sherritt

Q1

2020 FIRST QUARTER REPORT

Sherritt International Corporation

For the three months ended March 31, 2020

For immediate release

Strong Operational Performance Drives Sherritt's Q1 2020 Results

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Toronto – April 30, 2020 – Sherritt International Corporation ("Sherritt", the "Corporation", the "Company") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three months ended March 31, 2020. All amounts are in Canadian currency unless otherwise noted.

CEO COMMENTARY

"In response to the health risks and market uncertainty introduced by COVID-19, we took decisive action in Q1 to protect our employees and maintain production through new health and safety practices and work processes," said David Pathe, President and CEO of Sherritt International. "As a result of these efforts, Sherritt experienced no COVID-19 impacts to production in Q1."

Mr. Pathe added, "Our liquidity was enhanced in Q1 through a number of measures, including collections on Cuban receivables under the agreement we announced in Q1, a nickel sale prepayment of $16 million, other temporary working capital initiatives, and further austerity measures introduced in response to COVID-19. Given that economic uncertainty is expected to persist in the near term, that we experienced a significant decline in Cuban collections in April, and that some of the actions taken in Q1 were one-time measures, we anticipate that our current liquidity position will decline through the end of 2020.

"Q1 was also marked by the launch of a balance sheet initiative aimed at strengthening our capital structure. Discussions with key stakeholders continue and we will provide further updates on our efforts to address our pending debt maturities and provide a resolution to our Ambatovy debt legacy in the coming weeks."

Mr. Pathe concluded, "Despite the disruption in delivery of mixed sulphides to our refinery in Fort Saskatchewan and the softening of nickel prices, Sherritt's performance in Q1 was marked by solid nickel and cobalt production totals and lower unit costs. These positive results are indicative of the benefits that operational excellence initiatives implemented over the past two years continue to deliver."

SUMMARY OF KEY Q1 DEVELOPMENTS

- In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures designed to protect employees at its operations around the world. Although the pandemic has had limited impact on nickel, cobalt, power and oil production to date, and while production activities continue, Sherritt has withdrawn its guidance for 2020 due to a number of market and economic uncertainties caused by COVID-19. As a result of this uncertainty and lack of near-term visibility, Sherritt has also implemented a number of austerity measures, identifying opportunities to reduce or defer budgeted expenditures for the Moa Joint Venture (100% basis), Sherritt's Oil and Gas and Power operations, and Corporate Office for 2020 by approximately $90 million.
- Launched a balance sheet initiative aimed at improving the Corporation's liquidity, reducing debt levels and building balance sheet strength. Sherritt is currently in discussions with key stakeholders in respect of the initiative, and believes that it is appropriate and in the best interests of the Corporation to continue to work towards a consensual transaction for the benefit of all stakeholders.
- Sherritt's share of finished nickel and cobalt production at the Moa Joint Venture (Moa JV) in Q1 2020 were 3,836 tonnes and 400 tonnes, respectively. Finished production totals were impacted by the reduced availability of mixed sulphides as a result of heavy rains at Moa in January, and by the disruption of deliveries to the refinery in Fort Saskatchewan caused by rail blockades in Canada and by extended transit times for shipping vessels from Cuba.
- Secured a $16 million prepayment against future nickel deliveries in 2020 as part of efforts to enhance the Corporation's liquidity.
- Excluding $86.2 million of cash and cash equivalents held by Energas, Sherritt ended Q1 2020 with cash and cash equivalents of $107.2 million. Sherritt's consolidated cash position of $193.4 million at the end of Q1 was up from $166.1 million at the end of Q4 2019. The change in Sherritt's liquidity was due to the timing of a number of factors including the receipt of distributions from the Moa JV, a positive change in working capital primarily as a result of higher Cuban energy payments, a $16 million prepayment against future nickel deliveries in 2020, seasonal fertilizer collections, and the deferral of $7.4 million in interest payments as a result of the launch of the balance sheet initiative.
- Received $13.3 million in distributions from the Moa JV despite softening nickel prices in the quarter. The distributions were primarily due to the Moa JV ending 2019 with a higher than required cash balance.

- Sherritt received a commitment from its Cuban partners effective February 1, 2020 for an incremental US$5.0 million per month payment to be used to fund Energas operations and reduce overdue amounts owed to Sherritt. The increment will be added to US$2.5 million per month payment under the overdue receivables agreement first ratified in June 2019. In Q1 2020, Sherritt received US$19.0 million in Cuban energy payments, including US$18.0 million related to the overdue receivables agreement and US$1.0 million attributable to Sherritt's Oil and Gas operations. Payments in March were lower than expected as the spread of COVID-19 reduced Cuba's access to foreign currency.
- Excluding depreciation and share-based compensation, administrative expenses declined by an additional $600,000, or 6%, from $9.3 million in Q1 2019.
- Began preliminary testing on Block 10 following the completion of additional work on the well and recertification of specific pieces of equipment. The onset of COVID-19 and travel restrictions imposed in Cuba have delayed test samples from being analyzed in a lab setting. All Block 10 operations are currently suspended.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Sherritt agreed to an extension for the maturity of its $70 million credit facility from its senior lenders to August 31, 2020 to allow for completion of the balance sheet initiative launched in Q1. As part of the extension, the lenders agreed to a reduction in the monthly minimum net available cash requirement to $65 million from $70 million starting April 30, 2020.

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

Q1 2020 FINANCIAL HIGHLIGHTS[1]

$ millions, except as otherwise noted, for the three months ended March 31	2020	2019	Change
Revenue	**$ 26.7**	$ 31.9	(16%)
Combined Revenue[2]	**112.7**	124.6	(10%)
Net loss for the period	**(42.2)**	(61.8)	32%
Adjusted EBITDA[2]	**4.7**	(1.2)	492%
Cash provided (used) by continuing operations	**22.6**	(34.6)	165%
Combined adjusted operating cash flow [2]	**6.9**	(9.9)	170%
Combined free cash flow[2]	**3.0**	(44.0)	107%
Average Exchange Rate (CAD/US$)	**1.345**	1.330	N/A
Net loss from continuing operations per share	**$ (0.11)**	$ (0.16)	31%

(1) The financial results for the Ambatovy JV are only discussed as part of Sherritt's share of earnings in associate based on financial statement amounts. All non-GAAP measures exclude the Ambatovy JV performance.
(2) For additional information see the Non-GAAP measures section.

$ millions, as at	2020 March 31	2019 December 31	Change
Cash, cash equivalents and short term investments	**$ 193.4**	$ 166.1	16%
Loans and borrowings	**730.1**	713.6	2%

Cash, cash equivalents and short-term investments at March 31, 2020 were $193.4 million, up from $166.1 million at December 31, 2019. The increase was due to a number of factors including, the receipt of $13.3 million in distributions from the Moa JV, $8.9 million in positive working capital changes primarily related to Cuban energy receipts, a $16 million prepayment for nickel sales against future deliveries in 2020, and the deferral of $7.4 million in interest payments as a result of the launch of the balance sheet initiative on February 26. Sherritt anticipates that its current liquidity position will decline through the balance of 2020 given the volatility of commodity prices and the uncertainty of energy payment collections expected in the near term due to the spread of COVID-19.

Cuban energy receipts consisted of US$18.0 million in payments made in accordance with the Energas overdue receivables agreements and US$1.0 million in payments made by CUPET for Oil and Gas receivables.

In Q1 Sherritt received a commitment from its Cuban partners effective February 1, 2020 for an incremental US$5.0 million per month payment related to an overdue receivables agreement ratified in June 2019. The incremental payment, which adds to the US$2.5 million initially agreed to, will be used to fund Energas operations and reduce overdue amounts owed to Sherritt. In March 2020, Sherritt received US$4.7 million of the expected US$7.5 million payments largely as a result of the impact of COVID-19 on Cuba's economy and access to foreign currency. It is anticipated that the timing and amounts of Cuban energy payments will fluctuate in the near term as Cuba's economy and access to foreign currency recover from the impact of COVID-19. Total overdue scheduled receivables at March 31, 2020 were US$154.0 million, down from US$158.4 million at December 31, 2019.

As at March 31, 2020, $86.2 million of Sherritt's cash and cash equivalents was held by Energas in Cuba, up from $79.8 million at the end of Q4 2019.

Adjusted net loss[1]

	2020		2019	
For the three months ended March 31	**$ millions**	**$/share**	$ millions	$/share
Net earnings (loss) from continuing operations	**(42.2)**	**(0.11)**	(61.8)	(0.16)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**(23.5)**	**(0.06)**	5.8	0.01
Other	**18.0**	**0.05**	1.1	0.01
Adjusted net loss from continuing operations	**(47.7)**	**(0.12)**	(54.9)	(0.14)

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

Net loss from continuing operations for Q1 2020 was $42.2 million, or $0.11 per share, compared to a net loss of $61.8 million, or $0.16 per share, for the same period last year.

Net loss for Q1 2020 includes non-cash adjustments of $17.2 million, related to the revaluation of allowances for expected credit loss ("ACL") on the Moa Joint Venture expansion loans under IFRS 9 and $23.5 million unrealized foreign exchange gains. Sherritt's share of losses from each of the Moa and Ambatovy joint ventures were both lower in Q1 2020 compared to Q1 2019.

Adjusted net loss from continuing operations, which adjusts for ACL's and unrealized changes in foreign exchange, discussed above, was $47.7 million, or $0.12 per share, for the three months ended March 31, 2020 compared to an adjusted net loss from continuing operations of $54.9 million, or $0.14 per share, for Q1 2019.

METALS MARKET

Nickel

Nickel market conditions in the first quarter of 2020 were adversely impacted by the onset and spread of COVID-19. Triggered initially by a slowdown of China's economy and manufacturing activities, nickel prices and demand softened throughout the quarter as uncertainty about the virus' impact on the world's economy and outlook grew. By the end of the period, nickel prices had declined by 20% and nickel inventory grew by 37%.

Nickel prices on the London Metals Exchange (LME) started Q1 at US$6.38/lb and hit a peak of US$6.48/lb on January 16 before beginning a slow descent through end of March, ending the quarter at US$5.10/lb.

The price softness experienced in Q1 was matched by an increase in inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE). Combined inventory levels at March 31 totaled approximately 257,000 tonnes, up 37% from combined inventory totals of approximately 187,000 tonnes at the start of the year. The increase was largely driven by reduced consumer purchasing in the wake of stainless steel manufacturing interruptions in China related to COVID-19, extended Lunar New Year celebrations in January, and a slow recovery of production activities through March.

Since the start of Q2, nickel prices and combined inventories have stayed relatively flat. In the near term, it is anticipated that nickel prices and inventory levels may be volatile given the economic uncertainty caused by the spread of COVID-19 and related disruption of stainless steel production and mining operations around the world. In light of this uncertainty, a number of industry experts and market watchers have withdrawn their forecasts for nickel demand. Previously, demand for nickel through 2025 was expected to grow by approximately 3% per year to 2.8 million tonnes according to market research by Wood Mackenzie.

Industry experts remain bullish on the longer term market outlook for nickel, however. Over the longer term, demand for nickel is expected to accelerate with the increased adoption of electric vehicles since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries.

A shortage of nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects. As a result, no new nickel supply is expected to come on stream in the near term.

Cobalt

In contrast to nickel, cobalt prices and demand remained relatively stable in Q1, in large part because electronics and battery manufacturing activities in Japan and South Korea had not yet been significantly affected by the spread of COVID-19.

Cobalt prices, in fact, increased by 5% in Q1, reversing the downward trend experienced in Q4. Standard grade cobalt prices on March 31 closed at US$16.28/lb, up from $15.53/lb at the start of the quarter according to data collected by Fastmarkets MB. Cobalt prices since the start of Q2 have retreated modestly as consumer purchasing has softened.

The near-term outlook for cobalt remains uncertain, however, as the spread of COVID-19 has started to take a toll on consumer purchasing and mining activities around the world.

REVIEW OF OPERATIONS

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

$ millions, except as otherwise noted, for the three months ended March 31		2020		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**93.5**	$	102.3	(9%)
Loss from operations		**(4.7)**		(9.5)	51%
Adjusted EBITDA[1]		**10.1**		4.2	140%
CASH FLOW					
Cash provided (used) by operations	**$**	**4.5**	$	(4.1)	210%
Adjusted operating cash flow[1]		**7.2**		2.8	157%
Free cash flow[1]		**(2.1)**		(10.4)	80%
PRODUCTION VOLUMES (tonnes)					
Mixed Sulphides		**4,014**		4,336	(7%)
Finished Nickel		**3,836**		4,397	(13%)
Finished Cobalt		**400**		426	(6%)
Fertilizer		**56,089**		66,962	(16%)
NICKEL RECOVERY (%)		**83%**		84%	(1%)
SALES VOLUMES (tonnes)					
Finished Nickel		**3,773**		4,391	(14%)
Finished Cobalt		**381**		460	(17%)
Fertilizer		**31,140**		26,957	16%
AVERAGE-REFERENCE PRICES (US$ per pound)					
Nickel	**$**	**5.77**	$	5.62	3%
Cobalt[2]		**16.77**		18.53	(9%)
AVERAGE REALIZED PRICE					
Nickel ($ per pound)		**7.60**		7.51	1%
Cobalt ($ per pound)		**19.16**		14.62	31%
Fertilizer ($ per tonne)		**350**		418	(16%)
UNIT OPERATING COSTS[1] (US$ per pound)					
Nickel - net direct cash cost		**4.33**		4.53	(4%)
SPENDING ON CAPITAL[3]					
Sustaining		**6.6**		14.0	(53%)
Expansion		**-**		-	-
		6.6		14.0	(53%)

(1) For additional information see the Non-GAAP measures section.
(2) Average standard grade cobalt published price per Fastmarkets MB.
(3) Spending on capital for the three months ended March 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Finished nickel production for Q1 2020 was 3,836 tonnes, down 13% from 4,397 tonnes produced in Q1 2019. Finished cobalt production for Q1 2020 was 400 tonnes, down 6% from 426 tonnes produced in Q1 2019. Lower finished production in Q1 2020 was primarily due to reduced availability of mixed sulphides at the refinery in Fort Saskatchewan, driven by a number of factors including heavy rains at Moa in January that adversely impacted mining operations and mixed sulphides production, and by reduced deliveries to the refinery caused by transportation interruptions due to rail blockades in Canada in February and by shipping vessel delays from Cuba.

Mixed sulphides production at Moa in Q1 2020 was 4,014 tonnes down 7% from 4,336 tonnes produced in Q1 2019. The decline was primarily due to heavy rains at Moa in January, which impacted mining operations. Unplanned maintenance activities at the leach plant at Moa, which has since returned to production capacity, also impacted mixed sulphides production in Q1 2020.

Q1 2020 revenue of $93.5 million was down 9% when compared to $102.3 million for Q1 2019. The revenue decline was driven by lower nickel and cobalt sales volumes in connection with reduced finished nickel and cobalt production. Higher cobalt averaged-realized prices in Q1 2020 helped to offset reduced nickel sales volume. Although nickel and cobalt sales volume in Q1 2020 were not impacted by the onset and spread of COVID-19, near-term sales volume through end of year may be affected by the impact that the pandemic is having on the world's economy and market outlook.

Mining, processing and refining (MPR) costs for Q1 2020 were US$5.34/lb, down 4% from US$5.59/lb for Q1 2019, largely as a result of lower sulphur and fuel oil costs, partly offset by the impact of lower production volumes on fixed costs.

NDCC in Q1 2020 was US$4.33/lb, marking an improvement from US$4.53/lb for the same period last year. The improvement was due to lower MPR costs and a higher cobalt credit from increased cobalt realized prices.

Sustaining capital spending in Q1 2020 was $6.6 million, down 53% from $14.0 million in Q1 2019. The year-over-year decrease is due to a number of factors, including the final delivery of new mining equipment in Q1 2019 and the implementation of austerity measures in Q1 2020 in response to the economic uncertainty caused by the spread of COVID-19 around the world.

Sherritt received $13.3 million in distributions from the Moa JV in Q1 2020 compared to $3.3 million in Q1 2019. The growth is reflective of improved commodity prices and the benefits that operational excellence initiatives have delivered to date and as a result of the Moa JV ending 2019 with a higher than required cash balance.

Oil and Gas

$ millions, except as otherwise noted, for the three months ended March 31		**2020**		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**7.1**	$	9.0	(21%)
Loss from operations		**(5.6)**		(5.7)	2%
Adjusted EBITDA(1)		**(3.6)**		(2.7)	(33%)
CASH FLOW					
Cash used by operations		**(7.4)**		(8.0)	8%
Adjusted operating cash flow(1)		**(3.6)**		(2.2)	(64%)
Free cash flow(1)		**(9.1)**		(14.9)	39%
PRODUCTION AND SALES (boepd)					
Gross working-interest (GWI) - Cuba		**3,277**		4,443	(26%)
Total net working-interest (NWI)		**1,751**		1,776	(1%)
AVERAGE-REFERENCE PRICE (US$ per barrel)					
West Texas Intermediate (WTI)	**$**	**45.44**	$	54.79	(17%)
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)		**37.22**		61.04	(39%)
Brent		**51.03**		62.96	(19%)
AVERAGE-REALIZED PRICE(1) (NWI)					
Cuba ($ per barrel)		**35.26**	$	59.13	(40%)
UNIT OPERATING COSTS(1) (GWI)					
Cuba ($ per barrel)		**27.28**	$	21.19	29%
SPENDING ON CAPITAL(2)					
Development, facilities and other	**$**	**0.1**	$	1.5	(93%)
Exploration		**1.6**		4.2	(62%)
	$	**1.7**	$	5.7	(70%)

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

(2) Spending on capital for the three months ended March 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Gross working-interest oil production in Cuba in Q1 2020 was 3,277 barrels of oil per day ("bopd"), down 26% from 4,443 bopd for Q1 2019. Lower production in the current year period was primarily due to natural reservoir declines and the absence of new development drilling.

Total net working-interest oil production for Q1 2020 of 1,751 barrels was flat when compared to Q1 2019 totals.

Revenue in Q1 2020 was $7.1 million, down 21% when compared to Q1 2019 due to lower realized prices in Cuba, but partially offset by a weaker Canadian dollar relative to the U.S. dollar.

While total operating costs were marginally lower for the three months ended March 31, 2020, unit operating costs in Cuba in Q1 2020 were $27.28 per barrel, up 29% when compared to Q1 2019 as a result of lower production and the impact of a weaker Canadian dollar relative to the U.S. dollar. Costs in Cuba are generally denominated in U.S. currency. Spending on equipment has been deferred where possible until the test results of Block 10 can be finalized.

Capital spending in Q1 2020 of $1.7 million was 70% lower as drilling on Block 10 was completed in late 2019. Q1 2020 costs include Block 10 completion and testing costs.

Sherritt began preliminary testing on Block 10 following the completion of additional work on the well and recertification of specific pieces of equipment. The onset of the COVID-19 pandemic and travel restrictions imposed in Cuba have delayed test samples from being analyzed in a lab setting. The Corporation will provide test results once lab access can be restored and samples are analyzed. Block 10 operations are currently suspended.

Power

$ millions (33⅓% basis), except as otherwise noted, for the three months ended March 31		**2020**		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**9.4**	$	10.7	(12%)
Earnings from operations		**1.3**		0.9	44%
Adjusted EBITDA[(1)]		**6.5**		7.2	(10%)
FINANCIAL HIGHLIGHTS					
Cash provided by operations		**18.4**		3.6	411%
Adjusted operating cash flow[(1)]		**13.2**		6.3	110%
Free cash flow[(1)]		**18.4**		3.1	494%
PRODUCTION AND SALES					
Electricity (GWh)		**153**		173	(12%)
AVERAGE-REALIZED PRICE[(1)]					
Electricity ($/MWh)	**$**	**56.97**	$	55.74	2%
UNIT OPERATING COSTS[(1)] ($/MWh)					
Base		**14.06**		19.83	(29%)
Non-base[(2)]		**0.51**		0.45	13%
		14.57		20.28	(28%)
NET CAPACITY FACTOR (%)		**48**		54	(11%)
SPENDING ON CAPITAL[(3)]					
Sustaining	**$**	**-**	$	0.5	(100%)
	$	**-**	$	0.5	(100%)

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

(2) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted or as service concession arrangements.

(3) Spending on capital for the three months ended March 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Power production in Q1 2020 was 153 gigawatt hours ("GWh") of electricity, down 12% from 173 GWh for the comparable period of 2019 as a result of a decline in gas supply.

Average-realized prices in Q1 2020 were $56.97, up 2% from $55.74 last year. The increase was due to the depreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q1 2020 totaled $9.4 million, down 12% from $10.7 million for last year. The decrease was primarily due to lower power production.

Unit operating costs in Q1 2020 were $14.57/MWh, down 28% from $20.28/MWh for last year. The decrease was due to the timing of maintenance activities aimed at limiting operational spending and managing within Cuban energy receipts. Unit operating costs for Q1 2020 were also impacted by a lower production and a change in Canadian dollar relative to the U.S. dollar as Power operating costs are generally denominated in U.S. currency.

2020 REVIEW OF STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2020, and summarizes how the Corporation has performed against those priorities.

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt launched a balance sheet initiative in Q1 2020 aimed at strengthening the Corporation's capital structure. Pending approval from stakeholders, court approval and closing, the transaction will result in the elimination of up to $424.5 million in recourse debt and annual interest savings of up to $19 million. Discussions with key stakeholders are ongoing, and the Corporation believes that working towards a consensual transaction agreement is in the best interest of all stakeholders. Ongoing austerity measures contributed to a 6% reduction in administration expenses (excluding stock-based compensation and depreciation) in Q1 2020 compared to the same period last year. In response to the economic uncertainty caused by the spread of COVID-19, Sherritt has identified opportunities to save or defer approximately $90 million of capital spend, operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis).
	Optimize working capital and receivables collection	In Q1 2020, Sherritt received a commitment from its Cuban partners for incremental payments of US$5.0 million per month effective February 1, 2020, which will be used to fund Energas operations and apply to overdue amounts. This increment is in addition to the US$2.5 million per month Sherritt is receiving under the overdue receivables agreement ratified in June 2019. Sherritt received a total of US$19 million Cuban energy payments in Q1 2020, including US$1.0 million from Oil and Gas. As part of efforts to enhance liquidity, Sherritt secured a $16 million prepayment against future nickel deliveries in 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV and Fort Site generated $7.2 million of adjusted operating cash flow in Q1 2020, up 157% from the same period last year.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q1 2020 improved by 4% to US$4.33/lb from US$4.53 last year, largely as a result of higher realized cobalt prices and lower input costs.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Finished nickel production at the Moa JV in Q1 2020 was 7,672 tonnes (100% basis), while finished cobalt production was 800 tonnes (100% basis). Production was impacted by the reduced availability of mixed sulphides at the refinery in Fort Saskatchewan due to weather and transportation challenges experienced in the quarter.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q1 2020, Sherritt's operations at Moa, Fort Site, Oil & Gas and Power had two lost time incidents In Q1 2020, Moa/Fort Site had a recordable injury frequency rate of 0.27 and a lost time injury frequency rate of 0.12; the Oil and Gas business had a recordable injury frequency rate of 0.48 and a lost time injury rate of 0.00; and the Power business had recordable injury frequency and lost time injury frequency rates of 0.00. Overall Sherritt had a recordable injury frequency rate of 0.26 and a lost time injury frequency rate of 0.09. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed approximately 5,700 meters to reach the target drilling depth. Preliminary testing started in Q1 2020 following the re-certification of specific pieces of equipment and completion of additional work on the well. Testing has been suspended due to restrictions on travel caused by COVID-19, which has prevented samples from being analyzed in a lab environment.

OUTLOOK

2020 Production, unit operating costs and capital spending guidance

In response to health risks associated with the spread of COVID-19, Sherritt has implemented a number of health and safety measures designed to protect employees at its operations around the world. Although nickel, cobalt, power and oil production activities have experienced modest disruption to date, and while production activities continue, Sherritt has withdrawn its guidance for 2020 due to a number of market and economic uncertainties caused by COVID-19.

Production volumes, unit operating costs and spending on capital	Initial 2020 guidance - Total[1]	Year-to-date actuals - Total	Updated 2020 guidance - Withdrawn
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	7,672	
Cobalt, finished	3,300 - 3,600	800	
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,277	
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	1,751	
Electricity (GWh, 33⅓% basis)	500 - 550	153	
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.33	
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$27.28	
Electricity (unit operating cost, $ per MWh)	$28.00 - $29.50	$14.57	
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)[2]	US$34 (CDN$45)	US$5 (CDN$7)	
Oil and Gas	US$6 (CDN$8)	US$1 (CDN$2)	
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	
Spending on capital (excluding Corporate)	US$41 (CDN$54)	US$6 (CDN$9)	

(1) As originally announced January 22, 2020.

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

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost/NDCC, adjusted earnings/loss, adjusted operating cash flow and free cash flow to monitor the performance of the Corporation and its operating divisions. Management believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or 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 three months ended March 31, 2020 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast May 1, 2020 at 10:00 a.m. Eastern Time to review its Q1 2020 results. Dial-in and webcast details are as follows:

North American callers, please dial:	1-866-521-4909
International callers, please dial:	647-427-2311
Live webcast:	www.sherritt.com

Please dial-in 15 minutes before the start of the call to secure a line. The conference call discussion will include a presentation that will be available from Sherritt's website.

An archive of the webcast and replay of the conference call will also be available on the website.

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, 2020 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, operations, and investments in Canada, Cuba, and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “potential”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” section 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; the impact of the COVID-19; demand in the stainless steel and electric vehicle battery markets; anticipated payments of outstanding receivables; funding of future Ambatovy cash calls; the implementation of the Corporation’s balance sheet initiative (the “Transaction”); strengthening the Corporation’s capital structure and reducing annual interest expenses; 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 and creditor approvals and waivers; 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, the impact of the COVID-19 pandemic, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to Sherritt’s investment in the Ambatovy Joint Venture; the risk to Sherritt’s entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in Cuba; 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; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s 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 climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation’s social license to grow and operate; credit risks; 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; identification and management of growth opportunities; 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; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, risks associated with the ability of the Corporation to receive all necessary regulatory, court, third party and stakeholder approvals in order to complete the Transaction; the ability of the Corporation to achieve its financial goals; the ability of the Corporation to operate in the ordinary course during the CBCA Proceedings, including with respect to satisfying obligations to service providers, suppliers, contractors and employees; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation’s future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements. 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 Management’s Discussion and Analysis for the three months ended March 31, 2020 and the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, 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:
Joe Racanelli, Director of Investor Relations
Telephone: (416) 935-2457
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E-mail: investor@sherritt.com

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2020

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 30, 2020, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three months ended March 31, 2020 and the MD&A for the year ended December 31, 2019. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

The business we manage

Sherritt manages its mining, oil & gas, power and technologies operations through different legal structures including 100% owned subsidiaries, joint arrangements and an associate. The relationship for accounting purposes that Sherritt has with these operations and the interest recognized in the Corporation's financial statements are as follows:

	Relationship for accounting purposes	Interest	Basis of accounting
Moa Joint Venture	Joint venture	50%	Equity method
Oil and Gas	Subsidiary	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses
Technologies	Subsidiary	100%	Consolidation
Ambatovy Joint Venture	Associate	12%	Equity method

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 presents amounts by reporting segment, based on the Corporation's economic interest.

Moa Joint Venture and Fort Site: Includes the Corporation's 50% interest in the Moa Joint Venture and 100% interest in the utility and fertilizer operations at Fort Site.

Metals Other: Includes the Corporation's 100% interests in wholly-owned subsidiaries established to buy, market and sell certain Moa Joint Venture's nickel and cobalt production.

Oil and Gas: Includes the Corporation's 100% interest in its Oil and Gas business.

Power: Includes the Corporation's 33⅓% interest in its Power business.

Corporate and Other: Includes the Corporation's head office activities and the operations of its Technologies business.

Operating and financial results presented in this MD&A for reporting segments can be reconciled to note 7 of the condensed consolidated financial statements for the three months ended March 31, 2020.

INVESTMENT IN AMBATOVY JOINT VENTURE

In March 2019, as a result of management's decision not to fund a cash call by the Ambatovy Joint Venture, Sherritt became a defaulting shareholder. Management is not expecting to resume funding of the Ambatovy Joint Venture, and therefore this condition will likely persist. With the loss of voting rights at the board level, limitation of operational and financial influence, and the continued decision not to provide cash funding to the Ambatovy Joint Venture, the Corporation's chief operating decision makers no longer consider the Ambatovy Joint Venture a reportable segment of the business for accounting purposes. Despite becoming a defaulting shareholder, Sherritt will continue to use the equity method of accounting for the Ambatovy Joint Venture.

As a result of this change, the Ambatovy Joint venture is excluded from combined results, Adjusted EBITDA and combined cash flow metrics in the current and comparative periods. In February 2020, the Corporation announced a transaction that proposed to exchange the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture or (ii) amended loans that would constitute obligations of Madagascar Mineral Investments Ltd., a wholly-owned subsidiary of the Corporation, with no further recourse against the Corporation. See the Highlights section for further information.

NON-GAAP MEASURES

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

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

Management uses non-GAAP measures to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures are intended to provide additional information, not to replace IFRS measures. Non-GAAP measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies.

The non-GAAP measures are reconciled to the most directly comparable IFRS measure in the non-GAAP measures section starting on page 44.

Strategic priorities

The table below summarizes how the Corporation performed against its strategic priorities for 2020.

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt launched a balance sheet initiative in Q1 2020 aimed at strengthening the Corporation's capital structure. Pending approval from stakeholders, court approval and closing, the transaction will result in the elimination of up to $424.5 million in recourse debt and annual interest savings of up to $19 million. Discussions with key stakeholders are ongoing, and the Corporation believes that working towards a consensual transaction agreement is in the best interest of all stakeholders. Ongoing austerity measures contributed to a 6% reduction in administration expenses (excluding stock-based compensation and depreciation) in Q1 2020 compared to the same period last year. In response to the economic uncertainty caused by the spread of COVID-19, Sherritt has identified opportunities to save or defer approximately $90 million of capital spend, operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis).
	Optimize working capital and receivables collection	In Q1 2020, Sherritt received a commitment from its Cuban partners for incremental payments of US$5.0 million per month effective February 1, 2020, which will be used to fund Energas operations and apply to overdue amounts. This increment is in addition to the US$2.5 million per month Sherritt is receiving under the overdue receivables agreement ratified in June 2019. Sherritt received a total of US$19 million Cuban energy payments in Q1 2020, including US$1.0 million from Oil and Gas. As part of efforts to enhance liquidity, Sherritt secured a $16 million prepayment against future nickel deliveries in 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV and Fort Site generated $7.2 million of adjusted operating cash flow in Q1 2020, up 157% from the same period last year.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q1 2020 improved by 4% to US$4.33/lb from US$4.53 last year, largely as a result of higher realized cobalt prices and lower input costs.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Finished nickel production at the Moa JV in Q1 2020 was 7,672 tonnes (100% basis), while finished cobalt production was 800 tonnes (100% basis). Production was impacted by the reduced availability of mixed sulphides at the refinery in Fort Saskatchewan due to weather and transportation challenges experienced in the quarter.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q1 2020, Sherritt's operations at Moa, Fort Site, Oil & Gas and Power had two lost time incidents In Q1 2020, Moa/Fort Site had a recordable injury frequency rate of 0.27 and a lost time injury frequency rate of 0.12; the Oil and Gas business had a recordable injury frequency rate of 0.48 and a lost time injury rate of 0.00; and the Power business had recordable injury frequency and lost time injury frequency rates of 0.00. Overall Sherritt had a recordable injury frequency rate of 0.26 and a lost time injury frequency rate of 0.09. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed approximately 5,700 meters to reach the target drilling depth. Preliminary testing started in Q1 2020 following the re-certification of specific pieces of equipment and completion of additional work on the well. Testing has been suspended due to restrictions on travel caused by COVID-19, which has prevented samples from being analyzed in a lab environment.

Highlights

COVID-19

In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures designed to protect employees at its operations around the world. Although the pandemic has had limited impact on nickel, cobalt, power and oil production to date, and while production activities continue, Sherritt has withdrawn its guidance for 2020 due to a number of market and economic uncertainties caused by COVID-19. More details on market and economic uncertainties caused by COVID-19 can be found in the Significant factors influence operations section of this MD&A. As a result of this uncertainty and lack of near-term visibility, Sherritt has also implemented a number of austerity measures, discussed in more detail in the Preserving liquidity and managing costs section below.

BALANCE SHEET INITIATIVE

In February 2020, the Corporation announced a transaction (the "Transaction" or "Balance Sheet Initiative") to be implemented pursuant to a plan of arrangement under the Canada Business Corporations Act (the "CBCA") that proposes exchanging the Corporation's existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Existing Notes") in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon up to but excluding the implementation date of the Transaction (the "Effective Date"), for new second lien secured debentures due in 2027 (the "New Secured Notes") in an aggregate principal amount equal to 50% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, and certain early cash consent consideration. Based on an Effective Date of April 30, 2020, it was estimated that the aggregate principal amount of the New Secured Notes would be approximately $319 million, and that if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations' debenture obligations of approximately $269 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes. As of the date of issuance of this MD&A, the Corporation anticipates that the Transaction will be completed after April 30, 2020, during its second fiscal quarter. The final principal amount of New Secured Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date, and other matters.

The Transaction also proposes exchanging the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the "Debtholders") in the aggregate principal amount of approximately $155.5 million as at March 31, 2020, plus all accrued and unpaid interest in respect thereof, for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture Interests") or (ii) amended loans that would constitute obligations of Madagascar Mineral Investments Ltd., a wholly-owned subsidiary of the Corporation, with no further recourse against the Corporation ("Amended Ambatovy Joint Venture Partner Loans"). This would result in a further reduction of recourse loans and borrowings of approximately $155.5 million using the March 31, 2020 foreign exchange rates.

Subject to the receipt of requisite approvals, and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed during the Corporation's second fiscal quarter. The exchange of the Existing Notes for New Secured Notes and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests or Amended Ambatovy Joint Venture Partner Loans, as elected by the Ambatovy Joint Venture partners, will be recognized in the condensed consolidated financial statements of the Corporation if the Transaction is completed in accordance with IFRS 9 Financial Instruments. Therefore, there is no impact as a result of the Transaction during the three months ended March 31, 2020.

Sherritt is currently in discussions with key stakeholders in respect of the initiative, and believes that it is appropriate and in the best interests of the Corporation to continue to work towards a consensual transaction for the benefit of all stakeholders.

Additional information in respect of the Transaction is described in the Corporation's management information circular dated March 6, 2020.

MOA JOINT VENTURE OPERATIONS UPDATE

Sherritt's share of finished nickel production at the Moa Joint Venture for the three months ended March 31, 2020 was 3,836 tonnes, down 13% from the same period last year, while finished cobalt production of 400 tonnes was down 6%. The decrease in finished production was primarily due to the reduced availability of mixed sulphides as a result of heavy rains at Moa in January, and by the disruption of deliveries to the refinery in Fort Saskatchewan caused by rail blockades in Canada and by extended transit times for shipping vessels from Cuba.

NDCC for the three months ended March 31, 2020 was US$4.33 per pound, 4% lower compared to the same period in the prior year primarily as a result of higher cobalt by-product credits due to higher realized cobalt prices, in addition to lower sulphur and fuel oil prices, partially offset by lower nickel sales volume and higher third-party feed costs.

During the three months ended March 31, 2020, the Moa Joint Venture paid distributions to Sherritt of $13.3 million compared to $3.3 million in the same period in the prior year, as a result of the Moa Joint Venture beginning the year with a strong cash balance.

OIL AND GAS BLOCK 10 UPDATE

Sherritt began preliminary testing on Block 10 following the completion of additional work on the well and recertification of specific pieces of equipment. The onset of the COVID-19 pandemic and travel restrictions imposed in Cuba have delayed test samples from being analyzed in a lab setting. All Block 10 operations are currently suspended. The Corporation will provide test results once lab access can be restored and samples are analyzed.

CUBAN OVERDUE RECEIVABLES AGREEMENTS

During 2019, Sherritt's Cuban partners ratified an overdue receivables agreement (the Agreement) under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. For the three months ended March 31, 2020, Sherritt received Cuban energy payments of US$8.1 million under this agreement.

In February 2020, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month, which is being used to fund Energas operations and reduce amounts owed to Sherritt. For the three months ended March 31, 2020, Sherritt received Cuban energy payments of US$9.9 million under this agreement.

In March 2020, Sherritt received US$4.7 million of the expected US$7.5 million payments largely as a result of the impact of COVID-19 on Cuba's economy and access to foreign currency. It is anticipated that the timing and amounts of Cuban energy payments will fluctuate in the near term as Cuba's economy and access to foreign currency recover from the impact of COVID-19.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at March 31, 2020 were $193.4 million, up from $166.1 million at December 31, 2019. As at March 31, 2020, $86.2 million of Sherritt's cash and cash equivalents were held by Energas in Cuba, up from $79.8 million at December 31, 2019. Excluding the cash and cash equivalents held by Energas in Cuba, Sherritt's cash, cash equivalents and short-term investments were $107.2 million and $86.3 million as at March 31, 2020 and December 31, 2019, respectively.

During the quarter, cash increased primarily as a result of receipt of $13.3 million in distributions from the Moa Joint Venture, positive working capital changes of $8.9 million, including receipt of Cuban energy payments, seasonal fertilizer collections and a $16 million prepayment against future nickel deliveries in 2020, and the effects of exchange rate changes, offset by $6.1 million of cash used by consolidated operations and $2.6 million of capital expenditures. In addition, interest payments of $7.4 million were deferred on outstanding debentures as a result of the Transaction and under the related stay of proceedings under the CBCA Proceedings. Sherritt anticipates that its current liquidity position will decline through the balance of 2020 given the volatility of commodity prices and the uncertainty of energy payment collections expected in the near term due to the spread of COVID-19.

During the quarter, US$19.0 million of Cuban energy payments were received compared to US$13.4 million in Q4 2019. Cuban energy payments received during the quarter included US$18.0 million received in accordance with the overdue receivables agreements, which is cited in the Cuban overdue receivables agreement section above, and US$1.0 million from Oil and Gas. At March 31, 2020, total overdue scheduled receivables were US$154.0 million, down from US$158.4 million at December 31, 2019.

PRESERVING LIQUIDITY AND MANAGING COSTS

On April 15, 2020, the maturity of the syndicated revolving-term credit facility was extended to August 31, 2020 and certain financial covenants were amended to be more favourable. This short-term extension of the maturity is to allow for the Balance Sheet Initiative to be completed, before the typical twelve-month maturity extension. More details can be found in the Liquidity and capital resources section of this MD&A.

The Corporation has identified opportunities to reduce or defer budgeted expenditures for the Moa Joint Venture (100% basis), Sherritt's Oil and Gas and Power operations, and Corporate Office by approximately $90 million for capital spend projects and administrative and operating expenses while sustaining safe operations. These opportunities include limiting capital spending, eliminating discretionary spending not affecting safe operations, deferring external hiring, maximizing sales terms to improve collections and negotiating with vendors for improved payment terms.

Excluding the non-cash impacts of share-based compensation and depreciation, administrative expenses for the three months ended March 31, 2020 of $8.7 million declined by an additional $600,000, which is 6% lower than the same period in the prior year. Administrative expenses for the three months ended March 31, 2020 include $1.2 million of costs related to the Balance Sheet Initiative. Total administrative expenses for three months ended March 31, 2020 were $8.7 million and include savings of $1.9 million in employee costs when compared to the same period in the prior year. These savings are largely a result of the austerity measures mentioned above, which support the Corporation's efforts to preserve liquidity and manage costs.

Financial results

$ millions, except as otherwise noted, for the three months ended March 31		2020		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**26.7**	$	31.9	(16%)
Combined revenue(1)		**112.7**		124.6	(10%)
Loss from operations, joint venture and associate		**(42.0)**		(51.4)	18%
Net loss for the period		**(42.2)**		(61.8)	32%
Adjusted net loss(1)		**(47.7)**		(54.9)	13%
Adjusted EBITDA(1)		**4.7**		(1.2)	492%
Net loss per share (basic and diluted) ($ per share)					
Net loss from continuing operations	**$**	**(0.11)**	$	(0.16)	31%
Net loss for the period		**(0.11)**		(0.16)	31%
CASH					
Cash, cash equivalents and short-term investments (prior period, December 31, 2019)	**$**	**193.4**	$	166.1	16%
Cash provided (used) by continuing operating activities		**22.6**		(34.6)	165%
Combined adjusted operating cash flow(1)		**6.9**		(9.9)	170%
Combined free cash flow(1)		**3.0**		(44.0)	107%
OPERATIONAL DATA					
SPENDING ON CAPITAL AND INTANGIBLE ASSETS(3)	**$**	**8.3**	$	20.2	(59%)
PRODUCTION VOLUMES					
Moa JV finished nickel (50% basis, tonnes)		**3,836**		4,397	(13%)
Moa JV finished cobalt (50% basis, tonnes)		**400**		426	(6%)
Oil (boepd, net working-interest production)(2)		**1,751**		1,776	(1%)
Electricity (gigawatt hours) (33⅓% basis)		**153**		173	(12%)
AVERAGE EXCHANGE RATE (CAD/US$)		**1.345**		1.330	1%
AVERAGE-REALIZED PRICES(1)					
Moa JV nickel ($ per pound)	**$**	**7.60**	$	7.51	1%
Moa JV cobalt ($ per pound)		**19.16**		14.62	31%
Oil - Cuba ($ per boe, NWI)(2)		**35.26**		59.13	(40%)
Electricity ($ per megawatt hour)		**56.97**		55.74	2%
UNIT OPERATING COSTS(1)					
Moa JV - Nickel (US$ per pound)(NDCC)	**$**	**4.33**	$	4.53	(4%)
Oil - Cuba ($ per boe, GWI)(2)		**27.28**		21.19	29%
Electricity ($ per megawatt hour)		**14.57**		20.28	(28%)

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

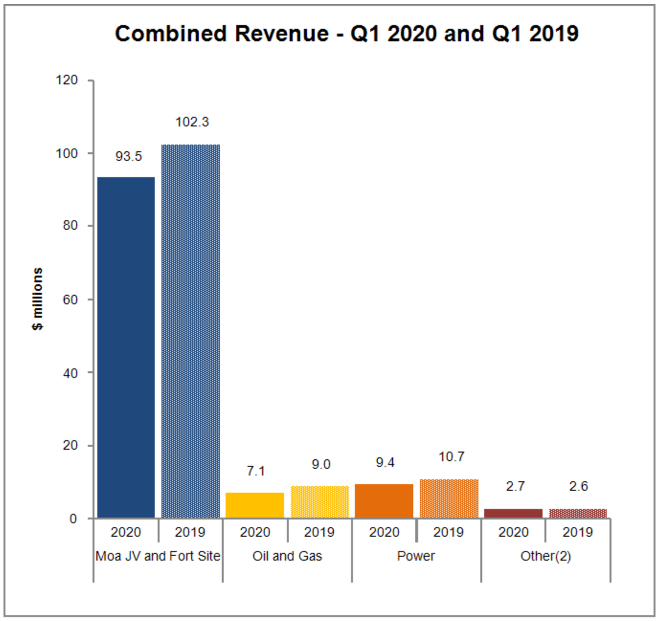
(2) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd); barrels of oil equivalent (boe).

(3) Spending on capital for the three months ended March 31, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Revenue for accounting purposes, which excludes revenue from the Moa and Ambatovy joint ventures as they are accounted for under the equity method, was lower for the three months ended March 31, 2020 compared to the same period in the prior year primarily due to lower average-realized oil and fertilizer prices.

Total combined revenue(1) was $112.7 million for the three months ended March 31, 2020 compared to $124.6 million for the same period in the prior year. Lower total combined revenue for the three months ended March 31, 2020 was primarily a result of the factors discussed above, in addition to lower nickel revenue, partially offset by higher cobalt revenue at the Moa Joint Venture.

Combined revenue is composed of the following:

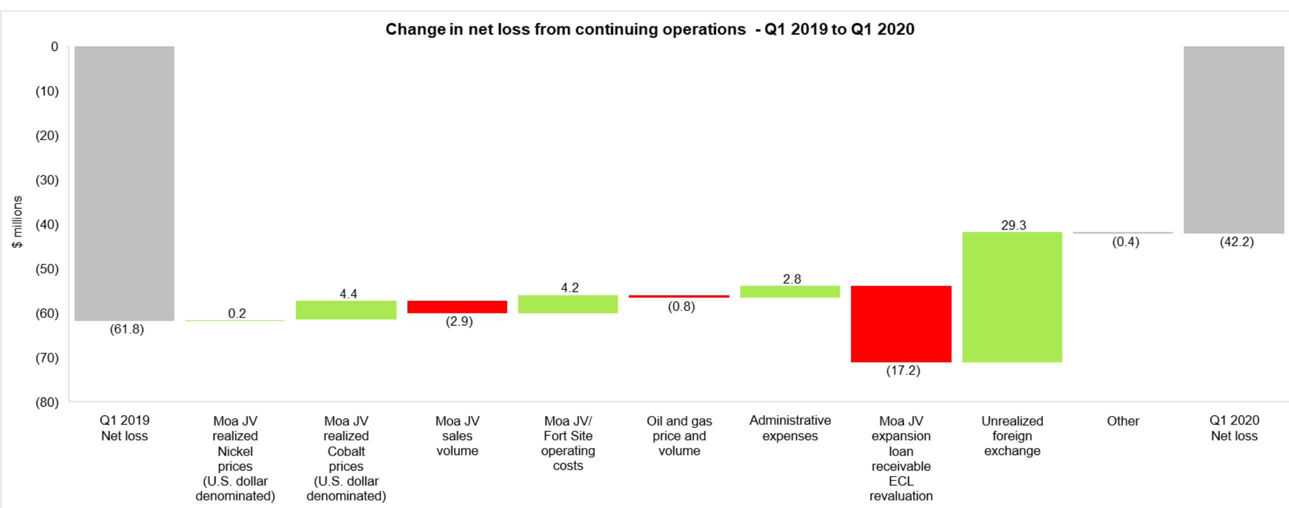


(1) For additional information see the Non-GAAP measures section.

(2) Other Q1 2020 revenue includes - Other Metals - $3.0 million and Corporate and other - $ (0.3) million. (Other Q1 2019 revenue includes - Other Metals - $2.9 million and Corporate and other - $ (0.3) million).

For the three months ended March 31, 2020, the net loss from continuing operations was $42.2 million, or $0.11 per share, compared to a loss of $61.8 million, or $0.16 per share in the same period in the prior year.

The change in net loss from continuing operations between Q1 2020 and Q1 2019 is detailed below:



Average-realized prices for nickel and cobalt were 1% higher and 31% higher, respectively, for the three months ended March 31, 2020, compared to the same period in the prior year. Average realized prices in Cuba were 40% lower for the three months ended March 31, 2020 compared to the same period in the prior year, reflecting lower U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year.

At Moa Joint Venture and Fort Site, revenue for the three months ended March 31, 2020 was 9% lower than the same period in the prior year primarily due to lower nickel and cobalt sales volume as a result of mixed sulphide availability at the Fort Site, primarily due to heavy rains in January, and by the disruption of deliveries to the refinery in Fort Saskatchewan caused by rail blockades in Canada and by extended transit times for shipping vessels from Cuba. As a result, the refinery received less shipments than in the prior year quarter.

At Oil and Gas, NWI production volume was relatively unchanged as the higher barrels of cost recovery oil were offset by lower barrels of profit oil and lack of production from Pakistan. The Pakistan natural gas field was sold in Q3 2019.

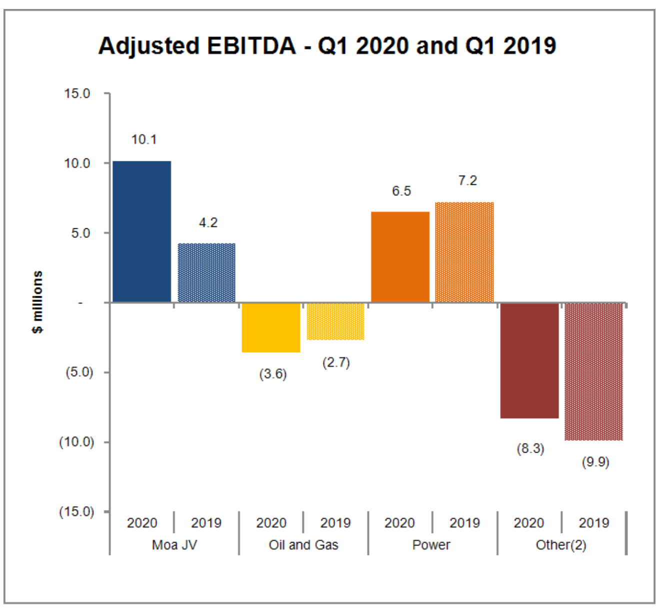
Administrative expenses in the three months ended March 31, 2020 were lower compared to the same period in the prior year primarily due to a decrease in employee costs and a share-based compensation recovery, partially offset by costs related to the Balance Sheet Initiative. Lower employee costs are a result of austerity measures implemented by the Corporation in 2019 and 2020.

The Corporation recognized a $17.2 million revaluation of allowance for expected credit losses on the Moa Joint Venture expansion loans receivable in the three months ended March 31, 2020, reflecting probability-weighted scenarios for lifetime expected credit losses.

The Corporation recognized unrealized foreign exchange gains of $23.5 million in the three months ended March 31, 2020, compared to losses of $5.8 million in the same period in the prior year. Unrealized exchange gains/losses are impacted by the change in period-end exchange rates and the balance of the Corporation's U.S. dollar-denominated net assets.

ADJUSTED EBITDA

Total Adjusted EBITDA[(1)] for the three months ended March 31, 2020 was $4.7 million compared to $ (1.2) million in the same period in the prior year. Adjusted EBITDA by business segment is as follows:



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

(2) Other Q1 2020 Adjusted EBITDA includes - Other Metals - $0.5 million and Corporate and other - $(8.8) million. (Other Q1 2019 revenue includes - Other Metals - $0.4 million and Corporate and other - $(10.3) million).

CONSOLIDATED FINANCIAL POSITION

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

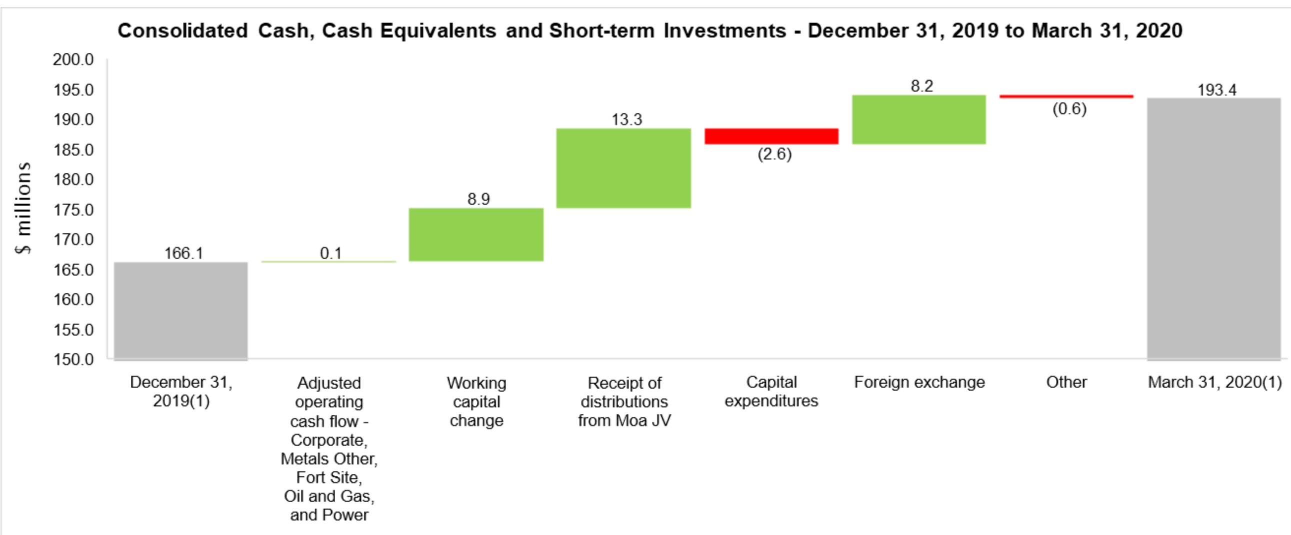
$ millions, except as noted, as at	2020 March 31	2019 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	**$ 193.4**	$ 166.1	16%
Working capital	**100.9**	47.0	115%
Current ratio	**1.28:1**	1.14:1	11%
Total assets	**$ 1,815.9**	$ 1,738.1	4%
Loans and borrowings(1)	**730.1**	713.6	2%
Total liabilities	**1,069.9**	1,016.0	5%
Shareholders' equity	**746.0**	722.1	3%

(1) The Corporation announced a Transaction during the quarter which, if approved, would reduce Sherritt's total recourse debt by approximately $424.5 million by exchanging the Corporation's Existing Notes in the aggregate principal amount of approximately $588 million, together with accrued and unpaid interest, for New Secured Notes with an aggregate principal amount of approximately $319 million and exchanging the Ambatovy Joint Venture partner loans with an aggregate principal amount of approximately $155.5 million for either the Ambatovy Joint Venture Interests, or for amended loans with the same principal with no further recourse against the Corporation. The Transaction would also result in an extension of the maturities under the Existing Notes from 2021, 2023 and 2025, respectively, to 2027 under the New Secured Notes. The final principal amount of New Secured Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date, and other matters.

LIQUIDITY

At March 31, 2020, total available liquidity was $207.1 million which is composed of cash, cash equivalents, short-term investments and $13.7 million of available credit facilities. The total liquidity excludes restricted cash of $5.3 million.

Cash, cash equivalents and short-term investments at March 31, 2020 increased by $27.3 million from December 31, 2019. The components of this change are shown below:



(1) As at March 31, 2020, $89.0 million of the Corporation's cash, cash equivalents and short-term investments was in Cuba (December 31, 2019 - $85.3 million).

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

- positive adjusted operating cash flow at Power and Fort Site, partially offset by negative adjusted operating cash flow at Oil and Gas, Metals Other and Corporate;
- positive working capital change primarily due to receipts of Cuban energy payments, seasonal fertilizer collections and a $16 million prepayment against future deliveries of nickel in 2020, partially offset by the timing of working capital payments;
- $13.3 million in distributions received from the Moa Joint Venture; and
- $8.2 million effect of exchange rate changes on cash and cash equivalents; partially offset by,
- $2.6 million in capital expenditures.

Outlook

2020 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

In response to health risks associated with the spread of COVID-19, Sherritt has implemented a number of additional health and safety measures designed to protect employees at its operations around the world. Although nickel, cobalt, power and oil production activities have experienced modest disruption to date, and while production activities continue, Sherritt has withdrawn its guidance for 2020 due to a number of market and economic uncertainties caused by COVID-19.

Production volumes, unit operating costs and spending on capital	Initial 2020 guidance - Total[(1)]	Year-to-date actuals - Total	Updated 2020 guidance - Withdrawn
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	7,672	
Cobalt, finished	3,300 - 3,600	800	
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,277	
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	1,751	
Electricity (GWh, 33⅓% basis)	500 - 550	153	
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.33	
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$27.28	
Electricity (unit operating cost, $ per MWh)	$28.00 - $29.50	$14.57	
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)[(2)]	US$34 (CDN$45)	US$5 (CDN$7)	
Oil and Gas	US$6 (CDN$8)	US$1 (CDN$2)	
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	
Spending on capital (excluding Corporate)	US$41 (CDN$54)	US$6 (CDN$9)	

(1) As originally announced January 22, 2020.

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

Significant factors influencing operations

As a commodity-based, geographically-diverse company, Sherritt's operating results are primarily influenced by the prices of nickel and cobalt.

Nickel

Nickel market conditions in the first quarter of 2020 were adversely impacted by the onset and spread of COVID-19. Triggered initially by a slowdown of China's economy and manufacturing activities, nickel prices and demand softened throughout the quarter as uncertainty about the virus' impact on the world's economy and outlook grew. By the end of the period, nickel prices had declined by 20% and nickel inventory grew by 37%.

Nickel prices on the London Metals Exchange (LME) started Q1 at US$6.38/lb and hit a peak of US$6.48/lb on January 16 before beginning a slow descent through end of March, ending the quarter at US$5.10/lb.

The price softness experienced in Q1 was matched by an increase in inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE). Combined inventory levels at March 31 totaled approximately 257,000 tonnes, up 37% from combined inventory totals of approximately 187,000 tonnes at the start of the year. The increase was largely driven by reduced consumer purchasing in the wake of stainless steel manufacturing interruptions in China related to COVID-19, extended Lunar New Year celebrations in January, and a slow recovery of production activities through March.

Since the start of Q2, nickel prices and combined inventories have stayed relatively flat. In the near term, it is anticipated that nickel prices and inventory levels may be volatile given the economic uncertainty caused by the spread of COVID-19 and related disruption of stainless steel production and mining operations around the world. In light of this uncertainty, a number of industry experts and market watchers have withdrawn their forecasts for nickel demand. Previously, demand for nickel through 2025 was expected to grow by approximately 3% per year to 2.8 million tonnes according to market research by Wood Mackenzie.

Industry experts remain bullish on the longer term market outlook for nickel, however. Over the longer term, demand for nickel is expected to accelerate with the increased adoption of electric vehicles since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries.

A shortage of nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects. As a result, no new nickel supply is expected to come on stream in the near term.

Cobalt

In contrast to nickel, cobalt prices and demand remained relatively stable in Q1, in large part because electronics and battery manufacturing activities in Japan and South Korea had not yet been significantly affected by the spread of COVID-19.

Cobalt prices, in fact, increased by 5% in Q1, reversing the downward trend experienced in Q4. Standard grade cobalt prices on March 31 closed at US$16.28/lb, up from $15.53/lb at the start of the quarter according to data collected by Fastmarkets MB. Cobalt prices since the start of Q2 have retreated modestly as consumer purchasing has softened.

The near-term outlook for cobalt remains uncertain, however, as the spread of COVID-19 has started to take a toll on consumer purchasing and mining activities around the world.

Review of operations

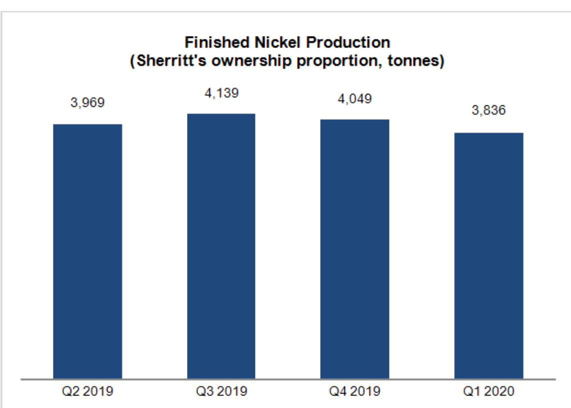
MOA JOINT VENTURE AND FORT SITE

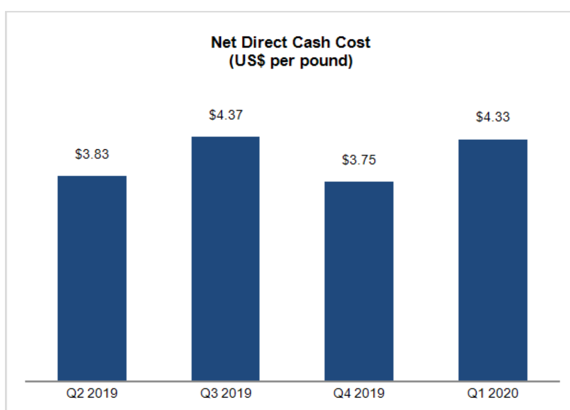
$ millions, except as otherwise noted, for the three months ended March 31		2020		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**93.5**	$	102.3	(9%)
Loss from operations		**(4.7)**		(9.5)	51%
Adjusted EBITDA(1)		**10.1**		4.2	140%
CASH FLOW					
Cash provided (used) by operations	**$**	**4.5**	$	(4.1)	210%
Adjusted operating cash flow(1)		**7.2**		2.8	157%
Free cash flow(1)		**(2.1)**		(10.4)	80%
PRODUCTION VOLUMES (tonnes)					
Mixed Sulphides		**4,014**		4,336	(7%)
Finished Nickel		**3,836**		4,397	(13%)
Finished Cobalt		**400**		426	(6%)
Fertilizer		**56,089**		66,962	(16%)
NICKEL RECOVERY (%)		**83%**		84%	(1%)
SALES VOLUMES (tonnes)					
Finished Nickel		**3,773**		4,391	(14%)
Finished Cobalt		**381**		460	(17%)
Fertilizer		**31,140**		26,957	16%
AVERAGE REFERENCE PRICES (US$ per pound)					
Nickel	**$**	**5.77**	$	5.62	3%
Cobalt(2)		**16.77**		18.53	(9%)
AVERAGE-REALIZED PRICES(1)					
Nickel ($ per pound)	**$**	**7.60**	$	7.51	1%
Cobalt ($ per pound)		**19.16**		14.62	31%
Fertilizer ($ per tonne)		**350**		418	(16%)
UNIT OPERATING COST(1) (US$ per pound)					
Nickel - net direct cash cost	**$**	**4.33**	$	4.53	(4%)
SPENDING ON CAPITAL(3)					
Sustaining	**$**	**6.6**	$	14.0	(53%)
	$	**6.6**	$	14.0	(53%)

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

(2) Average standard-grade cobalt published price per Fastmarkets MB.

(3) Spending on capital for the three months ended March 31, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.



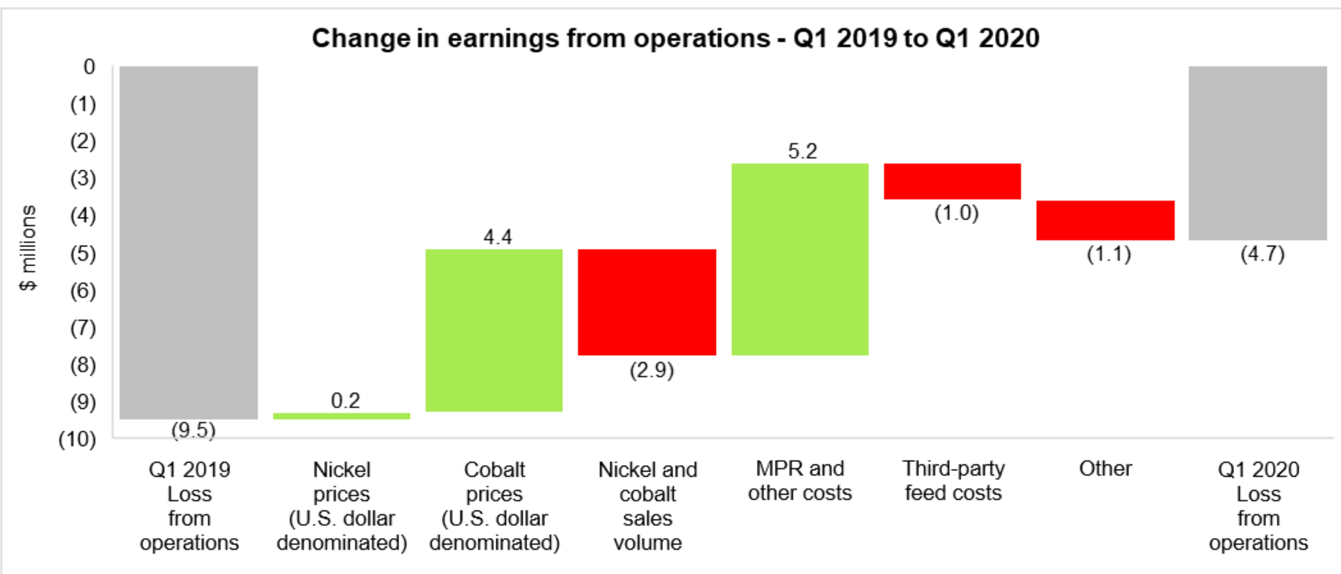


Revenue, cost of sales and NDCC are composed of the following:

$ millions, except as otherwise noted, for the three months ended March 31		2020		2019	Change
REVENUE					
Nickel	**$**	**63.2**	$	72.7	(13%)
Cobalt		**16.1**		14.8	9%
Fertilizers		**10.9**		11.3	(4%)
Other		**3.3**		3.5	(6%)
	$	**93.5**	$	102.3	(9%)
COST OF SALES(1)					
Mining, processing and refining (MPR)	**$**	**61.0**	$	75.7	(19%)
Third-party feed costs		**4.2**		3.9	8%
Fertilizers		**8.9**		7.4	20%
Selling costs		**3.8**		3.8	-
Other		**3.2**		4.7	(32%)
	$	**81.1**	$	95.5	(15%)
NET DIRECT CASH COST(2) (US$ per pound of nickel)					
Mining, processing and refining costs	**$**	**5.34**	$	5.59	(4%)
Third-party feed costs		**0.38**		0.30	27%
Cobalt by-product credits		**(1.44)**		(1.15)	(25%)
Other(3)		**0.05**		(0.21)	124%
	$	**4.33**	$	4.53	(4%)

(1) Excludes depletion, depreciation and amortization
(2) For additional information see the Non-GAAP measures section.
(3) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits.

The change in loss from operations between Q1 2020 and Q1 2019 is detailed below:



Reference prices for nickel were 3% higher for the three months ended March 31, 2020 compared to the same period in the prior year, while cobalt reference prices were 9% lower than in the comparable prior year period. Realized prices for the three months ended March 31, 2020 were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year.

Mixed sulphides production was lower for the three months ended March 31, 2020 compared to the same period in the prior year primarily as a result of heavy rains in Cuba in January which impacted mining operations, as well as unplanned downtime in the leach plant, which has since returned to production capacity.

The nickel recovery rate for the three months ended March 31, 2020 was comparable to the same period in the prior year.

Finished nickel and cobalt production was lower for the three months ended March 31, 2020 due to lower mixed sulphides availability at the Fort Site, primarily due to transportation delays in shipping mixed sulphides from Moa to the refinery. Transportation of mixed sulphides was impacted by vessel delays caused by poor weather and congestion at the port of Moa, as well as Canadian rail transportation issues. As a result, the refinery received less shipments than in the prior year quarter. As the refinery was operating at reduced rates, some regularly scheduled maintenance for the remainder of 2020 was advanced to Q1 2020.

The ratio of finished nickel to cobalt production for the three months ended March 31, 2020 was comparable to the same period in the prior year.

Mining, processing and refining (MPR) unit costs for the three months ended March 31, 2020 were 4% lower compared to the same period in the prior year primarily due to lower sulphur and fuel oil prices, partially offset by lower nickel sales volume.

NDCC for the three months ended March 31, 2020 was lower compared to the same period in the prior year primarily as a result of higher cobalt by-product credits due to higher realized cobalt prices. NDCC for the three months ended March 31, 2020 was also positively impacted by lower MPR costs, as discussed above, partially offset by higher marketing distribution costs due to higher fertilizer sales volumes and lower fertilizer margin primarily due to lower realized prices, in addition to higher third-party feed costs.

Fertilizer's earnings from operations for the three months ended March 31, 2020 decreased compared to the same period in the prior year primarily as a result of lower realized prices. Other costs for the three months ended March 31, 2020 includes lower royalties primarily as a result of lower mixed sulphides production volumes.

Sustaining capital spending for the three months ended March 31, 2020 was lower compared to the same period in the prior year, reflecting receipt of mining equipment in Q1 2019 and austerity measures implemented during Q1 2020 in response to volatile commodity prices and uncertainties related to the impact of COVID-19.

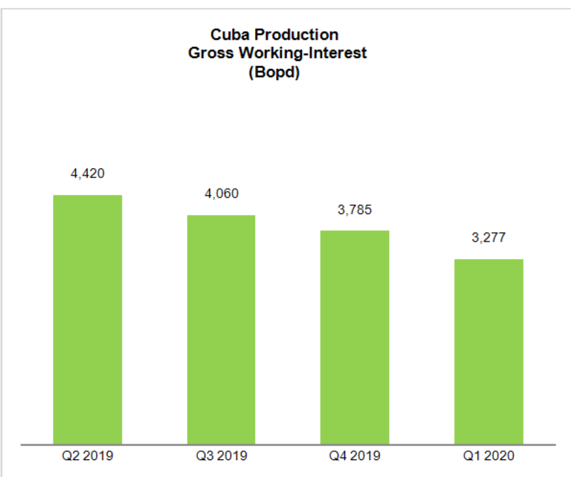
OIL AND GAS

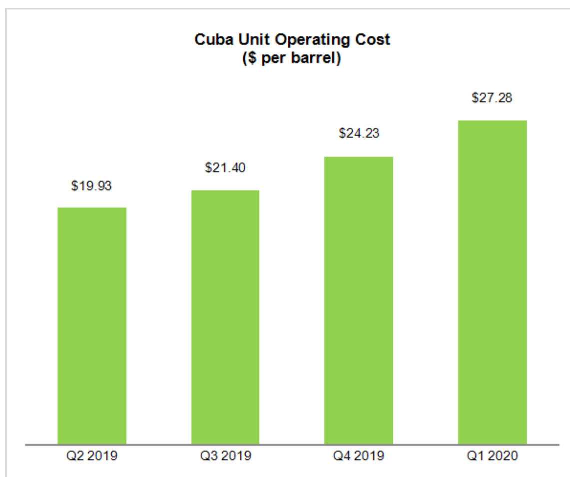
$ millions, except as otherwise noted, for the three months ended March 31		2020		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**7.1**	$	9.0	(21%)
Loss from operations		**(5.6)**		(5.7)	2%
Adjusted EBITDA(1)		**(3.6)**		(2.7)	(33%)
CASH FLOW					
Cash used by operations	**$**	**(7.4)**	$	(8.0)	8%
Adjusted operating cash flow(1)		**(3.6)**		(2.2)	(64%)
Free cash flow(1)		**(9.1)**		(14.9)	39%
PRODUCTION AND SALES(2)					
Gross working-interest (GWI) - Cuba		**3,277**		4,443	(26%)
Total net working-interest (NWI)		**1,751**		1,776	(1%)
AVERAGE REFERENCE PRICES (US$ per barrel)					
West Texas Intermediate (WTI)	**$**	**45.44**	$	54.79	(17%)
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)		**37.22**		61.04	(39%)
Brent		**51.03**		62.96	(19%)
AVERAGE-REALIZED PRICES(1) (per NWI)					
Cuba ($ per barrel)	**$**	**35.26**	$	59.13	(40%)
UNIT OPERATING COSTS(1)(2) (per GWI)					
Cuba ($ per barrel)	**$**	**27.28**	$	21.19	29%
SPENDING ON CAPITAL(3)					
Development, facilities and other	**$**	**0.1**	$	1.5	(93%)
Exploration		**1.6**		4.2	(62%)
	$	**1.7**	$	5.7	(70%)

(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) Spending on capital for the three months ended March 31, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.





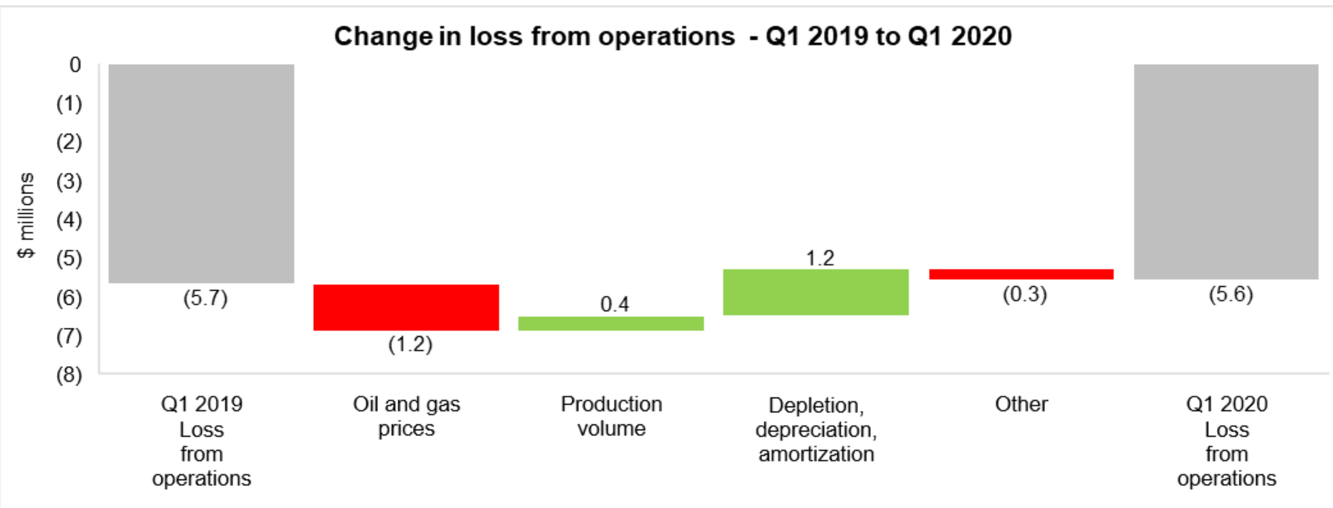
$ million, except as otherwise noted, for the three months ended March 31	2020	2019	Change
REVENUE			
Cuba	**$ 4.9**	$ 6.7	(27%)
Other[3]	**1.2**	0.9	33%
Processing	**1.0**	1.4	(29%)
	$ 7.1	$ 9.0	(21%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[1][2]			
Gross working-interest (GWI) oil production in Cuba	**3,277**	4,443	(26%)
Net working-interest (NWI) oil production			
Cuba (heavy oil)			
Cost recovery	**1,397**	1,018	37%
Profit oil	**136**	232	(41%)
Total	**1,533**	1,250	23%
Other[3]	**218**	526	(59%)
	1,751	1,776	(1%)

(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, 2019.

(3) In the prior year, Other included a working interest in a natural gas field in Pakistan, which Sherritt sold in Q3 2019 for cash proceeds that did not differ materially from the carrying value of the assets sold.

The change in loss from operations between Q1 2020 and Q1 2019 is detailed below:



Realized prices in Cuba were lower for the three months ended March 31, 2020 compared to the same period in the prior year, reflecting lower USGC HSFO reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year.

GWI production in Cuba was lower for the three months ended March 31, 2020 primarily due to natural reservoir declines and the absence of new development drilling. Cuba cost recovery oil production for the three months ended March 31, 2020 was higher than the same period in the prior year as the impact of lower oil prices offset the impact of lower GWI production and lower recoverable costs. Profit oil production, which represents Sherritt's share of production after cost recovery volume is deducted from GWI volume, was lower than the same period in the prior year reflecting the higher cost recovery oil production allocation as discussed above.

Total operating costs were marginally lower for the three months ended March 31, 2020; however, unit operating costs in Cuba were higher, primarily as a result of the impact of lower GWI production in Cuba compared to the same period in the prior year. Total costs were negatively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year.

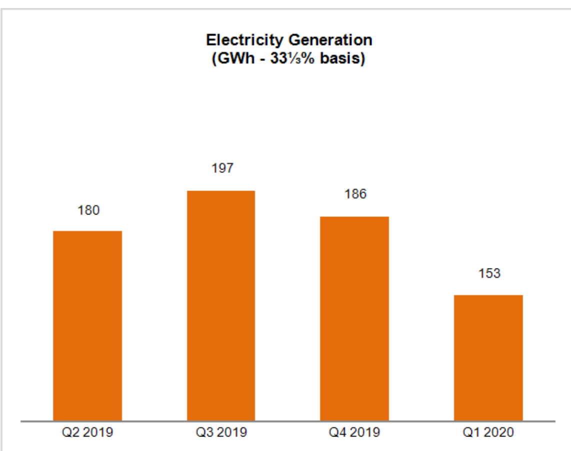
Exploration spending was lower for the three months ended March 31, 2020 compared to the same period in the prior year due to limited spending on drilling activities on Block 10 as the Corporation assessed drill results.

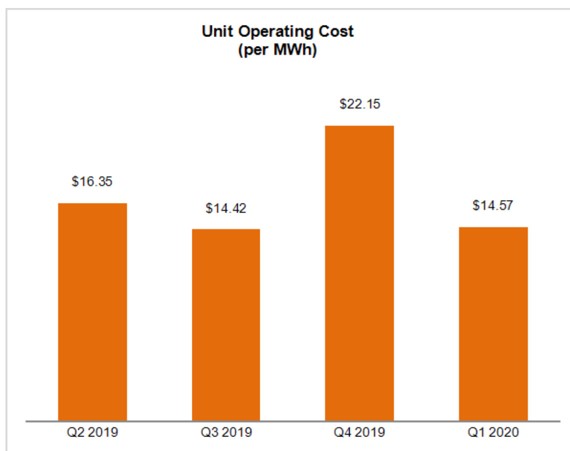
Sherritt began preliminary testing on Block 10 following the completion of additional work on the well and recertification of specific pieces of equipment. The onset of the COVID-19 pandemic and travel restrictions imposed in Cuba have delayed test samples from being analyzed in a lab setting. All Block 10 operations are currently suspended. The Corporation will provide test results once lab access can be restored and samples are analyzed.

POWER

$ millions (33⅓% basis), except as otherwise noted, for the three months ended March 31		2020		2019	Change
FINANCIAL HIGHLIGHTS					
Revenue	**$**	**9.4**	$	10.7	(12%)
Earnings from operations		**1.3**		0.9	44%
Adjusted EBITDA(1)		**6.5**		7.2	(10%)
CASH FLOW					
Cash provided by operations	**$**	**18.4**	$	3.6	411%
Adjusted operating cash flow(1)		**13.2**		6.3	110%
Free cash flow(1)		**18.4**		3.1	494%
PRODUCTION AND SALES					
Electricity (GWh(2))		**153**		173	(12%)
AVERAGE-REALIZED PRICES(1)					
Electricity (per MWh(2))	**$**	**56.97**	$	55.74	2%
UNIT OPERATING COSTS(1)(per MWh)					
Base	**$**	**14.06**	$	19.83	(29%)
Non-base(3)		**0.51**		0.45	13%
		14.57		20.28	(28%)
SPENDING ON CAPITAL(4)					
Sustaining	**$**	**-**	$	0.5	(100%)
	$	**-**	$	0.5	(100%)

(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.
(4) Spending on capital for the three months ended March 31, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.





Power revenue is composed of the following:

$ millions (33⅓% basis), for the three months ended March 31		**2020**		2019	Change
Electricity sales	**$**	**8.7**	$	9.6	(9%)
By-products and other		**0.7**		1.1	(36%)
	$	**9.4**	$	10.7	(12%)

Production and sales volumes were lower for the three months ended March 31, 2020 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 compared to the same period in the prior year was due to the weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs were lower for the three months ended March 31, 2020 compared to the same period in the prior year due to limiting operational spending to manage within Cuban energy receipts. This decrease was partially offset by lower sales volume and the negative impact of a weaker Canadian dollar relative to the U.S. dollar, as costs are primarily denominated in U.S. dollars.

Power had negligible capital spending for the three months ended March 31, 2020.

Liquidity and capital resources

Total available liquidity at March 31, 2020 was $207.1 million, which is composed of available cash, cash equivalents, short term investments and $13.7 million available on the syndicated revolving-term credit facility. The total liquidity excludes restricted cash of $5.3 million.

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 Cuba that are not rated.

$ millions, as at March 31, 2020	Cash	Cash equivalents and short-term investments	Total
Canada	$ 62.7	$ 36.4	$ 99.1
Cuba	89.0	-	89.0
Other	5.3	-	5.3
	$ 157.0	$ 36.4	$ 193.4
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			$ 24.2

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		2020		2019	Change
Cash provided (used) by operating activities					
Oil and Gas operating cash flow	**$**	**(7.4)**	$	(8.0)	8%
Power operating cash flow		**18.4**		3.6	411%
Fort Site operating cash flow		**2.4**		(11.7)	121%
Distributions received from Moa Joint Venture		**13.3**		3.3	303%
Interest paid on debentures		**-**		(7.4)	100%
Corporate, Metals Other and other operating cash flow		**(4.1)**		(14.4)	72%
Cash provided (used) by continuing operations		**22.6**		(34.6)	165%
Cash (used) provided by discontinued operations(1)		**(0.4)**		14.8	(103%)
	$	**22.2**	$	(19.8)	212%
Cash provided (used) by investing and financing activities					
Property, plant, equipment and intangible expenditures	**$**	**(2.6)**	$	(7.8)	67%
Receipts of advances, loans receivable and other financial assets		**0.2**		0.2	-
Repayment of other financial liabilities		**(0.7)**		(0.6)	(17%)
Effect of exchange rate changes and other		**8.2**		(1.7)	582%
	$	**5.1**	$	(9.9)	152%
		27.3		(29.7)	192%
Cash, cash equivalents and short-term investments:					
Beginning of the period		**166.1**		207.0	(20%)
End of the period	**$**	**193.4**	$	177.3	9%

(1) Cash (used) provided by discontinued operations relates to payments made, or insurance proceeds received, in respect of a provision 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 provided by continuing operations was higher in the three months ended March 31, 2020 compared to the same period in the prior year, primarily as a result of the following:

- decrease in cash used by operating activities at Oil and Gas primarily due to the timing of working capital receipts and payments;
- increase in cash provided by operating activities at Power primarily due to higher Cuban energy receipts;
- increase in cash provided by operating activities at Fort Site primarily due to the timing of working capital receipts and payments;
- increase in distributions received from the Moa Joint Venture;
- no interest paid on debentures during the three months ended March 31, 2020 as a result of the Balance Sheet Initiative discussed in the Highlights section of this MD&A; and
- decrease in cash used by Corporate, Metals Other and other operating activities primarily due to the receipt of a $16 million prepayment against future nickel deliveries in 2020;

Included in investing and financing activities are expenditures on property, plant and equipment, which decreased due to austerity measures, and expenditures on intangibles related to Block 10, which decreased as the Corporation has completed drilling and has entered into preliminary testing of the well. Cash also increased due to the effect of exchange rate changes on cash and cash equivalents as a result of the depreciation of the Canadian dollar since December 31, 2019.

The Corporation's Adjusted EBITDA[1] reconciles to the increase in cash, cash equivalents and short-term investments as follows for the three months ended March 31, 2020:

$ millions, for the three months ended March 31		2020
Adjusted EBITDA[1]	$	4.7
Add (deduct):		
Moa Joint Venture Adjusted EBITDA		(9.2)
Distributions from the Moa Joint Venture		13.3
Interest received on Energas CSA		7.2
Net change in non-cash working capital		8.9
Other		(2.3)
Cash used by continuing operations per financial statements		22.6
Add (deduct):		
Capital expenditures		(2.6)
Effect of exchange rate changes on cash and cash equivalents		8.2
Other		(0.9)
Change in cash, cash equivalents and short-term investments	$	27.3

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

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, 2020	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	$ 143.7	$ 143.7	$ -	$ -	$ -	$ -	$ -
Income taxes payable	1.5	1.5	-	-	-	-	-
Senior unsecured debentures	778.9	53.2	215.4	32.2	222.6	17.4	238.1
Ambatovy Joint Venture Partner loans	172.9	-	-	-	172.9	-	-
Syndicated revolving-term credit facility	8.0	8.0	-	-	-	-	-
Provisions	150.1	5.2	-	0.5	0.5	55.3	88.6
Deferred income taxes	11.7	-	11.7	-	-	-	-
Lease liabilities	23.1	2.9	2.7	2.8	2.6	2.4	9.7
Capital commitments	6.1	6.1	-	-	-	-	-
Other	0.3	-	-	0.3	-	-	-
Total	$ 1,296.3	$ 220.6	$ 229.8	$ 35.8	$ 398.6	$ 75.1	$ 336.4

DEBT RESTRUCTURING

In February 2020, the Corporation announced the Transaction to be implemented pursuant to a plan of arrangement under the CBCA that proposes exchanging the Corporation's Existing Notes in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon up to but excluding the Effective Date for New Secured Notes in an aggregate principal amount equal to 50% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, and certain early cash consent consideration. Based on an Effective Date of April 30, 2020, it was estimated that the aggregate principal amount of the New Secured Notes would be approximately $319 million, and that if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations' debenture obligations of approximately $269 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes. As of the date of issuance of this MD&A, the Corporation anticipates that the Transaction will be completed after April 30, 2020, during its second fiscal quarter. The final principal amount of New Secured Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date, and other matters.

The Transaction also proposes exchanging the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners in the aggregate principal amount of approximately $155.5 million as at March 31, 2020, plus all accrued and unpaid interest in respect thereof, for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's Ambatovy Joint Venture Interests or (ii) Amended Ambatovy Joint Venture Partner Loans. This would result in a further reduction of recourse loans and borrowings of approximately $155.5 million using the March 31, 2020 foreign exchange rates.

Subject to the receipt of requisite approvals, and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed during the Corporation's second fiscal quarter. The exchange of the Existing Notes for New Secured Notes and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests or Amended Ambatovy Joint Venture Partner Loans, as elected by the Ambatovy Joint Venture partners, will be recognized in the condensed consolidated financial statements of the Corporation if the Transaction is completed in accordance with IFRS 9 Financial Instruments.

SYNDICATED REVOLVING-TERM CREDIT FACILITY

During the year ended December 31, 2018, the maturity of the syndicated revolving-term credit facility was extended to April 30, 2020 and the maximum credit available increased to $70.0 million. The total available draw is based on eligible receivables and inventories, which are pledged as collateral. Certain assets of the Corporation and its wholly-owned subsidiaries in Canada are also pledged as security. The interest rates decreased to prime plus 3.00% or bankers' acceptance plus 4.00%.

The facility is subject to the following financial covenants and restrictions as of March 31, 2020:

- EBITDA, as defined in the agreement, equal to or greater than $70.0 million;
- EBITDA-to-interest expense covenant of not less than 1.35:1;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture; and
- Minimum cash covenant balance, as defined in the agreement, of $70.0 million, less undrawn credit. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada. The required minimum cash covenant balance as at March 31, 2020 is calculated to be $56.3 million (December 31, 2019 - $53.3 million).

As at March 31, 2020, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

On April 15, 2020, the maturity of the syndicated revolving-term credit facility was extended to August 31, 2020. This short-term extension of the maturity is to allow for the Balance Sheet Initiative to be completed, before the typical twelve-month maturity extension. The maximum credit available, collateral and interest rates remain unchanged.

As of April 15, 2020 through to August 31, 2020 maturity, the financial covenants were amended as follows:

- EBITDA, as defined in the agreement, equal to or greater than $60.0 million;
- EBITDA-to-interest expense covenant of not less than 1.25:1; and
- Minimum cash covenant balance, as defined in the agreement, of $65.0 million, less undrawn credit. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada.

The limits on capital expenditures and funding of the Ambatovy Joint Venture and Moa Joint Venture remain unchanged.

EVENTS OF DEFAULT

Senior unsecured debentures

In accordance with the Transaction that was announced during the three months ended March 31, 2020, the Corporation did not make its March 24, 2020 interest payment on its 7.50% senior unsecured debentures due 2023 as all accrued and unpaid interest in respect of the Existing Notes up to the Effective Date is to be exchanged for New Secured Notes as discussed in the Highlights section of this MD&A. Pursuant to the indenture governing the Existing Notes (the "Existing Notes Indenture"), an event of default occurs on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty day grace period.

As of April 23, 2020, thirty days after non-payment of interest due on its 7.50% senior unsecured debentures due 2023, an event of default occurred under the Existing Notes Indenture in respect of all of the Existing Notes.

In addition, the Corporation did not make its April 11, 2020 interest payment of $8.7 million on its 7.875% senior unsecured debentures due 2025. Another event of default will occur on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period.

Pursuant to the Interim Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") issued on February 26, 2020 (the "Interim Order"), the Court granted a stay of proceedings (the "Stay of Proceedings"), which, among other things, prevents any right, remedy or proceeding from being exercised, commenced or proceeded with against or in respect of the Corporation by the holders of the Existing Notes or the indenture trustee in connection with any defaults or events of defaults under the Existing Notes or the Existing Notes Indenture. The stay of proceedings prevents any enforcement actions in respect of the Existing Notes and is in effect until the earlier of the implementation of the Transaction under the CBCA or the termination of the CBCA proceedings. In the event the Transaction is not implemented pursuant to the CBCA and the CBCA proceedings are terminated, the holders of the Corporation's Existing Notes may be entitled to instruct the trustee to accelerate the Existing Notes and pursue other remedies in respect of events of default existing under the Existing Notes Indenture.

As a result of the event of default under the Existing Notes Indenture, the Corporation's Existing Notes were reclassified to current liabilities as at April 23, 2020.

Ambatovy Joint Venture partner loans

As at March 31, 2020, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture, which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. Despite being in default on the Ambatovy Joint Venture partner loans, the Ambatovy Joint Venture partners' recourse against the Corporation in respect of such default is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture.

The commencement of the CBCA proceedings may constitute an event of default under the Ambatovy Joint Venture partner loans which under the terms of such loans would permit the Ambatovy Joint Venture partners to seek immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation. Furthermore, subsequent to the reporting period, the event of default in respect of the Corporation's Existing Notes that occurred on April 23, 2020, as a result of non-payment of interest, resulted in a cross-default under the Ambatovy Joint Venture partner loans. The recourse against the Corporation for this event of default is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture. Pursuant to the Stay of Proceedings granted under the Interim Order, any right, remedy or proceeding is prohibited from being exercised, commenced or proceeded with against or in respect of the Corporation by the Ambatovy Joint Venture partners in connection with any defaults or events of defaults under the Ambatovy Joint Venture partner loans.

At the completion of the Transaction, the Ambatovy Joint Venture partner loans are expected to be exchanged for at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's Ambatovy Joint Venture Interests or (ii) Amended Ambatovy Joint Venture Partner Loans. In the event the Transaction is not implemented pursuant to the CBCA and the CBCA proceedings are terminated, the Ambatovy Joint Venture partners may be entitled to accelerate the Ambatovy Joint Venture partner loans and pursue other remedies in respect of events of default existing under the Ambatovy Joint Venture partner loans, including seeking immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation.

Syndicated revolving-term credit facility

The events of default on the Ambatovy Joint Venture partner loans and the Corporation's Existing Notes would have also resulted in an event of default on the syndicated revolving-term credit facility; however, these potential events of default on the credit facility were waived through to the maturity of the credit facility, for so long as such defaults are stayed under the CBCA proceedings. In the event the Transaction the stay of proceedings granted in the CBCA proceedings is terminated, the waiver will cease to be in effect and the lenders under the syndicated revolving-term credit facility may be entitled to direct the agent to pursue remedies in respect of events of default existing under the syndicated revolving-term credit facility.

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 $96.5 million, with no significant payments due in the next five years;
- Other contractual commitments of $7.4 million; and
- Advances and loans payable of $252.7 million. Included within this advances and loans payable balance is a $232.2 million loan payable to the entity holding the remaining 50% interest in the Moa Joint Venture.

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 $127.7 million, with no significant payments due in the next five years;
- Other contractual commitments of $24.1 million;
- Ambatovy revolving credit facilities of $11.3 million;

- The Ambatovy Joint Venture senior debt financing of US$197.7 million ($280.5 million) which is non-recourse to the Joint Venture partners. In September 2019, the Ambatovy Joint Venture financing lenders agreed to defer principal repayments until June 2022 and extend maturity to June 2027; and
- If the Transaction is approved, and the Ambatovy Joint Venture Interests are exchanged for the Ambatovy Joint Venture partner loans, the Corporation would no longer have a proportionate share of the above commitments.

COMMON SHARES

As at April 30, 2020, the Corporation had 397,284,433 common shares outstanding. An additional 9,009,039 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 10,376,607 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. There have been no significant changes in these risks other than identified below.

LIQUIDITY AND ACCESS TO CAPITAL

Sherritt's operations are subject to the risk of emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases, including the novel COVID-19 virus pandemic. We are currently monitoring and regularly assessing the short and medium-term impacts of the COVID-19 virus, including for example supply chain, mobility, workforce, market and trade flow impacts, as well as the resilience of Canadian, Cuban and other global financial markets to support recovery. Any longer term impacts are also being considered and monitored, as appropriate. However, this pandemic is evolving rapidly and its effects on our own operations are uncertain. It is possible that in the future operations may be temporarily shut down or suspended for indeterminate amounts of time, any of which may, individually or in the aggregate, have a material and adverse impact on our business, results of operations and financial performance. The extent to which COVID-19 may impact the Corporation's business and operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world in jurisdictions where Sherritt operates may also have potentially significant economic and social impacts. If the business operations of the Corporation are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on Sherritt's business, results of operations and financial performance. There are potentially significant adverse impacts of COVID-19 which may include decreased demand or the inability to sell nickel or cobalt or declines in the price of nickel and cobalt or other unknown but potentially significant impacts. The COVID-19 virus and efforts to contain it may have a significant effect on commodity prices, and the possibility of a prolonged global economic downturn may further impact commodity demand and prices.

Accounting Pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

The condensed consolidated financial statements referenced in this MD&A have been prepared in accordance with IAS 34, Interim Financial Reporting, using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2019.

There have been no new accounting pronouncements issued in the first quarter of 2020 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, 2020.

CRITICAL ACCOUNTING JUDGMENTS

The critical accounting judgments 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, 2019. There have been no other significant changes in critical accounting judgments other than identified below.

Going concern

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. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: the future impact of COVID-19 on the Corporation's business and operations, the success of the Balance Sheet Initiative, future commodity prices, timing of collections of Cuban receivables, and continued access to short-term financing.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position and these factors have been further compounded by the recent impacts of COVID-19 in March and April of this year, the full effects of which remain uncertain at this time. As a result, management concluded that there are material uncertainties related to the full effects of COVID-19 on the Corporation's business and operations and on the timing of collections of amounts receivable from the Corporation's Cuban energy operations, and the impacts to the business should the Corporation fail to complete its Balance Sheet Initiative, which may cast significant doubt upon the Corporation's ability to continue as a going concern. With this uncertainty, the Corporation could face liquidity constraints particularly related to the approaching maturity of its 8.00% senior unsecured debentures due 2021 of $169.6 million, as well as, the renewal of the Corporation's credit facility on August 31, 2020., which could result in repayment of $8.0 million drawn under the facility and the cash collateralization of letters of credit of $49.0 million available under the credit facility. The Corporation has numerous mitigating initiatives available to it to continue to strengthen its financial position and enhance liquidity depending on how these uncertain circumstances unfold. Among the initiatives undertaken, is the Corporation's previously announced Balance Sheet Initiative which would lower debt levels, reduce interest costs and strengthen Sherritt's balance sheet.

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	2020 Mar 31	2019 Dec 31	2019 Sep 30	2019 Jun 30	2019 Mar 31	2018 Dec 31	2018 Sep 30	2018 Jun 30
Revenue per financial statements	**$ 26.7**	$ 31.4	$ 27.8	$ 46.5	$ 31.9	$ 37.1	$ 29.9	$ 46.5
Share of (loss) earnings of a joint venture, net of tax	**(3.9)**	3.5	7.0	(1.3)	(8.9)	6.2	24.7	21.4
Share of loss of an associate, net of tax	**(23.6)**	(8.6)	(17.5)	(12.1)	(26.8)	(32.1)	(17.4)	(9.0)
Net (loss) earnings from continuing operations	**(42.2)**	(182.5)	(30.0)	(90.4)	(61.8)	(69.1)	(13.3)	2.8
(Loss) earnings from discontinued operations, net of tax[2]	**-**	(3.0)	-	-	-	16.0	-	-
Net (loss) earnings for the period	**$ (42.2)**	$ (185.5)	$ (30.0)	$ (90.4)	$ (61.8)	$ (53.1)	$ (13.3)	$ 2.8
Net (loss) earnings per share, basic ($ per share)								
Net (loss) earnings from continuing operations	**$ (0.11)**	$ (0.46)	$ (0.08)	$ (0.23)	$ (0.16)	$ (0.17)	$ (0.03)	$ 0.01
Net (loss) earnings for the period	**(0.11)**	(0.47)	(0.08)	(0.23)	(0.16)	(0.13)	(0.03)	0.01

(1) The amounts for periods ended after December 31, 2018 have been prepared in accordance with IFRS 16; amounts for the periods December 31, 2018 and prior have not been restated. Refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

(2) Expenses relate to additional costs and penalties in respect of the Corporation's previous Coal operations, the liability for which was retained by the Corporation following the sale of the Coal operations in 2014. Earnings relate to insurance recoveries recognized by the Corporation.

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 $1.29 (Q2 2018) to $1.34 (Q1 2020) and period-end rates ranged between $1.29 (Q3 2018) to $1.42 (Q1 2020).

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

- The first quarter of 2020 includes the recognition of $23.5 million of unrealized foreign exchange gains and $17.2 million of losses on the revaluation of the allowance of expected credit losses for the Moa Joint Venture expansion loans receivable;
- The fourth quarter of 2019 includes $81.5 million of losses on the revaluation of the expected credit loss allowances for the Ambatovy Joint Venture subordinated and post-financial completion loans receivable, a $6.8 million loss on revaluation of the Moa Joint Venture expansion loans receivable expected credit loss allowance, impairment losses of $31.0 million and $20.3 million on the investment in an associate and intangible assets, respectively, the recognition of $8.4 million of unrealized foreign exchange losses;
- The third quarter of 2019 includes the recognition of $7.7 million of unrealized foreign exchange gains;
- the second quarter of 2019 includes a $53.6 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other, the recognition of $8.0 million of unrealized foreign exchange losses and a $9.6 million gain recognized within the share of loss of an associate on the revaluation of financial assets measured at fair value through profit or loss;
- the first quarter of 2019 includes the recognition of $5.8 million of unrealized foreign exchange losses;
- the fourth quarter of 2018 includes an unrealized foreign exchange gain of $20.7 million, a $44.1 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other and $15.7 million in losses on write-down of long-lived assets in the Ambatovy Joint Venture;
- the third quarter of 2018 includes an unrealized foreign exchange loss of $6.1 million and $8.1 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC; and
- the second quarter of 2018 includes $11.0 million of unrealized foreign exchange gains and approximately $5.8 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC.

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 joint arrangements and an associate. For further detail, refer to notes 9, 10 and 21 of the Corporation's condensed consolidated financial statements for the three months ended March 31, 2020. 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, 2020, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 2020, 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, 2020 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 (CDN$ millions) Increase/ (decrease)	Approximate change in quarterly basic EPS Increase/ (decrease)
Prices				
Nickel - LME price per pound[(1)]	US$	1.00	$ 13	$ 0.03
Cobalt - Metal Bulletin price per pound[(1)]	US$	5.00	6	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(7)	(0.02)
Operating costs[(1)]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(2)	-

(1) Changes are applied at the operating level with the approximate change in net earnings and basic EPS representing the Corporation's 50% interest in the Moa Joint Venture and 12% interest in the Ambatovy Joint Venture.

NON-GAAP MEASURES

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

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

Management uses non-GAAP measures to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures are intended to provide additional information, not to replace IFRS measures. Non-GAAP measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies.

As discussed in the Business we manage section, the Ambatovy Joint Venture is no longer considered a reporting segment for accounting purposes; therefore, this MD&A does not present the financial results of the Ambatovy Joint Venture as part of its combined financial results, nor assess its financial performance. Certain operational information is presented for information purposes only. As a result of the change in accounting, the Ambatovy Joint venture is excluded from combined results, Adjusted EBITDA and combined cash flow metrics. For comparative purposes, the Ambatovy Joint Venture's results have been excluded from comparative periods.

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

Combined results

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

The table below reconciles combined revenue to revenue per the financial statements:

$ millions, for the three months ended March 31		**2020**		2019	Change
Revenue by operations					
Moa Joint Venture and Fort Site	**$**	**93.5**	$	102.3	(9%)
Oil and Gas		**7.1**		9.0	(21%)
Power		**9.4**		10.7	(12%)
Other[(1)]		**2.7**		2.6	4%
Combined revenue	**$**	**112.7**	$	124.6	(10%)
Adjust joint venture		**(86.0)**		(92.7)	
Financial statement revenue	**$**	**26.7**	$	31.9	(16%)

(1) Other Q1 2019 revenue includes - Other Metals - $3.0 million and Corporate and other - $ (0.3) million. (Other Q1 2018 revenue includes - Other Metals - $2.9 million and Corporate and other - $ (0.3) million).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations, joint venture and associate as reported in the financial statements for the period adjusted for share of loss of an associate; 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 or joint venture; and gain or loss on disposition of an interest in investment in associate or joint venture of the Corporation. The exclusion of impairment charges eliminates the non-cash impact. Management uses Adjusted EBITDA internally to evaluate Sherritt's operating divisions on a combined and individual basis as an indicator of ability to fund working capital needs, service debt and fund capital expenditure as well as provide a level of comparability to similar entities, Management believes that Adjusted EBITDA provides useful information to investors in evaluating our operating results in the same manner as management and the board of directors.

The tables below reconcile (loss) earnings from operations and joint venture to adjusted EBITDA:

$ millions, for the three months ended March 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total **2020**
(Loss) earnings from operations and joint venture per financial statements	**$ (4.7)**	**$ 0.5**	**$ (5.6)**	**$ 1.3**	**$ (9.2)**	**$ (24.3)**	**$ (42.0)**
Add (deduct):							
Depletion, depreciation and amortization	**2.3**	**-**	**2.0**	**5.2**	**0.4**	**-**	**9.9**
Share of loss of an associate	**-**	**-**	**-**	**-**	**-**	**23.6**	**23.6**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**12.5**	**-**	**-**	**-**	**-**	**-**	**12.5**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**2.7**	**2.7**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**(2.0)**	**(2.0)**
Adjusted EBITDA	**$ 10.1**	**$ 0.5**	**$ (3.6)**	**$ 6.5**	**$ (8.8)**	**$ -**	**$ 4.7**
Loss from operations, joint venture and associate							**$ (42.0)**
Net finance expense							**(0.4)**
Income tax recovery							**0.2**
Net loss from continuing operations							**$ (42.2)**

$ millions, for the three months ended March 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2019
(Loss) earnings from operations and joint venture per financial statements	$ (9.5)	$ 0.4	$ (5.7)	$ 0.9	$ (10.7)	$ (26.8)	$ (51.4)
Add (deduct):							
Depletion, depreciation and amortization	2.1	-	3.0	6.3	0.4	-	11.8
Share of loss of an associate	-	-	-	-	-	26.8	26.8
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	11.6	-	-	-	-	-	11.6
Net finance expense	-	-	-	-	-	2.1	2.1
Income tax expense	-	-	-	-	-	(2.1)	(2.1)
Adjusted EBITDA	$ 4.2	$ 0.4	$ (2.7)	$ 7.2	$ (10.3)	$ -	$ (1.2)
Loss from operations, joint venture and associate							$ (51.4)
Net finance expense							(10.1)
Income tax expense							(0.3)
Net loss from continuing operations							$ (61.8)

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue. Transactions by the metals marketing company, included in other revenue, are excluded. The average-realized price for oil and gas is based on net working-interest oil production in Cuba plus natural gas production stated in barrels of oil equivalent. Management uses this measure, and believes investors use this measure, to compare the relationship between the revenue and direct costs on a per unit basis in each reporting period for nickel, cobalt, fertilizer, oil and gas, and power and provide comparability with other similar external operations.

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

$ millions, except average-realized price and sales volume, for the three months ended March 31							**2020**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 63.2**	**$ 16.1**	**$ 10.9**	**$ 3.3**	**$ 93.5**	**$ 7.1**	**$ 9.4**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(0.7)**
Processing revenue	**-**	**-**	**-**			**(1.0)**	**-**
Revenue for purposes of average-realized price calculation	**63.2**	**16.1**	**10.9**			**6.1**	**8.7**
Sales volume for the period	**8.3**	**0.8**	**31.1**			**0.14**	**153**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatt hours
Average-realized price(2)(3)	**$ 7.60**	**$ 19.16**	**$ 350**			**$ 35.26**	**$ 56.97**

$ millions, except average-realized price and sales volume, for the three months ended March 31							2019
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 72.7	$ 14.8	$ 11.3	$ 3.5	$ 102.3	$ 9.0	$ 10.7
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.1)
Processing revenue	-	-	-			(1.4)	-
Revenue for purposes of average-realized price calculation	72.7	14.8	11.3			7.6	9.6
Sales volume for the period	9.7	1.0	27.0			0.11	173
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatt hours
Average-realized price(2)(3)	$ 7.51	$ 14.62	$ 418			$ 59.13	$ 55.74

(1) Net working-interest oil production in Cuba.

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

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

Unit operating cost/NDCC

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

The Moa Joint Venture's NDCC 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 production in Cuba.

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

The table below reconciles cost of sales per the financial statements to unit operating cost/NDCC:

$ millions, except unit cost and sales volume, for the three months ended March 31	**2020**			2019		
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 95.9**	**$ 11.4**	**$ 7.4**	$ 109.2	$ 12.5	$ 9.8
Less:						
Depletion, depreciation and amortization in cost of sales	**(14.8)**	**(1.6)**	**(5.2)**	(13.7)	(2.5)	(6.3)
	81.1	**9.8**	**2.2**	95.5	10.0	3.5
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(30.3)**	**-**	**-**	(29.6)	-	-
Impact of opening/closing inventory and other	**(2.4)**	**-**	**-**	(7.6)	-	-
Cost of sales for purposes of unit cost calculation	**48.4**	**9.8**	**2.2**	58.3	10.0	3.5
Sales volume for the period	**8.3**	**0.30**	**153**	9.7	0.40	173
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatt hours**	Millions of pounds	Millions of barrels(1)	Gigawatt hours
Unit operating cost(2)(3)	**$ 5.82**	**$ 27.28**	**$ 14.57**	$ 6.02	$ 21.19	$ 20.28
Unit operating cost (U.S. dollars) (NDCC)	**$ 4.33**			$ 4.53		

(1) Gross working-interest oil production in Cuba.
(2) Unit operating cost/NDCC may not calculate based on amounts presented due to foreign exchange and rounding.
(3) Power, unit operating cost price per MWh.

Adjusted earnings/loss from continuing operations

The Corporation defines adjusted earnings/loss from continuing operations as earnings/loss from continuing operations less items not reflective of operational performance. These adjusting items include, but are not limited to, impairment of assets, gains and losses on the acquisition or disposition of assets, gains and losses on unrealized foreign exchange, gains and losses on revaluation of allowances for expected credit losses, and other one-time adjustments. While some adjustments are recurring (such as unrealized foreign exchange (gain) loss), management believes that they do not reflect the Corporation's operational performance or future operational performance.

Management uses this measure internally and believes that it provides investors with a performance measure with which to assess the Corporation's core operations by adjusting for items or transactions that are not reflective of its core operating activities.

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

$ millions, for the three months ended March 31	**2020**	2019
Net loss from continuing operations	**$ (42.2)**	$ (61.8)
Adjusting items:		
Sherritt - Unrealized foreign exchange (gain) loss - continuing operations	**(23.5)**	5.8
Corporate - Cobalt-linked warrants fair value revaluation	**(0.5)**	-
Corporate - Ambatovy JV loans receivable ECL revaluation	**-**	1.0
Corporate - Moa JV expansion loans receivable ECL revaluation	**17.2**	-
Corporate - Ambatovy JV operator fee receivable fair value revaluation	**(0.5)**	(0.2)
Oil and Gas and Power - ECL revaluation	**1.4**	0.3
Ambatovy adjustments	**0.4**	-
Total adjustments	**$ (5.5)**	$ 6.9
Adjusted net loss from continuing operations	**$ (47.7)**	$ (54.9)
Adjusted net loss per share (basic) ($ per share)	**$ (0.12)**	$ (0.14)

Combined adjusted operating cash flow

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

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

The tables below reconcile cash (used) provided by continuing operations per the financial statements to combined adjusted operating cash flow:

$ millions, for the three months ended March 31								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 4.5**	**$ 11.8**	**$ (7.4)**	**$ 18.4**	**$ (16.0)**	**$ 11.3**	**$ 11.3**	**$ 22.6**
Adjust: net change in non-cash working capital	**2.7**	**(11.9)**	**3.8**	**(5.2)**	**6.2**	**(4.4)**	**(4.5)**	**(8.9)**
Adjusted operating cash flow	**$ 7.2**	**$ (0.1)**	**$ (3.6)**	**$ 13.2**	**$ (9.8)**	**$ 6.9**	**$ 6.8**	**$ 13.7**

$ millions, for the three months ended March 31								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ (4.1)	$ 2.5	$ (8.0)	$ 3.6	$ (24.3)	$ (30.3)	$ (4.3)	$ (34.6)
Adjust: net change in non-cash working capital	6.9	(2.2)	5.8	2.7	7.2	20.4	6.4	26.8
Adjusted operating cash flow	$ 2.8	$ 0.3	$ (2.2)	$ 6.3	$ (17.1)	$ (9.9)	$ 2.1	$ (7.8)

Combined free cash flow

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

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

The tables below reconcile cash (used) provided by continuing operations per the financial statements to combined free cash flow:

$ millions, for the three months ended March 31								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 4.5**	**$ 11.8**	**$ (7.4)**	**$ 18.4**	**$ (16.0)**	**$ 11.3**	**$ 11.3**	**$ 22.6**
Less:								
Property, plant and equipment expenditures	**(6.6)**	**-**	**(1.3)**	**-**	**-**	**(7.9)**	**5.7**	**(2.2)**
Intangible expenditures	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**	**-**	**(0.4)**
Free cash flow	**$ (2.1)**	**$ 11.8**	**$ (9.1)**	**$ 18.4**	**$ (16.0)**	**$ 3.0**	**$ 17.0**	**$ 20.0**

$ millions, for the three months ended March 31								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ (4.1)	$ 2.5	$ (8.0)	$ 3.6	$ (24.3)	$ (30.3)	$ (4.3)	$ (34.6)
Less:								
Property, plant and equipment expenditures	(6.3)	-	(4.1)	(0.5)	-	(10.9)	5.9	(5.0)
Intangible expenditures	-	-	(2.8)	-	-	(2.8)	-	(2.8)
Free cash flow	$ (10.4)	$ 2.5	$ (14.9)	$ 3.1	$ (24.3)	$ (44.0)	$ 1.6	$ (42.4)

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; the impact of COVID-19; anticipated payments of outstanding receivables; funding of future Ambatovy Joint Venture cash calls; the implementation of the Corporation’s Balance Sheet Initiative strengthening the Corporation’s capital structure and reducing annual interest expenses; drill plans and results on exploration wells; the impact of Title III of the Helms-Burton Act on operations; 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 and creditor approvals and waivers; 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, the impact of the COVID-19 pandemic, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to Sherritt’s investment in the Ambatovy Joint Venture; the risk to Sherritt’s entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in Cuba; 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; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s 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 climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation’s social license to grow and operate; credit risks; 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; identification and management of growth opportunities; 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; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, risks associated with the ability of the Corporation to receive all necessary regulatory, court, third party and stakeholder approvals in order to complete the Transaction; the ability of the Corporation to achieve its financial goals; the ability of the Corporation to operate in the ordinary course during the CBCA Proceedings, including with respect to satisfying obligations to service providers, suppliers, contractors and employees; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation’s future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation’s other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, 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, 2020 and 2019

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts, for the three months ended March 31	Note		**2020**		2019
Revenue	7	**$**	**26.7**	$	31.9
Cost of sales	8		**(32.5)**		(36.8)
Administrative expenses	8		**(8.7)**		(10.8)
Share of loss of a joint venture, net of tax	9		**(3.9)**		(8.9)
Share of loss of an associate, net of tax	10		**(23.6)**		(26.8)
Loss from operations, joint venture and associate			**(42.0)**		(51.4)
Interest income on financial assets measured at amortized cost	11		**10.0**		11.4
Revaluation of allowances for expected credit losses	11		**(18.6)**		(1.3)
Other financing items	11		**1.3**		0.9
Financing expense	11		**6.9**		(21.1)
Net finance expense			**(0.4)**		(10.1)
Loss before tax			**(42.4)**		(61.5)
Income tax recovery (expense)			**0.2**		(0.3)
Net loss from continuing operations			**(42.2)**		(61.8)
Earnings from discontinued operations, net of tax			**-**		-
Net loss for the period		**$**	**(42.2)**	$	(61.8)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	17		**66.9**		(18.9)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial (losses) gains on pension plans, net of tax	17		**(0.8)**		0.5
Other comprehensive income (loss)			**66.1**		(18.4)
Total comprehensive income (loss)		**$**	**23.9**	$	(80.2)
Net loss from continuing operations per common share:					
Basic and diluted	12	**$**	**(0.11)**	$	(0.16)
Net loss per common share:					
Basic and diluted	12	**$**	**(0.11)**	$	(0.16)

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	2020 March 31	2019 December 31
ASSETS			
Current assets			
Cash and cash equivalents	13	**$ 193.4**	$ 166.1
Restricted cash		**5.3**	5.5
Advances, loans receivable and other financial assets	14	**62.5**	13.0
Trade accounts receivable, net, and unbilled revenue	13	**153.2**	154.9
Inventories		**42.2**	35.3
Prepaid expenses		**2.4**	2.9
		459.0	377.7
Non-current assets			
Advances, loans receivable and other financial assets	14	**555.4**	588.0
Property, plant and equipment		**227.5**	208.6
Investment in a joint venture	9	**389.0**	382.9
Investment in an associate	10	**32.8**	39.3
Intangible assets		**152.2**	141.6
		1,356.9	1,360.4
Total assets		**$ 1,815.9**	$ 1,738.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	15	**$ 173.8**	$ 159.5
Trade accounts payable and accrued liabilities		**143.7**	148.1
Income taxes payable		**1.5**	1.3
Other financial liabilities	15	**2.2**	9.3
Deferred revenue		**32.2**	7.5
Provisions	16	**4.7**	5.0
		358.1	330.7
Non-current liabilities			
Loans and borrowings	15	**556.3**	554.1
Other financial liabilities	15	**16.7**	13.5
Other non-financial liabilities		**3.6**	2.8
Provisions	16	**119.2**	99.4
Deferred income taxes		**16.0**	15.5
		711.8	685.3
Total liabilities		**1,069.9**	1,016.0
Shareholders' equity			
Capital stock	17	**2,894.9**	2,894.9
Deficit		**(2,944.5)**	(2,902.3)
Reserves	17	**233.7**	233.7
Accumulated other comprehensive income	17	**561.9**	495.8
		746.0	722.1
Total liabilities and shareholders' equity		**$ 1,815.9**	$ 1,738.1

Commitments for expenditures (note 22)

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	**2020**	2019
Operating activities			
Net loss from continuing operations		**$ (42.2)**	$ (61.8)
Add (deduct):			
Depletion, depreciation and amortization	7, 8	**9.9**	11.8
Share of loss of a joint venture, net of tax	9	**3.9**	8.9
Share of loss of an associate, net of tax	10	**23.6**	26.8
Net finance expense (net of accretion expense)	11	**0.3**	10.0
Income tax (recovery) expense		**(0.2)**	0.3
Net change in non-cash working capital	19	**8.9**	(26.8)
Interest received		**7.6**	0.7
Interest paid		**(0.7)**	(7.8)
Income tax paid		**(0.5)**	(0.6)
Distributions received from joint venture	9	**13.3**	3.3
Other operating items		**(1.3)**	0.6
Cash provided (used) by continuing operations		**22.6**	(34.6)
Cash (used) provided by discontinued operations		**(0.4)**	14.8
Cash provided (used) by operating activities		**22.2**	(19.8)
Investing activities			
Property, plant and equipment expenditures	7	**(2.2)**	(5.0)
Intangible asset expenditures	7	**(0.4)**	(2.8)
Receipts of advances, loans receivable and other financial assets		**0.2**	0.2
Purchase of short-term investments		**-**	(16.9)
Cash used by continuing operations		**(2.4)**	(24.5)
Cash used by investing activities		**(2.4)**	(24.5)
Financing activities			
Repayment of other financial liabilities		**(0.7)**	(0.6)
Cash used by continuing operations		**(0.7)**	(0.6)
Cash used by financing activities		**(0.7)**	(0.6)
Effect of exchange rate changes on cash and cash equivalents		**8.2**	(1.7)
Increase (decrease) in cash and cash equivalents		**27.3**	(46.6)
Cash and cash equivalents at beginning of the period		**166.1**	206.9
Cash and cash equivalents at end of the period	13	**$ 193.4**	$ 160.3

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, 2018		**$ 2,894.9**	**$ (2,534.6)**	**$ 233.4**	**$ 537.2**	**$ 1,130.9**
Total comprehensive loss:						
Net loss for the period		-	(61.8)	-	-	(61.8)
Foreign currency translation differences on foreign operations		-	-	-	(18.9)	(18.9)
Actuarial gains on pension plans, net of tax		-	-	-	0.5	0.5
		-	(61.8)	-	(18.4)	(80.2)
Stock option plan expense		-	-	0.1	-	0.1
Balance as at March 31, 2019		**$ 2,894.9**	**$ (2,596.4)**	**$ 233.5**	**$ 518.8**	**$ 1,050.8**
Total comprehensive loss:						
Net loss for the period		-	(305.9)	-	-	(305.9)
Foreign currency translation differences on foreign operations		-	-	-	(22.0)	(22.0)
Actuarial losses on pension plans, net of tax		-	-	-	(1.0)	(1.0)
		-	(305.9)	-	(23.0)	(328.9)
Stock option plan expense		-	-	0.2	-	0.2
Balance as at December 31, 2019		**$ 2,894.9**	**$ (2,902.3)**	**$ 233.7**	**$ 495.8**	**$ 722.1**
Total comprehensive income:						
Net loss for the period		-	(42.2)	-	-	(42.2)
Foreign currency translation differences on foreign operations	17	-	-	-	66.9	66.9
Actuarial losses on pension plans, net of tax	17	-	-	-	(0.8)	(0.8)
		-	(42.2)	-	66.1	23.9
Balance as at March 31, 2020		**$ 2,894.9**	**$ (2,944.5)**	**$ 233.7**	**$ 561.9**	**$ 746.0**

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 and cobalt from lateritic ores with projects, operations and investments 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 22 Adelaide Street West, Toronto, Ontario, M5H 4E3. These condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on April 30, 2020. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND GOING CONCERN

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. All financial information is presented in Canadian dollars rounded to the nearest hundred thousand, except as otherwise noted.

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. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation’s financial position: the future impact of COVID-19 on the Corporation’s business and operations, the success of the balance sheet initiative (note 5), future commodity prices, timing of collections of Cuban receivables, and continued access to short-term financing.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation’s financial position and these factors have been further compounded by the recent impacts of COVID-19 in March and April of this year (note 6), the full effects of which remain uncertain at this time. As a result, management concluded that there are material uncertainties related to the full effects of COVID-19 on the Corporation’s business and operations (note 20) and on the timing of collections of amounts receivable from the Corporation’s Cuban energy operations, and the impacts to the business should the Corporation fail to complete its balance sheet initiative (note 5 and 15), which may cast significant doubt upon the Corporation’s ability to continue as a going concern. With this uncertainty, the Corporation could face liquidity constraints particularly related to the approaching maturity of its 8.00% senior unsecured debentures due 2021 of $169.6 million, as well as, the renewal of the Corporation’s credit facility on August 31, 2020, which could result in repayment of $8.0 million drawn under the facility and the cash collateralization of letters of credit of $49.0 million available under the credit facility. The Corporation has numerous mitigating initiatives available to it to continue to strengthen its financial position and enhance liquidity depending on how these uncertain circumstances unfold. Among the initiatives undertaken, is the Corporation’s previously announced balance sheet initiative which would lower debt levels, reduce interest costs and strengthen Sherritt’s balance sheet (note 5).

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, 2019. The Corporation discloses further information regarding COVID-19 and other pandemic risk in note 20.

4. ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements issued but not yet effective

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

5. BALANCE SHEET INITIATIVE

Exchange of senior unsecured debentures and Ambatovy Joint Venture partner loans

In February 2020, the Corporation announced a transaction (the "Transaction" or "Balance Sheet Initiative") to be implemented pursuant to a plan of arrangement under the Canada Business Corporations Act (the "CBCA") that proposes exchanging the Corporation's existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Existing Notes") in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon up to but excluding the implementation date of the Transaction (the "Effective Date"), for new second lien secured debentures due in 2027 (the "New Secured Notes") in an aggregate principal amount equal to 50% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, and certain early cash consent consideration. Based on an Effective Date of April 30, 2020, it was estimated that the aggregate principal amount of the New Secured Notes would be approximately $319 million, and that if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations' debenture obligations of approximately $269 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes. As of the date of issuance of the condensed consolidated financial statements, the Corporation anticipates that the Transaction will be completed after April 30, 2020, during its second fiscal quarter. The final principal amount of New Secured Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date, and other matters.

The Transaction also proposes exchanging the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the "Debtholders") in the aggregate principal amount of approximately $155.5 million as at March 31, 2020, plus all accrued and unpaid interest in respect thereof, for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture Interests") or (ii) amended loans that would constitute obligations of Madagascar Mineral Investments Ltd., a wholly-owned subsidiary of the Corporation, with no further recourse against the Corporation ("Amended Ambatovy Joint Venture Partner Loans"). This would result in a further reduction of recourse loans and borrowings of approximately $155.5 million using the March 31, 2020 foreign exchange rates.

Subject to the receipt of requisite approvals, and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed during the Corporation's second fiscal quarter. The exchange of the Existing Notes for New Secured Notes and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests or Amended Ambatovy Joint Venture Partner Loans, as elected by the Ambatovy Joint Venture partners, will be recognized in the condensed consolidated financial statements of the Corporation if the Transaction is completed in accordance with IFRS 9 Financial Instruments. Therefore, there is no impact as a result of the Transaction during the three months ended March 31, 2020.

The investment in an associate and the Ambatovy Joint Venture loans receivable are presented within the Adjustments for Joint Venture and Associate and the Corporate and Other segment, respectively, in note 7.

6. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new novel coronavirus ("COVID-19") as a pandemic. In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures designed to protect employees at its operations around the world.

Although the Moa Joint Venture and Fort Site nickel and cobalt sales volume in Q1 2020 were not impacted by the onset and spread of COVID-19, near-term sales volume through end of year may be affected by the impact that the pandemic is having on the world's economy and market outlook. At Oil and Gas, the Corporation began preliminary testing on Block 10, which has since been delayed due to the onset of the COVID-19 pandemic and travel restrictions imposed in Cuba. As well, it is anticipated that the timing and amounts of Cuban energy payments will fluctuate in the near term as Cuba's economy and access to foreign currency recover from the impact of COVID-19. Lastly, operations at the Ambatovy Joint Venture were temporarily suspended as of March 28, 2020 to prevent the spread of the COVID-19 virus.

As of the date of issuance of these condensed consolidated financial statements, the Corporation's operations have not been significantly impacted; however, the Corporation continues to monitor the situation. No impairments were recorded as of March 31, 2020, as no triggering events or changes in circumstances had occurred. However, due to the significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Corporation's financial position, performance and cash flows could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time. The Corporation discloses further information regarding the conclusion that there are material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern in note 2 and further information regarding the risks caused by COVID-19 and other pandemics are discussed in note 20.

7. SEGMENTED INFORMATION

Canadian $ millions, for the three months ended March 31	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Corporate and Other[3]	Adjustments for Joint Venture and Associate[4]	2020 Total
Revenue[5]	$ **93.5**	$ **3.0**	$ **7.1**	$ **9.4**	$ **(0.3)**	$ **(86.0)**	$ **26.7**
Cost of sales	**(95.9)**	**(2.6)**	**(11.4)**	**(7.4)**	**(3.2)**	**88.0**	**(32.5)**
Administrative expenses	**(2.3)**	**0.1**	**(1.3)**	**(0.7)**	**(5.7)**	**1.2**	**(8.7)**
Share of loss of a joint venture, net of tax	**-**	**-**	**-**	**-**	**-**	**(3.9)**	**(3.9)**
Share of loss of an associate, net of tax	**-**	**-**	**-**	**-**	**-**	**(23.6)**	**(23.6)**
(Loss) earnings from operations, joint venture and associate	**(4.7)**	**0.5**	**(5.6)**	**1.3**	**(9.2)**	**(24.3)**	**(42.0)**
Interest income on financial assets measured at amortized cost							**10.0**
Revaluation of allowances for expected credit losses							**(18.6)**
Other financing items							**1.3**
Financing expense							**6.9**
Net finance expense							**(0.4)**
Loss before tax							**(42.4)**
Income tax recovery							**0.2**
Net loss from continuing operations							**(42.2)**
Earnings from discontinued operations, net of tax							**-**
Net loss for the period							**(42.2)**
Supplementary information							
Depletion, depreciation and amortization	$ **14.8**	$ **-**	$ **2.0**	$ **5.2**	$ **0.4**	$ **(12.5)**	$ **9.9**
Property, plant and equipment expenditures	**6.6**	**-**	**1.3**	**-**	**-**	**(5.7)**	**2.2**
Intangible asset expenditures	**-**	**-**	**0.4**	**-**	**-**	**-**	**0.4**
Canadian $ millions, as at March 31							**2020**
Non-current assets[6]	$ **732.3**	$ **0.7**	$ **150.8**	$ **65.0**	$ **8.9**	$ **(578.0)**	$ **379.7**
Total assets	**1,003.8**	**88.2**	**199.9**	**405.1**	**492.8**	**(373.9)**	**1,815.9**

Canadian $ millions, for the three months ended March 31	Moa JV and Fort Site(1)	Metals Other(2)	Oil and Gas	Power	Corporate and Other(3)	Adjustments for Joint Venture and Associate(4)	Total 2019
Revenue(5)	$ 102.3	$ 2.9	$ 9.0	$ 10.7	$ (0.3)	$ (92.7)	$ 31.9
Cost of sales	(109.2)	(2.6)	(12.5)	(9.8)	(3.2)	100.5	(36.8)
Administrative expenses	(2.6)	0.1	(2.2)	-	(7.2)	1.1	(10.8)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(8.9)	(8.9)
Share of loss of an associate, net of tax	-	-	-	-	-	(26.8)	(26.8)
(Loss) earnings from operations, joint venture and associate	(9.5)	0.4	(5.7)	0.9	(10.7)	(26.8)	(51.4)
Interest income on financial assets measured at amortized cost							11.4
Revaluation of allowances for expected credit losses							(1.3)
Other financing items							0.9
Financing expense							(21.1)
Net finance expense							(10.1)
Loss before tax							(61.5)
Income tax expense							(0.3)
Net loss from continuing operations							(61.8)
Earnings from discontinued operations, net of tax							-
Net loss for the period							(61.8)

Supplementary information							
Depletion, depreciation and amortization	$ 13.7	$ -	$ 3.0	$ 6.3	$ 0.4	$ (11.6)	$ 11.8
Property, plant and equipment expenditures	6.4	-	4.1	0.5	-	(6.0)	5.0
Intangible asset expenditures	-	-	2.8	-	-	-	2.8

Canadian $ millions, as at December 31							2019
Non-current assets(6)	$ 679.5	$ 0.7	$ 133.2	$ 65.2	$ 9.1	$ (537.5)	$ 350.2
Total assets	953.7	73.5	176.8	410.0	462.7	(338.6)	1,738.1

(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 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.

(3) Included in the Corporate and Other segment are the operations of wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture.

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

(5) Revenue in the Metals Other segment includes $1.6 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, 2020 ($1.8 million for the three months ended March 31, 2019).

(6) 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 Moa Joint Venture and Ambatovy Joint Venture:

Canadian $ millions, for the three months ended March 31	**2020 Total revenue**	2019 Total revenue
Fertilizer(1)	**$ 8.3**	$ 10.2
Oil and gas	**6.1**	7.6
Power generation(2)	**8.7**	9.6
Other	**3.6**	4.5
	$ 26.7	$ 31.9

(1) Due to the seasonal nature of the fertilizer operations in Fort Saskatchewan, higher fertilizer revenue is expected in the second and fourth quarters of the year. For the year ended December 31, 2019, 47% of fertilizer revenue was recognized in the second quarter, 22% was recognized in the fourth quarter and the remaining 31% was recognized in the first and third quarters combined. Revenues for other product types are recognized more evenly throughout the year.

(2) Included in power generation revenue for the three months ended March 31, 2020 is $6.2 million of revenue from service concession arrangements ($6.6 million for the three months ended March 31, 2019).

8. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the three months ended March 31		**2020**		2019
Employee costs	**$**	**14.7**	$	16.2
Severance		**0.6**		0.2
Depletion, depreciation and amortization of property, plant and equipment and intangible assets		**9.2**		11.0
Raw materials and consumables		**9.4**		13.4
Repairs and maintenance		**9.3**		10.1
Shipping and treatment costs		**0.6**		1.3
Share-based compensation (recovery) expense		**(0.1)**		0.4
Changes in inventories and other		**(11.2)**		(15.8)
	$	**32.5**	$	36.8

Administrative expenses include the following:

Canadian $ millions, for the three months ended March 31		**2020**		2019
Employee costs	**$**	**6.2**	$	8.1
Severance		**0.3**		0.3
Depreciation		**0.7**		0.8
Share-based compensation (recovery) expense		**(0.7)**		0.7
Consulting services and audit fees		**0.9**		1.4
Other		**1.3**		(0.5)
	$	**8.7**	$	10.8

9. JOINT ARRANGEMENTS

Investment in a joint venture

During the three months ended March 31, 2020, the Moa Joint Venture paid distributions of $26.6 million, of which $13.3 million were paid to the Corporation representing its 50% ownership interest ($6.6 million and $3.3 million, respectively, for the three months ended March 31, 2019). All distributions were in the form of dividends.

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

Statements of financial position

Canadian $ millions, 100% basis, as at		**2020 March 31**		2019 December 31
Current assets(1)	**$**	**429.2**	$	441.8
Non-current assets		**1,259.3**		1,169.3
Current liabilities(2)		**81.6**		81.9
Non-current liabilities(3)		**732.4**		674.6
Net assets of Moa Joint Venture	**$**	**874.5**	$	854.6
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**437.3**		427.3
Intercompany capitalized interest elimination		**(48.3)**		(44.4)
Investment in a joint venture	**$**	**389.0**	$	382.9

(1) Included in current assets is $48.4 million of cash and cash equivalents (December 31, 2019 - $80.9 million).

(2) Included in current liabilities is $23.3 million of financial liabilities (December 31, 2019 - $21.6 million).

(3) Included in non-current liabilities is $594.6 million of financial liabilities (December 31, 2019 - $551.9 million).

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis, for the three months ended March 31		2020		2019
Loss from operations[1][2]	**$**	**(6.5)**	$	(17.8)
Financing income		**0.4**		0.2
Financing expense		**(12.0)**		(11.0)
Net finance expense		**(11.6)**		(10.8)
Loss before tax		**(18.1)**		(28.6)
Income tax recovery		**3.9**		4.2
Net loss and comprehensive loss of Moa Joint Venture	**$**	**(14.2)**	$	(24.4)
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**(7.1)**		(12.2)
Intercompany elimination		**3.2**		3.3
Share of loss of a joint venture, net of tax	**$**	**(3.9)**	$	(8.9)

(1) Included in loss from operations for the three months ended March 31, 2020 is revenue of $172.0 million (for the three months ended March 31, 2019 - $185.5 million).
(2) Included in loss from operations for the three months ended March 31, 2020 is depreciation and amortization within cost of sales of $25.0 million (for the three months ended March 31, 2019 - $23.2 million).

Joint operations

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

Canadian $ millions, 33⅓% basis, as at		2020 March 31		2019 December 31
Current assets[1]	$	**105.9**	$	99.0
Non-current assets		**58.7**		58.2
Current liabilities		**38.5**		10.4
Non-current liabilities		**79.7**		112.0
Net assets	$	**46.4**	$	34.8

(1) Included in current assets is $86.2 million of cash and cash equivalents (December 31, 2019 - $79.8 million).

Canadian $ millions, 33⅓% basis, for the three months ended March 31		2020		2019
Revenue	**$**	**9.4**	$	10.7
Expenses[1]		**1.3**		(13.7)
Net earnings (loss)	**$**	**10.7**	$	(3.0)

(1) Included in expenses for the three months ended March 31, 2020 is unrealized foreign exchange gain of $10.1 million (for the three months ended March 31, 2019 - $2.3 million loss).

10. INVESTMENT IN AN ASSOCIATE

Deferral of principal repayment on Ambatovy Joint Venture financing

In September 2019, the Ambatovy Joint Venture financing lenders agreed to defer principal repayments until June 2022 and extend maturity of the financing to June 2027.

The Ambatovy Joint Venture continues to pay semi-annual interest payments in June and December. Total interest payments made to lenders were nil during the three months ended March 31, 2020 (nil for the three months ended March 31, 2019).

Ambatovy Joint Venture funding

Ambatovy cash calls due during the three months ended March 31, 2020 were nil. As at March 31, 2020, Sherritt continues to not fund its 12% share of cumulative cash calls in the amount of US$27.0 million. As a result, Sherritt is a defaulting shareholder and does not hold Ambatovy Joint Venture voting rights.

Subsequent to March 31, 2020, an Ambatovy cash call of US$73.9 million (100% basis) was due, with funding of US$65.0 million provided by Ambatovy Joint Venture partners Sumitomo and KORES. Sherritt did not fund its 12% share of the cash call of US$8.9 million.

Sherritt's 12% share of the Ambatovy Joint Venture cash calls that have not been funded (US$27.0 million as at March 31, 2020) will remain due from Sherritt to the Ambatovy Joint Venture. If a non-defaulting shareholder elects to fund on behalf of Sherritt, that shareholder will have the option to elect to collect the amount funded as a receivable from Sherritt, an equivalent amount of Sherritt's ownership interest in the Ambatovy Joint Venture, or an equivalent amount of Sherritt's loans receivable due from the Ambatovy Joint Venture. The Ambatovy Joint Venture will also have the option to elect to set off the outstanding cash call amount due against any loan payable due to Sherritt while it is a defaulting shareholder.

Critical accounting judgments

It is the Corporation's judgment that the Ambatovy Joint Venture continues to be an associate given the Corporation's ability to cure its event of default and reinstate its Ambatovy Joint Venture voting rights and representation at any time.

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

Statements of financial position

Canadian $ millions, 100% basis, as at		**2020 March 31**		2019 December 31
Current assets[(1)]	**$**	**718.3**	$	669.7
Non-current assets		**6,260.6**		5,781.6
Current liabilities		**570.2**		477.8
Non-current liabilities[(2)]		**4,674.4**		4,283.6
Net assets of Ambatovy Joint Venture	**$**	**1,734.3**	$	1,689.9
Proportion of Sherritt's ownership interest		**12%**		12%
Total		**208.1**		202.8
Impairment of investment in associate		**(31.0)**		(31.0)
Intercompany elimination[(2)]		**(144.3)**		(132.5)
Investment in an associate	**$**	**32.8**	$	39.3

(1) Included in current assets is $89.3 million of cash and cash equivalents (December 31, 2019 - $100.2 million).

(2) During the three months ended March 31, 2020, US$69.9 million ($99.2 million) of the Ambatovy Joint Venture subordinated loans payable was converted to equity. The Corporation has recorded its share of the related subordinated loans receivable within advances, loans receivable and other financial assets (note 14). There was no change to the Corporation's ownership interest as a result of the conversion.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis, for the three months ended March 31		2020		2019
Loss from operations[(1)(2)(3)]	**$**	**(118.2)**	$	(150.2)
Financing income		**(0.2)**		0.7
Financing expense[(4)]		**(82.6)**		(79.0)
Net finance expense		**(82.8)**		(78.3)
Loss before tax		**(201.0)**		(228.5)
Income tax expense		**(1.3)**		(1.1)
Net loss and comprehensive loss of Ambatovy Joint Venture	**$**	**(202.3)**	$	(229.6)
Proportion of Sherritt's ownership interest		**12%**		12%
Total		**(24.3)**		(27.6)
Intercompany elimination		**0.7**		0.8
Share of loss of an associate, net of tax	**$**	**(23.6)**	$	(26.8)

(1) Included in loss from operations for the three months ended March 31, 2020 is revenue of $206.6 million (for the three months ended March 31, 2019 - $173.9 million).
(2) Included in loss from operations for the three months ended March 31, 2020 is cost of sales of $315.5 million (for the three months ended March 31, 2019 - $313.9 million).
(3) Included in loss from operations for the three months ended March 31, 2020 is depreciation and amortization within cost of sales of $103.8 million (for the three months ended March 31, 2019 - $105.5 million).
(4) Included in financing expense for the three months ended March 31, 2020 is a loss on the revaluation of long-term bonds of $3.2 million (for the three months ended March 31, 2019 - $0.3 million loss).

11. NET FINANCE EXPENSE

Canadian $ millions, for the three months ended March 31	Note		2020		2019
Interest income on trade accounts receivable, net		**$**	**0.2**	$	0.4
Interest income on advances and loans receivable			**8.3**		8.9
Interest income on accretion of advances and loans receivable			**1.5**		2.1
Interest income on financial assets measured at amortized cost			**10.0**		11.4
Revaluation of allowance for expected credit losses:					
Trade accounts receivable, net	13		**(1.4)**		(0.3)
Ambatovy Joint Venture subordinated loans receivable	13		**-**		(1.0)
Moa Joint Venture expansion loans receivable	13		**(17.2)**		-
Revaluation of allowances for expected credit losses			**(18.6)**		(1.3)
Revaluation of cobalt-linked warrants	13, 15		**0.5**		-
Revaluation of financial assets measured at fair value through profit or loss			**0.5**		0.2
Other interest income and unrealized gains (losses) on financial instruments			**0.3**		0.7
Other financing items			**1.3**		0.9
Interest expense and accretion on loans and borrowings			**(15.3)**		(14.5)
Unrealized foreign exchange gain (loss)			**23.5**		(5.8)
Realized foreign exchange loss			**(0.4)**		-
Other interest expense and finance charges			**(0.8)**		(0.7)
Accretion expense on environmental rehabilitation provisions	16		**(0.1)**		(0.1)
Financing expense			**6.9**		(21.1)
Net finance expense		**$**	**(0.4)**	$	(10.1)

12. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the three months ended March 31		2020		2019
Net loss from continuing operations	**$**	**(42.2)**	$	(61.8)
Earnings from discontinued operations, net of tax		**-**		-
Net loss for the period - basic and diluted	**$**	**(42.2)**	$	(61.8)
Weighted-average number of common shares - basic and diluted[(1)]		**397.3**		397.3
Net loss from continuing operations per common share:				
Basic and diluted	**$**	**(0.11)**	$	(0.16)
Earnings from discontinued operations per common share:				
Basic and diluted	**$**	**0.00**	$	0.00
Net loss per common share:				
Basic and diluted	**$**	**(0.11)**	$	(0.16)

(1) The determination of the weighted-average number of common shares - diluted excludes 9.0 million shares related to stock options, 10.4 million shares related to the warrants from the 2016 debenture extension (note 17) and 47.2 million shares related to the cobalt-linked warrants (note 15) that were anti-dilutive for the three months ended March 31, 2020 (9.9 million, 10.4 million and 47.2 million, respectively, for the three months ended March 31, 2019).

13. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at		2020 March 31		2019 December 31
Cash equivalents	**$**	**36.4**	$	15.8
Cash held in banks		**157.0**		150.3
	$	**193.4**	$	166.1

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Madagascar and Cuba that are not rated. The total cash held in Madagascan and Cuban bank deposit accounts was $0.2 million and $89.0 million, respectively, as at March 31, 2020 (December 31, 2019 - $0.2 million and $85.3 million, respectively).

As at March 31, 2020, $86.2 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2019 - $79.8 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	Hierarchy level		2020 March 31 Carrying value		2020 March 31 Fair value		2019 December 31 Carrying value		2019 December 31 Fair value
Liabilities:										
8.00% senior unsecured debentures due 2021[(2)]	15	1	**$**	**165.2**	**$**	**42.4**	$	164.4	$	74.6
7.50% senior unsecured debentures due 2023[(2)]	15	1		**188.5**		**49.4**		187.8		57.4
7.875% senior unsecured debentures due 2025[(2)]	15	1		**202.6**		**55.2**		201.9		66.2
Ambatovy Joint Venture partner loans[(3)]	15	3		**165.8**		**11.2**		151.5		18.6

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

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

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

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	Note	Hierarchy level	2020 March 31	2019 December 31
Fair value through profit or loss				
Assets:				
Ambatovy Joint Venture operator fee receivable[1]	14	3	**$ 14.9**	$ 12.7
Liabilities:				
Cobalt-linked warrant liability[1][2]	15	1	**0.2**	0.7
Fair value through other comprehensive income (loss)				
Cash equivalents		1	**36.4**	15.8

(1) Changes in fair value are recognized within other financing items within net finance expense (note 11).

(2) The cobalt-linked warrants are measured at fair value using the closing market price as at each reporting date. As at March 31, 2020, the closing price of the cobalt-linked warrants was $0.005 per warrant (note 15) (December 31, 2019 - $0.015 per warrant).

Trade accounts receivable, net, and unbilled revenue

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

Canadian $ millions, as at	2020 March 31	2019 December 31
Trade accounts receivable, net	**$ 152.4**	$ 154.9
Unbilled revenue	**0.8**	-
	$ 153.2	$ 154.9

Trade accounts receivable, net

Canadian $ millions, as at	2020 March 31	2019 December 31
Trade accounts receivable	**$ 135.1**	$ 128.4
Allowance for expected credit losses	**(21.2)**	(19.1)
Accounts receivable from joint operations	**0.1**	0.1
Accounts receivable from joint venture	**13.6**	15.8
Accounts receivable from associate	**10.9**	11.8
Other	**13.9**	17.9
	$ 152.4	$ 154.9

Aging of trade accounts receivable, net

Canadian $ millions, as at	2020 March 31	2019 December 31
Not past due	**$ 122.0**	$ 125.7
Past due no more than 30 days	**5.1**	7.9
Past due for more than 30 days but no more than 60 days	**0.9**	0.8
Past due for more than 60 days	**24.4**	20.5
	$ 152.4	$ 154.9

Allowance for expected credit losses

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

Canadian $ millions	As at 2019 December 31	Revaluation (note 11)	Debt-to-equity conversion (note 14)	Foreign exchange and other non-cash items	As at 2020 March 31
		For the three months ended March 31, 2020			
Lifetime expected credit losses					
Trade accounts receivable, net	$ (19.1)	$ **(1.4)**	$ **-**	$ **(0.7)**	$ **(21.2)**
Ambatovy Joint Venture subordinated loans receivable	(71.2)	**-**	**11.9**	**(6.6)**	**(65.9)**
Ambatovy Joint Venture subordinated loans receivable - post-financial completion	(33.2)	**-**	**-**	**(3.1)**	**(36.3)**
Moa Joint Venture expansion loans receivable[(1)]	(6.8)	**(17.2)**	**-**	**(0.6)**	**(24.6)**

(1) For the year ended December 31, 2019, the ECL stage of the Moa Joint Venture expansion loans receivable was reassessed from stage 1 to stage 2, indicating that the credit risk of the loan had increased significantly subsequent to origination but is not considered to be in default. The Corporation has considered a combination of factors that are expected to adversely impact the borrower's ability to meet its debt obligation, which include past and potential future interest suspensions as well as potential changes to loan documentation. For the three months ended March 31, 2020, the allowance for expected credit losses revaluation reflects the probability-weighted impact that the present value of these factors could have on the net carrying value of these loans.

Canadian $ millions	As at 2018 December 31	Revaluation	Debt-to-equity conversion	Foreign exchange and other non-cash items	As at 2019 December 31
		For the year ended December 31, 2019			
Lifetime expected credit losses					
Trade accounts receivable, net	$ (17.9)	$ (2.2)	$ -	$ 1.0	$ (19.1)
Ambatovy Joint Venture subordinated loans receivable	(44.9)	(105.3)	76.8	2.2	(71.2)
Ambatovy Joint Venture subordinated loans receivable - post-financial completion	-	(33.2)	-	-	(33.2)
Moa Joint Venture expansion loans receivable	-	(6.8)	-	-	(6.8)

14. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	**2020 March 31**	2019 December 31
Advances and loans receivable			
Ambatovy Joint Venture subordinated loans receivable[(1)]		$ **69.3**	$ 61.0
Ambatovy Joint Venture subordinated loans receivable - post-financial completion		**45.1**	41.3
Ambatovy Joint Venture operator fee receivable	13	**14.9**	12.7
Energas conditional sales agreement		**224.8**	228.4
Moa Joint Venture expansion loans receivable		**256.5**	252.2
Other financial assets[(2)]		**7.3**	5.4
		617.9	601.0
Current portion of advances, loans receivable and other financial assets[(3)]		**(62.5)**	(13.0)
		$ **555.4**	$ 588.0

(1) During the three months ended March 31, 2020, the Ambatovy Joint Venture converted US$69.9 million ($99.2 million) of its subordinated loans payable to equity (note 10) which, at the Corporation's 12% share, resulted in a US$8.4 million ($11.9 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for expected credit losses, resulting in a net nil change. There was no change to the Corporation's ownership interest as a result of the conversion.

(2) Included in other financial assets are finance lease receivables of $5.0 million (December 31, 2019 - $5.1 million).

(3) Included in the current portion of advances, loans receivable and other financial assets is the Energas conditional sales agreement of $61.7 million (December 31, 2019 - $12.4 million). During the three months ended March 31, 2020, the current portion of the Energas conditional sales agreement increased $49.3 million as a result of the new payment commitment with the Corporation's Cuban partners.

15. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

Canadian $ millions	Note	As at 2019 December 31	For the three months ended March 31, 2020 — Non-cash changes: Effect of movement in exchange rates	Other	As at 2020 March 31
8.00% senior unsecured debentures due 2021[1]	13	$ 164.4	$ -	$ 0.8	$ **165.2**
7.50% senior unsecured debentures due 2023[1]	13	187.8	-	0.7	**188.5**
7.875% senior unsecured debentures due 2025[1]	13	201.9	-	0.7	**202.6**
Ambatovy Joint Venture partner loans[2]	13	151.5	13.9	0.4	**165.8**
Syndicated revolving-term credit facility		8.0	-	-	**8.0**
		$ 713.6	$ 13.9	$ 2.6	$ **730.1**
Current portion of loans and borrowings		(159.5)			**(173.8)**
		$ 554.1			$ **556.3**

(1) As at March 31, 2020, the outstanding principal amounts of the 8.00% senior unsecured debentures due 2021, 7.50% senior unsecured debentures due 2023 and 7.875% senior unsecured debentures due 2025 are $169.6 million, $197.8 million and $220.7 million, respectively. Other non-cash changes consists of accretion.

(2) As at March 31, 2020, the outstanding principal amount of the Ambatovy Joint Venture partner loans is $155.5 million, including capitalized interest. Other non-cash changes on the Ambatovy Joint Venture partner loans consists of accretion and accrued interest. Accrued and unpaid interest on these loans is capitalized to the loan balance semi-annually in June and December.

Canadian $ millions	As at 2018 December 31	For the year ended December 31, 2019 — Non-cash changes: Effect of movement in exchange rates	Other	As at 2019 December 31
8.00% senior unsecured debentures due 2021	$ 162.1	$ -	$ 2.3	$ 164.4
7.50% senior unsecured debentures due 2023	185.8	-	2.0	187.8
7.875% senior unsecured debentures due 2025	199.6	-	2.3	201.9
Ambatovy Joint Venture partner loans	150.2	(7.0)	8.3	151.5
Syndicated revolving-term credit facility	8.0	-	-	8.0
	$ 705.7	$ (7.0)	$ 14.9	$ 713.6
Current portion of loans and borrowings	(8.0)			(159.5)
	$ 697.7			$ 554.1

Senior unsecured debentures event of default

In accordance with the Transaction that was announced during the three months ended March 31, 2020, the Corporation did not make its March 24, 2020 interest payment of $7.4 million on its 7.50% senior unsecured debentures due 2023 as all accrued and unpaid interest in respect of the Existing Notes up to the Effective Date is to be exchanged for New Secured Notes as discussed in note 5. Pursuant to the indenture governing the Existing Notes (the “Existing Notes Indenture”), an event of default occurs on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period.

As of April 23, 2020, thirty days after non-payment of interest due on its 7.50% senior unsecured debentures due 2023, an event of default occurred under the Existing Notes Indenture in respect of all of the Existing Notes. In addition, the Corporation did not make its April 11, 2020 interest payment of $8.7 million on its 7.875% senior unsecured debentures due 2025. Another event of default will occur on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period.

Pursuant to the Interim Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") issued on February 26, 2020 (the "Interim Order"), the Court granted a stay of proceedings (the "Stay of Proceedings"), which, among other things, prevents any right, remedy or proceeding from being exercised, commenced or proceeded with against or in respect of the Corporation by the holders of the Existing Notes or the indenture trustee in connection with any defaults or events of defaults under the Existing Notes or the Existing Notes Indenture. The stay of proceedings prevents any enforcement actions in respect of the Existing Notes and is in effect until the earlier of the implementation of the Transaction under the CBCA or the termination of the CBCA proceedings. In the event the Transaction is not implemented pursuant to the CBCA and the CBCA proceedings are terminated, the holders of the Corporation's Existing Notes may be entitled to instruct the trustee to accelerate the Existing Notes and pursue other remedies in respect of events of default existing under the Existing Notes Indenture.

As a result of the event of default under the Existing Notes Indenture, the Corporation's Existing Notes were reclassified to current liabilities as at April 23, 2020.

Ambatovy Joint Venture partner loans

As at March 31, 2020, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture (note 10), which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. Despite being in default on the Ambatovy Joint Venture partner loans, the Ambatovy Joint Venture partners' recourse against the Corporation in respect of such default is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture.

The commencement of the CBCA proceedings may constitute an event of default under the Ambatovy Joint Venture partner loans which under the terms of such loans would permit the Ambatovy Joint Venture partners' to seek immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation. Furthermore, subsequent to March 31, 2020, the event of default in respect of the Corporation's Existing Notes that occurred on April 23, 2020, as a result of non-payment of interest, resulted in a cross-default under the Ambatovy Joint Venture partner loans. The recourse against the Corporation for this event of default is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture. Pursuant to the Stay of Proceedings granted under the Interim Order, any right, remedy or proceeding is prohibited from being exercised, commenced or proceeded with against or in respect of the Corporation by the Ambatovy Joint Venture partners in connection with any defaults or events of defaults under the Ambatovy Joint Venture partner loans.

As discussed in note 5, at the completion of the Transaction, the Ambatovy Joint Venture partner loans are expected to be exchanged for at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's Ambatovy Joint Venture Interests or (ii) Amended Ambatovy Joint Venture Partner Loans. In the event the Transaction is not implemented pursuant to the CBCA and the CBCA proceedings are terminated, the Ambatovy Joint Venture partners' may be entitled to accelerate the Ambatovy Joint Venture partner loans and pursue other remedies in respect of events of default existing under the Ambatovy Joint Venture partner loans, including seeking immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation.

Syndicated revolving-term credit facility

During the year ended December 31, 2018, the maturity of the syndicated revolving-term credit facility was extended to April 30, 2020 and the maximum credit available increased to $70.0 million. The total available draw is based on eligible receivables and inventories, which are pledged as collateral. Certain assets of the Corporation and its wholly-owned subsidiaries in Canada are also pledged as security. The interest rates decreased to prime plus 3.00% or bankers' acceptance plus 4.00%.

The facility is subject to the following financial covenants and restrictions as of March 31, 2020:

- EBITDA, as defined in the agreement, equal to or greater than $70.0 million;
- EBITDA-to-interest expense covenant of not less than 1.35:1;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture; and
- Minimum cash covenant balance, as defined in the agreement, of $70.0 million, less undrawn credit. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada. The required minimum cash covenant balance as at March 31, 2020 is calculated to be $56.3 million (December 31, 2019 - $53.3 million).

On April 15, 2020, the maturity of the syndicated revolving-term credit facility was further extended to August 31, 2020. The maximum credit available, collateral and interest rates remain unchanged.

As of April 15, 2020 through to August 31, 2020 maturity, the financial covenants were amended as follows:

- EBITDA, as defined in the agreement, equal to or greater than $60.0 million;
- EBITDA-to-interest expense covenant of not less than 1.25:1; and
- Minimum cash covenant balance, as defined in the agreement, of $65.0 million, less undrawn credit. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada.

The limits on capital expenditures and funding of the Ambatovy Joint Venture and Moa Joint Venture remain unchanged.

The events of default on the Ambatovy Joint Venture partner loans and the Corporation's Existing Notes would have also resulted in an event of default on the syndicated revolving-term credit facility; however, these potential events of default on the credit facility were waived through to the maturity of the credit facility, for so long as such defaults are stayed under the CBCA proceedings. In the event the stay of proceedings granted in the CBCA proceedings is terminated, the waiver will cease to be in effect and the lenders under the syndicated revolving-term credit facility may be entitled to direct the agent to pursue remedies in respect of events of default existing under the syndicated revolving-term credit facility.

Covenants

As at March 31, 2020, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

Other financial liabilities

Canadian $ millions, as at	Note		**2020 March 31**		2019 December 31
Lease liabilities		**$**	**17.6**	$	14.8
Cobalt-linked warrant liability[1]	13		**0.2**		0.7
Share-based compensation liability			**0.8**		2.2
Other financial liabilities			**0.3**		5.1
			18.9		22.8
Current portion of other financial liabilities			**(2.2)**		(9.3)
		$	**16.7**	$	13.5

(1) In January 2018, the Corporation issued 47.2 million cobalt-linked warrants as part of a unit offering that also included common shares. 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. As at March 31, 2020, 47.2 million cobalt-linked warrants related to the 2018 unit offering were outstanding (note 13) (December 31, 2019 - 47.2 million).

16. PROVISIONS AND CONTINGENCIES

Provisions

Canadian $ millions, as at		**2020 March 31**		2019 December 31
Environmental rehabilitation provisions	**$**	**117.8**	$	97.9
Other provisions[1]		**6.1**		6.5
		123.9		104.4
Current portion of provisions		**(4.7)**		(5.0)
	$	**119.2**	$	99.4

(1) Other provisions relates to obligations retained by the Corporation after the disposition of the Coal operations in 2014.

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note		**For the three months ended 2020 March 31**		For the year ended 2019 December 31
Balance, beginning of the period		**$**	**97.9**	$	107.7
Change in estimates[1]			**16.2**		(2.5)
Gain on settlement of environmental rehabilitation provision			**-**		(0.7)
Accretion	11		**0.1**		0.3
Effect of movement in exchange rates			**3.6**		(6.9)
Balance, end of the period		**$**	**117.8**	$	97.9

(1) Change in estimates for the three months ended March 31, 2020 increased compared to the comparative period primarily as a result of revisions to the estimated future costs it will take to rehabilitate property and changes in rates used in discounting the expected future cash flows.

Contingencies

A number of the Corporation's subsidiaries have operations located in Cuba. The Corporation will continue to be affected by the difficult political relationship between the United States and Cuba. The incumbent U.S. administration has announced that it will no longer suspend the right of claimants to bring lawsuits under Title III of the Helms-Burton Act, effective May 2, 2019. The Corporation has received letters in the past from U.S. nationals claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, and explicitly or implicitly threatening litigation. However, Sherritt does not believe that its operations would be materially affected by any Helms-Burton Act lawsuits, because Sherritt's minimal contacts with the United States would likely deprive any U.S. court of personal jurisdiction over Sherritt. Furthermore, even if personal jurisdiction were exercised, any successful U.S. claimant would have to seek enforcement of the U.S. court judgment outside the U.S. in order to reach material Sherritt assets. The Corporation believes it unlikely that a court in any country in which Sherritt has material assets would enforce a Helms-Burton Act judgment.

17. SHAREHOLDERS' EQUITY

Capital stock

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

Canadian $ millions, except share amounts		**For the three months ended 2020 March 31**			For the year ended 2019 December 31	
	Number		**Capital stock**	Number		Capital stock
Balance, beginning of the period	**397,282,785**	**$**	**2,894.9**	397,281,686	$	2,894.9
Warrants exercised - 2016 debenture extension[1]	**1,648**		**-**	1,099		-
Balance, end of the period	**397,284,433**	**$**	**2,894.9**	397,282,785	$	2,894.9

(1) During the year ended December 31, 2016, 19.1 million warrants were granted to Noteholders of the senior unsecured debentures that elected to extend the maturity dates with a fair value of $0.43 per warrant which totaled $8.2 million. As at March 31, 2020, 10.4 million warrants related to the 2016 debenture extension were outstanding (December 31, 2019 - 10.4 million).

Reserves

Canadian $ millions		For the three months ended 2020 March 31		For the year ended 2019 December 31
Stated capital reserve				
Balance, beginning of the period	**$**	**222.2**	$	222.2
Balance, end of the period	**$**	**222.2**	$	222.2
Share-based compensation reserve				
Balance, beginning of the period	**$**	**11.5**	$	11.2
Stock option plan expense		**-**		0.3
Balance, end of the period		**11.5**		11.5
Total reserves, end of the period	**$**	**233.7**	$	233.7

Accumulated other comprehensive income

Canadian $ millions		For the three months ended 2020 March 31		For the year ended 2019 December 31
Foreign currency translation reserve				
Balance, beginning of the period	**$**	**500.9**	$	541.8
Foreign currency translation differences on foreign operations		**66.9**		(40.9)
Balance, end of the period		**567.8**		500.9
Actuarial losses on pension plans				
Balance, beginning of the period	**$**	**(5.1)**	$	(4.6)
Actuarial losses on pension plans, net of tax		**(0.8)**		(0.5)
Balance, end of the period		**(5.9)**		(5.1)
Total accumulated other comprehensive income	**$**	**561.9**	$	495.8

18. SHARE-BASED COMPENSATION PLANS

Other share-based compensation

Performance Share Units (PSUs)

In March 2020, 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 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, 2020 was 22,372,397 (March 31, 2019 - 7,920,328). The number of PSUs granted during the three months ended March 31, 2020 is higher than the three months ended March 31, 2019 as a result of the decline in the market price of the Corporation's common shares.

Restricted Share Units (RSUs)

In March 2020, the Corporation's Board of Directors approved the grant of RSUs to certain employees with a 3-year vesting period with no performance conditions. The number of these RSUs subject to no performance conditions granted during the three months ended March 31, 2020 was 22,372,397 (March 31, 2019 - 7,920,328). The number of RSUs granted during the three months ended March 31, 2020 is higher than the three months ended March 31, 2019 as a result of the decline in the market price of the Corporation's common shares.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

Canadian $ millions, for the three months ended March 31		2020		2019
Trade accounts receivable, net, and unbilled revenue	$	**13.6**	$	(3.1)
Inventories		**(5.4)**		(6.0)
Prepaid expenses		**0.6**		0.1
Trade accounts payable and accrued liabilities		**(25.3)**		(28.3)
Deferred revenue		**25.4**		10.5
	$	**8.9**	$	(26.8)

20. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

COVID-19 and other pandemic risk

The Corporation's operations are subject to the risk of emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases, including the novel COVID-19 virus pandemic. Management is currently monitoring and regularly assessing the short and medium-term impacts of the COVID-19 virus, including for example supply chain, mobility, workforce, market and trade flow impacts, as well as the resilience of Canadian, Cuban and other global financial markets to support recovery. Any longer term impacts are also being considered and monitored, as appropriate. However, this pandemic is evolving rapidly and its effects on our own operations are uncertain. It is possible that in the future operations may be temporarily shut down or suspended for indeterminate amounts of time, any of which may, individually or in the aggregate, have a material and adverse impact on our business, results of operations and financial performance. The extent to which COVID-19 may impact the Corporation's business and operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world in jurisdictions where the Corporation operates may also have potentially significant economic and social impacts. If the business operations of the Corporation are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Corporation's business, results of operations and financial performance. There are potentially significant adverse impacts of COVID-19 which may include decreased demand or the inability to sell nickel or cobalt or declines in the price of nickel and cobalt or other unknown but potentially significant impacts. The COVID-19 virus and efforts to contain it may have a significant effect on commodity prices, and the possibility of a prolonged global economic downturn may further impact commodity demand and prices.

The Corporation's other financial risks and capital risk management are described in the Corporation's consolidated financial statements for the year ended December 31, 2019. The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2019.

21. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its joint arrangements (note 9) and investment in an associate (note 10). 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.

22. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31		2020
Property, plant and equipment commitments	$	**6.1**
Joint venture:		
Property, plant and equipment commitments		**10.9**

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