.66	29%
Cobalt[4]		**39.01**		19.80	97%
AVERAGE-REALIZED PRICE					
Nickel ($ per pound)	$	**7.11**	$	6.15	16%
Cobalt ($ per pound)		**63.74**		26.75	138%
Fertilizer ($ per tonne)		**201**		164	23%
UNIT OPERATING COSTS[2] (US$ per pound)					
Nickel - net direct cash cost	$	**5.34**	$	3.93	36%
SPENDING ON CAPITAL					
Sustaining	$	**2.5**	$	8.4	(70%)
Expansion		**-**		-	-
	$	**2.5**	$	8.4	(70%)

(1) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its 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 quarter-ended March 31, 2017 is 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:

$ millions, except as otherwise noted, for the three months ended March 31		2018		2017	Change
REVENUE					
Nickel	**$**	**10.2**	$	51.6	(80%)
Cobalt		**7.3**		20.9	(65%)
Fertilizers		**0.3**		2.0	(85%)
Other		**-**		0.3	(100%)
	$	**17.8**	$	74.8	(76%)
COST OF SALES(1)					
Mining, processing and refining (MPR)	**$**	**16.6**	$	58.5	(72%)
Third-party feed costs		**0.4**		3.0	(87%)
Other		**0.6**		1.5	(60%)
	$	**17.6**	$	63.0	(72%)
NET DIRECT CASH COST(2) (US$ per pound of nickel)					
Mining, processing and refining costs	**$**	**7.90**	$	5.53	43%
Cobalt by-product credits		**(3.09)**		(1.72)	(80%)
Other(3)		**0.53**		0.12	342%
	$	**5.34**	$	3.93	36%

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

Beginning on December 11, 2017 Sherritt's share of financial and operating results reflects its 12% interest in the joint venture; therefore, in addition to the production issues discussed below, production is lower as a function of Sherritt's reduction in its interest in the joint venture.

On a 100% basis, finished nickel and cobalt production at the Ambatovy Joint Venture was 42% and 49% lower, respectively, in the first quarter of 2018 compared to the same period in the prior year. Lower production was primarily a result of the impact of Cyclone Ava which necessitated a plant shutdown and caused extensive damage to facilities and equipment due to the high winds during the cyclone. Production resumed at the end of January following completion of critical repairs. Repairs to the damaged caused by Cyclone Ava are still ongoing. Q1 2018 production was impacted by reduced sulphuric acid production in the Acid Plants caused by a failed economizer.

Metal production at Ambatovy will continue to be constrained by lower production of sulphuric acid in Q2 2018. Lower production of sulphuric acid is due to the failed economizer in Acid Plant 1, which is currently operating at approximately 50% of capacity. Acid Plant 2 is operating at 100% capacity. Production capacity is expected to be back to normal once the economizer in Acid Plant 1 is replaced in May 2018. Replacement of the economizer will necessitate a shutdown of Acid Plant 1 for approximately three weeks.

As a result of the lower production, sales volumes of both finished nickel and cobalt were similarly affected. Net direct cash cost (NDCC) of nickel was higher for the three month period ended March 31, 2018 compared to the same period in the prior year as the impact of significantly lower nickel sales volume more than offset the impact of a higher cobalt credit.

In light of current commodity prices and the expected rate of production for the balance of the year, NDCC guidance for the Ambatovy Joint Venture for 2018 has been lowered to US$2.50/lb to US$3.00/lb from US$3.00/lb to US$3.50/lb of finished nickel as previously announced.

Spending on sustaining capital was relatively unchanged on a 100% basis for the three months ended March 31, 2018 compared to the same period in the prior year reflecting the timing of planned spending. Capital spending in the current period is primarily related to repairing and upgrading the economizers and improving plant reliability.

Liquidity and capital resources

Total available liquidity at March 31, 2018 was $247.1 million which is composed of available cash, cash equivalents, short term investments and $9.8 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 March 31, 2018	Cash	Cash equivalents and short-term investments	Total
Canada	$ 68.4	$ 108.3	$ 176.7
Cuba	53.4	-	53.4
Other	7.2	-	7.2
	$ 129.0	$ 108.3	$ 237.3

Sherritt's share of cash in the Moa Joint Venture and Ambatovy Joint Venture, not included in the above balances:	
Moa Joint Venture	$ 11.6
Ambatovy Joint Venture	8.0
	$ 19.6

SOURCES AND USES OF CASH

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

$ millions, for the three months ended March 31		2018		2017	Change
Cash provided (used) by operating activities					
Oil and Gas operating cash flow	**$**	**7.3**	$	14.0	(48%)
Power operating cash flow		**11.2**		12.8	(13%)
Fort Site operating cash flow		**6.4**		8.4	(24%)
Interest paid on debentures		**(11.0)**		(9.9)	(11%)
Corporate, Metals Other and other operating cash flow		**(2.8)**		(8.7)	68%
Cash provided by continuing operations		**11.1**		16.6	(33%)
Cash used by discontinued operations[(1)]		**(3.8)**		(0.1)	(3700%)
	$	**7.3**	$	16.5	(56%)
Cash (used) provided by investing and financing activities					
Property, plant, equipment and intangible expenditures	**$**	**(4.1)**	$	(4.9)	16%
Receipts of advances, loans receivable and other financial assets		**16.0**		-	-
Repayment of loans, borrowings and other financial liabilities		**-**		(20.5)	100%
Repurchase of senior unsecured debentures		**(110.3)**		-	-
Issuance of Units		**132.3**		-	-
Fees paid on debenture repurchase and Unit offer		**(9.4)**		-	-
Issuance of common shares		**0.6**		0.1	500%
Other		**1.9**		(0.1)	2000%
	$	**27.0**	$	(25.4)	206%
		34.3		(8.9)	485%
Cash, cash equivalents and short-term investments:					
Beginning of the period		**203.0**		309.6	(34%)
End of the period	**$**	**237.3**	$	300.7	(21%)

(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 three months ended March 31, 2018 compared to the prior-year period, 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 more than offset the impact of higher receipts on Cuban receivables and the impact of higher oil prices in the current periods;
- cash from operating activities at Power was relatively unchanged in the current year period as receipts on Energas receivables were US$13.3 million in the first quarter of 2018 compared to US$12.6 million in the prior year period. No interest or principal was received on the Energas conditional sales agreement (CSA) in the either period;
- the change in cash from operating activities at Fort Site was primarily due to the timing of collections and realization of fertilizer sales; and
- cash used by Corporate, Metals Other and other operating activities were lower primarily due to timing of working capital payments.

Included in investing and financing activities:

- the net positive cash impact relating to the Unit offering net of the repurchase of the Corporation's debentures during the quarter was $12.6 million;
- the Corporation received $16.0 million from the Moa Joint Venture as repayment on its working capital facility in the first quarter of 2018; 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 March 31, 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	$ 167.0	$ 167.0	$ -	$ -	$ -	$ -	$ -
Income taxes payable	2.3	2.3	-	-	-	-	-
Senior unsecured debentures	878.5	46.6	46.6	46.6	216.8	33.0	488.9
Ambatovy Joint Venture Partner loans	157.6	-	-	10.5	-	-	147.1
Syndicated revolving-term credit facility	8.4	8.4	-	-	-	-	-
Provisions	156.2	13.4	0.9	6.6	-	0.4	134.9
Operating leases	13.3	3.0	3.0	2.5	1.0	1.0	2.8
Capital commitments	22.0	22.0	-	-	-	-	-
Other	0.6	0.2	0.2	0.2	-	-	-
Total	$ 1,405.9	$ 262.9	$ 50.7	$ 66.4	$ 217.8	$ 34.4	$ 773.7

Repurchase of senior unsecured debentures

On February 16, 2018, the Corporation purchased $121.2 million principal amount of debentures through a modified dutch auction procedure (the 'Dutch Auction) at an aggregate cost of $110.3 million plus accrued interest and fees. Debentures that were purchased were retired and cancelled and no longer remain outstanding. See note 15 of the March 31, 2018 condensed consolidated financial statements for further details.

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 at March 31, 2018 is $140.0 million.

The principal amount outstanding under this facility at March 31, 2018 was $8.0 million (December 31, 2017 - $8.0 million).

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 $89.9 million, with no significant payments due in the next five years;
- Advances and loans payable of $224.5 million. Included within advances and loans payable is the loan related to the construction of the acid plant of $12.6 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 $50.7 million, with no significant payments due in the next five years;
- Other contractual commitments of $15.3 million;
- Ambatovy revolving credit facility of $8.3 million. The facility bears interest rates between 10.00% and 10.85% and matures on July 31, 2018; and
- The Ambatovy Joint Venture senior debt financing of US$195.2 million ($251.6 million) which is non-recourse to the Joint Venture partners. Interest is payable based on LIBOR plus a weighted-average margin of 2.5%. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. On an undiscounted basis, principal and interest repayments are $310.1 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 March 31, 2018, there are no events of default on the Corporation's borrowings or debentures.

Capital Structure

ISSUE OF UNITS

On January 25, 2018, the Corporation completed a public offering of 94,464,440 units of the Corporation at a price of $1.40 per unit for gross proceeds of $132.3 million. Each unit sold in the offering consisted of one share and one-half of one common share purchase warrant linked to the price of cobalt (each full warrant, a Cobalt-Linked Warrant). Each full Cobalt-Linked Warrant is exercisable at an exercise price of $1.95 for a period of 36 months from January 25, 2018.

COMMON SHARES

As at April 24, 2018, the Corporation had 397,187,038 common shares outstanding. An additional 10,999,400 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 10,474,002 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 first 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 months ended March 31, 2018.

The condensed consolidated financial statements 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 as discussed in Note 4 of the condensed consolidated financial statements.

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 Mar 31[2]**	2017 Dec 31	2017 Sept 30	2017 June 30	2017 Mar 31	2016 Dec 31	2016 Sept 30	2016 June 30
Revenue per financial statements	**$ 39.4**	$ 54.8	$ 63.3	$ 76.8	$ 72.4	$ 70.5	$ 58.5	$ 74.9
Share of loss of an associate, net of tax	**(13.9)**	(27.5)	(53.2)	(64.2)	(50.1)	(31.3)	(55.9)	(58.9)
Share of earnings (loss) of a joint venture, net of tax	**11.9**	17.4	11.6	1.8	1.1	(7.7)	(3.5)	(20.6)
Net (loss) earnings from continuing operations	**(0.6)**	552.9	(69.5)	(101.9)	(72.6)	(109.6)	(120.8)	(103.6)
(Loss) earnings from discontinued operations, net of tax[3]	**-**	(15.1)	-	-	-	2.9	-	-
Net (loss) earnings for the period	**$ (0.6)**	$ 537.8	$ (69.5)	$ (101.9)	$ (72.6)	$ (106.7)	$ (120.8)	$ (103.6)
Net (loss) earnings per share, basic ($ per share)[4]								
Net (loss) earnings from continuing operations	**$ 0.00**	$ 1.85	$ (0.24)	$ (0.35)	$ (0.25)	$ (0.37)	$ (0.41)	$ (0.35)
Net (loss) earnings for the period	**0.00**	1.80	(0.24)	(0.35)	(0.25)	(0.36)	(0.41)	(0.35)

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

(2) The amounts for the period ended March 31, 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 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 volumes, 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 Ambatovy 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 loss from an associate.

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 first quarter of 2018 includes the recognition of $7.7 million of unrealized foreign exchange losses;
- 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;
- the second quarter of 2016 includes a $12.6 million gain on repurchase of $30.0 million of debentures;

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 20 of the Corporation's condensed consolidated financial statements for the three months ended March 31, 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 March 31, 2018, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 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 March 31, 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	$	9	$	0.02
Cobalt - Metal Bulletin price per pound[1]	US$	5.00		5		0.01
Oil -U.S. Gulf Coast High Suphur Fuel Oil price per barrel	US$	5.00		1		0.03
Exchange rate						
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05		(13)		(0.04)
Operating costs[1]						
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00		(1)		-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00		(1)		-

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

Combined results

The Corporation presents combined revenue, combined cost of sales, combined administrative expenses, combined net finance expense, and combined income taxes (together, combined results) as measures which help management assess the Corporation's financial performance across its business units. The combined results include the Corporation's consolidated financial results and the results of its 50% share of the Moa Joint Venture and its 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 business units prior to the application of equity accounting.

$ millions, for the three months ended March 31		**2018**		2017	Change
Revenue by operations					
Moa Joint Venture	**$**	**96.3**	$	90.4	7%
Oil and Gas		**18.1**		35.3	(49%)
Power		**11.9**		13.4	(11%)
Other[1]		**20.6**		88.9	(77%)
Combined revenue	**$**	**146.9**	$	228.0	(36%)
Adjust joint venture and associate		**(107.5)**		(155.6)	
Financial statement revenue	**$**	**39.4**	$	72.4	(46%)

(1) Other Q1 2018 revenue includes - Ambatovy Joint Venture - $17.8 million, Other Metals - $2.8 million and Corporate and other - $ - million. (Other Q1 2017 revenue includes - Ambatovy Joint Venture - $74.8 million, Other Metals - $14.3 million and Corporate and other - $ (0.2) 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. The Corporation believes that Adjusted EBITDA provides useful information to investors in evaluating our operating results in the same manner as management and the board of directors.

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

$ millions, for the three months ended March 31	Moa JV and Fort Site	Ambatovy JV	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	**2018** Total
Loss (earnings) from operations, associate and joint venture per financial statements	**$ 16.3**	**$ (9.0)**	**$ 0.8**	**$ 1.7**	**$ 1.8**	**$ (5.1)**	**$ (12.1)**	**$ (5.6)**
Add (deduct):								
Depletion, depreciation and amortization	**1.2**	**-**	**-**	**2.9**	**6.0**	**0.3**	**-**	**10.4**
Adjustments for share of associate and joint venture:								
Depletion, depreciation and amortization	**9.6**	**9.9**	**-**	**-**	**-**	**-**	**-**	**19.5**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**5.4**	**5.4**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**6.7**	**6.7**
Adjusted EBITDA	**$ 27.1**	**$ 0.9**	**$ 0.8**	**$ 4.6**	**$ 7.8**	**$ (4.8)**	**$ -**	**$ 36.4**
Earnings from operations, associate and joint venture								$ **(5.6)**
Net finance expense								**6.5**
Income tax expense								**(1.5)**
Net earnings from continuing operations								$ **(0.6)**

$ millions, for the three months ended March 31								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	$ 2.0	$ (29.0)	$ 0.3	$ 11.0	$ 2.8	$ (13.7)	$ (22.8)	$ (49.4)
Add (deduct):								
Depletion, depreciation and amortization	2.5	-	-	8.6	6.4	0.8	-	18.3
Adjustments for share of associate and joint venture:								
Depletion, depreciation and amortization	8.3	37.2	-	-	-	-	-	45.5
Net finance expense	-	-	-	-	-	-	22.1	22.1
Income tax recovery	-	-	-	-	-	-	0.7	0.7
Adjusted EBITDA	$ 12.8	$ 8.2	$ 0.3	$ 19.6	$ 9.2	$ (12.9)	$ -	$ 37.2
Loss from operations, associate and joint venture								$ (49.4)
Net finance expense								(19.8)
Income tax recovery								(3.4)
Net loss from continuing operations								$ (72.6)

Average-realized price

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

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

$ millions, except average-realized price and sales volume, for the three months ended March 31							**2018**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 50.0**	**$ 34.7**	**$ 9.1**	**$ 2.5**	**$ 96.3**	**$ 18.1**	**$ 11.9**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(1.2)**
Processing revenue	**-**	**-**	**-**			**(0.9)**	**-**
Revenue for purposes of average-realized price calculation	**50.0**	**34.7**	**9.1**			**17.2**	**10.7**
Sales volume for the period	**6.4**	**0.7**	**25.5**			**0.4**	**202**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	**$ 7.80**	**$ 48.47**	**$ 358**			**$ 48.67**	**$ 53.24**

$ millions, except average-realized price and sales volume, for the three months ended March 31							2017
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 52.7	$ 22.5	$ 12.8	$ 2.4	$ 90.4	$ 35.3	$ 13.4
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.2)
Processing revenue	-	-	-			(1.1)	-
Revenue for purposes of average-realized price calculation	52.7	22.5	12.8			34.2	12.2
Sales volume for the period	8.5	0.9	37.5			0.8	217
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 6.19	$ 24.19	$ 343			$ 42.77	$ 56.30

For purposes of average-realized price tables, above:

(1) Net working-interest oil production.

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

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

Unit operating cost

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

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

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

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

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

$ millions, except unit cost and sales volume, for the three months ended March 31			**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	**$ 78.0**	**$ 15.2**	**$ 9.5**	$ 86.6	$ 22.0	$ 9.8
Less:						
Depletion, depreciation and amortization in cost of sales	**(10.7)**	**(2.9)**	**(6.0)**	(10.7)	(8.2)	(6.4)
	67.3	**12.3**	**3.5**	75.9	13.8	3.4
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(46.3)**	**-**	**-**	(37.7)	-	-
Impact of opening/closing inventory and other	**(4.3)**	**-**	**-**	(1.5)	-	-
Cost of sales for purposes of unit cost calculation	**16.7**	**12.3**	**3.5**	36.7	13.8	3.4
Sales volume for the period	**6.4**	**0.6**	**202**	8.5	1.4	217
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatts**	Millions of pounds	Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 2.60**	**$ 21.91**	**$ 17.22**	$ 4.30	$ 9.56	$ 15.95
Unit operating cost (U.S. dollars) (NDCC)	**$ 2.06**			$ 3.25		

(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 believes that these measures, which are used internally to monitor operational performance, provide investors the ability to better assess the Corporation's operations.

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

$ millions, for the three months ended March 31		**2018**		2017
Net loss from continuing operations	**$**	**(0.6)**	$	(72.6)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - Continuing		**(7.7)**		(7.3)
Corporate - Gain on repurchase of debentures, net of transaction costs		**(1.0)**		-
Corporate - Cobalt linked Warrants - Fair value revaluation		**(4.1)**		-
Ambatovy - VAT adjustment		**(2.2)**		(3.3)
Severance		**0.8**		0.5
Total adjustments	**$**	**(14.2)**	$	(10.1)
Adjusted net loss from continuing operations	**$**	**(14.8)**	$	(82.7)
Adjusted net loss per share (basic) ($ per share)	**$**	**(0.04)**	$	(0.28)

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 to assess its ability to generate cash from its operations, The tables below reconcile combined adjusted operating cash to the consolidated statement of cash flow:

$ millions, for the three months ended March 31									**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	**$ 18.1**	**$ (6.0)**	**$ 1.8**	**$ 7.3**	**$ 11.2**	**$ (15.7)**	**$ 16.7**	**$ (5.6)**	**$ 11.1**
Adjust: net change in non-cash working capital	**8.7**	**5.2**	**(1.5)**	**(15.0)**	**(3.7)**	**(4.5)**	**(10.8)**	**(22.3)**	**(33.1)**
Adjusted continuing operating cash flow	**$ 26.8**	**$ (0.8)**	**$ 0.3**	**$ (7.7)**	**$ 7.5**	**$ (20.2)**	**$ 5.9**	**$ (27.9)**	**$ (22.0)**

$ millions, for the three months ended March 31									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	$ 14.8	$ (2.3)	$ 1.6	$ 14.0	$ 12.8	$ (20.2)	$ 20.7	$ (4.1)	$ 16.6
Adjust: net change in non-cash working capital	(5.7)	9.4	(1.1)	0.9	(3.9)	0.2	(0.2)	(10.2)	(10.4)
Combined adjusted operating cash flow	$ 9.1	$ 7.1	$ 0.5	$ 14.9	$ 8.9	$ (20.0)	$ 20.5	$ (14.3)	$ 6.2

Combined free cash flow

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

Management uses free cash flow as a non-GAAP measure to analyze cash flows generated from operations. The tables below reconcile combined free cash flow to the consolidated statement of cash flow:

$ millions, for the three months ended March 31									**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	**$ 18.1**	**$ (6.0)**	**$ 1.8**	**$ 7.3**	**$ 11.2**	**$ (15.7)**	**$ 16.7**	**$ (5.6)**	**$ 11.1**
Less:									
Property, plant and equipment expenditures	**(4.5)**	**(2.9)**	**-**	**(2.4)**	**(0.1)**	**-**	**(9.9)**	**6.5**	**(3.4)**
Intangible expenditures	**-**	**-**	**-**	**(0.7)**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Free cash flow	**$ 13.6**	**$ (8.9)**	**$ 1.8**	**$ 4.2**	**$ 11.1**	**$ (15.7)**	**6.1**	**$ 0.9**	**$ 7.0**

$ millions, for the three months ended March 31									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	$ 14.8	$ (2.3)	$ 1.6	$ 14.0	$ 12.8	$ (20.2)	$ 20.7	$ (4.1)	$ 16.6
Less:									
Property, plant and equipment expenditures	(2.2)	(4.0)	-	(1.6)	(0.8)	-	(8.6)	5.8	(2.8)
Intangible expenditures	-	-	-	(2.1)	-	-	(2.1)	-	(2.1)
Free cash flow	$ 12.6	$ (6.3)	$ 1.6	$ 10.3	$ 12.0	$ (20.2)	10.0	$ 1.7	$ 11.7

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:

Average-realized price

$ millions, except average-realized price and sales volume, for the three months ended March 31					**2018**
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ **10.2**	$ **7.3**	$ **0.3**	$ **-**	$ **17.8**
Sales volume for the period[1]	**1.5**	**0.1**	**1.5**		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price[2]	$ **7.11**	$ **63.74**	$ **201**		

$ millions, except average-realized price and sales volume, for the three months ended March 31					2017
	Nickel	Cobalt	Fertilizer	Other revenue	Total
Revenue per financial statements	$ 51.6	$ 20.9	$ 2.0	$ 0.3	$ 74.8
Sales volume for the period	8.4	0.8	12.4		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes		
Average-realized price[1]	$ 6.15	$ 26.75	$ 164		

(1) For purposes of this reconciliation, sales volume information is based on Sherritt's 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 March 31	**2018**	2017
Cost of sales per financial statements	$ **27.5**	$ 100.1
Less:		
Depletion, depreciation and amortization in cost of sales	**(9.9)**	(37.1)
	17.6	63.0
Adjustments to cost of sales:		
Cobalt by-product, fertilizer and other revenue	**(7.6)**	(23.2)
Impact of opening/closing inventory and other	**0.1**	3.9
Cost of sales for purposes of unit cost calculation	**10.1**	43.7
Sales volume for the period[1]	**1.5**	8.4
Volume units	**Millions of pounds**	Millions of pounds
Unit operating cost[2]	$ **6.75**	$ 5.20
Unit operating cost (U.S. dollars) (NDCC)	$ **5.34**	$ 3.93

(1) For purposes of this reconciliation, sales volume information is based on Sherritt's 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; 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 Ambatovy Joint Venture; 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 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 months ended March 31, 2018 and 2017

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts, for the three months ended March 31	Note		2018		2017
Revenue	5	**$**	**39.4**	$	72.4
Cost of sales	6		**(37.9)**		(58.8)
Administrative expenses	6		**(5.1)**		(14.0)
Share of loss of an associate, net of tax	7		**(13.9)**		(50.1)
Share of earnings of a joint venture, net of tax	8		**11.9**		1.1
Loss from operations, associate and joint venture			**(5.6)**		(49.4)
Financing income	9		**16.9**		18.1
Financing expense	9		**(10.4)**		(37.9)
Net finance income (expense)			**6.5**		(19.8)
Earnings (loss) before tax			**0.9**		(69.2)
Income tax expense	10		**(1.5)**		(3.4)
Net loss from continuing operations			**(0.6)**		(72.6)
Earnings from discontinued operations, net of tax			**-**		-
Net loss for the period		**$**	**(0.6)**	$	(72.6)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	17		**23.5**		(18.3)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial (losses) gains on pension plans, net of tax	17		**(0.2)**		0.6
Other comprehensive income (loss)			**23.3**		(17.7)
Total comprehensive income (loss)		**$**	**22.7**	$	(90.3)
Net loss from continuing operations per common share, basic and diluted	11	**$**	**0.00**	$	(0.25)
Net loss per common share, basic and diluted	11	**$**	**0.00**	$	(0.25)

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 March 31**		2017 December 31
ASSETS					
Current assets					
Cash and cash equivalents	12	**$**	**161.3**	$	185.0
Restricted cash	12		**3.2**		13.0
Short-term investments	12		**76.0**		18.0
Advances, loans receivable and other financial assets	13		**17.2**		42.8
Trade accounts receivable, net, and unbilled revenue	12		**251.0**		284.9
Inventories			**40.5**		33.9
Prepaid expenses			**3.1**		2.7
			552.3		580.3
Non-current assets					
Advances, loans receivable and other financial assets	13		**705.4**		713.0
Other non-financial assets			**0.1**		0.2
Property, plant and equipment	14		**223.4**		228.5
Investment in an associate	7		**197.0**		211.9
Investment in a joint venture	8		**384.1**		367.1
Intangible assets			**144.5**		142.9
			1,654.5		1,663.6
Assets held for sale			**0.9**		0.9
Total assets		**$**	**2,207.7**	$	2,244.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Other loans and borrowings	15	**$**	**8.0**	$	8.0
Trade accounts payable and accrued liabilities			**167.0**		182.3
Income taxes payable			**2.3**		11.8
Other financial liabilities	15		**11.3**		8.0
Deferred revenue			**37.1**		16.7
Provisions	14, 16		**13.4**		18.3
			239.1		245.1
Non-current liabilities					
Other loans and borrowings	15		**690.4**		816.1
Other financial liabilities	15		**15.7**		16.2
Other non-financial liabilities			**3.3**		3.3
Provisions	14, 16		**97.6**		92.0
Deferred income taxes			**15.2**		15.8
			822.2		943.4
Total liabilities			**1,061.3**		1,188.5
Shareholders' equity					
Capital stock	17		**2,894.6**		2,784.6
Deficit	4		**(2,471.0)**		(2,427.7)
Reserves	17		**233.0**		232.9
Accumulated other comprehensive income	17		**489.8**		466.5
			1,146.4		1,056.3
Total liabilities and shareholders' equity		**$**	**2,207.7**	$	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, for the three months ended March 31	Note	2018	2017
Operating activities			
Net loss from continuing operations		**$ (0.6)**	$ (72.6)
Add (deduct):			
Depletion, depreciation and amortization	6	**10.4**	18.3
Share of loss of an associate, net of tax	7	**13.9**	50.1
Share of earnings of a joint venture, net of tax	8	**(11.9)**	(1.1)
Net finance (income) expense (net of accretion expense)	9	**(6.6)**	19.6
Income tax expense	10	**1.5**	3.4
Net change in non-cash working capital	19	**33.1**	10.4
Interest received		**1.2**	1.1
Interest paid		**(11.0)**	(9.9)
Income tax paid		**(11.9)**	(4.2)
Liabilities settled for environmental rehabilitation provisions		**-**	(0.4)
Other operating items	19	**(7.0)**	1.9
Cash provided by continuing operations		**11.1**	16.6
Cash used by discontinued operations	16	**(3.8)**	(0.1)
Cash provided by operating activities		**7.3**	16.5
Investing activities			
Property, plant and equipment expenditures		**(3.4)**	(2.8)
Intangible asset expenditures		**(0.7)**	(2.1)
Receipts of advances, loans receivable and other financial assets		**16.0**	-
Purchase of short-term investments		**(58.0)**	(19.0)
Cash used by continuing operations		**(46.1)**	(23.9)
Cash used by investing activities		**(46.1)**	(23.9)
Financing activities			
Repayment of other loans and borrowings		**-**	(20.5)
Repurchase of senior unsecured debentures	15	**(110.3)**	-
Issuance of units	17	**132.3**	-
Fees paid on repurchase of senior unsecured debentures and issuance of units	15, 17	**(9.4)**	-
Issuance of common shares		**0.6**	0.1
Cash provided (used) by continuing operations		**13.2**	(20.4)
Cash provided (used) by financing activities		**13.2**	(20.4)
Effect of exchange rate changes on cash and cash equivalents		**1.9**	(0.1)
Decrease in cash and cash equivalents		**(23.7)**	(27.9)
Cash and cash equivalents at beginning of the period		**185.0**	268.6
Cash and cash equivalents at end of the period	12	**$ 161.3**	$ 240.7

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2016		**$ 2,775.7**	**$ (2,721.5)**	**$ 234.7**	**$ 809.0**	**$ 1,097.9**
Total comprehensive loss:						
Net loss for the period		-	(72.6)	-	-	(72.6)
Foreign currency translation differences on foreign operations		-	-	-	(18.3)	(18.3)
Actuarial gains on pension plans, net of tax		-	-	-	0.6	0.6
		-	(72.6)	-	(17.7)	(90.3)
Shares issued for:						
Warrants exercised - 2016 debenture extension		0.1	-	(0.1)	-	-
Stock option plan expense		-	-	0.6	-	0.6
Balance as at March 31, 2017		**$ 2,775.8**	**$ (2,794.1)**	**$ 235.2**	**$ 791.3**	**$ 1,008.2**
Total comprehensive income:						
Net earnings for the period		-	366.4	-	-	366.4
Foreign currency translation differences on foreign operations		-	-	-	(53.8)	(53.8)
Actuarial losses on pension plans, net of tax		-	-	-	(0.8)	(0.8)
		-	366.4	-	(54.6)	311.8
Shares issued for:						
Restricted stock plan (vested)		0.1	-	(0.1)	-	-
Warrants exercised - 2016 debenture extension		8.7	-	(3.1)	-	5.6
Reclassification to Gain on Ambatovy Joint Venture restucturing		-	-	-	(269.6)	(269.6)
Reclassification to net finance expense upon dissolution of foreign operation		-	-	-	(0.6)	(0.6)
Stock option expense		-	-	0.9	-	0.9
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	4	-	(42.7)	-	-	(42.7)
Total comprehensive income:						
Net loss for the period		-	(0.6)	-	-	(0.6)
Foreign currency translation differences on foreign operations	17	-	-	-	23.5	23.5
Actuarial losses on pension plans, net of tax	17	-	-	-	(0.2)	(0.2)
		-	(0.6)	-	23.3	22.7
Shares issued for:						
Stock options exercised	17	0.2	-	(0.1)	-	0.1
Equity issuance, net of transaction costs - 2018 unit offering	17	109.0	-	-	-	109.0
Warrants exercised - 2016 debenture extension	17	0.8	-	(0.3)	-	0.5
Stock option plan expense	17	-	-	0.5	-	0.5
Balance as at March 31, 2018		**$ 2,894.6**	**$ (2,471.0)**	**$ 233.0**	**$ 489.8**	**$ 1,146.4**

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

Notes to the condensed consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation ("Sherritt" or the "Corporation") is a world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba, and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide.

The Corporation is domiciled in Ontario, Canada and its registered office is 181 Bay Street, Toronto, Ontario, M5J 2T3. These condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on April 24, 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.

The Corporation's accounting policies and critical accounting estimates and judgments, as a result of adopting IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from contracts with customers (IFRS 15), are disclosed in the following notes:

Note	Topic	Accounting policies	Critical accounting estimates and judgments	Page
3	Revenue recognition	x		6
3	Financial instruments	x	x	6

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 and 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 as described below. 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 for financial instruments and revenue are described below and the effects of adoption of IFRS 9 and IFRS 15 are described in note 4.

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

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

Accounting policy: Financial instruments

Classification and measurement of financial instruments

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in limited circumstances, the classification is not changed subsequent to initial recognition. The classification of financial assets is based on the Corporation's business models for managing these financial assets and their contractual cash flow characteristics. Transaction costs with respect to financial instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Corporation's financial assets are classified into one of the following three measurement categories:

- Financial assets held within a business model for the purpose of collecting contractual cash flows ("held to collect") that represent solely payments of principal and interest ("SPPI") are measured at amortized cost
- Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income (loss) ("FVOCI").
- Financial assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest will be measured at fair value through profit or loss ("FVPL").

The Corporation's financial liabilities are measured at amortized cost, except for financial liabilities measured at FVPL.

Financial assets measured at amortized cost:

- Cash held in banks; restricted cash; advances, loans receivable and other financial assets; trade accounts receivable, net

Financial assets measured at FVOCI:

- Cash equivalents; short-term investments

Financial assets measured at FVPL:

- Ambatovy Joint Venture operator fee receivable

Financial liabilities measured at amortized cost:

- Trade accounts payable and accrued liabilities; loans and borrowings

Financial liabilities measured at FVPL:

- Cobalt-linked warrant liability

Financial assets and liabilities, measured at amortized cost

Financial assets and liabilities included in this category are initially recognized at fair value (net of transaction costs, if applicable) and are subsequently measured at amortized cost using the effective interest method less allowances for credit losses.

Financial assets measured at fair value through other comprehensive income (loss)

Financial assets included in this category are initially recognized at fair value and transaction costs are recognized in net earnings (loss). Subsequent to initial recognition, unrealized gains and losses on these instruments are recognized in other comprehensive income (loss). Upon derecognition, realized gains and losses are reclassified from other comprehensive income (loss) and recognized in net earnings (loss). Interest income and dividends from these instruments are recognized in net earnings (loss).

Financial assets and liabilities measured at fair value through profit or loss

Financial instruments included in this category are initially recognized at fair value and transaction costs are recognized in net earnings (loss), along with gains and losses arising from changes in fair value.

Derivative instruments are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recognized in net earnings (loss).

Derecognition of financial assets and liabilities

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within financing income and financing expense, respectively.

Modifications of financial instruments

When the Corporation modifies a financial instrument and that modification does not result in derecognition, the Corporation revises the gross carrying value of the financial instrument and recognizes a modification gain or loss in net earnings (loss).

Impairment of financial assets

The Corporation applies a three-stage approach to measure an allowance for credit losses ("ACL"), using an expected credit loss ("ECL") approach as required under IFRS 9 for financial assets measured at amortized cost.

The ECL approach reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on the credit deterioration from inception. The ACL reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

- Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months expected credit loss is recorded. The ECL is computed using a probability of default occurring over the next twelve months. For instruments with a remaining maturity of less than twelve months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. When contractual payments are more than 30 days past due, it is presumed that credit risk has increased significantly subsequent to origination unless the Corporation has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since origination.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. Similar to Stage 2, the ACL captures the lifetime ECL. When contractual payments are more than 90 days past due, it is presumed that default has occurred unless the Corporation has reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate.

The Corporation assesses whether there has been a significant increase in credit risk since initial recognition of a financial instrument and both ECL and ACL measurement at each reporting date. Increases or decreases in the ACL are recognized as impairment gains or losses within net finance expense (income) in net earnings (loss).

The Corporation's financial assets measured at amortized cost are presented net of the ACL in the condensed consolidated statements of financial position.

Financial instrument measurement hierarchy

All financial instruments are required to be measured at fair value on initial recognition. For those financial assets or liabilities measured at fair value at each reporting date, financial instruments and liquidity risk disclosures require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These levels are defined below:

Level 1: Determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2: Valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly; and

Level 3: Valuations using inputs that are not based on observable market data.

Critical accounting estimates

Forward-looking information

The measurement of the ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Multiple forward-looking scenarios

The Corporation estimates an ACL using probability-weighted forward-looking scenarios. The Corporation considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Corporation determines an ECL in each scenario and uses external sources and judgment to apply a probability-weighting to each scenario. The ACL is measured as the present value of the probability-weighted ECL in each scenario, discounted using the original effective interest rate of the instrument.

Critical accounting judgments

Business model assessment

The Corporation applies judgment in determining whether financial assets are managed in order to generate cash flows from the collection of contractual cash flows, selling financial assets or both. For the assessment of business models, the Corporation takes into consideration whether the financial asset is held for trading purposes and the frequency and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The Corporation applies judgment in assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Accounting policy: Revenue recognition

Revenue from the sale of goods and services is recognized when the Corporation transfers control of the good or service to the customer, reflecting the amount of consideration to which the Corporation expects to be entitled in exchange for those goods or services. Control generally transfers to the customer upon shipment or delivery to the destination, as specified in the sales contract.

Moa JV and Fort Site and Ambatovy JV

Certain product sales at the Moa JV and Ambatovy JV are provisionally priced, with the selling price subject to final adjustment at the end of a quotation period, in accordance with the terms of the sale. The quotation period is normally within 90 days after shipment to the customer, and final pricing is based on a reference price established at the end of the quotation period.

Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is expected to be ultimately received based on forecast reference prices. At each reporting date, all outstanding receivables originating from provisionally priced sales are revalued based on a forecast of reference prices at that time. The adjustment to trade accounts receivable, net, is recorded as an adjustment to revenue. Provisional pricing is only used in the pricing of nickel and cobalt sales for which reference prices are established in a freely traded and active market.

Payment for fertilizer sales at Fort Site is generally received before shipment and recognized as deferred revenue until shipment.

Oil and Gas

Revenue from Oil and Gas is recognized when control transfers at the time of production and the amount of revenue recognized is determined based on the Corporation's working interest. In Cuba, all oil production is sold to an agency of the Government of Cuba and delivery coincides with production. The Corporation is allocated a share of Cuban oil production pursuant to its production-sharing contracts.

Revenue from cost recovery oil, up to the total recoverable costs incurred in connection with oil activities, is recognized when entitlement to the cost recovery oil component of production is established. The production-sharing contracts limit cost recovery oil to a maximum percentage of total production in a calendar quarter, which is 60% of total production for the Puerto Escondido/Yumuri production-sharing contract. In the comparative periods, cost recovery oil from the Varadero West production-sharing contract, which expired in November 2017, was limited to 50%.

Revenue from profit oil represents the Corporation's share of oil production after cost recovery oil production is deducted. Recoverable costs that do not provide cost recovery oil entitlements in the current period are included in the determination of cost recovery oil entitlements, and thus revenue, in future periods.

Payment terms for oil sales to an agency of the Cuban government are based on U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices and range from 90 days to 180 days from the date of invoice.

Power

Substantially all of Power's revenue is from agencies of the Government of Cuba.

The facilities located in Boca de Jaruco and Puerto Escondido, Cuba operate under a service concession arrangement. Revenue from Power on operational facilities is recognized at the time electricity is delivered or services are performed. The consideration to be received is subject to variability as the quantity of power to be generated is not fixed and the rate for the power generated declines once construction costs are repaid. Management estimates the transaction price based on expected power generation and the forecasted repayment schedule for construction costs and reassesses this estimate each reporting period.

The facilities located in Varadero, Cuba operate under lease arrangements, whereby the Corporation is the lessor. All operating lease revenue related to the Varadero facility is contingent on the amount of electricity produced or services provided and is recognized when lease payments become due.

Payment terms for electricity and by-product sales to agencies of the Government of Cuba are 60 days from the date of invoice.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

IFRS 9 – Financial Instruments

Effective January 1, 2018, the Corporation adopted the requirements of IFRS 9.

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 effective January 1, 2018. IFRS 9 provides new guidance on the classification, measurement, impairment and hedge accounting for financial instruments in addition to new guidance for the treatment of term modifications for financial liabilities. IFRS 9 is required to be adopted retrospectively with certain available transition provisions which allow the Corporation to elect not to restate prior period comparative information.

The Corporation elected to apply the standard on a retrospective basis using the available transitional provisions. Under this approach, the 2017 comparative period was not restated and a cumulative transitional adjustment of $42.7 million reducing the opening balance of shareholders' equity was recognized on January 1, 2018.

Reconciliation table:

The following table reconciles the impact of transitioning from IAS 39 to IFRS 9 on the condensed consolidated statements of financial position at the date of initial application, January 1, 2018. The impact consists of adjustments related to the reclassification and remeasurement of financial assets and financial liabilities.

	December 31, 2017				January 1, 2018	
Canadian $ millions, as at	IAS 39 Measurement basis	IAS 39 Carrying value	Reclass-ification	Remeas-urement	IFRS 9 Carrying value	IFRS 9 Measurement basis
Financial assets						
Cash held in banks	Amortized cost	$ 127.8	**$ -**	**$ -**	**$ 127.8**	**Amortized cost**
Restricted cash	Amortized cost	13.0	**-**	**-**	**13.0**	**Amortized cost**
Cash equivalents and short-term investments(1)	FVPL	75.2	**(75.2)**			
Cash equivalents and short-term investments(1)			**75.2**	**-**	**75.2**	**FVOCI**
Advances, loans receivable and other financial assets:						
Ambatovy Joint Venture subordinated loans receivable(4)	Loans and receivables	223.4	**-**	**(50.4)**	**173.0**	**Amortized cost**
Ambatovy Joint Venture subordinated loans receivable - post financial completion	Loans and receivables	47.9	**-**	**-**	**47.9**	**Amortized cost**
Ambatovy Joint Venture operator fee receivable(2)	Loans and receivables	9.7	**(9.7)**			
Ambatovy Joint Venture operator fee receivable(2)			**9.7**	**-**	**9.7**	**FVPL**
Energas conditional sales agreement	Loans and receivables	206.7	**-**	**-**	**206.7**	**Amortized cost**
Moa Joint Venture expansion loans receivable	Loans and receivables	232.0	**-**	**-**	**232.0**	**Amortized cost**
Moa Joint Venture working capital facility	Loans and receivables	25.2	**-**	**-**	**25.2**	**Amortized cost**
Other	Loans and receivables	10.9	**-**	**-**	**10.9**	**Amortized cost**
Trade accounts receivable, net(5)	Loans and receivables	284.9	**-**	**(5.6)**	**279.3**	**Amortized cost**
Investment in an associate						
Investment in an associate(3)		211.9	**-**	**(5.7)**	**206.2**	
Total assets impacted by transition		$ 1,468.6	**$ -**	**$ (61.7)**	**$ 1,406.9**	

Canadian $ millions, as at	December 31, 2017 IAS 39 Measurement basis	IAS 39 Carrying value	Reclass-ification	Remeas-urement	January 1, 2018 IFRS 9 Carrying value	IFRS 9 Measurement basis
Financial liabilities						
8.00% senior unsecured debentures due 2021[6]	Amortized cost	$ 213.2	**$ -**	**$ (5.6)**	**$ 207.6**	**Amortized cost**
7.50% senior unsecured debentures due 2023[6]	Amortized cost	240.7	**-**	**(8.3)**	**232.4**	**Amortized cost**
7.875% senior unsecured debentures due 2025[6]	Amortized cost	234.4	**-**	**(10.6)**	**223.8**	**Amortized cost**
Ambatovy Joint Venture partner loans[7]	Amortized cost	127.8	**-**	**6.0**	**133.8**	**Amortized cost**
Syndicated revolving-term credit facility	Amortized cost	8.0	**-**	**-**	**8.0**	**Amortized cost**
Deferred income taxes liability						
Deferred income taxes[8]		15.8	**-**	**(0.5)**	**15.3**	
Total liabilities impacted by transition		839.9	**-**	**(19.0)**	**820.9**	
Shareholders' equity		1,056.3	**-**	**(42.7)**	**1,013.6**	
Total equity impacted by transition		1,056.3	**-**	**(42.7)**	**1,013.6**	
Total liabilities and equity impacted by transition		$ 1,896.2	**$ -**	**$ (61.7)**	**$ 1,834.5**	

(1) Cash equivalents and short-term investments measured at FVPL were reclassified to be measured at FVOCI. The reclassifications were due to the Corporation's business model for managing the financial assets which is held to collect and sell and the cash flows represent solely payments of principal and interest.

(2) The Ambatovy Joint Venture operator fee receivable classified as loans and receivables and measured at amortized cost was reclassified to be measured at FVPL. The reclassification was due to the contractual cash flows not representing solely payments of principal and interest due to the Corporation not charging interest on the non-current balance owing.

(3) The terms of the Ambatovy Joint Venture financing were modified in 2016 to defer six principal payments. Under IFRS 9, this modification increased the carrying value of this financing, resulting in the Ambatovy Joint Venture recognizing a modification loss of $47.8 million (100% basis), which reduced the Corporation's investment in an associate by its proportionate $5.7 million share of the loss (12% basis) upon initial application. The modification loss was due to the additional interest charged being higher than the original effective interest rate.

(4) The Corporation recognized an allowance for credit losses on the Ambatovy Joint Venture subordinated loans receivable of $50.4 million. No allowance for credit losses was previously recognized under IAS 39.

(5) The Corporation recognized a $5.6 million increase in the allowance for credit losses on trade accounts receivable. The Corporation had previously recognized an allowance for credit losses of $10.7 million under IAS 39.

(6) The terms of the senior unsecured debentures were each modified in 2016 to extend their maturity dates. Under IFRS 9, this modification reduced the carrying values of the debentures, resulting in modification gains on each of these debentures upon initial application. The modification gains were a result of the coupons on the debentures being lower than the original effective interest rates.

(7) The terms of the Ambatovy Joint Venture partner loans were modified in 2017 to include the option to extend their maturity dates. Under IFRS 9, this modification increased the carrying value of these loans, resulting in a modification loss upon initial application. The modification loss was a result of additional interest charged on amounts outstanding being higher than the original effective interest rate.

(8) The reduction in the deferred income taxes liability relates to the cumulative tax impact of the initial application of IFRS 9 resulting from the adjustments described above.

Reclassification:

These adjustments reflect the movement of balances between categories on the condensed consolidated statements of financial position with no impact to shareholders' equity. There is no change to the carrying value of the balances as a result of the reclassifications.

Remeasurement:

These adjustments result in a change to the carrying value of the financial instruments on the condensed consolidated statements of financial position with an impact to shareholders' equity, net of tax.

The Corporation's accounting policy for financial instruments in accordance with IFRS 9 is described in note 3.

IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018, the Corporation adopted the requirements of IFRS 15.

In May 2014, the IASB issued IFRS 15 which replaces IAS 18 Revenue and IAS 11 Construction Contracts effective January 1, 2018. The objective of IFRS 15 is to establish the principles that the Corporation will apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The Corporation elected to apply the standard on a modified retrospective basis using certain practical expedients described below. Under this approach, the 2017 comparative period was not restated and no cumulative transitional adjustment to the opening balance of shareholders' equity was recognized on January 1, 2018, given that the net impact of adoption of IFRS 15 to the opening balance of shareholders' equity was immaterial.

Management identified the following impacts to revenue recognition upon adoption, all of which are immaterial:

- In the Moa JV and Fort Site segment, revenue from the Moa JV is excluded from consolidated revenue due to the equity method and is included in the share of earnings (loss) of a joint venture. At the Moa JV, no material transitional adjustment was recognized upon adoption and there was no material change in the timing and recognition of revenue. The Corporation determined that Moa JV's revenue associated with performance obligations for shipping and insurance for certain sales was immaterial and therefore there was no change to the timing of revenue recognition upon adoption.

- In the Ambatovy JV segment, all revenue relates to the Ambatovy JV and is excluded from consolidated revenue due to the equity method and is included in the share of earnings (loss) of an associate. At the Ambatovy JV, no material transitional adjustment was recognized upon adoption and there was no material change in the timing of revenue recognition. Upon adoption of IFRS 15 at the Ambatovy JV, marketing expenses and other fees paid to customers for the sale of nickel and cobalt are recognized as reductions of revenue rather than expenses, with no impact to Ambatovy JV's net loss. Total marketing expenses and other fees deducted from revenue are approximately US$2.0 million (100% basis) for the three months ended March 31, 2018. The Corporation determined that Ambatovy JV's revenue associated with performance obligations for shipping and insurance for certain sales was immaterial and therefore there was no change to the timing of revenue recognition upon adoption.

- In the Oil and Gas segment, no material transitional adjustment was recognized upon adoption and there was no material change in the timing and recognition of revenue. The Corporation is entitled to the recovery of certain costs incurred as a result of its production-sharing contracts from an agency of the Government of Cuba. Upon adoption, amounts to which the Corporation expects to be entitled that have not yet been approved by the agency are presented separately from trade accounts receivable, net, until approval is received. These amounts are presented as unbilled revenue within trade accounts receivable, net, and unbilled revenue on the condensed consolidated statements of financial position (note 12).

- In the Power segment, no material transitional adjustment was recognized upon adoption and there was no material change in the timing and recognition of revenue.

There was no impact on the condensed consolidated statements of cash flow as a result of adoption.

The Corporation applied the following practical expedients upon adoption:

- IFRS 15.63: The Corporation has not adjusted the promised amount of consideration for the effects of a significant financing component when the Corporation expects, at contract inception, that the period between when a promised good or service is transferred to a customer and when the customer pays for that good or service will be one year or less; and

- IFRS 15.C7: The Corporation has elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application, January 1, 2018.

The Corporation's accounting policy for revenue recognition in accordance with IFRS 15 is described in note 3.

Accounting pronouncements issued but not yet effective

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases (IFRS 16) which replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease effective January 1, 2019. The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognize assets and liabilities arising from a lease.

IFRS 16 introduces a single lessee accounting model 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 currently evaluating the impact of this standard on its consolidated financial statements. The Corporation has not early adopted IFRS 16. The Corporation expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

5. SEGMENTED INFORMATION

Canadian $ millions, for the three months ended March 31								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]	**$ 96.3**	**$ 17.8**	**$ 2.8**	**$ 18.1**	**$ 11.9**	**$ -**	**$ (107.5)**	**$ 39.4**
Cost of sales	**(78.0)**	**(27.5)**	**(2.1)**	**(15.2)**	**(9.5)**	**(2.6)**	**97.0**	**(37.9)**
Administrative expenses	**(2.0)**	**(0.8)**	**0.1**	**(1.2)**	**(0.6)**	**(2.5)**	**1.9**	**(5.1)**
Other gains	**-**	**1.5**	**-**	**-**	**-**	**-**	**(1.5)**	**-**
Share of loss of an associate, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**(13.9)**	**(13.9)**
Share of earnings of a joint venture, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**11.9**	**11.9**
Earnings (loss) from operations, associate and joint venture	**16.3**	**(9.0)**	**0.8**	**1.7**	**1.8**	**(5.1)**	**(12.1)**	**(5.6)**
Financing income								**16.9**
Financing expense								**(10.4)**
Net finance income								**6.5**
Earnings before tax								**0.9**
Income tax expense								**(1.5)**
Net loss from continuing operations								**(0.6)**
Earnings from discontinued operations, net of tax								**-**
Net loss for the period								**(0.6)**
Supplementary information								
Depletion, depreciation and amortization	**$ 10.8**	**$ 9.9**	**$ -**	**$ 2.9**	**$ 6.0**	**$ 0.3**	**$ (19.5)**	**$ 10.4**
Property, plant and equipment expenditures	**4.5**	**2.9**	**-**	**2.4**	**0.1**	**-**	**(6.5)**	**3.4**
Intangible asset expenditures	**-**	**-**	**-**	**0.7**	**-**	**-**	**-**	**0.7**
Canadian $ millions, as at March 31								**2018**
Non-current assets[7]	**$ 669.5**	**$ 715.9**	**$ -**	**$ 97.7**	**$ 129.5**	**$ 4.0**	**$ (1,248.7)**	**$ 367.9**
Total assets	**952.8**	**808.4**	**106.5**	**1,173.1**	**562.6**	**(432.5)**	**(963.2)**	**2,207.7**

Canadian $ millions, for the three months ended March 31								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]	$ 90.4	$ 74.8	$ 14.3	$ 35.3	$ 13.4	$ (0.2)	$ (155.6)	$ 72.4
Cost of sales	(86.6)	(100.1)	(13.7)	(22.0)	(9.8)	(3.4)	176.8	(58.8)
Administrative expenses	(1.8)	(3.7)	(0.3)	(2.3)	(0.8)	(10.1)	5.0	(14.0)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(50.1)	(50.1)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	-	1.1	1.1
Earnings (loss) from operations, associate and joint venture	2.0	(29.0)	0.3	11.0	2.8	(13.7)	(22.8)	(49.4)
Financing income								18.1
Financing expense								(37.9)
Net finance expense								(19.8)
Loss before tax								(69.2)
Income tax expense								(3.4)
Net loss from continuing operations								(72.6)
Earnings from discontinued operations, net of tax								-
Net loss for the period								(72.6)
Supplementary information								
Depletion, depreciation and amortization	$ 10.8	$ 37.2	$ -	$ 8.6	$ 6.4	$ 0.8	$ (45.5)	$ 18.3
Property, plant and equipment expenditures	2.2	4.0	-	1.6	0.8	-	(5.8)	2.8
Intangible asset expenditures	-	-	-	2.1	-	-	-	2.1
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 months ended March 31, 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 the subsidiary in the comparative period were negligible.

(4) 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 $1.4 million of intersegment revenue with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the three months ended March 31, 2018 ($1.7 million for the three months ended March 31, 2017).

(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:

Canadian $ millions, for the three months ended March 31	2018 Total revenue	2017 Total revenue
Nickel[1]	$ -	$ 11.5
Fertilizer	7.5	10.4
Oil and gas[2]	17.1	34.2
Power generation[3]	10.7	12.2
Other	4.1	4.1
	$ 39.4	$ 72.4

(1) Nickel revenue for the three months ended March 31, 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 the subsidiary in the comparative period were negligible.

(2) Oil and gas revenue for the three months ended March 31, 2017 includes revenue from the Varadero West production-sharing contract. This production-sharing contract 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 months ended March 31, 2018 is $7.4 million of revenue from service concession arrangements and $3.3 million of lease revenue related to power generation facilities ($8.7 million and $3.5 million for the three months ended March 31, 2017, respectively).

6. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the three months ended March 31	2018	2017
Employee costs	$ 18.6	$ 15.4
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	10.1	17.3
Raw materials and consumables	9.3	9.0
Repairs and maintenance	9.5	9.2
Shipping and treatment costs	1.2	3.6
Stock-based compensation (recovery) expense	(1.2)	0.4
Changes in inventories and other	(9.6)	3.9
	$ 37.9	$ 58.8

Administrative expenses include the following:

Canadian $ millions, for the three months ended March 31		**2018**		2017
Employee costs	**$**	**7.3**	$	7.7
Severance		**0.8**		0.5
Depreciation		**0.2**		1.0
Stock-based compensation (recovery) expense		**(5.7)**		1.3
Consulting services and audit fees		**1.4**		1.8
Other		**1.1**		1.7
	$	**5.1**	$	14.0

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 months ended March 31, 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 nil during the three months ended March 31, 2018 (nil for the three months ended March 31, 2017).

Ambatovy Joint Venture funding

For the three months ended March 31, 2018, US$7.9 million of post-financial completion funding was provided to the Ambatovy Joint Venture at the Corporation's 12% interest (nil for the three months ended March 31, 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 March 31	2017 December 31
Assets		
Cash and cash equivalents	**$ 66.9**	$ 56.6
Other current assets	**20.3**	27.1
Trade accounts receivable, net	**133.0**	104.0
Inventories	**537.9**	517.4
Other non-current assets	**15.0**	7.7
Property, plant and equipment	**5,963.7**	5,870.0
Total assets	**6,736.8**	6,582.8
Liabilities		
Trade accounts payable and accrued liabilities	**316.9**	315.7
Other taxes payable	**28.6**	24.8
Other current financial liabilities	**1.4**	0.5
Current portion of loans and borrowings:		
Ambatovy revolving credit facility[(1)]	**69.4**	66.6
Non-current portion of loans and borrowings:		
Ambatovy Joint Venture financing[(2)]	**2,093.4**	1,991.0
Ambatovy subordinated loans payable[(3)]	**1,758.0**	1,861.5
Ambatovy subordinated loans payable - post-financial completion[(4)]	**495.7**	399.5
Environmental rehabilitation provisions	**128.5**	129.7
Other non-current liabilities	**25.0**	28.0
Total liabilities	**4,916.9**	4,817.3
Net assets of Ambatovy Joint Venture	**$ 1,819.9**	$ 1,765.5
Proportion of Sherritt's ownership interest	**12%**	12%
Total	**218.4**	211.9
Intercompany elimination[(3)]	**(21.4)**	-
Carrying value of investment in an associate	**$ 197.0**	$ 211.9

(1) The Ambatovy revolving credit facility is comprised of a Malagasy Ariary (MGA) 156.0 billion ($62.6 million) revolving and MGA 20.0 billion ($8.0 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 March 31, 2018, MGA 156.0 billion ($62.6 million) and MGA 16.9 billion ($6.8 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).

(2) The Ambatovy Joint Venture financing increased by $47.8 million on January 1, 2018 upon initial application of IFRS 9 (note 4).

(3) During the three months ended March 31, 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.

(4) The subordinated loans payable – post-financial completion is comprised of the Ambatovy Joint Venture partner contributions from and including December 15, 2015, and accrues interest at 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 March 31	2018	2017
Revenue	$ 148.1	$ 186.9
Cost of sales[1]	(229.4)	(250.2)
Administrative expenses	(6.9)	(9.3)
Other gains	12.7	-
Loss from operations	**(75.5)**	(72.6)
Financing income	2.4	-
Financing expense[2]	(48.4)	(69.0)
Net financing expense	**(46.0)**	(69.0)
Loss before tax	**(121.5)**	(141.6)
Income tax expense	(0.8)	(1.1)
Net loss and comprehensive loss of Ambatovy Joint Venture	**$ (122.3)**	$ (142.7)
Proportion of Sherritt's ownership interest	12%	40%
Total	**(14.7)**	(57.1)
Intercompany elimination	0.8	7.0
Share of loss of an associate, net of tax	**$ (13.9)**	$ (50.1)

(1) Included in cost of sales for the three months ended March 31, 2018 is depreciation and amortization of $82.4 million ($92.9 million for the three months ended March 31, 2017).

(2) The Ambatovy Joint Venture has a value added tax (VAT) receivable of $47.2 million (December 31, 2017 - $31.2 million) from the government of Madagascar. The VAT receivable is net of a provision of $18.7 million (December 31, 2017 - $73.0 million) reflecting an assessment of the likelihood of receipt of these amounts. During the three months ended March 31, 2018, a gain on the partial reversal of this provision of $18.4 million was recognized in financing expense ($8.3 million for the three months ended March 31, 2017).

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 March 31	2017 December 31
Assets		
Cash and cash equivalents	$ 23.2	$ 39.4
Income taxes receivable	0.6	4.6
Other current assets	13.4	8.6
Trade accounts receivable, net	102.7	107.0
Inventories	263.1	225.7
Other non-current assets	3.2	3.1
Property, plant and equipment	1,156.2	1,144.6
Total assets	1,562.4	1,533.0
Liabilities		
Trade accounts payable and accrued liabilities	61.8	72.2
Income taxes payable	9.4	1.4
Other current financial liabilities[1]	9.4	25.5
Loans and borrowings[2]	25.2	33.7
Environmental rehabilitation provisions	71.4	72.1
Other non-current financial liabilities[3]	501.8	481.1
Deferred income taxes	24.1	24.8
Total liabilities	703.1	710.8
Net assets of Moa Joint Venture	**$ 859.3**	$ 822.2
Proportion of Sherritt's ownership interest	50%	50%
Total	**429.7**	411.1
Intercompany capitalized interest elimination	(45.6)	(44.0)
Carrying value of investment in a joint venture	**$ 384.1**	$ 367.1

(1) Included in other current financial liabilities as at March 31, 2018 is a $9.1 million working capital facility with the Corporation (December 31, 2017 - $25.2 million) (note 13).

(2) Included in loans and borrowings as at March 31, 2018 is a $22.1 million loan for the construction of the Moa Joint Venture acid plant (December 31, 2017 - $27.9 million). The acid plant loan accrues interest at a rate of 10% per annum which is payable monthly.

(3) Included in other non-current financial liabilities as at March 31, 2018 is $484.5 million in expansion loans of which $242.3 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 months ended March 31, 2018, the Moa Joint Venture expansion loans payable increased $7.6 million due to accretion (for the three months ended March 31, 2017 - nil).

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis, for the three months ended March 31		**2018**		2017
Revenue	**$**	**179.5**	$	161.6
Cost of sales[1]		**(139.0)**		(153.5)
Administrative expenses		**(2.2)**		(2.5)
Earnings from operations		**38.3**		5.6
Financing income		**0.3**		-
Financing expense[2]		**(6.9)**		(12.9)
Net finance expense		**(6.6)**		(12.9)
Earnings (loss) before tax		**31.7**		(7.3)
Income tax expense [3]		**(13.2)**		(0.5)
Net income (loss) and comprehensive income (loss) of Moa Joint Venture	**$**	**18.5**	$	(7.8)
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**9.3**		(3.9)
Intercompany elimination		**2.6**		5.0
Share of earnings of a joint venture, net of tax	**$**	**11.9**	$	1.1

(1) Included in cost of sales for the three months ended March 31, 2018 is depreciation and amortization of $19.1 million (for the three months ended March 31, 2017 - $16.7 million).

(2) Included in financing expense for the three months ended March 31, 2018 is accretion of $7.6 million on the Moa Joint Venture expansion loans (for the three months ended March 31, 2017 - nil).

(3) Income tax expense for the three months ended March 31, 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:

		2018		2017
Canadian $ millions, 33⅓% basis, as at		**March 31**		December 31
Current assets[1]	$	**72.5**	$	66.5
Non-current assets		**118.6**		120.8
Current liabilities		**13.1**		20.1
Non-current liabilities		**102.9**		96.2
Net assets	$	**75.1**	$	71.0

(1) Included in current assets is $50.7 million of cash and cash equivalents (December 31, 2017 - $45.3 million).

Canadian $ millions, 33⅓% basis, for the three months ended March 31		**2018**		2017
Revenue	**$**	**11.9**	$	13.4
Expense		**(8.0)**		(12.0)
Net earnings	**$**	**3.9**	$	1.4

9. NET FINANCE INCOME (EXPENSE)

Canadian $ millions, for the three months ended March 31	Note		2018		2017
Net unrealized gain on financial instruments[1]		**$**	**2.8**	$	-
Interest income on cash, cash equivalents and short-term investments			**1.0**		0.8
Interest income on investments			**0.2**		0.1
Interest income on advances and loans receivable			**8.7**		17.2
Interest income on accretion of advances and loans receivable[2]			**1.9**		-
Gain on repurchase of debentures	15		**2.3**		-
Total financing income			**16.9**		18.1
Interest expense and accretion on loans and borrowings[3]			**(15.6)**		(44.2)
Unrealized foreign exchange gain			**7.7**		7.3
Realized foreign exchange gain	19		**0.3**		0.1
Other finance charges[4]			**(2.7)**		(0.9)
Accretion expense on environmental rehabilitation provisions	16, 19		**(0.1)**		(0.2)
Total financing expense			**(10.4)**		(37.9)
Net finance income (expense)		**$**	**6.5**	$	(19.8)

(1) Net unrealized gain on financial instruments is composed of the following gain/loss components: $4.1 million gain on the revaluation of the cobalt-linked warrants (note 15), $1.0 million impairment loss for the revaluation of the allowance for credit losses on the Ambatovy Joint Venture subordinated loans receivable (note 4 and note 12) and $0.3 million impairment loss for the revaluation of the allowance for credit losses on trade accounts receivable (note 4 and note 12).

(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 include $1.3 million of transaction costs related to the debenture repurchase (note 15) and $1.0 million of transaction costs related to the issuance of cobalt-linked warrants (note 15).

10. INCOME TAXES

Canadian $ millions, for the three months ended March 31		2018		2017
Current income tax expense[1]	**$**	**2.1**	$	13.3
Deferred income tax recovery[1]		**(0.6)**		(9.9)
Income tax expense	**$**	**1.5**	$	3.4

(1) During the three months ended March 31, 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 $8.4 million and a corresponding deferred income tax recovery of $8.4 million during the three months ended March 31, 2017.

11. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the three months ended March 31		2018		2017
Net loss from continuing operations	**$**	**(0.6)**	$	(72.6)
Earnings from discontinued operations, net of tax		**-**		-
Net loss - basic and diluted	**$**	**(0.6)**	$	(72.6)
Weighted-average number of common shares - basic and diluted[1]		**371.7**		294.2
Net loss from continuing operations per common share:				
Basic and diluted	**$**	**0.00**	$	(0.25)
Earnings from discontinued operations per common share:				
Basic and diluted	**$**	**0.00**	$	0.00
Net loss per common share:				
Basic and diluted	**$**	**0.00**	$	(0.25)

(1) The determination of the weighted-average number of common shares - diluted excludes 11.0 million shares related to stock options, 10.6 million shares related to the warrants from the 2016 debenture extension and 49.6 million shares related to the cobalt-linked warrants (note 15) that were anti-dilutive for the three months ended March 31, 2018 (10.7 million, 18.7 million and nil, respectively, for the three months ended March 31, 2017).

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at	2018 March 31	2017 December 31
Cash equivalents	**$ 32.3**	$ 57.2
Cash held in banks	**129.0**	127.8
	$ 161.3	$ 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 $2.8 million and $53.4 million, respectively, as at March 31, 2018 (December 31, 2017 – $2.8 million and $46.0 million, respectively).

As at March 31, 2018, $50.7 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 March 31		2017 December 31
		Hierarchy level	**Carrying value**	**Fair value**	Carrying value	Fair value
Liabilities:						
8.00% senior unsecured debentures due 2021	15	1	**$ 161.0**	**$ 159.3**	$ 213.2	$ 189.8
7.50% senior unsecured debentures due 2023	15	1	**191.9**	**181.9**	240.7	203.4
7.875% senior unsecured debentures due 2025	15	1	**199.9**	**194.0**	234.4	200.6
Ambatovy Joint Venture partner loans[2]	15	3	**137.6**	**92.6**	127.8	79.6
Assets:						
Ambatovy Joint Venture subordinated loans receivable[3]	13	3	**179.9**	**159.9**	223.4	195.2
Ambatovy Joint Venture subordinated loans receivable - post-financial completion[3]	13	3	**59.5**	**36.6**	47.9	47.9
Energas conditional sales agreement - non-current[3]	13	3	**202.2**	**204.3**	189.1	210.3
Moa Joint Venture expansion loans receivable[3]	13	3	**242.3**	**220.5**	232.0	212.0

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

(2) The fair value 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.

(3) 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 March 31
Fair value through profit or loss			
Assets:			
Ambatovy Joint Venture operator fee receivable	3	**$**	**10.7**
Liabilities:			
Cobalt-linked warrant liability	1		**12.0**
Fair value through other comprehensive income (loss)			
Cash equivalents	1		**32.3**
Short-term investments	1		**76.0**

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 three months ended March 31 2018
Balance, beginning of the period	**$**	**9.7**
Additions		**0.6**
Revaluation included in net unrealized gain on financial instruments		**0.1**
Effect of movements in exchange rates		**0.3**
Balance, end of the period	**$**	**10.7**

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 March 31		2017 December 31
Trade accounts receivable, net	**$**	**247.9**	$	283.5
Unbilled revenue(1)		**3.1**		1.4
	$	**251.0**	$	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. Unbilled revenue is reclassified to trade accounts receivable, net, when the recoverable costs are approved.

Aging of trade accounts receivable, net, not impaired

Canadian $ millions, as at	2018 March 31	2017 December 31
Not past due	$ **198.2**	$ 221.2
Past due no more than 30 days	**13.1**	12.6
Past due for more than 30 days but no more than 60 days	**8.3**	8.1
Past due for more than 60 days	**28.3**	41.6
	$ **247.9**	$ 283.5

Trade accounts receivable, net

Canadian $ millions, as at	2018 March 31	2017 December 31
Trade accounts receivable	$ **211.5**	$ 239.8
Allowance for credit losses[1]	**(16.4)**	(10.7)
Accounts receivable from joint operations	**-**	0.2
Accounts receivable from joint venture	**13.5**	15.0
Accounts receivable from associate	**12.3**	8.2
Other	**27.0**	31.0
	$ **247.9**	$ 283.5

(1) The allowance for credit losses in the Oil and Gas and Power segments increased by $2.1 million and $3.5 million, respectively, on January 1, 2018 upon initial application of IFRS 9 (note 4).

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 three months ended March 31, 2018			
Canadian $ millions	As at 2018 January 1	Revaluation (note 9)	Debt-to-equity conversion	Foreign exchange and other non-cash items	As at 2018 March 31
Lifetime expected credit losses					
Trade accounts receivable, net	$ (16.3)	$ **(0.3)**	$ **-**	$ **0.2**	$ **(16.4)**
Ambatovy Joint Venture subordinated loans receivable[1]	(50.4)	**(1.0)**	**21.4**	**(1.1)**	**(31.1)**

(1) During the three months ended March 31, 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 March 31	2017 December 31
Ambatovy Joint Venture subordinated loans receivable[1][2][3]	$ **179.9**	$ 223.4
Ambatovy Joint Venture subordinated loans receivable - post-financial completion[1]	**59.5**	47.9
Ambatovy Joint Venture operator fee receivable	**10.7**	9.7
Energas conditional sales agreement[1]	**210.2**	206.7
Moa Joint Venture expansion loans receivable[1][4]	**242.3**	232.0
Moa Joint Venture working capital facility[5]	**9.1**	25.2
Other	**10.9**	10.9
	722.6	755.8
Current portion of advances, loans receivable and other financial assets	**(17.2)**	(42.8)
	$ **705.4**	$ 713.0

(1) As at March 31, 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 $179.9 million, $59.5 million, $202.2 million and $242.3 million, respectively (December 31, 2017 – $223.4 million, $47.9 million, $189.1 million and $232.0 million, respectively).

(2) During the three months ended March 31, 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) The Ambatovy Joint Venture subordinated loans receivable decreased by $50.4 million on January 1, 2018 upon initial application of IFRS 9 (note 4). During the three months ended March 31, 2018, the Ambatovy Joint Venture subordinated loans receivable decreased by $1.0 million (March 31, 2017 – nil) as a result of revaluation of the allowance for credit losses. The revaluation is presented within net unrealized gain on financial instruments within net finance expense (note 9). As at March 31, 2018, the Ambatovy Joint Venture subordinated loans receivable is presented net of an allowance for credit losses of $31.1 million within the condensed consolidated statements of financial position (note 12).

(4) 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 months ended March 31, 2018, the Moa Joint Venture expansion loans payable increased by $3.8 million due to accretion (for the year ended December 31, 2017 - $12.7 million).

(5) 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%.

Ambatovy subordinated loans receivable – post-financial completion

The Ambatovy subordinated loans receivable – post-financial completion is comprised of funding from the Corporation provided to the Ambatovy Joint Venture. The loans bear interest rates from six-month LIBOR plus 4.6% to six-month LIBOR plus 8%. Repayments of principal or interest will not be made prior to certain conditions of the Ambatovy Joint Venture senior debt finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually in June and December. For the three months ended March 31, 2018, US$7.9 million of post-financial completion cash funding was provided to the Ambatovy Joint Venture at the Corporation's 12% interest (nil for the three months ended March 31, 2017).

14. NON-FINANCIAL ASSETS

Extension of the Puerto Escondido/Yumuri production-sharing contract

In January 2018, a three-year extension of the Puerto Escondido/Yumuri production-sharing contract to March 2021 was executed with an agency of the Government of Cuba. As a result, the useful life of property, plant and equipment related to the Puerto Escondido/Yumuri production-sharing contract was extended from March 2018 to March 2021 and the environmental rehabilitation provision was reclassified from current to non-current.

15. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

			For the three months ended March 31, 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 March 31
Other loans and borrowings						
8.00% senior unsecured debentures due 2021[1]	12	$ 213.2	**$ (47.3)**	**$ -**	**$ (4.9)**	**$ 161.0**
7.50% senior unsecured debentures due 2023[1]	12	240.7	**(39.3)**	**-**	**(9.5)**	**191.9**
7.875% senior unsecured debentures due 2025[1]	12	234.4	**(23.7)**	**-**	**(10.8)**	**199.9**
Ambatovy Joint Venture partner loans[2]	12	127.8	**-**	**3.6**	**6.2**	**137.6**
Syndicated revolving-term credit facility		8.0	**-**	**-**	**-**	**8.0**
		$ 824.1	**$ (110.3)**	**$ 3.6**	**$ (19.0)**	**$ 698.4**
Current portion of other loans and borrowings		(8.0)				**(8.0)**
		$ 816.1				**$ 690.4**

(1) Other non-cash changes consists of the effect of initial application of IFRS 9 on January 1, 2018 (note 4), 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 (note 4) and accretion. 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 March 31, 2018, the Corporation repurchased $121.2 million total principal amount of the senior unsecured debentures at a total cost of $110.3 million. A gain on repurchase of debentures of $2.3 million, net of $8.6 million related to deferred financing costs and the impact of the adoption of IFRS 9, was recognized during the three months ended March 31, 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 $3.1 million.

Transaction costs for the repurchase of the senior unsecured debentures totalled $1.3 million, $1.2 million of which were paid during the three months ended March 31, 2018.

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 March 31, 2018 is $140.0 million.

Covenants

As at March 31, 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 restrictions on the incurrence of debt or certain distributions under the senior unsecured debentures indenture agreement.

Other financial liabilities

Canadian $ millions, as at	**2018 March 31**	2017 December 31
Cobalt-linked warrant liability	**$ 12.0**	$ -
Stock-based compensation liability	**14.3**	23.6
Other non-current financial liabilities	**0.7**	0.6
	27.0	24.2
Current portion of other financial liabilities	**(11.3)**	(8.0)
	$ 15.7	$ 16.2

In January 2018, the Corporation issued 47.2 million cobalt-linked warrants as part of a unit offering that also included common shares (note 17). The cobalt-linked warrants have an exercise price of $1.95 for a period of 36 months, effective January 25, 2018, and are listed on the Toronto Stock Exchange. Each cobalt-linked warrant is exercisable to acquire between 1.00 and 1.25 common shares, determined with reference to a common shares per warrant ratio based on a prescribed cobalt reference price. The common shares per warrant ratio as at March 31, 2018 was 1.05. The warrants are classified as a non-current financial liability and the fair value upon issuance was determined to be $0.34 per warrant using the closing market price on the date of issuance, which totaled $16.1 million. As at March 31, 2018, the closing price of the cobalt-linked warrants decreased to $0.255 per warrant, resulting in an unrealized gain on financial instruments of $4.1 million recognized within net finance expense (note 9). Transaction costs of $1.0 million were allocated to the cobalt-linked warrants based on the relative fair values of the warrants and common shares included in the unit offering and were recognized as other finance charges within net finance expense (note 9). As at March 31, 2018, 47.2 million cobalt-linked warrants related to the 2018 unit offering were outstanding (note 17).

16. PROVISIONS

Canadian $ millions, as at	2018 March 31	2017 December 31
Environmental rehabilitation provisions	**$ 96.7**	$ 95.3
Other provisions	**14.3**	15.0
	111.0	110.3
Current portion of provisions	**(13.4)**	(18.3)
	$ 97.6	$ 92.0

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the three months ended 2018 March 31	For the year ended 2017 December 31
Balance, beginning of the period		**$ 95.3**	$ 103.2
Change in estimates		**(1.9)**	(12.0)
Utilized during the period		**-**	(0.4)
Accretion	9	**0.1**	1.0
Effect of movement in exchange rates		**3.2**	3.5
Balance, end of the period		**$ 96.7**	$ 95.3

The following is a reconciliation of other provisions:

Canadian $ millions	For the three months ended 2018 March 31	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	**(0.7)**	(8.1)
Balance, end of the period	**$ 14.3**	$ 15.0

For the three months ended March 31, 2018, the Corporation recognized $3.8 million in cash used by discontinued operations in the condensed consolidated statements of cash flow ($0.1 million for the three months ended March 31, 2017). 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 a $3.1 million payment for amounts reclassified to trade accounts payable and accrued liabilities in prior periods.

17. 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 15) 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 three months ended 2018 March 31		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	**666,015**	**0.8**	7,556,742	8.8
Balance, end of the period	**397,082,880**	**$ 2,894.6**	301,758,665	$ 2,784.6

As at March 31, 2018, 10.6 million warrants related to the 2016 debenture extension were outstanding.

Reserves

Canadian $ millions	For the three months ended 2018 March 31	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	**0.5**	1.5
Balance, end of the period	**10.7**	10.3
Total reserves, end of the period	**$ 233.0**	$ 232.9

Accumulated other comprehensive income

Canadian $ millions		For the three months ended 2018 March 31		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		**23.5**		(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		**494.4**		470.9
Actuarial losses on pension plans				
Balance, beginning of the period	**$**	**(4.4)**	$	(4.2)
Actuarial losses on pension plans, net of tax		**(0.2)**		(0.2)
Balance, end of the period		**(4.6)**		(4.4)
Total accumulated other comprehensive income	**$**	**489.8**	$	466.5

18. STOCK-BASED COMPENSATION PLANS

Other stock-based compensation

Performance Share Units (PSUs)

In February 2018, the Corporation's Board of Directors approved the grant of PSUs to certain employees, the vesting of which will be subject to the achievement of two equally-weighted performance conditions measured over the 3-year graded vesting period: (i) the Corporation's total shareholder return relative to benchmark indices comprised of mining and oil and gas companies (a market condition); and (ii) unit cost of production compared to budget (a non-market condition). The value of PSUs that vest will vary from 0% to 200% based on the achievement of the market and non-market performance conditions. The number of PSUs subject to these performance conditions granted during the three months ended March 31, 2018 was 3,125,900 (March 31, 2017 - 3,774,328).

Restricted Share Units (RSUs)

In February 2018, the Corporation's Board of Directors approved the grant of RSUs to certain employees with a 3-year graded vesting period with no performance conditions. The number of these RSUs granted during the three months ended March 31, 2018 was 2,254,300 (March 31, 2017 - 2,400,370).

19. SUPPLEMENTAL CASH FLOW INFORMATION

Other operating items

Canadian $ millions, for the three months ended March 31	Note		2018		2017
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9, 16	$	**0.1**	$	0.2
Stock-based compensation (recovery) expense, net	6		**(6.9)**		1.7
Other items			**-**		0.8
Cash flow arising from changes in:					
Other finance charges			**(0.5)**		(0.9)
Realized foreign exchange gain	9		**0.3**		0.1
		$	**(7.0)**	$	1.9

Net change in non-cash working capital

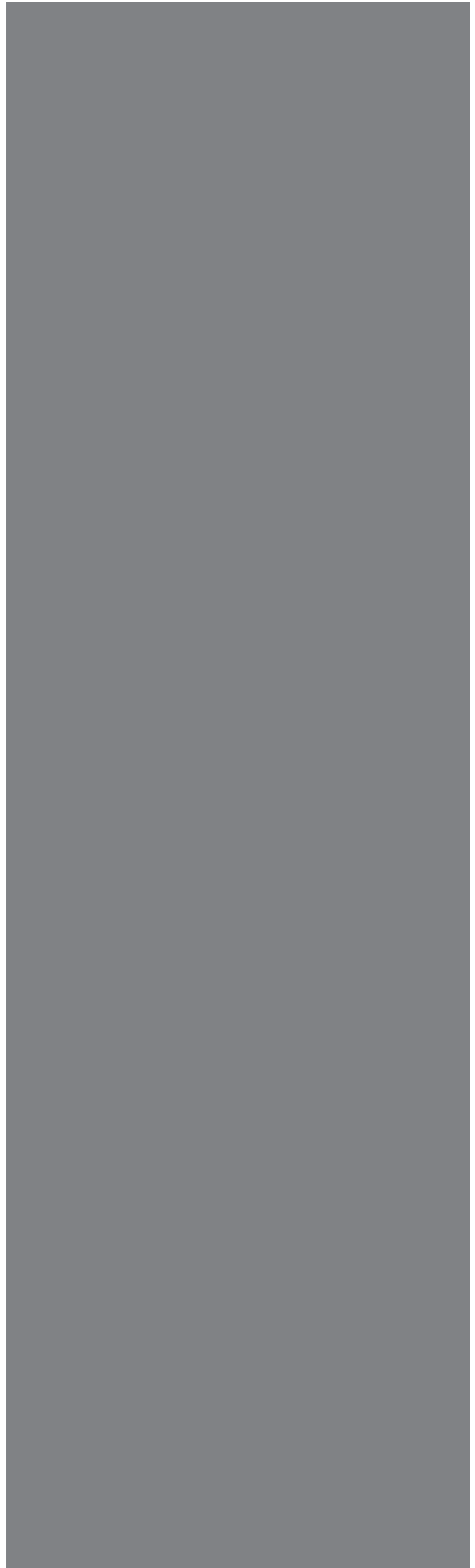
Canadian $ millions, for the three months ended March 31		2018		2017
Trade accounts receivable, net, and unbilled revenue	**$**	**39.8**	$	2.1
Inventories		**(5.8)**		(1.2)
Prepaid expenses		**(0.3)**		0.3
Trade accounts payable and accrued liabilities		**(20.9)**		(4.7)
Deferred revenue		**20.3**		13.9
	$	**33.1**	$	10.4

20. 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.

21. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31		2018
Property, plant and equipment commitments	**$**	**22.0**
Joint venture:		
Property, plant and equipment commitments		**6.8**



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