Q2

2015 SECOND QUARTER REPORT

Sherritt International Corporation

For the three months ended June 30, 2015

For immediate release

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Sherritt Announces Q2 2015 Results

Nickel production increases 8% over Q2 2014 and Net Direct Cash Costs decline at Moa and Ambatovy

Toronto, Ontario – July 28, 2015 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), a world leader in the mining and refining of nickel from lateritic ores, today reported its financial results for the three and six months ended June 30, 2015.

"Our metals business continues to provide stable production while we find ways to lower cash costs. Our business-wide emphasis on controlling costs while ramping up to full production at Ambatovy contributed to lower cash costs of US$5.48 at Ambatovy, and US$4.12 at Moa," said David Pathe, President and CEO.

"Despite a once in ten year maintenance shutdown at Fort Saskatchewan and some unplanned disruptions at Ambatovy in the quarter, we saw overall nickel production increase by 8% over the prior year period," continued Pathe. "During the quarter, we obtained three more certificates from the Independent Engineer, leaving two outstanding certificates to attain financial completion at the end of September."

Q2 HIGHLIGHTS(1)(2)(3)

- Average reference prices for our primary products were down significantly year over year, with nickel down 30% and oil down 45% from the same quarter last year.
- Finished nickel production was 8% higher at 8,035 tonnes, in a quarter that included a once-in-10 year maintenance shutdown at Fort Saskatchewan and Ambatovy production impacts from a strike and damage to ore thickeners.
- Net direct cash costs fell for the second consecutive quarter this year, to US$4.12 per pound at the Moa JV and US$5.48 per pound at Ambatovy.
- Ambatovy's Independent Engineer signed off on the Efficiency, Production and Environmental Certificates, leaving two remaining certificates required for Financial Completion.
- Adjusted EBITDA decreased 47% from the same quarter last year, and 9% from Q1 2015 Adjusted EBITDA, consistent with the decline in metal and oil prices.
- Combined adjusted operating cash flow per share increased to $0.09 per share in the second quarter this year from $0.06 per share in the same quarter last year.
- Combined administration expenses declined for the second consecutive quarter this year, to $17.3 million compared to $27.5 million in the second quarter of 2014.

OUTLOOK AND SIGNIFICANT ITEMS

- We lowered production guidance at Ambatovy and narrowed the expected production range to 45,000 – 48,000 tonnes (100% basis) finished nickel, from the original guidance of 47,000 – 52,000 tonnes finished nickel (100% basis). Mixed sulphide and cobalt production expectations have also been revised as presented in the Outlook table. This change recognizes the production impacts in the second quarter, and our schedule to return to operations with both thickeners online.

All amounts are Canadian dollars unless otherwise indicated.
(1) For additional information see the Non-GAAP measures section of this press release.
(2) Compared to the same period in the prior year.
(3) Shown on Sherritt's attributable share ownership basis.

- We reduced expected capital spending in Oil and Gas to $81 million from the $96 million projection provided as part of the Q1 2015 disclosure, which was itself a downward revision from the original $107 million estimate. These revisions are consistent with the objective of preserving capital and adjusting capital spending as new results are analyzed.
- In the first quarter this year, we had a tax recovery of $30.1 million due to the reduction in statutory tax rates in Cuba accompanying Cuba's new foreign investment regime. In the second quarter, we had an additional tax recovery of $13.2 million in Oil and Gas, as we received clarification from the Cuban tax authority pertaining to a further recovery, which will be a non-recurring item.
- We recorded a $19.1 million gain on the sale of our corporate head office.

Q2 2015 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended 2015 June 30	2014 June 30	Change	For the six months ended 2015 June 30	2014 June 30	Change
Combined Revenue[1]	**268.4**	304.6	(12%)	$ **546.7**	$ 555.3	(2%)
Adjusted EBITDA[1]	**40.2**	75.4	(47%)	**84.4**	130.3	(35%)
Combined free cash flow [1]	**(67.0)**	(19.6)	(242%)	**(55.8)**	(78.6)	29%
Net loss from continuing operations per share	**(0.16)**	(0.16)	-	**(0.36)**	(0.40)	10%
Combined adjusted operating cash flow per share [1]	**0.09**	0.06	50%	**0.28**	0.18	56%

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

$ millions, except as noted, as at	2015 June 30	2014 December	Change
Cash, cash equivalents and short term investments	**398.3**	476.2	(16%)
Total loans and borrowings	**1,986.9**	1,859.9	7%
Total debt-to-capital[1]	37%	35%	6%

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

Adjusted earnings (loss) from continuing operations[1]

	For the three months ended 2015 June 30 $ millions	$/share	2014 June 30 $ millions	$/share
Net loss from continuing operations	**(47.6)**	(0.16)	**(49.0)**	(0.16)
Adjusting Items, net of tax	**(27.6)**	(0.09)	**(7.2)**	(0.02)
Adjusted net loss from continuing operations	**(75.2)**	(0.25)	**(56.2)**	(0.19)

	For the six months ended 2015 June 30 $ millions	$/share	2014 June 30 $ millions	$/share
Net loss from continuing operations	**(104.4)**	**(0.36)**	(119.5)	(0.40)
Adjusting Items, net of tax	**(41.8)**	**(0.14)**	4.9	0.02
Adjusted net loss from continuing operations	**(146.2)**	**(0.50)**	(114.6)	(0.39)

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

During the second quarter, $27.6 million ($0.09 per share) in adjusting items occurred that primarily included a $19.1 million gain on the sale of the corporate office, and a $13.2 million tax recovery due to the reduction in statutory tax rates in Cuba. This tax recovery follows a similar tax recovery of $30.1 million recognized in the first quarter of 2015. We received clarification from the Cuban tax authority pertaining to this additional recovery, which will be a non-recurring item.

REVIEW OF OPERATIONS

METALS

$ millions except as otherwise noted, for the three months ended June 30			2015					2014	
	Moa JV & Fort Site(1) (50%)	**Ambatovy JV (40%)**	**Other(2)**	**Total**	Moa JV and Fort Site(1) (50%)	Ambatovy JV (40%)	Other(2)	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 109.4**	**$ 80.6**	**$ 14.2**	**$ 204.2**	$ 122.9	$ 77.8	$ 15.3	$ 216.0	(5%)
Adjusted EBITDA(3)	**14.2**	**(1.7)**	**-**	**12.5**	22.0	2.1	0.6	24.7	(49%)
Cash provided (used) by operations	**(11.4)**	**7.3**	**(0.7)**	**(4.8)**	(16.5)	(35.7)	(4.9)	(57.1)	92%
Spending on capital	**15.9**	**9.2**	**-**	**25.1**	5.7	8.4	-	14.1	78%
Free cash flow(3)	**(26.9)**	**5.1**	**(0.7)**	**(22.5)**	(22.1)	(43.6)	(4.9)	(70.6)	68%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,702**	**4,533**	**-**	**9,235**	4,893	3,756	-	8,649	7%
Finished Nickel	**3,877**	**4,158**	**-**	**8,035**	3,870	3,602	-	7,472	8%
Finished Cobalt	**429**	**264**	**-**	**693**	376	285	-	661	5%
Fertilizer	**58,977**	**12,028**	**-**	**71,005**	68,905	9,872	-	78,777	(10%)
NICKEL RECOVERY (%)	**89%**	**86%**			89%	88%			
SALES VOLUMES (tonnes)									
Finished Nickel	**3,919**	**4,271**	**-**	**8,190**	3,792	3,485	-	7,277	13%
Finished Cobalt	**411**	**279**	**-**	**690**	366	260	-	626	10%
Fertilizer	**57,870**	**12,260**	**-**	**70,130**	81,929	10,721	-	92,650	(24%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 5.90**				$ 8.38	(30%)
Cobalt				**13.61**				13.94	(2%)
AVERAGE-REALIZED PRICES(3)									
Nickel ($ per pound)	**$ 7.16**	**$ 7.10**		**$ 7.13**	$ 8.74	$ 8.92		$ 8.83	(19%)
Cobalt ($ per pound)	**16.40**	**18.08**		**17.10**	14.68	13.26		14.13	21%
Fertilizer ($ per tonne)	**503**	**194**		**449**	416	153		384	17%
UNIT OPERATING COSTS(3) (US$ per pound)									
Nickel - net direct cash cost	**$ 4.12**	**$ 5.48**			$ 5.05	$ 7.19			

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

$ millions unless otherwise noted, for the six months ended June 30	2015				2014				
	Moa JV and Fort Site[1] (50%)	**Ambatovy JV (40%)**	**Other[2]**	**Total**	Moa JV and Fort Site[1] (50%)	Ambatovy JV[3] (40%)	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 213.9**	**$ 181.3**	**$ 32.7**	**$ 427.9**	$ 213.3	$ 128.6	$ 34.2	$ 376.1	14%
Adjusted EBITDA[4]	**32.5**	**2.6**	**0.1**	**35.2**	29.0	(2.3)	0.8	27.5	28%
Cash provided (used) by operations	**18.8**	**19.8**	**(1.2)**	**37.4**	(10.2)	(56.7)	(6.8)	(73.7)	151%
Spending on Capital	**24.0**	**15.6**	**-**	**39.6**	10.3	12.3	-	22.6	75%
Free cash flow[4]	**(4.6)**	**15.0**	**(1.2)**	**9.2**	(20.2)	(65.4)	(6.8)	(92.4)	110%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**9,578**	**8,932**	**-**	**18,510**	8,884	7,608	-	16,492	12%
Finished Nickel	**8,234**	**8,814**	**-**	**17,048**	7,509	7,114	-	14,623	17%
Finished Cobalt	**855**	**608**	**-**	**1,463**	732	562	-	1,294	13%
Fertilizer	**119,506**	**23,690**	**-**	**143,196**	128,758	18,209	-	146,967	(3%)
NICKEL RECOVERY (%)	**89%**	**86%**			90%	84%			
SALES VOLUMES (tonnes)									
Finished Nickel	**8,194**	**9,215**	**-**	**17,409**	7,615	6,089	-	13,704	27%
Finished Cobalt	**820**	**620**	**-**	**1,440**	755	453	-	1,208	19%
Fertilizer	**88,712**	**25,387**	**-**	**114,099**	118,812	15,349	-	134,161	(15%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 6.21**				$ 7.49	(17%)
Cobalt[5]				**13.67**				13.92	(2%)
AVERAGE-REALIZED PRICES[4]									
Nickel ($ per pound)	**$ 7.55**	**$ 7.56**		**$ 7.55**	$ 7.93	$ 8.26		$ 8.10	(7%)
Cobalt ($ per pound)	**16.32**	**16.06**		**16.22**	14.77	14.31		14.65	11%
Fertilizer ($ per tonne)	**459**	**192**		**399**	398	165		372	7%
UNIT OPERATING COSTS[4] (US$ per pound)									
Nickel - net direct cash cost	**$ 4.24**	**$ 5.63**			$ 5.17	$ 7.04			

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organization for certain Ambatovy sales.
(3) Represents the post-commercial production period except for production volumes and nickel recovery.
(4) For additional information, see the Non-GAAP measures section of this release.

Metal markets

Nickel prices continued to deteriorate in the second quarter, reaching a new six year low in July when spot prices dipped below US$ 5.00 per pound for the first time since 2009. At the prices reached in July approximately 50% of global nickel production is below break even on a C1 cash cost basis. Despite some nickel production being curtailed in the last year it appears that more significant production cuts will be required in order to have any impact on market fundamentals. Weaker nickel demand is supported by the decline in stainless steel output as many mills are entering a period of planned maintenance outages and stainless steel inventories remain high.

Longer term, a supply deficit is still expected, although timing is expected to shift from the latter half of 2015 to 2016 as a consequence of reduced global stainless steel demand. A decline in nickel ore inventories in China, a modest reduction in LME inventory levels and less than 50% capacity utilization of Chinese NPI production facilities as reported by Shanghai Metal Markets support the thesis that Chinese NPI production has declined. This had been an expected consequence of NPI production being generally at a higher cost than current market.

The average reference price for cobalt was relatively flat year over year and over the first quarter this year, although exchange rate changes account for a more significant increase in the realized prices year over year. Realized price differences between Moa and Ambatovy in cobalt generally reflect the longer shipment times to customers from Ambatovy, and timing of revenue recognition.

Moa Joint Venture (50% interest) and Fort Site

Adjusted EBITDA declined by 35% ($7.8 million) during the second quarter compared to the prior year period primarily due to lower nickel prices, partially offset by lower fuel oil and other energy prices and higher fertilizer prices.

Finished nickel production of 3,877 tonnes (50% basis) for the second quarter of 2015 was 7 tonnes higher than the prior year quarter despite a longer planned annual maintenance shutdown. Stable operations at Moa continue to have a positive impact on mixed sulphides availability.

Finished cobalt production of 429 tonnes (50% basis) for the second quarter of 2015 was higher than the prior year quarter, consistent with the trend in Q1 2015. A modestly higher cobalt ratio in the feed contributed to the increase.

Nickel recovery at Moa of 89% in the quarter was consistent with the prior year quarter, and up slightly from the 88% historical standard.

The net direct cash cost of US$4.12 per pound of nickel was down 18% (US$0.93 per pound) from the second quarter of 2014, despite flat production, as lower fuel oil and energy prices and lower third party feed costs were partially offset by higher sulphur and sulphuric acid prices.

Fertilizer’s EBITDA contributions have been strong both in the quarter and year to date, although the impact was partly offset by reduced production and sales volumes. Lower opening inventories after a strong Q4 2014 and the maintenance shutdown that occurred this quarter impacted production and sales volumes.

Capital spending of $15.9 million in the quarter and $24.0 million year to date is mainly attributable to the higher planned spending, with expansion capital as budgeted for the construction of the 2,000 tonne per day acid plant which will eliminate the need to import acid.

Ambatovy Joint Venture (40% interest)

Adjusted EBITDA in the second quarter was negative $1.7 million during the quarter compared to Adjusted EBITDA of $2.1 million in the same quarter last year. For the six month period ended June 30, 2015, Adjusted EBITDA of $2.6 million compares with negative $2.3 million in the first half of last year.

During the quarter, finished nickel production was 4,158 tonnes (10,395 tonnes, 100% basis), an improvement of 15% over last year. Nickel average-realized prices in the quarter followed the decline in reference prices year over year. Average-realized prices for cobalt strengthened in the second quarter this year compared to their year ago level mainly because of exchange rate benefit, but also from the first quarter this year without any exchange rate benefit. The change from Q1 to Q2 this year relates to the timing of shipments and revenue recognition.

Second quarter throughput and production were impacted by a strike in April, and by unplanned repair and redesign work required on both ore thickeners, one of which has returned to service. As announced in the May Ambatovy monthly production update, both ore thickeners were damaged in the third week of May, 2015 after two power failures and were subsequently emptied and taken offline for repair. Unthickened ore was processed directly through the PAL circuit during late May and June, reducing ore throughput capacity by approximately 15%. Ore Thickener 1 has since returned to service and is operating normally, with overall ore throughput rate capacity currently reduced by approximately 6%.

Ore Thickener 2 will be re-assembled with additional support to the bridge structure, with the repair scheduled for Q3 this year. Capital spending is not expected to increase beyond the original 2015 guidance of $35 million (40% basis).

Q2 nickel recovery was 86% compared to 85% in Q1 primarily due to efficiency improvements in the mixed sulphide precipitation circuit resulting from operational and process control improvements.

The net direct cash cost (NDCC) of nickel was US$5.48 per pound in the second quarter of 2015, compared to US$5.74 in the first quarter this year, when production was higher. Mining, processing and refining costs per pound continue to fall with lower commodity input costs and lower maintenance costs, apart from the thickener repairs. Impacts to NDCC from the ore thickener failures have been limited, as fixed costs over lower unit volumes have been offset by savings in input costs, specifically sulphuric acid.

Significant fixed cost reductions have also been identified and realised in response to the continued nickel price deterioration, including the head count reduction of approximately 1,100 employees and contractors as previously announced. The estimated annual savings from this reduction are approximately $5 million.

Production in the second half of 2015 is expected to return to forecast levels with the outlook impacted by the unplanned and now resolved challenges experienced in the first half. Accordingly, we have narrowed our expected outlook range with a modest reduction to 45,000 – 48,000 tonnes nickel.

Financial completion is described in Note 6 to the Interim Condensed Consolidated Financial Statements for the period ended June 30, 2015. The two remaining certificates required to achieve financial completion are Legal and Other Conditions Certificate, which requires, among other things, registration of security interests over the project's assets and real property; and the Financial Certificate, which requires the funding of a senior debt reserve account in an amount equivalent to six months principal and interest payable, or approximately US$48 million for Sherritt's 40% share. Upon submission of the final certificates, the US$1.7 billion Ambatovy Joint Venture Financing (100% basis, balance at June 30, 2015) becomes non-recourse to the Ambatovy partners, and the interest rate increases by approximately 1% from approximately LIBOR plus 1.4% to LIBOR plus 2.55%.

For the three months ended June 30, 2015, the Joint Venture partners were required to fund US$90.0 million on a 100% basis (US$36 million, Sherritt's 40% share) to cover obligations including the required semi-annual principal payments on the project finance facility. Further funding is required for obligations including the senior debt reserve account described above, prior to the September 30 2015 deadline for financial completion.

OIL AND GAS

$ millions, except as otherwise noted	For the three months ended 2015 June 30	2014 June 30	Change	For the six months ended 2015 June 30	2014 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 51.3**	$ 74.7	(31%)	**$ 93.6**	$ 151.6	(38%)
Adjusted EBITDA[1]	**29.9**	57.5	(48%)	**51.4**	117.9	(56%)
Cash provided by operations	**6.4**	80.5	(92%)	**13.0**	96.5	(87%)
Spending on Capital	**16.5**	15.4	7%	**43.5**	31.2	39%
Free cash Flow[1]	**(13.9)**	64.0	(122%)	**(27.9)**	65.0	(143%)
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) - Cuba	**18,607**	19,528	(5%)	**19,160**	19,862	(4%)
Total net working-interest (NWI)	**11,948**	11,109	8%	**11,445**	11,441	-
AVERAGE REFERENCE PRICE (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	**$ 50.92**	$ 91.82	(45%)	**$ 47.67**	$ 90.58	(47%)
Brent	**61.17**	110.25	(45%)	**57.47**	109.68	(48%)
AVERAGE-REALIZED PRICE[1] (NWI)						
Cuba ($ per barrel)	**$ 45.71**	$ 72.88	(37%)	**$ 43.69**	$ 72.32	(40%)
UNIT OPERATING COSTS[1] (GWI)						
Cuba ($ per barrel)	**$ 10.13**	$ 7.69	32%	**$ 9.17**	$ 7.19	28%

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

Adjusted EBITDA was 48% ($27.6 million) lower in the second quarter compared to the prior year period, with realized oil and gas prices down 37% over the same period. In our Cuban operation, the average-realized price in the second quarter was $45.71 per barrel, an improvement over the average-realized price of $41.44 in the first quarter this year, as WTI and Brent crude prices showed some signs of stabilization in the second quarter.

Gross working interest ("GWI") oil production in Cuba decreased by 5% (921 barrels of oil per day in the second quarter compared to the prior year period, primarily due to natural reservoir declines and lower than expected production from development wells drilled under the Puerto Escondido/Yumuri Production Sharing Contract (PSC) extension. We have now drilled and completed a total of six new wells with a seventh in progress, fulfilling our commitments under the PSC extension. To date, oil production from the PSC extension wells has been lower than expected, with four of the six wells producing oil, and one being evaluated. After evaluation including results of the well currently in progress, we will determine what new drill activity to conduct, if any, on the PSC extension.

Unit operating costs in Cuba increased 32% ($2.44 per barrel) in the second quarter compared to the prior year period, mainly reflecting increased workover costs, lower production and the weaker Canadian dollar. Q2 unit operating costs were also higher than Q1 this year, with lower production and increased workover costs accounting for the majority of the change. Cost-recovery oil production for the three and six months increased, consistent with the lower realized prices and an increase in eligible expenditures that can be claimed compared to the prior year periods.

On a year to date basis, capital spending of $43.5 million is up 39% year over year, consistent with the higher capital expenditures required to drill the PSC extension. Consistent with the objective of preserving capital and adjusting capital spending as new production results are analyzed, we are reducing estimated capital spending for the second consecutive quarter to $81 million from $96 million estimated last quarter.

POWER

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions (33⅓% basis), except	**June 30**	June 30	**Change**	**June 30**	June 30	**Change**
FINANCIAL HIGHLIGHTS						
Revenue	**$ 12.7**	$ 12.7	-$	**24.5**	$ 24.6	-
Adjusted EBITDA[1]	**7.6**	6.5	17%	**14.9**	11.4	31%
Cash provided by operations	**10.6**	9.3	14%	**34.7**	10.2	240%
Spending on Capital[2]	**0.8**	1.0	(20%)	**1.2**	3.2	(63%)
Free cash flow[1]	**9.6**	8.8	9%	**33.3**	8.7	283%
PRODUCTION AND SALES						
Electricity (GWh)	**224**	224	-	**434**	411	6%
AVERAGE-REALIZED PRICE[1]						
Electricity ($/MWh)	**$ 52.17**	$ 46.24	13%	**$ 52.39**	$ 46.22	13%
UNIT OPERATING COSTS[1]						
Electricity ($/MWh)	**16.86**	15.62	8%	**16.27**	16.45	(1%)
NET CAPACITY FACTOR (%)	**69**	67	3%	**68**	62	10%

(1) For additional information see the Non-GAAP measures section of this release.
(2) Includes service concession arrangements and accruals.

Quarterly Adjusted EBITDA increased by 17% ($1.1 million) year over year with most of the benefit coming from higher average-realized pricing, which is mainly due to the weaker Canadian dollar. The average-realized price of electricity was 13% higher ($5.93 per MWh) in the second quarter compared to the prior year period.

In the second quarter this year, electricity production and sales were consistent with the prior year period. On a year to date basis, production and sales are higher in the first six months of 2015, with six months of production from the Boca de Jaruco Combined Cycle Project compared to five months in the same period last year.

Operating costs increased by 8% ($1.24 per MWh) in the second quarter compared to the prior year period, due to an increase in turbine maintenance and equipment repairs.

STRATEGIC PRIORITIES 2015

Sherritt continues to execute against its stated strategy to focus on its core competencies, improve its liquidity position and streamline its operations, consisting of the following near-term priorities:

Strategic Priorities	2015 Targets	Status
FOCUSING ON OUR CORE NICKEL BUSINESS **1**	Sustaining production and lowering costs at Moa Advancing the acid plant project at Moa	In Q2 2015, our remaining North Sea licenses were sold for nominal consideration, as they were non-core assets Nickel production was up year over year, and Net Direct Cash Costs have declined each quarter this year
CONTINUING TO RAMP UP AMBATOVY **2**	Targeting a production rate of 90% of nameplate capacity over a 90-day period within the first half of 2015 Targeting financial completion by September 30, 2015	Achieved 90 for 90 in Q1 2015, but Q2 production suffered from a strike and two power outages with subsequent structural damage to the thickeners; one thickener now back in service, with repairs to the second scheduled for Q3 Progressing toward financial completion, with three certificates signed off by the Independent Engineer in Q2
EXTENDING THE LIFE OF OUR CUBAN ENERGY BUSINESS **3**	Securing two additional exploration PSCs Commencing drilling on extended Puerto Escondido/Yumuri PSC	Seven commitment wells drilled or in progress in the Puerto Escondido/ Yumuri extension area PSCs
BUILDING BALANCE SHEET STRENGTH **4**	Maintaining a strong balance sheet and liquidity	Cash, cash equivalents and short term investments of $398 million as at June 30, 2015
REDUCING COSTS **5**	Optimizing operating and administrative costs	Unit operating costs in Ambatovy and Moa have declined for two consecutive quarters this year, partially offset by increases in oil and gas and power First half combined administrative costs down 31% year over year Gain of $19.1 million recognized in Q2 from sale of corporate head office

OUTLOOK

For the year ending December 31, 2015, Sherritt expects production volumes and spending on capital projected for the full year as shown below.

Production volumes and spending on capital for the six months and twelve months ended	Previous Guidance 2015 December 31	Actual 2015 June 30	Revised Projected 2015 December 31
Production volumes			
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)			
Moa Joint Venture	36,500-38,000	19,156	No change
Ambatovy Joint Venture	50,500-56,000	22,330	48,000-51,000
Total	87,000-94,000	41,486	84,500-89,000
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,000-34,000	16,467	No change
Ambatovy Joint Venture	47,000-52,000	22,035	45,000-48,000
Total	80,000-86,000	38,502	78,000-82,000
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,500-4,000	1,709	No change
Ambatovy Joint Venture	3,500-4,000	1,520	3,300-3,500
Total	7,000-8,000	3,229	6,800-7,500
Oil – Cuba (gross working-interest, bopd)	19,000	19,160	No change
Oil and Gas – All operations (net working-interest, boepd)	12,000	11,445	No change
Electricity (GWh, 100% basis)	2,550	1,302	No change
Spending on capital ($ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	75	24	No change
Metals – Ambatovy Joint Venture (40% basis)	35	16	No change
Oil and Gas	96	44	81
Power (33 ⅓% basis)	4	1	No change
Spending on capital (excluding Corporate)	210	85	195

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended June 30, 2015 for further information.

CONFERENCE CALL AND WEBCAST

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

Conference Call and Webcast:	July 29, 2015, 10:00 a.m. ET
Speakers:	David Pathe, President and CEO
	Dean Chambers, EVP and CFO
	Steve Wood, EVP and COO
North American callers, please dial:	1-866-530-1553
International callers, please dial:	416-847-6330
Live webcast:	www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until August 3, 2015 by calling 647-436-0148 or 1-888-203-1112, access code 9622152#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete interim condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2015 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

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

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” sections of this press release and certain expectations about capital costs and expenditures; capital project completion dates; completion of financial certificates at Ambatovy; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

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

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities including, but not limited to, the Corporation's Annual Information Form for the year ended December 31, 2014 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2015

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of July 28, 2015, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three and six months ended June 30, 2015 and the MD&A for the year ended December 31, 2014. 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 ventures and associate, unless the context indicates otherwise. All amounts are in Canadian dollars, unless otherwise indicated. References to "US$" are to United States (U.S.) dollars.

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

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The business we manage

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

	Relationship for accounting purposes	Economic interest	Basis of accounting
Metals			
Moa Joint Venture	Joint venture	50%	Equity method
Ambatovy Joint Venture	Associate	40%	Equity method
Oil and Gas	Subsidiary	100%	Full consolidation
Power	Joint operation	33⅓%	Economic interest recognized

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

Amounts presented in this MD&A can be reconciled to note 4 of the interim consolidated financial statements for the three and six months ended June 30, 2015.

Update on 2015 strategic priorities

Sherritt continues to focus on its strategic priorities. The status of these priorities is outlined below:

Strategic Priorities	2015 Targets	Status
FOCUSING ON OUR CORE NICKEL BUSINESS **1**	Sustaining production and lowering costs at Moa Advancing the acid plant project at Moa	In Q2 2015, our remaining North Sea licenses were sold for nominal consideration, as they were non-core assets Nickel production was up year over year, and Net Direct Cash Costs have declined each quarter this year
CONTINUING TO RAMP UP AMBATOVY **2**	Targeting a production rate of 90% of nameplate capacity over a 90-day period within the first half of 2015 Targeting financial completion by September 30, 2015	Achieved 90 for 90 in Q1 2015, but Q2 production suffered from a strike and two power outages with subsequent structural damage to the thickeners; one thickener now back in service, with repairs to the second scheduled for Q3 Progressing toward financial completion, with three certificates signed off by the Independent Engineer in Q2
EXTENDING THE LIFE OF OUR CUBAN ENERGY BUSINESS **3**	Securing two additional exploration PSCs Commencing drilling on extended Puerto Escondido/Yumuri PSC	Seven commitment wells drilled or in progress in the Puerto Escondido/ Yumuri extension area PSCs
BUILDING BALANCE SHEET STRENGTH **4**	Maintaining a strong balance sheet and liquidity	Cash, cash equivalents and short term investments of $398 million as at June 30, 2015
REDUCING COSTS **5**	Optimizing operating and administrative costs	Unit operating costs in Ambatovy and Moa have declined for two consecutive quarters this year, partially offset by increases in oil and gas and power First half combined administrative costs down 31% year over year Gain of $19.1 million recognized in Q2 from sale of corporate head office

Highlights

AMBATOVY OPERATIONS UPDATE

Finished nickel production was 4,158 tonnes (Sherritt's share) during the quarter, representing a 15% increase compared to the second quarter of 2014 and an 11% decrease compared to the first quarter of 2015. Finished nickel production in the quarter was impacted by a plant strike in April, unexpected outages at the plant caused by high voltage transformer failures, and consequent overload damage to the two ore thickeners. Unthickened ore was subsequently processed directly through the PAL circuit, affecting ore throughput rates by approximately 15%. One ore thickener was returned to service in July with repairs to the other scheduled for the third quarter.

In the quarter, the Ambatovy project lenders' independent engineer verified and signed the Efficiency, Production and Environmental certificates. Sherritt has now received eight of the 10 certificates required under the terms of the Ambatovy financing to satisfy substantial completion, with the remaining two certificates expected to be delivered prior to September 30, 2015.

In June 2015, Ambatovy implemented a program to reduce head count as part of a wider campaign aimed at mitigating the effects of continued low metal prices. Approximately 1,100 Ambatovy employees and contractors have had their employment contracts suspended or been demobilized, reducing overall project head count by approximately 12%.

Financial results

$ millions, except as otherwise noted		For the three months ended 2015 June 30		2014 June 30	Change		For the six months ended 2015 June 30		2014 June 30	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**99.6**	$	130.2	(24%)	**$**	**182.5**	$	251.1	(27%)
Combined revenue[1]		**268.4**		304.6	(12%)		**546.7**		555.3	(2%)
Adjusted EBITDA[1]		**40.2**		75.4	(47%)		**84.4**		130.3	(35%)
Loss from operations, associate and joint venture		**(40.7)**		(19.2)	(112%)		**(90.8)**		(35.5)	(156%)
Loss from continuing operations		**(47.6)**		(49.0)	3%		**(104.4)**		(119.5)	13%
(Loss) earnings from discontinued operations, net of tax		**(5.0)**		18.9	(126%)		**(5.0)**		41.2	(112%)
Net loss for the period		**(52.6)**		(30.1)	(75%)		**(109.4)**		(78.3)	(40%)
Adjusted earnings from continuing operations		**(75.2)**		(56.2)	(34%)		**(146.2)**		(114.6)	(28%)
Loss per common share (basic and diluted)($ per share):										
Net loss from continuing operations		**(0.16)**		(0.16)	-		**(0.36)**		(0.40)	10%
Net loss for the period		**(0.18)**		(0.10)	(80%)		**(0.38)**		(0.26)	(46%)
CASH FLOW										
Cash provided (used) by continuing operating activities	**$**	**(41.1)**	$	38.9	(206%)	**$**	**(14.8)**	$	29.2	(151%)
Combined free cash flow[1]		**(67.0)**		(19.6)	(242%)		**(55.8)**		(78.6)	29%
Combined adjusted operating cash flow per share ($ per share)[1]		**0.09**		0.06	50%		**0.28**		0.18	56%
OPERATIONAL DATA										
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[2]	**$**	**44.4**	$	30.0	48%	**$**	**86.7**	$	55.6	56%
PRODUCTION VOLUMES										
Finished nickel (tonnes)										
Moa Joint Venture (50% basis)		**3,877**		3,870	-		**8,234**		7,509	10%
Ambatovy Joint Venture (40% basis)		**4,158**		3,602	15%		**8,814**		7,114	24%
Finished cobalt (tonnes)										
Moa Joint Venture (50% basis)		**429**		376	14%		**855**		732	17%
Ambatovy Joint Venture (40% basis)		**264**		285	(7%)		**608**		562	8%
Oil (boepd, NWI production)[3]		**11,948**		11,109	8%		**11,445**		11,441	-
Electricity (gigawatt hours) (33 1/3% basis)		**224**		224	-		**434**		411	6%
AVERAGE-REALIZED PRICES[1]										
Nickel ($ per pound)	**$**	**7.13**	$	8.83	(19%)	**$**	**7.55**	$	8.10	(7%)
Cobalt ($ per pound)		**17.10**		14.13	21%		**16.22**		14.65	11%
Oil ($ per boe, NWI)[3]		**46.20**		72.51	(36%)		**44.10**		71.86	(39%)
Electricity ($ per megawatt hour)		**52.17**		46.24	13%		**52.39**		46.22	13%
UNIT OPERATING COSTS[1]										
Nickel (US$ per pound)										
Moa Joint Venture	**$**	**4.12**	$	5.05	(18%)	**$**	**4.24**	$	5.17	(18%)
Ambatovy Joint Venture		**5.48**		7.19	(24%)		**5.63**		7.04	(20%)
Oil ($ per boe, GWI)[3]		**11.27**		8.07	40%		**10.70**		7.68	39%
Electricity ($ per megawatt hour)		**16.86**		15.62	8%		**16.27**		16.45	(1%)

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

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

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

REVENUE

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Revenue by segment						
Metals	**$ 204.2**	$ 216.0	(5%)	**$ 427.9**	$ 376.1	14%
Oil and Gas	**51.3**	74.7	(31%)	**93.6**	151.6	(38%)
Power	**12.7**	12.7	-	**24.5**	24.6	-
Corporate and Other	**0.2**	1.2	(83%)	**0.7**	3.0	(77%)
Combined revenue[1]	**268.4**	304.6	(12%)	**546.7**	555.3	(2%)
Adjust joint venture and associate	**(168.8)**	(174.4)		**(364.2)**	(304.2)	
Financial statement revenue	**99.6**	130.2	(24%)	**182.5**	251.1	(27%)

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

Combined revenue for the three and six months ended June 30, 2015 was lower compared to the same periods in the prior year primarily due to lower oil and nickel prices partly offset by a weaker Canadian dollar relative to the U.S. dollar. Gross working-interest oil production in Cuba was lower than expected as oil production from new development wells was not able to offset natural reservoir declines. Sales volumes of nickel and cobalt were higher at both Moa Joint Venture and Ambatovy as a result of continued operational stability at the Moa Joint Venture and continued ramp up of operations at Ambatovy.

Revenue in the second quarter of 2015 at Ambatovy was affected by equipment failures at the plant as well as interruptions at the plant due to a strike in April. In addition, for the six months ended June 30, 2015 Ambatovy revenues were higher compared to the prior-year period which only included revenue for the five months following the declaration of commercial production effective February 1, 2014.

COST OF SALES

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cost of sales by segment						
Metals	**$ 244.5**	$ 233.1	5%	**$ 497.9**	$ 419.6	19%
Oil and Gas	**37.5**	32.4	16%	**78.8**	62.9	25%
Power	**11.8**	9.7	22%	**23.2**	18.2	27%
Corporate and other	**2.5**	0.8	213%	**3.6**	6.6	(45%)
Combined cost of sales[1]	**296.3**	276.0	7%	**603.5**	507.3	19%
Adjust joint venture and associate	**(211.7)**	(196.9)		**(436.2)**	(354.8)	
Financial statement cost of sales	**84.6**	79.1	7%	**167.3**	152.5	10%

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

Combined cost of sales for the three and six months ended June 30, 2015 was higher compared to the same periods in the prior year primarily due to costs associated with increased production at Ambatovy as a result of the continued ramp-up, adjustments to inventory for impairment and obsolescence at Ambatovy and higher workover costs at Oil and Gas. Depletion, depreciation and amortization expense was higher at Oil and Gas' operation in Spain and Power's Varadero facility. Cost of sales were also higher due to the weaker Canadian dollar relative to the U.S. dollar partly offset by lower commodity prices, other than sulphur.

In addition, cost of sales for the six months ended June 30, 2015 was higher compared to the prior-year period which only included costs for the five months following the declaration of commercial production effective February 1, 2014 at Ambatovy.

ADMINISTRATIVE EXPENSES

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Administrative expenses by segment						
Metals	**$ 6.3**	$ 8.3	(24%)	**$ 13.1**	$ 16.0	(18%)
Oil and Gas	**1.7**	2.4	(29%)	**3.6**	5.2	(31%)
Power	**1.3**	2.2	(41%)	**2.7**	4.7	(43%)
Corporate and other	**8.0**	14.6	(45%)	**15.6**	24.8	(37%)
Combined administrative expenses(1)	**17.3**	27.5	(37%)	**35.0**	50.7	(31%)
Adjust joint venture and associate	**(5.4)**	(7.1)		**(11.1)**	(13.5)	
Financial statement administrative expenses	**11.9**	20.4	(42%)	**23.9**	37.2	(36%)

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

Administrative expenses for the three and six months ended June 30, 2015 were lower at Corporate and all business units compared to the same periods in the prior year primarily due to lower employee costs following the restructuring plan initiated by the Corporation in the fourth quarter of 2014 as well as higher legal fees in 2014 attributable to the Coal transaction.

ADJUSTED EBITDA

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Adjusted EBITDA(1) by segment						
Metals	**12.5**	24.7	(49%)	**35.2**	27.5	28%
Oil and Gas	**29.9**	57.5	(48%)	**51.4**	117.9	(56%)
Power	**7.6**	6.5	17%	**14.9**	11.4	31%
Corporate and Other	**(9.8)**	(13.3)	26%	**(17.1)**	(26.5)	35%
Adjusted EBITDA	**40.2**	75.4	(47%)	**84.4**	130.3	(35%)

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

NET FINANCE EXPENSE

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Financial statement net finance expense	**17.5**	17.0	3%	**53.6**	57.8	(7%)
Moa Joint Venture net finance expense(2)	**1.6**	1.9	(16%)	**7.1**	4.6	54%
Ambatovy Joint Venture net finance expense(2)	**19.5**	18.9	3%	**24.7**	30.7	(20%)
Combined net finance expense(1)	**38.6**	37.8	2%	**85.4**	93.1	(8%)

(1) For additional information see the Non-GAAP measures section.
(2) Net of intercompany interest.

Combined net finance expense for the three and six months ended June 30, 2015 was relatively unchanged compared to the same periods in the prior year as the impact of lower interest expense due to lower outstanding loans and borrowings was offset primarily by higher unrealized foreign exchange loss (a lower gain in the second quarter of 2015) recognized due to a weakening of the Canadian dollar relative to the U.S. dollar.

INCOME TAXES

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Income taxes by segment						
Metals	**$ (6.5)**	$ (0.5)	(1,329%)	**$ (13.7)**	$ (2.5)	(455%)
Oil and Gas	**(10.4)**	14.0	(174%)	**(39.5)**	28.8	(237%)
Power	**(0.2)**	(0.7)	72%	**(0.6)**	(0.2)	(188%)
Corporate and other	**–**	(0.5)	100%	**0.1**	(2.4)	104%
Combined income taxes(1)	**(17.1)**	12.3	(239%)	**(53.7)**	23.7	(326%)
Adjust joint venture and associate	**6.5**	0.5		**13.7**	2.5	
Financial statement income taxes	**(10.6)**	12.8	(183%)	**(40.0)**	26.2	(252%)

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

Combined tax expense (recovery) for the three and six months ended June 30, 2015 was lower than the prior-year periods largely due the reduction in tax rates during 2015, and lower earnings at Moa Joint Venture, Ambatovy and Oil and Gas.

In 2015, clarification was received from the Cuban government regarding the application of tax rate reductions in Cuba due to a new foreign investment law. As a result, the tax expense (recovery) includes tax recoveries of $13.2 million in Oil and Gas for the three months ended June 30, 2015 and $40.7 million in Oil and Gas and $2.6 million for Moa Joint Venture for the six months ended June 30, 2015. The total tax recovery includes a non-cash adjustment of $13.0 million to reflect re-measurement of deferred tax liabilities and a current tax recovery of $30.3 million.

In the second quarter of 2015, a 2% increase in Alberta's corporate income tax rate was substantively enacted. As a result, the tax expense for the three and six month periods ended June 30, 2015 includes a non-cash adjustment of $1.0 million (50% basis) reflecting a re-measurement of deferred tax liabilities in the Moa Joint Venture.

CHANGE IN NET LOSS

For the three months ended June 30, 2015, net loss from continuing operations was $47.6 million, or $0.16 per share, compared to a loss of $49.0 million, or $0.16 per share in the prior-year period.

For the six months ended June 30, 2015, net loss from continuing operations was $104.4 million, or $0.36 per share, compared to a loss of $119.5 million, or $0.40 per share in the prior-year period.

The change in net loss from continuing operations between 2015 and 2014 is detailed below:

$ millions	For the three months ended 2015 June 30	For the six months ended 2015 June 30
Lower U.S. dollar denominated nickel and cobalt prices	$ (26.7)	$ (31.6)
Higher fertilizer prices	6.1	7.8
Lower oil and gas prices	(24.8)	(53.5)
Higher total metals and fertilizer sales volumes	9.3	30.4
Lower Cuba oil and gas gross working-interest volumes	(2.5)	(3.8)
Higher Spain oil and gas volumes	1.8	5.0
Higher electricity volumes	–	1.4
Lower Oil and Gas cost recovery revenue	(0.7)	(8.8)
Lower mining, processing and refining, third-party feed and fertilizer unit costs	5.3	14.8
Higher Oil and Gas cost of sales	(4.2)	(8.6)
Lower administrative expenses	10.2	15.8
Higher depletion, depreciation and amortization	(3.7)	(24.9)
Lower exploration and evaluation and PP&E impairment losses	1.0	1.0
Foreign exchange impact on operations	(13.1)	(15.5)
January 2014 losses at Ambatovy capitalized prior to commercial production	–	(10.2)
(Higher)/Lower combined net finance expense	(0.7)	7.8
Lower combined income tax expense, excluding Cuban tax recovery	16.3	34.2
Cuban tax recovery	13.2	43.3
Gain on sale of corporate assets	19.1	19.1
Other	(4.5)	(8.6)
Change in net loss from continuing operations, compared to 2014	$ 1.4	$ 15.1

During the second quarter of 2015, the Corporation increased its provision for the obligations retained as part of the sale of its Coal operations in 2014 by $5.0 million. This amount has been included in loss from discontinued operations.

CONSOLIDATED FINANCIAL POSITION

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

$ millions, except as noted, as at	2015 June 30	2014 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	$ **398.3**	$ 476.2	39%
Net working capital balance	**685.3**	661.5	4%
Current ratio	**6.13:1**	4.42:1	38%
Total assets	**5,443.1**	5,283.2	3%
Total loans and borrowings	**1,986.9**	1,859.9	7%
Shareholders' equity	**3,171.7**	3,058.7	4%

At June 30, 2015, total available liquidity was $467.3 million, including undrawn credit facilities. Total debt at June 30, 2015, was $2.0 billion, including $1.2 billion related to non-recourse Ambatovy Partner Loans.

Outlook

Production volumes and spending on capital for the six months and twelve months ended	Previous Guidance 2015 December 31	Actual 2015 June 30	Revised Projected 2015 December 31
Production volumes			
Mixed sulphides (tonnes, Ni+Co contained, 100% basis)			
Moa Joint Venture	36,500-38,000	19,156	No change
Ambatovy Joint Venture	50,500-56,000	22,330	48,000-51,000
Total	87,000-94,000	41,486	84,500-89,000
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,000-34,000	16,467	No change
Ambatovy Joint Venture	47,000-52,000	22,035	45,000-48,000
Total	80,000-86,000	38,502	78,000-82,000
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,500-4,000	1,709	No change
Ambatovy Joint Venture	3,500-4,000	1,520	3,300-3,500
Total	7,000-8,000	3,229	6,800-7,500
Oil – Cuba (gross working-interest, bopd)	19,000	19,160	No change
Oil and Gas – All operations (net working-interest, boepd)	12,000	11,445	No change
Electricity (GWh, 100% basis)	2,550	1,302	No change
Spending on capital ($ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	75	24	No change
Metals – Ambatovy Joint Venture (40% basis)	35	16	No change
Oil and Gas	96	44	81
Power (33⅓% basis)	4	1	No change
Spending on capital (excluding Corporate)	210	85	195

PRODUCTION VOLUMES

Production guidance at Ambatovy was lowered and the expected production range narrowed to 45,000 – 48,000 tonnes (100% basis) finished nickel, from the original guidance of 47,000 – 52,000 tonnes finished nickel (100% basis). Mixed sulphide and cobalt production expectations have also been revised as presented in the Outlook table. This change recognizes the production impacts in the second quarter, and the schedule to return to operations with both thickeners online.

CAPITAL SPENDING

Expected capital spending in Oil and Gas was lowered to $81 million from the $96 million projection provided as part of the Q1 2015 disclosure, which was itself a downward revision from the original $107 million estimate. These revisions are consistent with the objective of preserving capital and adjusting capital spending as new production results are analyzed.

Market update

Nickel prices continued to deteriorate in the second quarter, reaching a new six year low in July when spot prices dipped below US$ 5.00 per pound for the first time since 2009. At the prices reached in July approximately 50% of global nickel production is below break even on a C1 cash cost basis. Despite some nickel production being curtailed in the last year it appears that more significant production cuts will be required in order to have any impact on market fundamentals. Weaker nickel demand is supported by the decline in stainless steel output as many mills are entering a period of planned maintenance outages and stainless steel inventories remain high.

Longer term, a supply deficit is still expected, although timing is expected to shift from the latter half of 2015 to 2016 as a consequence of reduced global stainless steel demand. A decline in nickel ore inventories in China, a modest reduction in LME inventory levels and less than 50% capacity utilization of Chinese NPI production facilities as reported by Shanghai Metal Markets support the thesis that Chinese NPI production has declined. This had been an expected consequence of NPI production being generally at a higher cost than current market.

The average reference price for cobalt was relatively flat year over year and over the first quarter this year, although exchange rate changes account for a more significant increase in the realized prices year over year. Realized price differences between Moa and Ambatovy in cobalt generally reflect the longer shipment times to customers from Ambatovy, and timing of revenue recognition.

The average reference price for oil in the second quarter of 2015 increased compared to the prior quarter, however it continues to be significantly lower in the three and six month periods of 2015 compared to the same periods in the prior year, as concern of oversupply of oil in the market continued.

The Corporation's revenues are primarily settled in U.S. dollars; therefore, average prices realized by the Corporation continue to benefit from a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year; however, the Canadian dollar strengthened slightly in the second quarter of 2015 compared to the prior quarter.

A sensitivity analysis of quarterly earnings to changes in significant commodity prices is provided in the Supplementary information – Sensitivity analysis section.

Review of operations

METALS

Financial Review

$ millions, for the three months ended June 30				2015				2014	
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	Moa JV and Fort Site	Ambatovy JV[(1)]	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 109.4**	**$ 80.6**	**$ 14.2**	**$ 204.2**	$ 122.9	$ 77.8	$ 15.3	$ 216.0	(5%)
Earnings (loss) from operations	**3.1**	**(49.8)**	**0.1**	**(46.6)**	12.2	(38.2)	0.6	(25.4)	(83%)
Adjusted EBITDA[(2)]	**14.2**	**(1.7)**	**–**	**12.5**	22.0	2.1	0.6	24.7	(49%)
Cash provided (used) by operations	**(11.4)**	**7.3**	**(0.7)**	**(4.8)**	(16.5)	(35.7)	(4.9)	(57.1)	92%
Free cash flow[(2)]	**(26.9)**	**5.1**	**(0.7)**	**(22.5)**	(22.1)	(43.6)	(4.9)	(70.6)	68%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,702**	**4,533**	**–**	**9,235**	4,893	3,756	-	8,649	7%
Finished Nickel	**3,877**	**4,158**	**–**	**8,035**	3,870	3,602	-	7,472	8%
Finished Cobalt	**429**	**264**	**–**	**693**	376	285	-	661	5%
Fertilizer	**58,977**	**12,028**	**–**	**71,005**	68,905	9,872	-	78,777	(10%)
NICKEL RECOVERY (%)	**89%**	**86%**			89%	88%			
SALES VOLUMES (tonnes)									
Finished Nickel	**3,919**	**4,271**	**–**	**8,190**	3,792	3,485	-	7,277	13%
Finished Cobalt	**411**	**279**	**–**	**690**	366	260	-	626	10%
Fertilizer	**57,870**	**12,260**	**–**	**70,130**	81,929	10,721	-	92,650	(24%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 5.90**				$ 8.38	(30%)
Cobalt[(3)]				**13.61**				13.94	(2%)
AVERAGE-REALIZED PRICES[(2)]									
Nickel ($ per pound)	**$ 7.16**	**$ 7.10**		**$ 7.13**	$ 8.74	$ 8.92		$ 8.83	(19%)
Cobalt ($ per pound)	**16.40**	**18.08**		**17.10**	14.68	13.26		14.13	21%
Fertilizer ($ per tonne)	**503**	**194**		**449**	416	153		384	17%
UNIT OPERATING COSTS[(2)] (US$ per pound)									
Nickel - net direct cash cost	**$ 4.12**	**$ 5.48**			$ 5.05	$ 7.19			
SPENDING ON CAPITAL									
Sustaining	**$ 12.6**	**$ 9.2**	**$ –**	**$ 21.8**	$ 4.8	$ 8.4	$ -	$ 13.2	65%
Expansion	**3.3**	**–**	**–**	**3.3**	0.9	-	-	0.9	267%
	$ 15.9	**$ 9.2**	**$ –**	**$ 25.1**	$ 5.7	$ 8.4	$ -	$ 14.1	78%

(1) Represents the post-commercial production period except for production volumes and nickel recovery.
(2) For additional information see the Non-GAAP measures section.
(3) Average low-grade cobalt published price per Metals Bulletin.

$ millions, for the six months ended June 30				2015				2014	
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	Moa JV and Fort Site	Ambatovy JV[1]	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 213.9**	**$ 181.3**	**$ 32.7**	**$ 427.9**	$ 213.3	$ 128.6	$ 34.2	$ 376.1	14%
Earnings (loss) from operations	**10.1**	**(93.6)**	**0.4**	**(83.1)**	9.8	(70.1)	0.8	(59.5)	(40%)
Adjusted EBITDA[2]	**32.5**	**2.6**	**0.1**	**35.2**	29.0	(2.3)	0.8	27.5	28%
Cash provided (used) by operations	**18.8**	**19.8**	**(1.2)**	**37.4**	(10.2)	(56.7)	(6.8)	(73.7)	151%
Free cash flow[2]	**(4.6)**	**15.0**	**(1.2)**	**9.2**	(20.2)	(65.4)	(6.8)	(92.4)	110%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**9,578**	**8,932**	**–**	**18,510**	8,884	7,608	-	16,492	12%
Finished Nickel	**8,234**	**8,814**	**–**	**17,048**	7,509	7,114	-	14,623	17%
Finished Cobalt	**855**	**608**	**–**	**1,463**	732	562	-	1,294	13%
Fertilizer	**119,506**	**23,690**	**–**	**143,196**	128,758	18,209	-	146,967	(3%)
NICKEL RECOVERY (%)	**89%**	**86%**			90%	84%			
SALES VOLUMES (tonnes)									
Finished Nickel	**8,194**	**9,215**	**–**	**17,409**	7,615	6,089	-	13,704	27%
Finished Cobalt	**820**	**620**	**–**	**1,440**	755	453	-	1,208	19%
Fertilizer	**88,712**	**25,387**	**–**	**114,099**	118,812	15,349	-	134,161	(15%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 6.21**				$ 7.49	(17%)
Cobalt[3]				**13.67**				13.92	(2%)
AVERAGE-REALIZED PRICES[2]									
Nickel ($ per pound)	**$ 7.55**	**$ 7.56**		**$ 7.55**	$ 7.93	$ 8.26		$ 8.10	(7%)
Cobalt ($ per pound)	**16.32**	**16.06**		**16.22**	14.77	14.31		14.65	11%
Fertilizer ($ per tonne)	**459**	**192**		**399**	398	165		372	7%
UNIT OPERATING COSTS[2] (US$ per pound)									
Nickel - net direct cash cost	**$ 4.24**	**$ 5.63**			$ 5.17	$ 7.04			
SPENDING ON CAPITAL									
Sustaining	**$ 18.3**	**$ 15.6**	**$ –**	**$ 33.9**	$ 8.6	$ 12.3	$ -	$ 20.9	62%
Expansion	**5.7**	**–**	**–**	**5.7**	1.7	-	-	1.7	235%
	$ 24.0	**$ 15.6**	**$ –**	**$ 39.6**	$ 10.3	$ 12.3	$ -	$ 22.6	75%

(1) Represents the post-commercial production period except for production volumes and nickel recovery.

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

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

Moa Joint Venture and Fort Site

Revenue is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Nickel	$ **61.9**	$ 73.1	(15%)	$ **136.4**	$ 133.1	2%
Cobalt	**14.9**	11.9	25%	**29.5**	24.6	20%
Fertilizers	**29.1**	34.0	(14%)	**40.6**	47.3	(14%)
Other(1)	**3.5**	3.9	(10%)	**7.4**	8.3	(11%)
	$ **109.4**	$ 122.9	(11%)	$ **213.9**	$ 213.3	-

(1) Beginning in the second quarter of 2015 sulphuric acid revenue was reclassified from fertilizers to other; all current and prior periods have been adjusted to reflect this change. The amount of sulphuric acid revenue included in other was $2.1 million and $4.6 million for the three and six months ended June 30, 2015, respectively, and $3.0 million and $5.9 million for the three and six months ended June 30, 2014, respectively.

The change in earnings from operations between 2015 and 2014 is detailed below:

	For the three months ended	For the six months ended
	2015	**2015**
$ millions	**June 30**	**June 30**
Lower U.S. dollar denominated realized nickel prices	$ **(19.9)**	$ **(20.6)**
Lower U.S. dollar denominated realized cobalt prices	**(0.1)**	**(0.5)**
Higher fertilizer prices	**5.8**	**6.3**
Higher metals sales volumes	**0.6**	**2.2**
Lower fertilizer sales volumes	**(3.0)**	**(3.6)**
Lower mining, processing and refining, third-party feed and fertilizer unit costs	**5.3**	**14.8**
Weaker Canadian dollar relative to the U.S. dollar	**2.3**	**5.3**
Other	**(0.1)**	**(3.6)**
Change in earnings from operations, compared to 2014	$ **(9.1)**	$ **0.3**

The average-realized prices of nickel for the three and six months ended June 30, 2015 were lower than the same periods in the prior year due to lower reference prices. The impact of lower reference prices was partly offset by the impact of a weaker Canadian dollar relative to the U.S. dollar.

The average-realized prices of cobalt for the three and six months ended June 30, 2015 were higher compared to the same periods in the prior year as the marginally lower reference prices were more than offset by the impact of a weaker Canadian dollar relative to the U.S. dollar.

Production of contained mixed sulphides for the three months ended June 30, 2015 was marginally lower compared to the same period in the prior year due to planned maintenance; however production was higher for the six months ended June 30, 2015 reflecting strong first quarter production. Production in the first half of 2014 was impacted by poor ore characteristics and unplanned maintenance.

Production of finished nickel for the three months ended June 30, 2015 was unchanged compared to the same period in the prior year; however it was higher for the current year-to-date period. Continued stable refinery operations and mixed sulphide availability during the current year resulted in finished nickel volume above levels of the prior year despite a longer planned annual refinery shutdown in the second quarter of 2015. Finished cobalt production for the three and six months ended June 30, 2015 was also higher than in the same periods in the prior year reflecting similar trends and a higher cobalt ratio in feed.

Fertilizer's contributions to operating earnings have been strong both in the quarter and year to date as higher realized prices and lower input costs more than offset lower sales volumes. Lower opening inventories after a strong fourth quarter in 2014 and the maintenance shutdown that occurred this quarter impacted production and sales volumes.

Cost of sales[1] is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Mining, processing and refining	**$ 59.5**	$ 59.3	-	**$ 122.9**	$ 121.1	1%
Third-party feed costs	**3.0**	4.5	(33%)	**6.7**	6.6	2%
Fertilizers	**20.5**	24.5	(16%)	**28.5**	35.1	(19%)
Selling costs	**4.1**	4.8	(15%)	**7.7**	8.6	(10%)
Other[1]	**6.6**	5.9	12%	**12.7**	8.7	46%
	$ 93.7	$ 99.0	(5%)	**$ 178.5**	$ 180.1	(1%)

(1) Excludes depletion, depreciation and amortization

(2) Beginning in the second quarter of 2015 sulphuric acid cost of sales was reclassified from fertilizers to other; all current and prior periods have been adjusted to reflect this change. The amount of sulphuric acid cost of sales included in other was $3.9 million and $7.1 million for the three and six months ended June 30, 2015, respectively, and $1.9 million and $3.1 million for the three and six months ended June 30, 2014, respectively.

Net direct cash cost[1] is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Mining, processing and refining costs	**$ 5.66**	$ 6.34	(11%)	**$ 5.46**	$ 6.46	(15%)
Third-party feed costs	**0.28**	0.50	(44%)	**0.30**	0.36	(17%)
Cobalt by-product credits	**(1.40)**	(1.30)	(8%)	**(1.32)**	(1.33)	1%
Other[2]	**(0.42)**	(0.49)	14%	**(0.20)**	(0.32)	38%
Net direct cash cost (US$ per pound of nickel)	**$ 4.12**	$ 5.05	(18%)	**$ 4.24**	$ 5.17	(18%)

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

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

Net direct cash cost of nickel in the three and six months ended June 30, 2015 were lower compared to the same periods in the prior year primarily due to lower fuel oil and other energy prices and third party feed costs, partly offset by higher sulphur and sulphuric acid prices.

Sustaining capital spending for the Moa Joint Venture was higher in the three and six months ended June 30, 2015 compared to the same periods in the prior year reflecting higher planned spending. Higher expansion capital relates to the construction of the 2,000 tonnes per day acid plant at Moa.

Ambatovy

Revenue is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30(1)	Change
Nickel	**$ 66.8**	$ 68.5	(2%)	**$ 153.5**	$ 111.5	38%
Cobalt	**11.1**	7.6	46%	**22.0**	14.4	53%
Fertilizers	**2.4**	1.6	50%	**4.9**	2.6	88%
Other	**0.3**	0.1	200%	**0.9**	0.1	800%
	$ 80.6	$ 77.8	4%	**$ 181.3**	$ 128.6	41%

(1) Excludes revenue for January of approximately $17 million, which was capitalized for accounting purposes.

The change in earnings from operations between 2015 and 2014 is detailed below:

$ millions	For the three months ended **2015** **June 30**	For the six months ended **2015** **June 30**
Lower US dollar denominated realized nickel prices	**$ (6.4)**	**$ (7.8)**
Lower US dollar denominated realized cobalt prices	**(0.3)**	**(2.7)**
Higher metals sales volumes	**11.6**	**31.7**
Higher fertilizer sales volumes	**0.3**	**1.5**
Lower administrative expense	**2.0**	**3.0**
Higher depreciation expense	**(2.5)**	**(16.5)**
Weaker Canadian dollar relative to the U.S. dollar	**(16.9)**	**(21.2)**
January 2014 losses capitalized prior to commercial production	**–**	**(10.2)**
Other	**0.6**	**(1.3)**
Change in earnings from operations, compared to 2014	**$ (11.6)**	**$ (23.5)**

The average-realized prices of nickel for the three and six months ended June 30, 2015 decreased compared to the same periods in the prior year due to lower reference prices. The impact of a lower reference price was partly offset by a weaker Canadian dollar relative to the U.S. dollar.

The average-realized prices of cobalt for the three and six months ended June 30, 2015 were higher compared to the same periods in the prior year as the marginally lower reference prices were more than offset by a weaker Canadian dollar relative to the U.S. dollar.

Production and sales volumes of nickel and cobalt were higher for the three and six months ended June 30, 2015 compared to the same periods in the prior year due to continued ramp-up of operations and process control improvements; however, production in the current periods were affected by a plant strike in April, two unexpected outages at the plant caused by high voltage transformer failures, and consequent overload damage to the two ore thickeners. One ore thickener was returned to service in early July with repairs to the other scheduled for the third quarter.

Sales of nickel and cobalt for the six months ended June 30, 2015 were higher compared to the prior-year period which only included sales for the five months following the declaration of commercial production effective February 1, 2014.

Depletion, depreciation, and amortization expense for the six months ended June 30, 2015 was higher compared to the same period in the prior year primarily due to the prior-year period recognizing depreciation for the post commercial production period only.

Cost of sales[(1)] is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30[(2)]	Change
Mining, processing and refining	**$ 72.9**	$ 65.4	11%	**$ 159.0**	$ 112.2	42%
Selling costs	**3.3**	3.0	10%	**7.3**	5.3	38%
Other	**2.0**	1.3	54%	**3.4**	2.3	48%
	$ 78.2	$ 69.7	5%	**$ 169.7**	$ 119.8	5%

(1) Excludes depletion, depreciation and amortization.

(2) Excludes cost of sales for January of approximately $27 million, which were capitalized for accounting purposes.

Net direct cash cost[(1)] is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30[(2)]	Change
Mining, processing and refining costs	**$ 6.12**	$ 7.80	(22%)	**$ 5.94**	**$** 7.67	(23%)
Cobalt by-product credits	**(0.83)**	(1.03)	(19%)	**(0.87)**	(1.01)	(14%)
Other[(3)]	**0.19**	0.42	(55%)	**0.56**	0.38	47%
Net direct cash cost (US$ per pound of nickel)	**5.48**	7.19	(24%)	**5.63**	7.04	(20%)

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

(2) Represents the post-commercial production period.

(3) Includes selling costs, discounts, and other by-product credits.

Net direct cash cost of nickel for the three and six months ended June 30, 2015 decreased compared to the same periods in the prior year primarily due to increased production efficiencies resulting from the ramp up; lower maintenance work performed and lower overall commodity input costs partly offset by the production impact relating to damage of the ore thickeners.

Capital spending for Ambatovy is focused on sustaining capital for mining and production equipment and the tailings facility.

In the second quarter of 2015, US$90.0 million (100% basis) of funding was provided by the Joint Venture partners.

OIL AND GAS

Financial review

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	$ **51.3**	$ 74.7	(31%)	$ **93.6**	$ 151.6	(38%)
Earnings from operations	**12.1**	39.9	(70%)	**11.2**	83.5	(87%)
Adjusted EBITDA(1)	**29.9**	57.5	(48%)	**51.4**	117.9	(56%)
Cash provided (used) by operations	**6.4**	80.5	(92%)	**13.0**	96.5	(87%)
Free cash flow(1)	**(13.9)**	64.0	(122%)	**(27.9)**	65.0	(143%)
PRODUCTION AND SALES(2)						
Gross working-interest (GWI) - Cuba	**18,607**	19,528	(5%)	**19,160**	19,862	(4%)
Total net working-interest (NWI)	**11,948**	11,109	8%	**11,445**	11,441	-
AVERAGE REFERENCE PRICES (US$ per barrel)						
Gulf Coast Fuel Oil No. 6	$ **50.92**	$ 91.82	(45%)	$ **47.67**	$ 90.58	(47%)
Brent	**61.17**	110.25	(45%)	**57.47**	109.68	(48%)
AVERAGE-REALIZED PRICES(1) (NWI)						
Cuba ($ per barrel)	$ **45.71**	$ 72.88	(37%)	$ **43.69**	$ 72.32	(40%)
Spain ($ per barrel)	**78.87**	118.96	(34%)	**71.85**	118.87	(40%)
Pakistan ($ per boe)(2)	**9.98**	8.67	15%	**10.28**	8.90	16%
Weighted-average ($ per boepd)	**46.20**	72.51	(36%)	**44.10**	71.86	(39%)
UNIT OPERATING COSTS(1)(2)(3) (GWI)						
Cuba	$ **10.13**	$ 7.69	32%	$ **9.17**	$ 7.19	28%
Spain	**54.88**	30.37	81%	**67.65**	38.74	75%
Pakistan	**7.67**	5.83	32%	**7.91**	5.90	34%
Weighted-average ($ per boepd)	**11.27**	8.07	40%	**10.70**	7.68	39%
SPENDING ON CAPITAL						
Development, facilities and other	$ **16.4**	$ 15.3	7%	$ **43.4**	$ 30.6	42%
Exploration	**0.1**	0.1	-	**0.1**	0.6	(83%)
	$ **16.5**	$ 15.4	7%	$ **43.5**	$ 31.2	39%

(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) Excludes the impact of impairment of property, plant and equipment in 2014.

Oil and Gas revenue is composed of the following:

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cuba	$ **46.5**	$ 69.2	(33%)	$ **84.1**	$ 141.5	(41%)
Spain	**3.6**	3.8	(5%)	**6.8**	6.8	-
Pakistan	**0.3**	0.2	50%	**0.6**	0.5	20%
Processing	**0.9**	1.5	(40%)	**2.1**	2.8	(25%)
	$ **51.3**	$ 74.7	(31%)	$ **93.6**	$ 151.6	(38%)

The change in earnings from operations between 2015 and 2014 is detailed below:

$ millions	For the three months ended 2015 June 30	For the six months ended 2015 June 30
Lower realized oil and gas prices, denominated in U.S. dollars	$ (24.8)	$ (53.5)
Lower Cuba gross working-interest volumes	(2.5)	(3.8)
Higher Spain volumes	1.8	5.0
Lower cost recovery revenue	(0.7)	(8.8)
Lower administrative costs	0.7	1.6
Lower (higher) depletion, depreciation and amortization	1.0	(2.1)
Weaker Canadian dollar relative to the U.S. dollar	–	(2.5)
Lower exploration and evaluation and PP&E impairment losses	1.0	1.0
Higher operating costs	(4.2)	(8.6)
Other	(0.1)	(0.6)
Change in earnings from operations, compared to 2014	$ (27.8)	$ (72.3)

While both reference and realized prices for oil increased in the second quarter of 2015 compared to the first quarter of 2015, prices were significantly lower in the three and six months ended June 30, 2015 compared to the same periods in the prior year. The decrease in average-realized price in the current-year periods benefited from the impact of a weaker Canadian dollar relative to the U.S. dollar.

In Spain, revenue was relatively unchanged in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily as a result of higher production resulting from the successful workover in the Rodaballo field which came back onto production in the first quarter of 2015 nearly offsetting the impact of lower reference prices and the strengthening of the Canadian dollar relative to the Euro.

Production and sales volumes were as follows:

	For the three months ended			For the six months ended		
	2015	2014		2015	2014	
Daily production volumes[1]	June 30	June 30	Change	June 30	June 30	Change
Gross working-interest oil production in Cuba	**18,607**	19,528	(5%)	**19,160**	19,862	(4%)
Net working-interest oil production						
Cuba (heavy oil)						
Cost recovery	**5,050**	3,004	68%	**3,647**	3,422	7%
Profit oil	**6,101**	7,436	(18%)	**6,981**	7,389	(6%)
Total	**11,151**	10,440	7%	**10,628**	10,811	(2%)
Spain (light oil)	**498**	352	41%	**520**	315	65%
Pakistan (natural gas)	**299**	317	(6%)	**297**	315	(6%)
	11,948	11,109	8%	**11,445**	11,441	-

(1) Refer to Oil and Gas production and sales volume on page 30 for further detail.

Gross working-interest oil production in Cuba decreased in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily due to natural reservoir declines and lower than expected oil production from development wells drilled under the Puerto Escondido/Yumuri Production Sharing Contract (PSC) extension.

Cost-recovery oil production in Cuba for the three and six months ended June 30, 2015 increased compared to the same periods in the prior year as a result of lower oil prices in addition to an increase in eligible expenditures. The allocation of cost recovery barrels in any particular period is limited to a fixed percentage of GWI volumes within each cost pool. Expenditures that exceed this limit are carried forward and are eligible for a future allocation of cost recovery barrels.

Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, were lower as a result of higher cost recovery oil volumes during the current-year periods and a reduction in GWI volumes.

In Spain, oil production was higher in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily as a result of a successful workover in the Rodaballo field which resulted in incremental production coming back on stream in the first quarter of 2015.

Unit operating cost in Cuba increased in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily as a result of higher well workover costs combined with a weaker Canadian dollar relative to the U.S. dollar and lower production volumes.

Unit operating cost in Spain increased in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily as a result of higher workover costs in 2015, partly offset by a stronger Canadian dollar relative to the Euro and higher production in the current-year periods due to a successful workover performed in the Rodaballo field. Major workover costs accounted for an increase of $23.24 and $40.44 per barrel for the three and six months periods ended June 30, 2015, respectively.

Spending on capital was higher in the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily due to an increase in development drilling activities and equipment purchases. In the three months ended June 30, 2015 two new development wells were drilled and are producing oil. In the six months ended June 30, 2015, a total of four development wells were drilled with three currently producing oil. One additional well was completed in July and a second is in progress.

Oil and Gas has completed a total of six new wells with the seventh in progress, fulfilling the Corporation's commitments under the Puerto Escondido/Yumuri Production Sharing Contract (PSC) extension agreement. The results of the recently completed wells will be evaluated before undertaking any further drilling under the PSC extension.

POWER

Financial review

$ millions (33 1/3% basis), except as otherwise noted		For the three months ended 2015 June 30		2014 June 30	Change		For the six months ended 2015 June 30		2014 June 30	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**12.7**	$	12.7	-	**$**	**24.5**	$	24.6	-
(Loss) earnings from operations		**(0.4)**		0.8	(150%)		**(1.4)**		1.7	(182%)
Adjusted EBITDA[1]		**7.6**		6.5	17%		**14.9**		11.4	31%
Cash provided by operations		**10.6**		9.3	14%		**34.7**		10.2	240%
Free cash flow[1]		**9.6**		8.8	9%		**33.3**		8.7	283%
PRODUCTION AND SALES										
Electricity (GWh[2])		**224**		224	-		**434**		411	6%
AVERAGE-REALIZED PRICES[1]										
Electricity (per MWh[2])	**$**	**52.17**	$	46.24	13%	**$**	**52.39**	$	46.22	13%
UNIT OPERATING COSTS[1] (per MWh)										
Base	**$**	**15.60**	$	14.32	9%	**$**	**15.68**	$	14.61	7%
Non-base[3]		**1.26**		1.30	(3%)		**0.59**		1.84	(68%)
		16.86		15.62	8%		**16.27**		16.45	(1%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS										
Sustaining	**$**	**1.0**		0.5	100%	**$**	**1.4**	$	0.8	75%
Growth		**–**		-	-		**–**		0.7	(100%)
Capital	**$**	**1.0**		0.5	100%	**$**	**1.4**	$	1.5	(7%)
Service concession arrangements		**(0.2)**		0.5	(140%)		**(0.2)**		1.7	(112%)
	$	**0.8**		1.0	(20%)	**$**	**1.2**	$	3.2	(63%)

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

Power revenue is composed of the following:

$ millions (33 1/3% basis)		For the three months ended 2015 June 30		2014 June 30	Change		For the six months ended 2015 June 30		2014 June 30	Change
Electricity sales	**$**	**11.6**	$	10.4	12%	**$**	**22.7**	$	19.0	19%
By-products and other		**1.3**		1.8	(28%)		**2.0**		3.9	(49%)
Construction activity[1]		**(0.2)**		0.5	(140%)		**(0.2)**		1.7	(112%)
	$	**12.7**	$	12.7	-	**$**	**24.5**	$	24.6	-

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

The change in earnings from operations between 2015 and 2014 is detailed below:

$ millions (33 1/3% basis)	For the three months ended 2015 June 30	For the six months ended 2015 June 30
Higher electricity volumes	$ –	$ 1.4
Lower realized by-product prices	(0.6)	(1.4)
Lower realized by-product volume	(0.3)	(0.8)
Lower administrative expenses	0.9	2.0
Higher depletion, depreciation and amortization	(2.1)	(6.3)
Weaker Canadian dollar relative to the U.S. dollar	1.5	2.9
Other	(0.6)	(0.9)
Change in earnings from operations, compared to 2014	$ (1.2)	$ (3.1)

Production and electricity sales were relatively unchanged for the three months ended June 30, 2015 compared to the same period in the prior year. Production was higher in the six months ended June 30, 2015 primarily due to the 150MW Boca de Jaruco Combined Cycle Project being fully operational for the entire period, compared to five months in the prior-year period as a result of being online effective February 2, 2014.

The average-realized price of electricity was higher for the three and six months ended June 30, 2015 compared to the same periods in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Higher depletion, depreciation and amortization expense for the three and six months ended June 30, 2015 compared to the same periods in the prior year is due to the impact of a change in residual value estimate of the Varadero facility in the first quarter of 2015 and, in addition, for the six months ended June 30, 2015, the recognition of depreciation at the Boca de Jaruco Combined Cycle Project for the full period as compared to five months in the prior period.

Unit operating cost increased for the three months ended June 30, 2015 and decreased for the six months ended June 30, 2015 compared to the same periods in the prior year. The increase in the second quarter of 2015 was due to an increase in turbine maintenance and repairs to other equipment, whereas the decrease in the six months ended June 30, 2015 was primarily due to higher production, partly offset by a weaker Canadian dollar relative to the U.S. dollar.

Sustaining capital expenditures were primarily related to routine maintenance and the purchases of equipment.

Liquidity and capital resources

Total available liquidity at June 30, 2015 was $467.3 million which includes cash, cash equivalents and short term investments of $398.3 million and available credit facilities of $69.0 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Canadian $ millions, as at June 30, 2015	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	$ 95.8	$ 95.8	$ -	$ -	$ -	$ -	$ -
Income taxes payable	2.0	2.0	-	-	-	-	-
Loans and borrowings(1)	3,365.3	76.0	143.3	165.2	416.8	206.3	2,357.7
Provisions	197.3	30.5	0.4	7.8	0.8	-	157.8
Operating leases	21.4	2.9	2.9	2.9	3.0	3.0	6.7
Capital commitments	7.2	6.8	0.4	-	-	-	-
Total	$ 3,689.0	$ 214.0	$ 147.0	$ 175.9	$ 420.6	$ 209.3	$ 2,522.2

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

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 $72.3 million, with no significant repayments due in the next four years;
- Advances and loans payable of $179.9 million; and
- Other commitments of $1.1 million.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $205.6 million, with no significant repayments due in the next four years;
- Other contractual commitments of $42.6 million; and
- Ambatovy Joint Venture senior debt financing of US$678.1 million ($845.9 million). On an undiscounted basis, principal and interest repayments are $968.4 million.

  The two remaining certificates required to achieve financial completion under the senior debt financing are the Legal and Other Conditions Certificate, which requires, among other things, registration of security interests over the project's assets and real property; and the Financial Certificate, which requires the funding of a senior debt reserve account in an amount equivalent to six months principal and interest payable, or approximately US$48 million for Sherritt's 40% share. Upon submission of the final certificates, the US$1.7 billion (100% basis, balance at June 30, 2015) senior debt becomes non-recourse to the Ambatovy partners and the interest rate increases from approximately LIBOR plus 1.4% to LIBOR plus 2.55%.

INVESTMENT LIQUIDITY

At June 30, 2015, cash and cash equivalents and investments were located in the following countries:

$ millions, as at June 30, 2015		Cash		Cash equivalents and short-term investments		Total
Canada	$	25.9	$	346.7	$	372.6
Cuba		6.6		-		6.6
Other		19.1		-		19.1
	$	51.6	$	346.7	$	398.3

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 Spain (BBB) and Madagascar (BB or higher) and with banks in Cuba that are not rated.

At June 30, 2015 cash equivalents included $203.7 million in Government of Canada treasury bills having original maturity dates of less than three months and short-term investments included $143.0 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of $50.9 million (100% basis) held by the Moa Joint Venture, nor $55.9 million (100% basis) held by the Ambatovy Joint Venture. The Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position.

AVAILABLE CREDIT FACILITIES

At June 30, 2015, the Corporation and its related entities had borrowed $2.0 billion under available credit facilities and through the issuance of debentures.

The following table outlines the maximum amounts undrawn and available to the Corporation for credit facilities that had amounts undrawn at June 30, 2015 and December 31, 2014. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

$ millions, as at		**2015 June 30**				2014 December 31		
		Maximum		**Undrawn and Available[1]**		Maximum		Undrawn and Available[1]
Short-term								
Syndicated 364-day revolving-term credit facility[2]	$	**90**	$	**49**	$	90	$	33
Line of credit		**20**		**20**		20		20
Total	**$**	**110**	**$**	**69**	$	110	$	53

(1) The Corporation's credit facilities are available to the extent amounts are undrawn and financial covenants or restrictions have not been exceeded.

(2) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At June 30, 2015, the Corporation had $41.3 million of letters of credit outstanding on this facility. Letters of credit at June 30, 2015 are primarily in place to support Oil and Gas reclamation obligations in Spain and exploration activities in Cuba.

Covenants

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

At June 30, 2015, there are no events of default on the Corporation's borrowings or debentures.

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[1].

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cash (used) provided by operating activities						
Oil and Gas operating cash flow	**$ 6.4**	$ 80.5	(92%)	**$ 13.0**	$ 96.5	(87%)
Power operating cash flow (excluding interest received on Energas CSA loan)	**2.4**	7.2	(67%)	**3.5**	8.1	(57%)
Fort Site operating cash flow	**(19.1)**	(24.3)	21%	**(5.6)**	(11.2)	50%
Dividends received from Moa Joint Venture	**–**	-	-	**12.5**	-	-
Interest received on Moa Joint Venture loans	**4.9**	2.0	148%	**7.8**	2.0	295%
Interest received on Energas CSA loan	**8.2**	2.1	290%	**31.2**	2.1	1386%
Interest paid on debentures	**(19.9)**	(27.1)	27%	**(29.3)**	(46.4)	37%
Corporate and other operating cash flow	**(24.0)**	(1.5)	(1490%)	**(47.9)**	(21.9)	(119%)
Cash provided by continuing operations	**(41.1)**	38.9	(206%)	**(14.8)**	29.2	(151%)
Cash provided by discontinued operations	**(0.1)**	(12.2)	99%	**(3.6)**	24.3	(115%)
	$ (41.2)	$ 26.7	(255%)	**$ (18.4)**	$ 53.5	(134%)
Cash (used) provided by investing and financing						
Property, plant, equipment and intangible expenditures	**$ (28.1)**	$ (19.7)	(43%)	**$ (51.9)**	$ (38.0)	(37%)
Repayment of loans, borrowings and other financial liabilities	**(0.4)**	(365.0)	100%	**(0.8)**	(364.8)	100%
Repayment of advances, loans receivable and other financial assets	**15.8**	0.8	1875%	**19.3**	10.2	89%
Loans to Ambatovy Joint Venture	**(43.9)**	(78.6)	44%	**(43.9)**	(118.0)	63%
Receipt from investments	**–**	-	-	**–**	6.2	(100%)
Dividends paid on common shares	**(3.0)**	(3.0)	-	**(6.0)**	(15.9)	62%
Cash used by discontinued operations	**–**	(2.5)	100%	**–**	(23.0)	100%
Net proceeds from sale of Coal (net of cash disposed)	**–**	804.3	(100%)	**–**	804.3	(100%)
Net proceeds from sale of Corporate assets	**21.2**	-	-	**21.2**	-	-
Other	**0.2**	(1.0)	120%	**2.6**	(0.4)	750%
	$ (38.2)	$ 335.3	(111%)	**$ (59.5)**	$ 260.6	(123%)
	(79.4)	362.0	(122%)	**(77.9)**	314.1	(125%)
Cash, cash equivalents and short-term investments:						
Beginning of the period	**477.7**	603.9	(21%)	476.2	651.8	(27%)
End of the period	**$ 398.3**	$ 965.9	(59%)	**$ 398.3**	$ 965.9	(59%)

(1) As a result of disposing the Coal operations on April 28, 2014, cash provided (used) by Coal prior to disposal and any subsequent uses related to Coal are reported in cash provided (used) by discontinued operations for the current and prior-year periods.

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

Cash from continuing operations was lower during the three and six months ended June 30, 2015:

- cash from continuing operating activities at Oil and Gas were lower as a result of lower earnings in the periods and higher receivables, offset partly by lower income taxes paid;
- interest payments were lower as a result of timing of payments and the reduction of outstanding debt in the fourth quarter of 2014;
- interest received on loans was higher as result of receipt from Energas of $8.2 million and $31.2 million in the three and six months ended June 30, 2015, respectively.

In addition, during the six months ended June 30, 2015, deferred fertilizer revenue at Fort Site decreased by $15.5 million.

In investing and financing activities, the Corporation:

- provided funding of $43.9 million (US$36 million) to the Ambatovy Joint Venture in the second quarter of 2015;
- received proceeds of $21.2 million on the sale of corporate assets.

Cash flows from discontinued operations, investing and financing for the three and six months ended June 30, 2014 included cash proceeds and uses related to the operations of Coal and the closing of the Coal transaction on April 28, 2014, including proceeds on sale and the repayment of certain loans.

Combined adjusted operating and free cash flow

The Corporation's combined adjusted operating cash flow[1] and free cash flow[1] are summarized in the following table as derived from Sherritt's consolidated statements of cash flow.

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Combined adjusted operating cash flow	**$ 25.6**	$ 19.0	35%	**$ 81.7**	$ 53.7	52%
Combined free cash flow	**(67.0)**	(19.6)	(242%)	**(55.8)**	(78.6)	29%

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

During the three months ended June 30, 2015, combined adjusted operating cash flow, which excludes changes in working capital, was higher compared to the same period in the prior year as the lower adjusted operating cash flow at Moa Joint Venture and Oil and Gas was more than offset by the higher adjusted operating cash flow at Power, Ambatovy and Corporate. Combined free cash flow was lower compared to the same period in the prior year primarily due a negative change in working capital primarily at Oil and Gas related to the build-up of receivables and higher capital spending at Moa Joint Venture, Fort Site and Oil and Gas.

During the six months ended June 30, 2015 combined adjusted operating cash flow was higher compared to the same period in the prior year as the lower adjusted operating cash flow at Oil and Gas was more than offset by the higher adjusted operating cash flow at Power and Ambatovy and Corporate. Combined free cash flow for the six months months ended June 30, 2015 was higher than the same period in the prior year as improved adjusted operating cash flow was only partly offset by a negative change in working capital primarily at Oil and Gas related to the build-up of receivables and at Fort Site due to a lower deferred fertilizer revenue and higher capital spending at Moa Joint Venture, Fort Site and Oil and Gas.

COMMON SHARES

As at July 28, 2015, the Corporation had 293,885,466 common shares outstanding. An additional 7,145,252 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

On June 16, 2015, the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, paid on July 14, 2015 to shareholders of record as of the close of business on June 30, 2015.

Normal Course Issuer Bid

On October 29, 2014, the Corporation received approval from the TSX to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 14,875,944 common shares, representing approximately 5% of its issued and outstanding common shares until November 2, 2015. Based on the average daily trading volumes, daily purchases are limited to 300,404 common shares, other than block purchase exceptions.

For the six months ended June 30, 2015, the Corporation did not purchase or cancel any common shares under the NCIB. To June 30, 2015, the Corporation has purchased and cancelled a total of 3,960,300 shares under the NCIB at an average cost of $2.52 per share, for an aggregate cost of $10.0 million.

Managing risk

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

Accounting Pronouncements

There have been no new accounting pronouncements issued in the second quarter of 2015 that are expected to impact the Corporation. For a summary of accounting pronouncements, see the accounting pronouncements note in the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended September 30, 2013 to June 30, 2015[1].

$ millions, except per share amounts, for the three months ended	**2015 June 30**	2015 Mar 31	2014 Dec 31	2014 Sept 30	2014 June 30	2014 Mar 31	2013 Dec 31	2013 Sept 30
Revenue								
Metals	**$ 204.2**	$ 223.7	$ 216.5	$ 221.2	$ 216.0	$ 160.1	$ 101.6	$ 104.8
Oil and Gas	**51.3**	42.3	49.6	68.1	74.7	76.9	74.9	74.2
Power	**12.7**	11.8	11.7	12.7	12.7	11.9	10.6	14.7
Corporate and Other	**0.2**	0.5	0.5	0.7	1.2	1.8	2.0	1.6
Combined Revenue[2]	**$ 268.4**	$ 278.3	$ 278.3	$ 302.7	$ 304.6	$ 250.7	$ 189.1	$ 195.3
Adjust joint venture and associate revenue	**(168.8)**	(195.4)	(176.7)	(199.8)	(174.4)	(129.8)	(80.5)	(84.1)
Financial statement revenue	**$ 99.6**	$ 82.9	$ 101.6	$ 102.9	$ 130.2	$ 120.9	$ 108.6	$ 111.2
Share of earnings (loss) of an associate, net of tax	**(62.6)**	(42.3)	(65.0)	(49.4)	(50.9)	(40.1)	1.2	(0.7)
Share of earnings (loss) of a joint venture, net of tax	**(0.3)**	4.0	4.5	10.8	1.0	(6.9)	(24.4)	(0.4)
Net (loss) earnings from continuing operations	**(47.6)**	(56.8)	(147.7)	(51.3)	(49.0)	(70.5)	(142.6)	1.9
(Loss) earnings from discontinued operations, net of tax	**(5.0)**	-	(12.7)	-	18.9	22.3	(531.2)	(0.8)
Net (loss) earnings for the period	**$ (52.6)**	$ (56.8)	$ (160.4)	$ (51.3)	$ (30.1)	$ (48.2)	$ (673.8)	$ 1.1
Net (loss) earnings per share, basic and diluted ($ per share)								
Net (loss) earnings from continuing operations	**$ (0.16)**	$ (0.19)	$ (0.50)	$ (0.17)	$ (0.16)	$ (0.24)	$ (0.48)	$ 0.01
Net (loss) earnings for the period	**(0.18)**	(0.19)	(0.54)	(0.17)	(0.10)	(0.16)	(2.27)	0.00

(1) On April 28, 2014, the Corporation completed the sale of its Coal operations. Results for Coal prior to the date of sale and any subsequent expenses relating to Coal have been reported in (loss) earnings from discontinued operations.

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

In general, net (loss) earnings for the Corporation are primarily affected by commodity prices, sales volumes and exchange rates that impact revenue and costs. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has ranged from $1.04 to $1.24. In addition to the impact of commodity prices, sales volumes and exchange rates, net (loss) earnings were impacted by the following significant items (pre-tax):

- the second quarter of 2015 includes a gain on sale of the Corporation's head office building of $19.1 million and an additional tax recovery of $13.2 million related to tax rate reductions in Cuba;
- the first quarter of 2015 includes a tax recovery of $30.1 million related to tax rate reductions in Cuba;
- the fourth quarter of 2014 includes $33.8 million of fees related to the repurchase and redemption of debentures, $7.5 million related to restructuring costs and unrealized foreign exchange losses partly offset by a $3.3 million gain on sale of the Corporate assets and a $1.3 million gain on arbitration settlement;
- the third quarter of 2014 includes a $12.8 million gain on arbitration settlement;
- the second quarter of 2014 includes a $13.0 million gain recognized on the sale of the Coal operations;
- the first quarter of 2014 includes a reduction in depletion, depreciation, and amortization as a result of classifying Coal as a discontinued operation;

- the fourth quarter of 2013 included total impairments of $577.7 million recognized in Coal (discontinued operation), Metals and Power. Net finance expense included a $13.6 million non-cash downward adjustment in the fair value of the Ambatovy call option; and
- the third quarter of 2013 included a $12.4 million non-cash upward adjustment in the fair value of the Ambatovy call option.

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts. The Corporation has made a completion guarantee to the Ambatovy Joint Venture lenders.

Transactions with related parties

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities and an associate at fair value. The Corporation and its subsidiaries also market, pursuant to sales agreements, a portion of the nickel, cobalt and certain by-products produced by certain jointly controlled entities and an associate in the Metals business.

Canadian $ millions, as at	**2015 June 30**	2014 December 31
Accounts receivable from joint operations	**$ 0.3**	$ 0.1
Accounts receivable from joint venture	**27.4**	20.6
Accounts receivable from associate	**33.4**	37.5
Accounts payable to joint operations	**0.2**	0.1
Accounts payable to joint venture	**15.9**	34.2
Accounts payable to associate	**2.0**	2.5
Advances and loans receivable from associate	**1,698.5**	1,489.9
Advances and loans receivable from joint operations	**199.6**	239.3
Advances and loans receivable from joint venture	**262.9**	250.3

	For the three months ended		For the six months ended	
Canadian $ millions	**2015 June 30**	2014 June 30	**2015 June 30**	2014 June 30
Total value of goods and services:				
Provided to joint operations	**$ 9.0**	$ 2.8	**$ 14.5**	$ 8.5
Provided to joint venture	**54.2**	47.2	**89.4**	85.3
Provided to associate	**0.9**	1.3	**1.5**	1.9
Purchased from joint operations	**–**	0.3	**–**	1.0
Purchased from joint venture	**48.5**	49.8	**77.1**	90.0
Purchased from associate	**12.4**	13.4	**29.4**	30.6
Net financing income from joint operations	**4.1**	4.4	**8.4**	9.5
Net financing income from associate	**15.4**	11.8	**30.7**	19.4
Net financing income from joint venture	**1.9**	1.9	**4.0**	3.6

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.

Advances and loans receivable from associate, joint operation and joint venture relate to the Corporation's interest in the Ambatovy subordinated loans receivable, Energas conditional sales agreement, and Moa Joint Venture loans receivable, respectively. For further detail, refer to note 18 of the Corporation's December 31, 2014 audited consolidated financial statements.

Goods and services provided to joint venture primarily relates to services provided by Fort Site to Moa Joint Venture. Goods and services purchased from associate relate to nickel purchased from the Ambatovy Joint Venture purchased under long term nickel off take agreements by a subsidiary of the Corporation established to buy, market and sell certain Ambatovy nickel production. Net financing income from associate relates to interest income recognized by the Corporation on the Ambatovy subordinated loans receivable.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

As at June 30, 2015, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2015, the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended June 30, 2015 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel - LME price per pound[1]	US$	0.50	$ 10	$ 0.03
Cobalt - Metal Bulletin price per pound[1]	US$	5.00	7	0.02
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	3	0.01
Exchange rate				
Weakening of the Canadian dollar relative to the U.S. dollar	US$	0.05	(12)	(0.04)
Operating costs[1]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	0.00
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(2)	(0.01)
Sulphuric acid - per tonne (Moa Joint Venture)	US$	25.00	(1)	0.00
Coal - per tonne (Ambatovy)	US$	20.00	(1)	0.00
Limestone - per tonne (Ambatovy)	US$	5.00	(1)	0.00

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

OIL AND GAS PRODUCTION AND SALES VOLUME

The following table provides further detail about the Corporation's oil and gas production and determination of sales volumes.

	For the three months ended			For the six months ended		
	2015	2014		**2015**	2014	
Daily production volumes[1]	**June 30**	June 30	Change	**June 30**	June 30	Change
Gross working-interest oil production in Cuba[2][3]	**18,607**	**19,528**	(5%)	**19,160**	19,862	(4%)
Net working-interest oil production[4]						
Cuba (heavy oil)						
Cost recovery	**5,050**	**3,004**	68%	**3,647**	3,422	7%
Profit oil	**6,101**	**7,436**	(18%)	**6,981**	7,389	(6%)
Total	**11,151**	**10,440**	7%	**10,628**	10,811	(2%)
Spain (light oil)[4]	**498**	**352**	41%	**520**	315	65%
Pakistan (natural gas)[4]	**299**	**317**	(6%)	**297**	315	(6%)
	11,948	**11,109**	8%	**11,445**	11,441	-

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

(2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production.

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

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

NON-GAAP MEASURES

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

The Ambatovy Joint Venture achieved commercial production on January 22, 2014 and commenced recognizing revenues and costs within the statement of comprehensive income (loss) effective February 1, 2014. The non-GAAP measures reflect Ambatovy operating results for the post-commercial production period.

Combined results

The Corporation presents combined revenue, combined cost of sales, combined administrative expenses, combined net finance expense, and combined income taxes (together, combined results) as measures which help management assess the Corporation's financial performance across its business units. The combined results include the Corporation's consolidated financial results, and the results of its 50% share of the Moa Joint Venture and its 40% share of the Ambatovy Joint Venture, both of which are accounted for using the equity method for accounting purposes. Management uses these measures to reflect the Corporation's economic interest in its business units prior to the application of equity accounting. Refer to pages 6 to 8 for the reconciliations of the combined results.

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations, associate and joint venture as reported in the financial statements for the period adjusted for depletion, depreciation and amortization; impairment charges for property, plant and equipment, intangible assets, goodwill and investments; and gain or loss on disposal of property, plant and equipment of the Corporation, associate and joint venture. The exclusion of impairment charges eliminates the non-cash impact.

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

$ millions, for the three months ended June 30									2015
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Earnings (loss) from operations, associate and joint venture per financial statements (note 4)	$ 3.1	$ (49.8)	$ 0.1	$ (46.6)	$ 12.1	$ (0.4)	$ 8.8	$ (14.6)	$ (40.7)
Add (deduct):									
Depletion, depreciation and amortization	3.1	–	0.2	3.3	17.8	8.0	0.5	–	29.6
Gain on property, plant and equipment and intangibles	–	–	–	–	–	–	(19.1)	–	(19.1)
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	8.0	48.1	(0.3)	55.8	–	–	–	–	55.8
Net finance expense	–	–	–	–	–	–	–	21.1	21.1
Income tax recovery	–	–	–	–	–	–	–	(6.5)	(6.5)
Adjusted EBITDA	$ 14.2	$ (1.7)	$ –	$ 12.5	$ 29.9	$ 7.6	$ (9.8)	$ –	$ 40.2

$ millions, for the three months ended June 30									2014
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
(Loss) earnings from operations, associate and joint venture per financial statements (note 4)	$ 12.2	$ (38.2)	$ 0.6	$ (25.4)	$ 39.9	$ 0.8	$ (14.2)	$ (20.3)	$ (19.2)
Add (deduct):									
Depletion, depreciation and amortization	2.8	-	-	2.8	16.6	5.7	0.9	-	26.0
Impairment of property, plant and equipment and intangibles	-	-	-	-	1.0	-	-	-	1.0
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	7.0	40.3	-	47.3	-	-	-	-	47.3
Net finance expense	-	-	-	-	-	-	-	20.8	20.8
Income tax recovery	-	-	-	-	-	-	-	(0.5)	(0.5)
Adjusted EBITDA	$ 22.0	$ 2.1	$ 0.6	$ 24.7	$ 57.5	$ 6.5	$ (13.3)	$ -	$ 75.4

$ millions, for the six months ended June 30									2015
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		**Total**
(Loss) earnings from operations, associate and joint venture per financial statements (note 4)	$ 10.1	$ (93.6)	$ 0.4	$ (83.1)	$ 11.2	$ (1.4)	$ 0.6	$ (18.1)	$ (90.8)
Add (deduct):									
Depletion, depreciation and amortization	5.4	–	0.1	5.5	40.2	16.3	1.4	–	63.4
Gain on property, plant and equipment and intangibles	–	–	–	–	–	–	(19.1)	–	(19.1)
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	17.0	96.2	(0.4)	112.8	–	–	–	–	112.8
Net finance expense	–	–	–	–	–	–	–	31.8	31.8
Income tax recovery	–	–	–	–	–	–	–	(13.7)	(13.7)
Adjusted EBITDA	$ 32.5	$ 2.6	$ 0.1	$ 35.2	$ 51.4	$ 14.9	$ (17.1)	$ –	$ 84.4

$ millions, for the six months ended June 30	Metals								2014
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations, associate and joint venture per financial statements (note 4)	$ 9.8	$ (70.1)	$ 0.8	$ (59.5)	$ 83.5	$ 1.7	$ (28.4)	$ (32.8)	$ (35.5)
Add (deduct):									
Depletion, depreciation and amortization	5.2	-	-	5.2	33.4	9.7	1.9	-	50.2
Impairment of property, plant and equipment and intangibles	-	-	-	-	1.0	-	-	-	1.0
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	14.0	67.8	-	81.8	-	-	-	-	81.8
Net finance expense	-	-	-	-	-	-	-	35.3	35.3
Income tax recovery	-	-	-	-	-	-	-	(2.5)	(2.5)
Adjusted EBITDA	$ 29.0	$ (2.3)	$ 0.8	$ 27.5	$ 117.9	$ 11.4	$ (26.5)	$ -	$ 130.3

Average-realized price

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

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

$ millions, except average-realized price and sales volume, for the three months ended June 30	Metals						**2015**
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ **128.7**	$ **26.0**	$ **31.5**	$ **18.0**	$ **204.2**	$ **51.3**	$ **12.7**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**–**			**–**	**(1.3)**
Processing revenue	**–**	**–**	**–**			**(0.9)**	**–**
Service concession arrangement revenue	**–**	**–**	**–**			**–**	**0.2**
Revenue for purposes of average-realized price calculation	**128.7**	**26.0**	**31.5**			**50.4**	**11.6**
Sales volume for the period	**18.0**	**1.5**	**70.1**			**1.1**	**224**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ **7.13**	$ **17.10**	$ **449**			$ **46.20**	$ **52.17**

$ millions, except average-realized price and sales volume, for the three months ended June 30							2014
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ 141.6	$ 19.5	$ 35.6	$ 19.3	$ 216.0	$ 74.7	$ 12.7
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.8)
Processing revenue	-	-	-			(1.5)	-
Service concession arrangement revenue	-	-	-			-	(0.5)
Revenue for purposes of average-realized price calculation	141.6	19.5	35.6			73.2	10.4
Sales volume for the period	16.1	1.4	92.7			1.0	224
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 8.83	$ 14.13	$ 384			$ 72.51	$ 46.24

$ millions, except average-realized price and sales volume, for the six months ended June 30							**2015**
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ **289.9**	$ **51.5**	$ **45.5**	$ **41.0**	$ **427.9**	$ **93.6**	$ **24.5**
Adjustments to revenue:							
By-product revenue	**–**	**–**	**–**			**–**	**(2.0)**
Processing revenue	**–**	**–**	**–**			**(2.1)**	**–**
Service concession arrangement revenue	**–**	**–**	**–**			**–**	**0.2**
Other	–	–	–			–	–
Revenue for purposes of average-realized price calculation	**289.9**	**51.5**	**45.5**			**91.5**	**22.7**
Sales volume for the period	**38.4**	**3.2**	**114.1**			**2.1**	**434**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ **7.55**	$ **16.22**	$ **399**			$ **44.10**	$ **52.39**

$ millions, except average-realized price and sales volume, for the six months ended June 30							**2014**
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements (note 4)	$ 244.6	$ 39.0	$ 49.9	$ 42.6	$ 376.1	$ 151.6	$ 24.6
Adjustments to revenue:							
By-product revenue	-	-	-			-	(3.9)
Processing revenue	-	-	-			(2.8)	-
Service concession arrangement revenue	-	-	-			-	(1.7)
Revenue for purposes of average-realized price calculation	244.6	39.0	49.9			148.8	19.0
Sales volume for the period	30.2	2.7	134.2			2.1	411
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatts
Average-realized price(2)(3)	$ 8.10	$ 14.65	$ 372			$ 71.86	$ 46.22

For purposes of average-realized price tables, above:

(1) Net working-interest oil production. For additional discussion see Oil and Gas Production and Sales Volume section.

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

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

Unit operating cost

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

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

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

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

$ millions, except unit cost and sales volume, for the three months ended June 30						**2015**
	Metals					
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	**Oil and Gas**	**Power**
Cost of sales per financial statements (note 4)	**$ 104.8**	**$ 126.2**	**$ 13.5**	**$ 244.5**	**$ 37.5**	**$ 11.8**
Less:						
Depletion, depreciation and amortization in cost of sales	**(11.1)**	**(48.0)**	**0.2**	**(58.9)**	**(17.7)**	**(8.0)**
	93.7	**78.2**	**13.7**	**185.6**	**19.8**	**3.8**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(47.5)**	**(12.3)**			**–**	**–**
Impact of opening/closing inventory and other	**(2.6)**	**0.5**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**0.2**
Cost of sales for purposes of unit cost calculation	**43.6**	**66.4**			**19.8**	**4.0**
Sales volume for the period	**8.6**	**9.4**			**1.8**	**224**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	**$ 5.05**	**7.05**			**$ 11.27**	**$ 16.86**
Unit operating cost (U.S. dollars)	**$ 4.12**	**5.48**				

$ millions, except unit cost and sales volume, for the three months ended June 30						2014
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 108.7	$ 110.0	$ 14.4	$ 233.1	$ 32.4	$ 9.7
Less:						
Depletion, depreciation and amortization in cost of sales	(9.7)	(40.3)	-	(50.0)	(16.5)	(5.7)
	99.0	69.7	14.4	183.1	15.9	4.0
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(49.8)	(10.3)			-	-
Impact of opening/closing inventory and other	(2.4)	0.9			-	-
Service concession arrangements – Cost of construction	-	-			-	(0.5)
Impairments	-	-			(1.0)	-
Cost of sales for purposes of unit cost calculation	46.8	60.3			14.9	3.5
Sales volume for the period	8.4	7.7			1.8	224
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$ 5.60	7.85			$ 8.07	$ 15.62
Unit operating cost (U.S. dollars)	$ 5.05	7.19				

$ millions, except unit cost and sales volume, for the six months ended June 30						**2015**
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	**$ 200.9**	**$ 265.7**	**$ 31.3**	**$ 497.9**	**$ 78.8**	**$ 23.2**
Less:						
Depletion, depreciation and amortization in cost of sales	**(22.4)**	**(96.0)**	**0.3**	**(118.1)**	**(40.0)**	**(16.3)**
	178.5	**169.7**	**31.6**	**379.8**	**38.8**	**6.9**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(77.5)**	**(27.6)**			**–**	**–**
Impact of opening/closing inventory and other	**(6.3)**	**1.5**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**0.2**
Impairments	**–**	**–**			**–**	**–**
Other	**–**	**–**			**–**	**–**
Cost of sales for purposes of unit cost calculation	**94.7**	**143.6**			**38.8**	**7.1**
Sales volume for the period	**18.1**	**20.3**			**3.6**	**434**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 5.24**	**7.07**			**$ 10.70**	**$ 16.27**
Unit operating cost (U.S. dollars)	**$ 4.24**	**5.63**				

$ millions, except unit cost and sales volume, for the six months ended June 30						2014
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements (note 4)	$ 199.2	$ 187.6	$ 32.8	$ 419.6	$ 62.9	$ 18.2
Less:						
Depletion, depreciation and amortization in cost of sales	(19.1)	(67.8)	-	(86.9)	(33.3)	(9.7)
	180.1	119.8	32.8	332.7	29.6	8.5
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(80.2)	(17.6)			-	-
Impact of opening/closing inventory and other	(4.0)	1.2			-	-
Service concession arrangements – Cost of construction	-	-			-	(1.7)
Impairments	-	-			(1.0)	-
Cost of sales for purposes of unit cost calculation	95.9	103.4			28.6	6.8
Sales volume for the period	16.8	13.4			3.7	411
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	$ 5.71	7.70			$ 7.68	$ 16.45
Unit operating cost (U.S. dollars)	$ 5.17	7.04				

For purposes of unit operating cost tables, above:

(1) Gross working-interest oil production. For additional discussion, see Oil and Gas Production and Sales Volume section.

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

(3) Power, unit operating cost per MWh.

Adjusted earnings from continuing operations

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

The table below reconciles adjusted earnings net earnings (loss) per the financial statements:

	For the three months ended		For the six months ended	
	2015	2014	**2015**	2014
$ millions	**June 30**	June 30	**June 30**	June 30
Net (loss) earnings from continuing operations	**$ (47.6)**	$ (49.0)	**$ (104.4)**	$ (119.5)
Adjusting items:				
Corporate - Call option fair value adjustment	**1.2**	-	**4.0**	2.2
Corporate - Gain on sale of corporate office	**(19.1)**	-	**(19.1)**	-
Ambatovy - VAT discounting adjustment	-	-	**(4.5)**	-
Ambatovy - Inventory impairment	**4.3**	-	**4.3**	-
Oil and Gas - Obsolete inventory and asset impairment	-	0.7	-	0.7
Unrealized FX (gain) loss from continuing operations	**(1.8)**	(6.5)	**15.8**	3.4
Total adjustments, before tax	**$ (15.4)**	$ (5.8)	**$ 0.5**	$ 6.3
Tax adjustments(1)	**(12.2)**	(1.4)	**(42.3)**	(1.4)
Adjusted net (loss) earnings from continuing operations	**$ (75.2)**	$ (56.2)	**$ (146.2)**	$ (114.6)

(1) A tax recovery of $30.1 million and $13.2 million in the first and second quarter of 2015, respectively, related to changes in tax rates in Cuba , See Income taxes on page 7 for further details.

Combined adjusted operating cash flow per share

The Corporation defines combined adjusted operating cash flow per share as cash provided (used) by continuing operations before net changes in non-cash working capital and dividends received from joint venture and associate divided by the weighted average number of outstanding shares during the period.

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

$ millions, except per share amounts, for the three months ended June 30										**2015**
	Metals								Adjustment for Joint Venture and Associate	**Total derived from financial statements**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**		
Cash provided (used) by continuing operations	$ (11.4)	$ 7.3	$ (0.7)	$ (4.8)	$ 6.4	$ 10.6	$ (38.3)	$ (26.1)	$ (15.0)	$ (41.1)
Adjust: net change in non-cash working capital	20.5	(8.4)	0.7	12.8	18.5	5.0	15.4	51.7	12.0	63.7
Adjusted continuing operating cash flow	9.1	(1.1)	–	8.0	24.9	15.6	(22.9)	25.6	(3.0)	22.6
Combined adjusted operating cash flow per share(1)	$ 0.03	$ 0.01	$ –	$ 0.04	$ 0.08	$ 0.05	$ (0.08)	$ 0.09	$ (0.01)	$ 0.08

(1) The weighted average number of common shares for the quarter was 293.5 million shares.

$ millions, except per share amounts, for the three months ended June 30	Metals										2014
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	$ (16.5)	$ (35.7)	$ (4.9)	$ (57.1)	$ 80.5	$ 9.3	$ (21.7)	$ 11.0	$ 27.9	$ 38.9
Adjust: net change in non-cash working capital	36.3	30.1	5.5	71.9	(50.0)	(1.4)	(12.5)	8.0	(34.5)	(26.5)
Adjusted continuing operating cash flow	19.8	(5.6)	0.6	14.8	30.5	7.9	(34.2)	19.0	(6.6)	12.4
Combined adjusted operating cash flow per share(1)	$ 0.07	$ (0.02)	$ -	$ 0.05	$ 0.10	$ 0.03	$ (0.12)	$ 0.06	$ (0.02)	$ 0.04

(1) The weighted average number of common shares for the quarter was 297.0 million shares.

$ millions, except per share amounts, for the six months ended June 30	Metals									**2015**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 18.8**	**$ 19.8**	**$ (1.2)**	**$ 37.4**	**$ 13.0**	**$ 34.7**	**$ (68.2)**	**$ 16.9**	**$ (31.7)**	**$ (14.8)**
Adjust: net change in non-cash working capital	**2.2**	**(16.3)**	**1.4**	**(12.7)**	**33.8**	**11.4**	**32.3**	**64.8**	**25.2**	**90.0**
Adjusted continuing operating cash flow	**21.0**	**3.5**	**0.2**	**24.7**	**46.8**	**46.1**	**(35.9)**	**81.7**	**(6.5)**	**75.2**
Combined adjusted operating cash flow per share(1)	**$ 0.07**	**$ 0.01**	**$ –**	**$ 0.08**	**$ 0.16**	**$ 0.16**	**$ (0.12)**	**$ 0.28**	**$ (0.02)**	**$ 0.26**

(1) The weighted average number of common shares for the quarter was 293.4 million shares.

$ millions, except per share amounts, for the six months ended June 30	Metals									2014
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	$ (10.2)	$ (56.7)	$ (6.8)	$ (73.7)	$ 96.5	$ 10.2	$ (59.5)	$ (26.5)	$ 55.7	$ 29.2
Adjust: net change in non-cash working capital	34.4	46.2	7.6	88.1	(5.6)	0.9	(3.2)	80.2	(59.5)	20.7
Adjusted continuing operating cash flow	24.2	(10.5)	0.8	14.4	90.9	11.1	(62.7)	53.7	(3.8)	49.9
Combined adjusted operating cash flow per share(1)	$ 0.08	$ (0.03)	$ -	$ 0.05	$ 0.30	$ 0.04	$ (0.21)	$ 0.18	$ (0.01)	$ 0.17

(1) The weighted average number of common shares for the quarter was 297.0 million shares.

Combined free cash flow

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

The tables below reconciled free cash flow to the consolidated statement of cash flow.

$ millions, for the three months ended June 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements (2015)**
Cash provided (used) by continuing operations	**$ (11.4)**	**$ 7.3**	**$ (0.7)**	**$ (4.8)**	**$ 6.4**	**$ 10.6**	**$ (38.3)**	**$ (26.1)**	**$ (15.0)**	**$ (41.1)**
Less:										
Property, plant and equipment expenditures	**(15.5)**	**(2.2)**	**–**	**(17.7)**	**(20.2)**	**(1.0)**	**(1.9)**	**(40.8)**	**12.8**	**(28.0)**
Intangible Expenditures	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Free Cash Flow	**$ (26.9)**	**$ 5.1**	**$ (0.7)**	**$ (22.5)**	**$ (13.9)**	**$ 9.6**	**$ (40.2)**	**(67.0)**	**$ (2.2)**	**$ (69.2)**

$ millions, for the three months ended June 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements (2014)**
Cash provided (used) by continuing operations	$ (16.5)	$ (35.7)	$ (4.9)	$ (57.1)	$ 80.5	$ 9.3	$ (21.7)	$ 11.0	$ 27.9	$ 38.9
Less:										
Property, plant and equipment expenditures	(5.6)	(7.9)	-	(13.5)	(16.3)	(0.5)	(0.2)	(30.4)	10.9	(19.5)
Intangible expenditures	-	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Free Cash Flow	$ (22.1)	$ (43.6)	$ (4.9)	$ (70.6)	$ 64.0	$ 8.8	$ (22.0)	(19.6)	$ 38.7	$ 19.2

$ millions, for the six months ended June 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements (2015)**
Cash provided (used) by continuing operations	**$ 18.8**	**$ 19.8**	**$ (1.2)**	**$ 37.4**	**$ 13.0**	**$ 34.7**	**$ (68.2)**	**$ 16.9**	**$ (31.7)**	**$ (14.8)**
Less:										
Property, plant and equipment expenditures	**(23.4)**	**(4.8)**	**–**	**(28.2)**	**(40.8)**	**(1.4)**	**(2.3)**	**(72.6)**	**20.8**	**(51.8)**
Intangible Expenditures	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Free Cash Flow	**$ (4.6)**	**$ 15.0**	**$ (1.2)**	**$ 9.2**	**$ (27.9)**	**$ 33.3**	**$ (70.5)**	**(55.8)**	**$ (10.9)**	**$ (66.7)**

$ millions, for the six months ended June 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for Joint Venture and Associate	**Total derived from financial statements (2014)**
Cash provided (used) by continuing operations	$ (10.2)	$ (56.7)	$ (6.8)	$ (73.7)	$ 96.5	$ 10.2	$ (59.5)	$ (26.5)	$ 55.7	$ 29.2
Less:										
Property, plant and equipment expenditures	(10.1)	(8.7)	-	(18.8)	(30.9)	(0.8)	(0.3)	(50.8)	14.1	(36.7)
Intangible expenditures	-	-	-	-	(0.6)	(0.7)	-	(1.3)	-	(1.3)
Free Cash Flow	$ (20.3)	$ (65.4)	$ (6.8)	$ (92.5)	$ 65.0	$ 8.7	$ (59.8)	(78.6)	$ 69.8	$ (8.8)

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the “Outlook” sections of this MD&A and certain expectations about capital costs and expenditures; capital project completion dates; completion of financial certificates at Ambatovy; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Key factors that may result in material differences between actual results and developments and those contemplated by this MD&A include global economic and market conditions, and business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for the Corporation’s products. Other such factors include, but are not limited to, uncertainties in the ramp-up and operation of large mining, processing and refining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation’s capital initiatives; risks associated with the Corporation’s joint-venture partners; risk of future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government’s and Malagasy government’s ability to make certain payments to the Corporation; risks related to exploration and development programs; uncertainties in reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation’s reliance on partners and significant customers; risks related to the Corporation’s corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation’s ability to access markets; risks in obtaining insurance; uncertainties in labour relations; 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; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; risks associated with governmental regulations regarding greenhouse gas emissions; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management; interest rate risk; risks related to political or social unrest or change and those in respect of community relations; risks associated with rights and title claims; and certain corporate objectives, goals and plans for 2015; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this MD&A and in the Corporation’s other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this MD&A and in the Corporation’s other documents filed with the Canadian securities authorities including, but not limited to, the Corporation’s Annual Information Form for the year ended December 31, 2014 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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2015 and 2014

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note		For the three months ended 2015 June 30		2014 June 30		For the six months ended 2015 June 30		2014 June 30
Revenue		**$**	**99.6**	$	130.2	**$**	**182.5**	$	251.1
Cost of sales	5		**84.6**		79.1		**167.3**		152.5
Gross profit			**15.0**		51.1		**15.2**		98.6
Administrative expenses	5		**11.9**		20.4		**23.9**		37.2
Operating profit (loss)			**3.1**		30.7		**(8.7)**		61.4
Gain on sale of Corporate assets	11		**19.1**		–		**19.1**		–
Share of loss of an associate, net of tax	6		**(62.6)**		(50.9)		**(104.9)**		(91.0)
Share of (loss) earnings of a joint venture, net of tax	7		**(0.3)**		1.0		**3.7**		(5.9)
Loss from operations, associate and joint venture			**(40.7)**		(19.2)		**(90.8)**		(35.5)
Financing income	8		**(20.6)**		(20.7)		**(40.6)**		(33.9)
Financing expense	8		**38.1**		37.7		**94.2**		91.7
Net finance expense			**17.5**		17.0		**53.6**		57.8
Loss before tax			**(58.2)**		(36.2)		**(144.4)**		(93.3)
Income tax (recovery) expense	9		**(10.6)**		12.8		**(40.0)**		26.2
Net loss from continuing operations			**(47.6)**		(49.0)		**(104.4)**		(119.5)
(Loss) earnings from discontinued operations, net of tax	10		**(5.0)**		18.9		**(5.0)**		41.2
Net loss for the period		**$**	**(52.6)**	$	(30.1)	**$**	**(109.4)**	$	(78.3)
Other comprehensive income									
Items that may be subsequently reclassified to profit or loss:									
Foreign currency translation differences on foreign operations	19		**(54.2)**		(106.5)		**227.4**		12.7
Items that will not be subsequently reclassified to profit or loss:									
Actuarial (losses) gains on pension plans, net of tax									
Continuing operations	19		**(0.5)**		0.1		**0.2**		0.6
Discontinued operations			**–**		0.1		**–**		0.6
Other comprehensive (loss) income			**(54.7)**		(106.3)		**227.6**		13.9
Total comprehensive (loss) income		**$**	**(107.3)**	$	(136.4)	**$**	**118.2**	$	(64.4)
Net loss from continuing operations per common share, basic and diluted	12	**$**	**(0.16)**	$	(0.16)	**$**	**(0.36)**	$	(0.40)
Net loss per common share, basic and diluted	12	**$**	**(0.18)**	$	(0.10)	**$**	**(0.38)**	$	(0.26)

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note		2015 June 30		2014 December 31
ASSETS					
Current assets					
Cash and cash equivalents	13	$	**255.3**	$	160.6
Restricted cash			**1.0**		1.0
Short-term investments	13		**143.0**		315.6
Advances, loans receivable and other financial assets	14		**77.1**		75.6
Trade accounts receivable, net	13		**298.9**		264.9
Inventories	15		**34.0**		30.6
Prepaid expenses			**9.7**		6.8
			819.0		855.1
Non-current assets					
Advances, loans receivable and other financial assets	14		**2,098.8**		1,922.4
Other non-financial assets	14		**1.5**		1.2
Property, plant and equipment	16		**441.7**		422.1
Investment in an associate	6		**1,537.8**		1,548.5
Investment in a joint venture	7		**390.6**		380.1
Intangible assets			**149.4**		149.4
Deferred income taxes			**3.4**		2.3
			4,623.2		4,426.0
Assets held for sale	11		**0.9**		2.1
Total assets		$	**5,443.1**	$	5,283.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Loans and borrowings	17	$	**1.3**	$	1.6
Trade accounts payable and accrued liabilities			**95.8**		131.6
Income taxes payable			**2.0**		22.0
Other financial liabilities	17		**3.7**		3.2
Other non-financial liabilities	17		**1.8**		17.2
Provisions	18		**29.1**		18.0
			133.7		193.6
Non-current liabilities					
Loans and borrowings	17		**1,985.6**		1,858.3
Other financial liabilities	17		**3.1**		4.2
Other non-financial liabilities	17		**3.9**		4.0
Provisions	18		**107.5**		108.8
Deferred income taxes			**37.6**		55.6
			2,137.7		2,030.9
Total liabilities			**2,271.4**		2,224.5
Shareholders' equity					
Capital stock	19		**2,774.5**		2,772.9
Deficit			**(375.3)**		(259.9)
Reserves	19		**224.4**		225.2
Accumulated other comprehensive income	19		**548.1**		320.5
			3,171.7		3,058.7
Total liabilities and shareholders' equity		$	**5,443.1**	$	5,283.2

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions	Note	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Operating activities					
Net loss from continuing operations		$ **(47.6)**	$ (49.0)	$ **(104.4)**	$ (119.5)
Add (deduct):					
Depletion, depreciation and amortization		**29.6**	26.0	**63.4**	50.2
Share of loss of an associate, net of tax	6	**62.6**	50.9	**104.9**	91.0
Share of loss (earnings) of a joint venture, net of tax	7	**0.3**	(1.0)	**(3.7)**	5.9
Loss on impairment of assets		**–**	1.0	**–**	1.0
Finance costs (less accretion expenses)	8	**17.1**	16.8	**53.0**	57.4
Income tax (recovery) expense	9	**(10.6)**	12.8	**(40.0)**	26.2
Service concession arrangement		**–**	(0.5)	**–**	(1.7)
Gain on sale of corporate assets	11	**(19.1)**	–	**(19.1)**	–
Net change in non-cash working capital	21	**(63.7)**	26.5	**(90.0)**	(20.7)
Interest received	8	**13.7**	6.1	**40.7**	8.8
Interest paid	8	**(19.9)**	(27.1)	**(29.3)**	(46.4)
Income tax paid		**(4.7)**	(26.7)	**(4.8)**	(27.1)
Dividends received from joint venture		**–**	–	**12.5**	–
Other operating items	21	**1.2**	3.1	**2.0**	4.1
Cash (used) provided by continuing operations		**(41.1)**	38.9	**(14.8)**	29.2
Cash (used) provided by discontinued operations	10	**(0.1)**	(12.2)	**(3.6)**	24.3
Cash (used) provided by operating activities		**(41.2)**	26.7	**(18.4)**	53.5
Investing activities					
Property, plant and equipment expenditures	4	**(28.0)**	(19.5)	**(51.8)**	(36.7)
Intangible expenditures	4	**(0.1)**	(0.2)	**(0.1)**	(1.3)
Increase in advances, loans receivable and other financial assets		**–**	–	**–**	(1.3)
Repayment of advances, loans receivable and other financial assets		**15.8**	0.8	**19.3**	10.2
Investments		**–**	–	**–**	6.2
Loans to an associate		**(43.9)**	(78.6)	**(43.9)**	(118.0)
Net proceeds from sale of corporate assets	11	**21.2**	–	**21.2**	–
Net proceeds from sale of property, plant and equipment		**–**	0.2	**0.1**	0.4
Net proceeds from sale of coal operations, net of cash disposed	10	**–**	804.3	**–**	804.3
Short-term investments		**40.0**	(131.5)	**172.6**	(172.3)
Cash provided by continuing operations		**5.0**	575.5	**117.4**	491.5
Cash provided (used) by discontinued operations	10	**–**	0.2	**–**	(13.5)
Cash provided by investing activities		**5.0**	575.7	**117.4**	478.0
Financing activities					
Repayment of loans and borrowings and other financial liabilities		**(0.4)**	(365.0)	**(0.8)**	(364.8)
Dividends paid on common shares	19	**(3.0)**	(3.0)	**(6.0)**	(15.9)
Cash used by continuing operations		**(3.4)**	(368.0)	**(6.8)**	(380.7)
Cash used by discontinued operations	10	**–**	(2.7)	**–**	(9.5)
Cash used by financing activities		**(3.4)**	(370.7)	**(6.8)**	(390.2)
Effect of exchange rate changes on cash and cash equivalents		**0.2**	(1.2)	**2.5**	0.5
(Decrease) increase in cash and cash equivalents		**(39.4)**	230.5	**94.7**	141.8
Cash and cash equivalents at beginning of the period		**294.7**	235.5	**160.6**	324.2
Cash and cash equivalents at end of the period		$ **255.3**	$ 466.0	**255.3**	$ 466.0

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Retained earnings (deficit)	Reserves	Accumulated other comprehensive income (loss)	Total
		(note 19)	(note 19)	(note 19)	(note 19)	
Balance as at December 31, 2013		**$ 2,808.5**	**$ 40.2**	**$ 196.5**	**$ 62.0**	**$ 3,107.2**
Total comprehensive income (loss):						
Net loss for the period		–	(78.3)	–	–	(78.3)
Foreign currency translation differences on foreign operations	19	–	–	–	12.7	12.7
Actuarial gains on defined benefit obligations, net of tax	19	–	–	–	1.2	1.2
		–	(78.3)	–	13.9	(64.4)
Shares issued for:						
Restricted stock plan (vested)	19	0.7	–	(0.7)	–	–
Restricted stock plan expense	20	–	–	0.3	–	0.3
Employee share purchase plan expense	20	–	–	0.2	–	0.2
Stock option plan expense	20	–	–	0.6	–	0.6
Reclassification on settlement of pension obligation	19	–	1.8	–	(1.8)	–
Dividend declared to common shareholders		–	(6.2)	–	–	(6.2)
Balance as at June 30, 2014		**$ 2,809.2**	**$ (42.5)**	**$ 196.9**	**$ 74.1**	**$ 3,037.7**
Total comprehensive income (loss):						
Net loss for the period		–	(211.7)	–	–	(211.7)
Foreign currency translation differences on foreign operations	19	–	–	–	248.1	248.1
Actuarial loss on defined benefit obligations, net of tax	19	–	–	–	(1.7)	(1.7)
		–	(211.7)	–	246.4	34.7
Shares issued for:						
Employee share purchase plan (vested)	19	1.2	–	(0.2)	–	1.0
Share repurchase	19	(37.5)	–	27.5	–	(10.0)
					–	
Restricted stock plan expense	20	–	–	0.4	–	0.4
Employee share purchase plan recovery	20	–	–	(0.1)	–	(0.1)
Stock option plan expense	20	–	–	0.7	–	0.7
Dividend declared to common shareholders		–	(5.7)	–	–	(5.7)
Balance as at December 31, 2014		**$ 2,772.9**	**$ (259.9)**	**$ 225.2**	**$ 320.5**	**$ 3,058.7**
Total comprehensive income (loss):						
Net loss for the period		–	(109.4)	–	–	(109.4)
Foreign currency translation differences on foreign operations	19	–	–	–	227.4	227.4
Actuarial gains on defined benefit obligations, net of tax	19	–	–	–	0.2	0.2
		–	(109.4)	–	227.6	118.2
Shares issued for:						
Restricted stock plan (vested)	19	1.6	–	(1.6)	–	–
Restricted stock plan expense	20	–	–	0.1	–	0.1
Stock option plan expense	20	–	–	0.7	–	0.7
Dividend declared to common shareholders		–	(6.0)	–	–	(6.0)
Balance as at June 30, 2015		**$ 2,774.5**	**$ (375.3)**	**$ 224.4**	**$ 548.1**	**$ 3,171.7**

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

Notes to the interim condensed consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 181 Bay Street, Toronto, Ontario, M5J 2T3. These consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on July 27, 2015. The Corporation is listed on the Toronto Stock Exchange (TSX).

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements of the Corporation are prepared in accordance with IAS 34, "Interim Financial Reporting" (IAS 34), as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote 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 consolidated financial statements include the financial results of the Corporation's interest in its subsidiaries, joint arrangements and an associate.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These interim 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, 2014, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from January 1, 2015 and disclosed in the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2014. The adoption of these amendments and interpretations did not have a material impact on the accounting policies, methods of computation or presentation applied by the Corporation.

Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

4. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended June 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Adjustments for Joint Venture and Associate[3]	2015 Total
Revenue	$ 204.2	$ 51.3	$ 12.7	$ 0.2	$ (168.8)	$ 99.6
Cost of sales	244.5	37.5	11.8	2.5	(211.7)	84.6
Gross (loss) profit	(40.3)	13.8	0.9	(2.3)	42.9	15.0
Administrative expenses	6.3	1.7	1.3	8.0	(5.4)	11.9
Operating (loss) profit	(46.6)	12.1	(0.4)	(10.3)	48.3	3.1
Gain on sale of corporate assets	–	–	–	19.1	–	19.1
Share of loss of an associate, net of tax	–	–	–	–	(62.6)	(62.6)
Share of loss of a joint venture, net of tax	–	–	–	–	(0.3)	(0.3)
(Loss) earnings from operations, associate and joint venture	(46.6)	12.1	(0.4)	8.8	(14.6)	(40.7)
Financing income						(20.6)
Financing expense						38.1
Net finance expense						17.5
Loss before tax						(58.2)
Income tax recovery						(10.6)
Net loss from continuing operations						(47.6)
Loss from discontinued operations, net of tax						(5.0)
Loss for the period						(52.6)
Supplementary information						
Depletion, depreciation and amortization	$ 59.1	$ 17.8	$ 8.0	$ 0.5	$ (55.8)	$ 29.6
Property, plant and equipment expenditures	17.8	20.2	1.0	1.8	(12.8)	28.0
Intangible asset expenditures	–	0.1	–	–	–	0.1

Canadian $ millions, as at June 30						2015
Non-current assets[4]	$ 4,848.3	$ 229.7	$ 196.4	$ 11.2	$ (4,694.5)	$ 591.1
Total assets	7,147.6	1,306.6	495.0	(260.3)	(3,245.8)	5,443.1

Canadian $ millions, for the three months ended June 30	Metals[1]	Oil and Gas	Power	Corporate and Other[2]	Adjustments for Joint Venture and Associate[3]	2014 Total
Revenue	$ 216.0	$ 74.7	$ 12.7	$ 1.2	$ (174.4)	$ 130.2
Cost of sales	233.1	32.4	9.7	0.8	(196.9)	79.1
Gross (loss) profit	(17.1)	42.3	3.0	0.4	22.5	51.1
Administrative expenses	8.3	2.4	2.2	14.6	(7.1)	20.4
Operating (loss) profit	(25.4)	39.9	0.8	(14.2)	29.6	30.7
Share of loss of an associate, net of tax	–	–	–	–	(50.9)	(50.9)
Share of earnings of a joint venture, net of tax	–	–	–	–	1.0	1.0
(Loss) earnings from operations, associate and joint venture	(25.4)	39.9	0.8	(14.2)	(20.3)	(19.2)
Financing income						(20.7)
Financing expense						37.7
Net finance expense						17.0
Loss before tax						(36.2)
Income tax expense						12.8
Net loss from continuing operations						(49.0)
Earnings from discontinued operations, net of tax						18.9
Net loss for the period						$ (30.1)
Supplementary information						
Depletion, depreciation and amortization	$ 50.1	$ 16.6	$ 5.7	$ 0.9	$ (47.3)	$ 26.0
Property, plant and equipment expenditures	13.6	16.3	0.5	–	(10.9)	19.5
Intangible asset expenditures	–	0.2	–	–	–	0.2

Canadian $ millions, as at December 31						2014
Non-current assets[4]	$ 4,602.8	$ 210.6	$ 199.2	$ 11.1	$ (4,452.2)	$ 571.5
Total assets	6,675.1	1,264.9	484.5	(177.9)	(2,963.4)	5,283.2

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $12.8 million and $14.2 million for the three months ended June 30, 2015 and 2014, respectively, and costs of $12.6 million and $13.5 million for the three months ended June 30, 2015 and 2014, respectively, recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

(2) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business.

(3) The adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Moa and Ambatovy joint ventures that are included within the Metals segment.

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

Canadian $ millions, for the six months ended June 30	Metals(1)	Oil and Gas	Power	Corporate and Other(2)	Adjustments for Joint Venture and Associate(3)	Total 2015
Revenue	$ 427.9	$ 93.6	$ 24.5	$ 0.7	$ (364.2)	$ 182.5
Cost of sales	497.9	78.8	23.2	3.6	(436.2)	167.3
Gross (loss) profit	(70.0)	14.8	1.3	(2.9)	72.0	15.2
Administrative expenses	13.1	3.6	2.7	15.6	(11.1)	23.9
Operating (loss) profit	(83.1)	11.2	(1.4)	(18.5)	83.1	(8.7)
Gain on sale of corporate assets	–	–	–	19.1	–	19.1
Share of loss of an associate, net of tax	–	–	–	–	(104.9)	(104.9)
Share of earnings of a joint venture, net of tax	–	–	–	–	3.7	3.7
(Loss) earnings from operations, associate and joint venture	(83.1)	11.2	(1.4)	0.6	(18.1)	(90.8)
Financing income						(40.6)
Financing expense						94.2
Net finance expense						53.6
Loss before tax						(144.4)
Income tax recovery						(40.0)
Net loss from continuing operations						(104.4)
Loss from discontinued operations, net of tax						(5.0)
Net loss for the period						$ (109.4)
Supplementary information						
Depletion, depreciation and amortization	$ 118.3	$ 40.2	$ 16.3	$ 1.4	$ (112.8)	$ 63.4
Property, plant and equipment expenditures	28.3	40.8	1.4	2.2	(20.9)	51.8
Intangible asset expenditures	–	0.1	–	–	–	0.1

Canadian $ millions, as at June 30	Metals	Oil and Gas	Power	Corporate and Other	Adjustments for Joint Venture and Associate	Total 2015
Non-current assets(4)	$ 4,848.3	$ 229.7	$ 196.4	$ 11.2	$ (4,694.5)	$ 591.1
Total assets	7,147.6	1,306.6	495.0	(260.3)	(3,245.8)	5,443.1

Canadian $ millions, for the six months ended June 30						2014
	Metals(1)	Oil and Gas	Power	Corporate and Other(2)	Adjustments for Joint Venture and Associate(3)	Total
Revenue	$ 376.1	$ 151.6	$ 24.6	$ 3.0	$ (304.2)	$ 251.1
Cost of sales	419.6	62.9	18.2	6.6	(354.8)	152.5
Gross (loss) profit	(43.5)	88.7	6.4	(3.6)	50.6	98.6
Administrative expenses	16.0	5.2	4.7	24.8	(13.5)	37.2
Operating (loss) profit	(59.5)	83.5	1.7	(28.4)	64.1	61.4
Share of loss of associate, net of tax	–	–	–	–	(91.0)	(91.0)
Share of loss of a joint venture, net of tax	–	–	–	–	(5.9)	(5.9)
(Loss) earnings from operations, associate and joint venture	(59.5)	83.5	1.7	(28.4)	(32.8)	(35.5)
Financing income						(33.9)
Financing expense						91.7
Net finance expense						57.8
Loss before tax						(93.3)
Income tax expense						26.2
Net loss from continuing operations						(119.5)
Earnings from discontinued operations, net of tax						41.2
Net loss for the period						$ (78.3)
Supplementary information						
Depletion, depreciation and amortization	$ 87.0	$ 33.4	$ 9.7	$ 1.9	$ (81.8)	$ 50.2
Property, plant and equipment expenditures	18.8	30.9	0.8	0.3	(14.1)	36.7
Intangible asset expenditures	–	0.6	0.7	–	–	1.3
Canadian $ millions, as at December 31						2014
Non-current assets(4)	$ 4,602.8	$ 210.6	$ 199.2	$ 11.1	$ (4,452.2)	$ 571.5
Total assets	6,675.1	1,264.9	484.5	(177.9)	(2,963.4)	5,283.2

(1) Included in the Metals segment are the operations of the Corporation's 50% interest in the Moa Joint Venture, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan, its 40% interest in the Ambatovy Joint Venture and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture. Also included in the Metals segment are revenues of $30.3 million and $31.8 million for the six months ended June 30, 2015 and 2014, respectively, and costs of $30.1 million and $31.1 million for the six months ended June 30, 2015 and 2014, respectively, recognized by a wholly-owned subsidiary of the Corporation established to buy, market and sell certain of Ambatovy's nickel production.

(2) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business.

(3) The adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Moa and Ambatovy joint ventures that are included within the Metals segment.

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

Geographic segments

Canadian $ millions, as at	**2015 June 30**		2014 December 31	
	Non-current assets(1)	**Total assets(2)**	Non-current assets(1)	Total assets(2)
North America	**$ 172.2**	**$ 1,013.9**	$ 169.8	$ 1,114.2
Cuba	**398.5**	**1,088.9**	382.3	1,019.4
Madagascar	**1.5**	**3,266.9**	1.7	3,044.3
Europe	**18.0**	**40.9**	16.8	36.3
Asia	**0.9**	**1.8**	0.9	2.3
Other	**–**	**30.7**	–	66.7
	$ 591.1	**$ 5,443.1**	$ 571.5	$ 5,283.2

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

(2) For its geographic segments, the Corporation has allocated assets based on their physical location.

Canadian $ millions	For the three months ended **2015 June 30**	2014 June 30	For the six months ended **2015 June 30**	2014 June 30
	Total revenue(1)	Total revenue(1)	**Total revenue(1)**	Total revenue(1)
North America	**$ 34.8**	$ 41.5	**$ 62.9**	$ 71.9
Cuba	**60.0**	83.1	**110.5**	168.6
Madagascar	**0.4**	–	**0.9**	0.8
Europe	**3.8**	3.9	**6.9**	6.9
Asia	**0.3**	0.3	**0.6**	1.2
Other	**0.3**	1.4	**0.7**	1.7
	$ 99.6	$ 130.2	**$ 182.5**	$ 251.1

(1) For its geographic segments, the Corporation has allocated revenue based on the location of the customer.

Revenue components

Revenue includes the following significant categories:

Canadian $ millions	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Commodity and electricity	$ 97.3	$ 126.4	$ 177.6	$ 241.6
Other	2.3	3.8	4.9	9.5
	$ 99.6	$ 130.2	$ 182.5	$ 251.1

5. EXPENSES

Cost of sales includes the following:

Canadian $ millions	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Employee costs	$ 19.3	$ 15.1	$ 34.9	$ 30.7
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	29.0	25.3	62.1	48.8
Raw materials and consumables	12.6	14.8	25.3	30.4
Repairs and maintenance	22.3	8.2	34.1	14.9
Exploration and evaluation expenses(1)	–	–	–	3.3
Impairment losses	–	1.0	–	1.0
Other	1.4	14.7	10.9	23.4
	$ 84.6	$ 79.1	$ 167.3	$ 152.5

(1) In 2014, the exploration and evaluation expenses incurred by the Corporation related to the Sulawesi Project in Indonesia. As the Corporation terminated its earn-in and shareholders' agreement for the Sulawesi project, effective February 1, 2014, there were no further funding requirements after this date.

Administrative expenses include the following:

Canadian $ millions	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Employee costs	$ 7.2	$ 11.3	$ 16.7	$ 23.1
Depreciation	0.6	0.7	1.3	1.4
Stock-based compensation expense	1.6	3.4	1.2	4.3
Annual general meetings costs and other shareholder related costs	0.2	3.4	0.2	4.0
Other	2.3	1.6	4.5	4.4
	$ 11.9	$ 20.4	$ 23.9	$ 37.2

6. INVESTMENT IN AN ASSOCIATE

The Corporation indirectly holds a 40% interest in Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (collectively the Ambatovy Joint Venture). Sherritt is the operator of the Ambatovy Joint Venture and has as its partners, Sumitomo Corporation (Sumitomo), Korea Resources Corporation (Kores) and SNC-Lavalin Inc. (SNC-Lavalin). The Ambatovy Joint Venture has two nickel deposits located near Moramanga, Madagascar. The ore from these deposits is delivered via pipeline to a processing plant and refinery located near the Port of Toamasina.

Statement of financial position

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

Canadian $ millions, 100% basis, as at	2015 June 30	2014 December 31
Assets		
Cash and cash equivalents(1)	$ 55.9	$ 47.7
Other current assets	10.2	23.1
Trade accounts receivable, net	91.8	67.9
Inventories	479.5	456.3
Deferred income taxes(2)	79.2	46.4
Other non-current assets	6.8	4.7
Property, plant and equipment	11,148.3	10,575.8
Total assets	11,871.7	11,221.9
Liabilities		
Trade accounts payable and accrued liabilities	363.7	332.2
Other financial liabilities	14.2	12.0
Current portion of loans and borrowings(3)	235.0	218.5
Loans and borrowings:		
Ambatovy revolving credit facility(4)	47.6	44.7
Ambatovy Joint Venture financing(3)	1,852.2	1,829.0
Ambatovy Subordinated loan payable(5)	4,246.2	3,724.8
Environmental rehabilitation provision	103.7	100.7
Other long-term liabilities	10.8	0.7
Deferred income taxes	346.7	327.4
Total liabilities	7,220.1	6,590.0
Net assets	$ 4,651.6	$ 4,631.9

(1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier malagasy* (LGIM), Madagascar's large scale mining investment act, the Ambatovy Joint Venture is required to (a) maintain foreign currency in local bank accounts sufficient to pay 90 days of local expenses, or (b) repatriate all revenue from export sales of mining products, less authorized debt service costs, to local bank accounts within 90 days of receipt. The Ambatovy joint venture is currently electing to repatriate revenue from export sales, less authorized debt service costs, in compliance with the requirements of the LGIM.

(2) A deferred tax asset has been recognized on temporary differences on property, plant and equipment, as such differences do not expire. As at June 30, 2015, the Ambatovy Joint Venture has earned investment tax credits which management has estimated to be $641.4 million (December 31, 2014 – $595.0 million) for which a deferred tax asset has not been recognized. The investment tax credits have an indefinite carry forward period and may be used to partially offset Malagasy income tax otherwise payable by the Ambatovy Joint Venture in subsequent years. A deferred tax asset of $11.5 million was not recognized on operating losses incurred during the six months ended June 30, 2015 as it is not probable that these losses can be utilized prior to their 5-year expiry.

(3) The Ambatovy Joint Venture financing is limited recourse project financing with a group of international lenders that matures on June 15, 2024. For the period ended June 30, 2015, total repayments were US$109.9 million. The project financing is guaranteed by the partners until the project passes certain completion tests at which point the project financing is solely secured by the project assets. Failure to pass such completion tests by September 30, 2015 would be an event of default. Interest is payable based on LIBOR rates plus applicable margins, depending on the lender. Interest is currently payable based on LIBOR rates plus applicable margins ranging from 0.9% to 1.9% until financial completion. As at June 30, 2015, the Ambatovy Joint Venture had borrowed US$1,695.3 million (December 31, 2014 – US$1,789.5 million) under the project financing.

(4) The Ambatovy revolving credit facility is comprised of a Malagasy Ariary (MGA) 140 billion ($60.6 million) revolving and MGA 30 billion ($13.0 million) overdraft credit facility agreement with local financial institutions. The facilities bear interest rates between 9.00% and 11.85% and mature on December 20, 2015. The facilities are subordinated to the Ambatovy Joint Venture financing. As at June 30, 2015, MGA 140 billion ($60.6 million) and nil were drawn on the revolving and overdraft credit facilities, respectively (December 31, 2014 – MGA 100 billion ($44.7 million) and MGA nil, respectively).

(5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. The Corporation has recorded its share of the related subordinated loan receivable in advances, loans receivable and other financial assets (note 14).

Reconciliation of Ambatovy Joint Venture's net assets to the carrying value of investment in an associate recognized in the interim condensed consolidated statements of financial position:

Canadian $ millions, as at		2015 June 30		2014 December 31
Net assets of Ambatovy Joint Venture	**$**	**4,651.6**	$	4,631.9
Proportion of Sherritt's ownership interest		**40%**		40%
Total		**1,860.6**		1,852.8
Intercompany capitalized interest elimination		**(322.8)**		(304.3)
Carrying value of investment in associate	**$**	**1,537.8**	$	1,548.5

Results of operations

	For the three months ended				For the six months ended			
Canadian $ millions, 100% basis		**2015 June 30**		2014 June 30		**2015 June 30**		2014 June 30
Revenue	**$**	**201.8**	$	194.5	**$**	**453.5**	$	321.6
Cost of sales(1)		**315.6**		274.5		**664.3**		469.1
Gross loss		**(113.8)**		(80.0)		**(210.8)**		(147.5)
Administrative expenses		**11.5**		15.0		**23.9**		27.6
Operating loss		**(125.3)**		(95.0)		**(234.7)**		(175.1)
Financing income		**(0.1)**		–		**(0.1)**		–
Financing expense		**74.8**		66.7		**113.0**		108.6
Net finance expense		**74.7**		66.7		**112.9**		108.6
Loss before tax		**(200.0)**		(161.7)		**(347.6)**		(283.7)
Income tax recovery		**(17.5)**		(15.0)		**(34.2)**		(24.5)
Net loss and comprehensive loss for the period	**$**	**(182.5)**	$	(146.7)	**$**	**(313.4)**	$	(259.2)

(1) Included in cost of sales for the three and six months ended June 30, 2015 is depreciation and amortization of $119.9 million and $239.9 million, respectively ($100.8 million and $169.5 million for the three and six months ended June 30, 2014).

Reconciliation of Ambatovy Joint Venture's net loss and comprehensive loss to the share of loss of an associate recognized in the interim condensed consolidated statements of comprehensive income (loss):

	For the three months ended				For the six months ended			
Canadian $ millions		**June 30 2015**		June 30 2014		**June 30 2015**		June 30 2014
Net loss and comprehensive loss for the period of Ambatovy Joint Venture	**$**	**(182.5)**		(146.7)	**$**	**(313.4)**	$	(259.2)
Proportion of Sherritt's ownership interest		**40%**		40%		**40%**		40%
Total		**(73.0)**		(58.7)		**(125.4)**		(103.7)
Intercompany interest expense elimination		**10.4**		7.8		**20.5**		12.7
Share of loss of an associate, net of tax	**$**	**(62.6)**	$	(50.9)	**$**	**(104.9)**	$	(91.0)

Commercial production, the point at which Ambatovy began to recognize operating revenues and costs for accounting purposes, commenced on February 1, 2014. The Ambatovy Joint Venture generated pre-commercial production revenue of $42.5 million ($17.0 million – 40% basis) for the month ended January 31, 2014.

7. JOINT ARRANGEMENTS

Investment in a joint venture

The Corporation indirectly holds a 50% interest in the Moa Joint Venture. The operations of the Moa Joint Venture are currently conducted among three companies. Moa Nickel S.A. owns and operates the mining and processing facilities located in Moa, Cuba; The Cobalt Refinery Company Inc. owns and operates the metals refinery located at Fort Saskatchewan; and International Cobalt Company Inc. acquires mixed-sulphides from Moa Nickel S.A. and third parties, contracts the refining of such purchased materials and then markets finished nickel and cobalt.

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

Statement of financial position

Canadian $ millions, 100% basis, as at		2015 June 30		2014 December 31
Assets				
Cash and cash equivalents	$	**50.9**	$	48.3
Income taxes receivable		**19.6**		3.7
Other current assets		**16.2**		2.8
Trade accounts receivable, net		**66.6**		107.7
Inventories		**224.6**		197.4
Other non-current assets		**3.8**		4.4
Property, plant and equipment		**1,204.1**		1,135.1
Deferred income taxes		**2.4**		1.3
Total assets		**1,588.2**		1,500.7
Liabilities				
Trade accounts payable and accrued liabilities		**95.0**		81.9
Other current financial liabilities		**70.8**		73.1
Other current liabilities		**1.3**		–
Loans and borrowings		**26.0**		13.7
Environmental rehabilitation provision		**67.8**		65.9
Other long-term financial liabilities		**426.1**		396.7
Deferred income taxes		**28.5**		23.4
Total liabilities		**715.5**		654.7
Net assets	$	**872.7**	$	846.0

Reconciliation of Moa Joint Venture's net assets to the carrying value of investment in a joint venture recognized in the interim condensed consolidated statements of financial position:

Canadian $ millions, as at		2015 June 30		2014 December 31
Net assets of Moa Joint Venture	$	**872.7**	$	846.0
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**436.4**		423.0
Intercompany capitalized interest elimination		**(45.8)**		(42.9)
Carrying value of investment in joint venture	$	**390.6**	$	380.1

Results of operations

Canadian $ millions, 100% basis		For the three months ended 2015 June 30		2014 June 30		For the six months ended 2015 June 30		2014 June 30
Revenue	$	**175.9**	$	193.0	$	**365.5**	$	351.0
Cost of sales(1)		**171.2**		173.9		**341.6**		334.1
Gross profit		**4.7**		19.1		**23.9**		16.9
Administrative expenses		**1.7**		2.2		**3.2**		4.7
Operating profit		**3.0**		16.9		**20.7**		12.2
Financing income		**–**		(0.2)		**(0.2)**		(0.3)
Financing expense		**7.3**		7.9		**22.6**		17.1
Net finance expense		**7.3**		7.7		**22.4**		16.8
(Loss) earnings before tax		**(4.3)**		9.2		**(1.7)**		(4.6)
Income tax expense (recovery)(2)		**0.9**		11.0		**(0.1)**		14.6
Net loss and comprehensive loss for the period	$	**(5.2)**	$	(1.8)	$	**(1.6)**	$	(19.2)

(1) Included in cost of sales for the three and six months ended June 30, 2015 is depreciation and amortization of $15.8 million and $33.9 million, respectively (for the three and six months ended June 30, 2014 – $13.7 million and $27.9 million, respectively).

(2) Due to a new foreign investment law in the first quarter of 2015, statutory tax rates for Cuba have been reduced, resulting in tax rate reductions at the Moa Joint Venture (note 9).

Reconciliation of Moa Joint Venture's net loss and comprehensive loss to the share of (loss) earnings of a joint venture recognized in the interim condensed consolidated statements of comprehensive income (loss):

	For the three months ended		For the six months ended	
	2015	2014	**2015**	2014
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Net loss and comprehensive loss for the period of Moa Joint Venture	**$ (5.2)**	$ (1.8)	**$ (1.6)**	$ (19.2)
Proportion of Sherritt's ownership interest	**50%**	50%	**50%**	50%
Total	**(2.6)**	(0.9)	**(0.8)**	(9.6)
Intercompany interest expense elimination	**2.3**	1.9	**4.5**	3.7
Share of (loss) earnings of a joint venture, net of tax	**$ (0.3)**	$ 1.0	**$ 3.7**	$ (5.9)

For the three and six months ended June 30, 2015, the Moa Joint Venture (50% basis) paid $nil and $12.5 million of dividends, respectively ($nil for the three and six months ended June 30, 2014).

Joint operations

The following is a summary of the Corporation's economic interests in joint operations, all of which have a December 31 reporting date:

		2015	2014
As at		**June 30**	December 31
Entity	**Principal activities**	**Economic Interest**	
Energas	Power generation	**33⅓%**	33⅓%
Bienfait Activated Carbon[1]	Operator of activated carbon plant facilities	**–**	–
Carbon Development Partnership[1]	Coal recovery and coal gasification project	**–**	–

(1) As of April 28, 2014 the Corporation no longer had an interest in the Carbon Development Partnership and Bienfait Activated Carbon as a result of the completion of the sale of the Coal operations (note 10). The results of operations of Bienfait Activated Carbon and Carbon Development Partnership up to the date of the sale are included in earnings from discontinued operations. The Corporation had a 50% economic interest in these operations prior to completion of the Coal sale.

The Corporation recognizes all applicable assets, liabilities, revenues and expenses relating to its interest in the above noted joint operations in accordance with IFRS.

The following tables present a summary of the Corporation's interests in its joint operations:

Canadian $ millions, as at June 30	**2015**
	Energas
	33⅓%
Current assets	**$ 23.7**
Non-current assets	**168.4**
Current liabilities	**16.8**
Non-current liabilities	**90.0**
Net assets	**$ 85.3**

Canadian $ millions, as at December 31	2014
	Energas
	33⅓%
Current assets	$ 27.7
Non-current assets	167.1
Current liabilities	14.1
Non-current liabilities	112.7
Net assets	$ 68.0

Canadian $ millions, for the three months ended June 30		2015
		Energas
		33⅓%
Revenue	$	**12.7**
Expense		**13.9**
Net loss	$	**(1.2)**

Canadian $ millions, for the three months ended June 30						2014
		Carbon Development Partnership		Bienfait Activated Carbon		Energas
		50%		50%		33⅓%
Revenue	$	0.1	$	1.0	$	12.6
(Recovery) expense		(0.7)		1.0		15.5
Net earnings (loss)	$	0.8	$	–	$	(2.9)

Canadian $ millions, for the six months ended June 30		2015
		Energas
		33⅓%
Revenue	$	**24.0**
Expense		**10.0**
Net earnings	$	**14.0**

Canadian $ millions, for the six months ended June 30						2014
		Carbon Development Partnership		Bienfait Activated Carbon		Energas
		50%		50%		33⅓%
Revenue	$	0.5	$	4.9	$	24.4
(Recovery) expense		(0.7)		3.5		21.5
Net earnings	$	1.2	$	1.4	$	2.9

8. NET FINANCE EXPENSE

Canadian $ millions	Note	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Net unrealized loss on financial instruments	13	**$ (1.2)**	$ –	**$ (4.0)**	$ (2.2)
Interest income on cash, cash equivalents and short-term investments		**0.6**	1.8	**1.6**	2.6
Interest income on investments		**–**	0.9	**–**	0.9
Interest income on advances and loans receivable		**21.2**	18.0	**43.0**	32.6
Total financing income		**20.6**	20.7	**40.6**	33.9
Interest expense and accretion on loans and borrowings		**35.8**	40.7	**71.3**	81.4
Unrealized foreign exchange (gain) loss		**(1.8)**	(6.5)	**15.8**	3.4
Realized foreign exchange loss (gain)		**0.4**	0.2	**(0.2)**	0.2
Other finance charges		**3.3**	3.1	**6.7**	6.3
Accretion expense on environmental rehabilitation provisions	18, 21	**0.4**	0.2	**0.6**	0.4
Total financing expense		**38.1**	37.7	**94.2**	91.7
Net finance expense		**$ 17.5**	$ 17.0	**$ 53.6**	$ 57.8

Included in interest income on advances and loans receivable in the interim condensed consolidated statements of comprehensive income (loss) is interest on the Energas conditional sales agreement of $4.2 million and $8.4 million for the three and six months ended June 30, 2015, respectively ($4.4 million and $9.5 million for the three and six months ended June 30, 2014, respectively). Additionally, included in interest received in the interim condensed consolidated statements of cash flow is interest of $8.2 million and $31.2 million for the three and six months ended June 30, 2015, respectively ($2.1 million for the three and six months ended June 30, 2014, respectively). In the prior periods, these amounts were netted against interest expense and accretion on loans and borrowings and interest paid, respectively. For consistency of presentation with the current periods presented, the comparative amounts have been reclassified to interest income and interest received, respectively.

9. INCOME TAXES

Canadian $ millions	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Current income tax (recovery) expense				
Current period	**$ 4.0**	$ 13.4	**$ 10.2**	$ 27.4
Effect of tax rate change in Cuba	**(13.2)**	–	**(27.2)**	–
	(9.2)	13.4	**(17.0)**	27.4
Deferred income tax recovery				
Origination and reversal of temporary differences	**(10.9)**	(8.2)	**(23.2)**	(13.6)
Non-recognition of tax assets	**9.5**	7.6	**13.7**	12.4
Effect of tax rate change in Cuba	**–**	–	**(13.5)**	–
	(1.4)	(0.6)	**(23.0)**	(1.2)
Income tax (recovery) expense	**$ (10.6)**	$ 12.8	**$ (40.0)**	$ 26.2

Tax rate changes

Cuba

In 2015, clarification was received from the Cuban government regarding the application of tax rate reductions in Cuba due to a new foreign investment law. As a result, the tax expense for the three and six months ended June 30, 2015 includes tax recoveries of $13.2 million and $40.7 million, respectively, in Oil and Gas. In addition, for the three and six months ended June 30, 2015 a tax recovery of $2.6 million (50% basis) was recognized at the Moa Joint Venture, the impact of which is included in the Corporation's share of (loss) earnings of a joint venture. The new foreign investment law in Cuba resulted in the following rate changes:

Operation	Prior Statutory Tax Rate	Revised Statutory Tax Rate
Oil and Gas	**30.0%**	**22.5%**
Power	**30.0%**	**15.0%**
Metals – Moa Joint Venture	**45.0%**	**22.5%**

Alberta

In the second quarter of 2015, a 2% increase in Alberta's corporate income tax rate was substantively enacted. As a result, the tax expense for the three and six month periods ended June 30, 2015 includes a non-cash adjustment of $1.0 million (50% basis) reflecting a re-measurement of deferred tax liabilities in the Moa Joint Venture (note 7).

10. DISCONTINUED OPERATIONS

On April 28, 2014, the Corporation completed the sale of its Coal operations, receiving $793.0 million in cash proceeds. In addition, a net post-closing adjustment of $21.4 million was received in June 2014.

For the three and six months ended June 30, 2015 and 2014, (loss) earnings from Coal are reported in (loss) earnings from discontinued operations and cash provided (used) by Coal is reported in cash provided (used) by discontinued operations. For the three and six months ended June 30, 2015, loss from discontinued operations relates to an increase in the obligations retained by the Corporation post-disposition (note 18).

The net (loss) earnings from Coal for the three and six months ended June 30, 2015 and 2014 are as follows:

	For the three months ended		For the six months ended	
	2015	2014	**2015**	2014
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Revenue	**$ –**	$ 39.2	**$ –**	$ 242.8
Cost of sales	**5.0**	32.6	**5.0**	198.5
Gross (loss) profit	**(5.0)**	6.6	**(5.0)**	44.3
Administrative expenses	**–**	1.5	**–**	7.2
Operating (loss) profit	**(5.0)**	5.1	**(5.0)**	37.1
Financing income	**–**	(1.1)	**–**	(4.8)
Financing expense	**–**	2.8	**–**	9.6
Net finance expense	**–**	1.7	**–**	4.8
(Loss) earnings before tax	**(5.0)**	3.4	**(5.0)**	32.3
Income tax (recovery) expense	**–**	(2.5)	**–**	4.1
Net (loss) earnings for the period	**$ (5.0)**	$ 5.9	**$ (5.0)**	$ 28.2
Gain on disposal of Coal operations	**–**	13.0	**–**	13.0
(Loss) earnings from discontinued operations	**$ (5.0)**	$ 18.9	**$ (5.0)**	$ 41.2

Gain on disposal of Coal operations

The gain on disposal of the Coal operations is calculated as:

Canadian $ millions, as at	2014 June 30
Consideration received in cash	$ 793.0
Post-closing adjustments	21.4
Total consideration received	$ 814.4
Net assets disposed of	801.4
Gain on disposal	$ 13.0

The major classes of assets and liabilities of the Coal segment are as follows:

Canadian $ millions, as at	2014 April 28
ASSETS	
Current assets	
Cash and cash equivalents	$ 10.1
Advances, loans receivable and other financial assets	3.9
Finance lease receivable	15.6
Trade accounts receivable, net	58.2
Income taxes receivable	1.6
Inventories	148.3
Prepaid expenses	1.7
	239.4
Non-current assets	
Advances, loans receivable and other financial assets	24.4
Other non-financial assets	2.0
Finance lease receivable	154.6
Property, plant and equipment	473.8
Intangible assets	417.2
	1,072.0
Assets of discontinued operations	$ 1,311.4
LIABILITIES	
Current liabilities	
Trade accounts payable and accrued liabilities	$ 79.4
Other financial liabilities	40.0
Other non-financial liabilities	0.1
Environmental rehabilitation provisions	19.4
	138.9
Non-current liabilities	
Other financial liabilities	95.2
Other non-financial liabilities	0.6
Environmental rehabilitation provisions	152.9
Deferred income taxes	122.4
	371.1
Liabilities of discontinued operations	$ 510.0
Net assets of discontinued operations	$ 801.4

The following table provides details of the operating, investing and financing activities of the Coal operations for the three and six months ended June 30, 2015 and 2014.

	For the three months ended		For the six months ended	
	2015	2014	**2015**	2014
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Operating activities				
Net (loss) earnings from discontinued operations	$ **(5.0)**	$ 5.9	$ **(5.0)**	$ 28.2
Add (deduct):				
Finance costs (less accretion expenses)	**–**	1.2	**–**	3.8
Income tax (recovery) expense	**–**	(2.5)	**–**	4.1
Loss on settlement of environmental rehabilitation provisions	**–**	0.2	**–**	1.2
Change in provision	**4.9**	(10.1)	**4.0**	(18.5)
Net change in non-cash working capital	**–**	(4.6)	**(2.6)**	(1.5)
Interest received	**–**	1.1	**–**	3.8
Interest paid	**–**	(3.0)	**–**	(6.3)
Liabilities settled for environmental rehabilitation provisions	**–**	(1.0)	**–**	(4.2)
Other operating items	**–**	0.6	**–**	13.7
Cash (used) provided by operating activities	**(0.1)**	(12.2)	**(3.6)**	24.3
Investing activities				
Property, plant and equipment expenditures	**–**	–	**–**	(14.2)
Increase in advances, loans receivable and other financial assets	**–**	(0.1)	**–**	(0.6)
Repayment of advances, loans receivable and other financial assets	**–**	0.3	**–**	1.2
Net proceeds from sale of property, plant and equipment	**–**	–	**–**	0.1
Cash provided (used) by investing activities	**–**	0.2	**–**	(13.5)
Financing activities				
Repayment of other financial liabilities	**–**	(3.8)	**–**	(14.2)
Increase in finance lease receivables	**–**	(0.1)	**–**	(1.0)
Repayment of finance lease receivables	**–**	1.2	**–**	5.7
Cash used by financing activities	**–**	(2.7)	**–**	(9.5)
(Decrease) increase in cash and cash equivalents	$ **(0.1)**	$ (14.7)	$ **(3.6)**	$ 1.3

11. ASSETS HELD FOR SALE

Gain on sale of Corporate assets

On May 29, 2015, the Corporation completed the sale of its corporate office in Toronto for $21.5 million. On the sale of the property, the Corporation recognized a gain of $19.1 million, which represents the difference between the proceeds, net of transaction costs of $0.3 million, and the net book value of $2.1 million.

Assets held for sale

During the second quarter, the Corporation approved the sale of the Technologies property located in Fort Saskatchewan. In classifying the land and building as held for sale, the Corporation is required to measure the assets at the lower of carrying amount and fair value less cost to sell. The expected purchase consideration was used as the basis for determining the fair value. In performing this assessment, the Corporation concluded that the fair value less cost to sell of the assets exceeded the carrying amount. As a result, no adjustment was required. The transaction is expected to be completed in 2016.

12. LOSS PER SHARE

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

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Net loss from continuing operations	**$ (47.6)**	$ (49.0)	**$ (104.4)**	$ (119.5)
(Loss) earnings from discontinued operations, net of tax	**(5.0)**	18.9	**(5.0)**	41.2
Net loss - basic and diluted	**$ (52.6)**	$ (30.1)	**$ (109.4)**	$ (78.3)
Weighted-average number of common shares - basic and diluted(1)	**293.5**	297.0	**293.4**	297.0
Net loss from continuing operations per common share, basic and diluted	**$ (0.16)**	$ (0.16)	**$ (0.36)**	$ (0.40)
(Loss) earnings from discontinued operations per common share, basic and diluted	**$ (0.02)**	$ 0.06	**$ (0.02)**	$ 0.14
Net loss per common share, basic and diluted	**$ (0.18)**	$ (0.10)	**$ (0.38)**	$ (0.26)

(1) The determination of the weighted-average number of common shares - diluted excludes 7.1 million shares related to stock options that were anti-dilutive for the three and six months ended June 30, 2015 (5.5 million for the three and six months ended June 30, 2014). There were 0.2 million shares related to the employee share purchase plan that were anti-dilutive for the three and six months ended June 30, 2015 (0.5 million shares for the three and six months ended June 30, 2014). There were nil shares related to the restricted stock plan that were anti-dilutive for the three and six months ended June 30, 2015 (0.3 million shares for the three and six months ended June 30, 2014).

13. FINANCIAL INSTRUMENTS

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at	2015 June 30	2014 December 31
Cash equivalents	**$ 203.7**	$ 112.8
Cash on hand and balances with banks	**51.6**	47.8
	$ 255.3	$ 160.6

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's and with banks in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $6.6 million at June 30, 2015 (December 31, 2014 - $11.7 million).

As at June 30, 2015, $1.7 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas (December 31, 2014 - $7.5 million). These funds are for the use of the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills with maturities of 90 days or less. As at June 30, 2015, the Corporation had $203.7 million in Government of Canada treasury bills (December 31, 2014 - $112.8 million) included in cash and cash equivalents and $143.0 million in short-term investments (December 31, 2014 - $315.6 million).

Financial instrument hierarchy

Canadian $ millions, as at	Note	Hierarchy level	2015 June 30	2014 December 31
Recurring financial assets held for trading, measured at fair value:				
Cash equivalents		1	**$ 203.7**	$ 112.8
Short-term investments		1	**143.0**	315.6
Restricted cash		1	**1.0**	1.0
Ambatovy call option	14	3	**12.8**	15.5

The following is a reconciliation of the beginning to ending balance for the Ambatovy call option included in Level 3:

Canadian $ millions	Note	**For the six months ended June 30 2015**	For the year ended December 2014
Balance, beginning of the period		**$ 15.5**	$ 22.1
Unrealized loss included in net finance expense	8	**(4.0)**	(8.5)
Effect of movements in exchange rates		**1.3**	1.9
Balance, end of the period		**$ 12.8**	$ 15.5

During the three and six months ended June 30, 2015, the Corporation recognized downward fair value adjustments of $1.2 million and $4.0 million, respectively (downward fair value adjustment of $nil and $2.2 million for the three and six months ended June 30, 2014, respectively) in financing income related to the Ambatovy call option primarily as a result of changes in various inputs in the Black-Scholes model, including volatility, which is based on a blend of historical commodity prices and publicly traded stock prices of companies with comparable projects, the estimated fair value of the Ambatovy project based on forecasted cash flows, and the time until expiration of the option.

Fair values

Financial instruments with carrying amounts different from their fair values include the following(1):

Canadian $ millions, as at	Note			**2015 June 30**		2014 December 31
		Hierarchy value	**Carrying value**	**Fair value**	Carrying value	Fair Value
8.00% senior unsecured debentures due 2018	17	1	**$ 246.9**	**$ 245.0**	$ 246.5	$ 247.5
7.50% senior unsecured debentures due 2020	17	1	**246.2**	**236.3**	246.0	237.5
7.875% senior unsecured debentures due 2022	17	1	**239.8**	**230.6**	239.2	235.0
Ambatovy Joint Venture Additional Partner loans(2)	17	2	**1,131.6**	**1,012.3**	1,014.3	970.9
Ambatovy Joint Venture Partner loans(2)	17	2	**120.3**	**103.9**	111.0	93.5

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

(2) The fair value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is calculated by discounting future cash flows by 8.83% and 11.81% respectively. These rates are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

As at June 30, 2015, the carrying amounts of cash and cash equivalents, restricted cash, short-term investments, trade accounts receivable, current portion of advances and loans receivable, current portion of other financial assets, current portion of loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other financial liabilities approximate their carrying amount except as indicated in the above table. The fair value of a financial instrument on initial recognition is normally the transaction price; the fair value of the consideration given or received. The fair values of non-current advances and loans receivable approximate their carrying amount based on their time horizon to maturity, and current market rates. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

The Corporation's 2022 notes include an option for the Corporation to redeem all or part of the notes outstanding prior to the expiration date at a determinable price. The fair value of the embedded derivative was insignificant at June 30, 2015.

As at June 30, 2015, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to its fair value.

Trade accounts receivable, net

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

Canadian $ millions, as at	Note	2015 June 30	2014 December 31
Trade accounts receivable		**$ 229.2**	$ 196.4
Allowance for doubtful accounts		**(11.8)**	(12.2)
Accounts receivable from joint operations	23	**0.3**	0.1
Accounts receivable from joint venture	23	**27.4**	20.6
Accounts receivable from associate	23	**33.4**	37.5
Other		**20.4**	22.5
		$ 298.9	$ 264.9

Aging of receivables not impaired:

Canadian $ millions, as at	2015 June 30	2014 December 31
Not past due	**$ 203.5**	$ 250.8
Past due no more than 30 days	**85.7**	5.1
Past due for more than 30 days but no more than 60 days	**1.3**	0.8
Past due for more than 60 days	**8.4**	8.2
	$ 298.9	$ 264.9

Current payment terms for oil sales to an agency of the Cuban government are based on West Texas Intermediate (WTI) reference prices. As the WTI price exceeds US$29.50, payment terms are 180 days from the date of invoice.

Payment terms for electricity and by-product sales to Cuban state enterprises are 60 days from the date of invoice.

14. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Advances, loans receivable and other financial assets

Canadian $ millions, as at	Note	2015 June 30	2014 December 31
Advances, loans receivable			
Ambatovy subordinated loans receivable	23	**$ 1,698.5**	$ 1,489.9
Energas conditional sales agreement	23	**199.6**	239.3
Moa Joint Venture loans receivable	23	**262.9**	250.3
Other		**2.1**	3.0
Other financial assets			
Ambatovy call option	13	**12.8**	15.5
		2,175.9	1,998.0
Current portion of advances, loans receivable and other financial assets		**(77.1)**	(75.6)
		$ 2,098.8	$ 1,922.4

Other non-financial assets

Canadian $ millions, as at	2015 June 30	2014 December 31
Pension asset	**$ 0.7**	$ 0.4
Other	**0.8**	0.8
	$ 1.5	$ 1.2

15. INVENTORIES

Canadian $ millions, as at	2015 June 30	2014 December 31
Materials in process	**$ 0.6**	$ 0.1
Finished products	**5.4**	4.9
	6.0	5.0
Spare parts and operating materials	**28.0**	25.6
	$ 34.0	$ 30.6

For the three and six months ended June 30, 2015, the cost of inventories included in cost of sales was $20.7 million and $35.8 million, respectively ($22.4 million and $34.2 million for the three and six months June 30, 2014, respectively).

16. PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the six months ended June 30	Note	Oil and Gas properties	Plant, equipment and land	Total
				2015
Cost				
Balance, beginning of the period		**$ 1,303.6**	**$ 649.9**	**$ 1,953.5**
Additions		**31.9**	**22.5**	**54.4**
Capitalized closure costs		**3.7**	**1.5**	**5.2**
Disposals and derecognition		**–**	**(25.3)**	**(25.3)**
Effect of movements in exchange rates		**79.2**	**21.5**	**100.7**
Reclassified to assets held for sale	11	**–**	**(4.0)**	**(4.0)**
Balance, end of the period		**$ 1,418.4**	**$ 666.1**	**$ 2,084.5**
Depletion, depreciation and impairment losses				
Balance, beginning of the period		**$ 1,227.5**	**$ 303.9**	**$ 1,531.4**
Depletion and depreciation		**36.1**	**16.9**	**53.0**
Disposals and derecognition		**–**	**(24.7)**	**(24.7)**
Effect of movements in exchange rates		**76.9**	**9.3**	**86.2**
Reclassified to assets held for sale	11	**–**	**(3.1)**	**(3.1)**
Balance, end of the period		**1,340.5**	**302.3**	**1,642.8**
Net book value		**$ 77.9**	**$ 363.8**	**$ 441.7**

Canadian $ millions, for the year ended December 31	Oil and Gas properties	Plant, equipment and land	Total
			2014
Cost			
Balance, beginning of the year	$ 1,176.0	$ 581.9	$ 1,757.9
Additions	42.2	41.1	83.3
Capitalized closure costs	6.3	12.4	18.7
Disposals and derecognition	–	(2.0)	(2.0)
Effect of movements in exchange rates	79.1	25.8	104.9
Reclassified to assets held for sale	–	(9.3)	(9.3)
Balance, end of the year	$ 1,303.6	$ 649.9	$ 1,953.5
Depletion, depreciation and impairment losses			
Balance, beginning of the year	$ 1,091.6	$ 273.5	$ 1,365.1
Depletion and depreciation	59.8	23.6	83.4
Impairments	–	2.1	2.1
Disposals and derecognition	–	(1.2)	(1.2)
Effect of movements in exchange rates	76.1	13.1	89.2
Reclassified to assets held for sale	–	(7.2)	(7.2)
Balance, end of the year	1,227.5	303.9	1,531.4
Net book value	$ 76.1	$ 346.0	$ 422.1

Canadian $ millions	Plant, equipment and land
Assets under construction, included in above	
As at June 30, 2015	**20.5**
As at December 31, 2014	17.5

17. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	2015 June 30	2014 December 31
Long-term loans			
8.00% senior unsecured debentures due 2018	13	**$ 246.9**	$ 246.5
7.50% senior unsecured debentures due 2020	13	**246.2**	246.0
7.875% senior unsecured debentures due 2022	13	**239.8**	239.2
Ambatovy Joint Venture Additional Partner loans	13	**1,131.6**	1,014.3
Ambatovy Joint Venture Partner loans	13	**120.3**	111.0
Senior credit facility		**–**	–
3-year non-revolving term loan		**–**	–
Vendor financing		**2.1**	2.9
		1,986.9	1,859.9
Current portion of loans and borrowings		**(1.3)**	(1.6)
		$ 1,985.6	$ 1,858.3

Covenants

At June 30, 2015, there are no events of default on the Corporation's borrowings or debentures.

Other financial liabilities

Canadian $ millions, as at	Note	2015 June 30	2014 December 31
Other long-term financial liabilities		**$ 0.7**	$ 0.6
Stock compensation liability	20	**6.1**	6.8
		6.8	7.4
Current portion of other financial liabilities		**(3.7)**	(3.2)
		$ 3.1	$ 4.2

Other non-financial liabilities

Canadian $ millions, as at	2015 June 30	2014 December 31
Deferred revenue	**$ 5.7**	$ 21.2
	5.7	21.2
Current portion of other non-financial liabilities	**(1.8)**	(17.2)
	$ 3.9	$ 4.0

18. PROVISIONS, CONTINGENCIES AND GUARANTEES

Canadian $ millions, as at	2015 June 30	2014 December 31
Environmental rehabilitation provisions	**$ 107.5**	$ 101.7
Other provisions	**29.1**	25.1
	136.6	126.8
Current portion of provisions	**(29.1)**	(18.0)
	$ 107.5	$ 108.8

Environmental rehabilitation provisions

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the six months ended June 30 2015	For the year ended December 31 2014
Balance, beginning of the period		**$ 101.7**	$ 83.6
Additions		**–**	0.3
Change in estimates		**5.2**	18.3
Accretion	8	**0.6**	1.4
Effect of movement in exchange rates		**–**	(1.9)
Balance, end of the period		**$ 107.5**	$ 101.7

Other provisions

The following is a reconciliation of other provisions:

Canadian $ millions	For the six months ended June 30 2015	For the year ended December 31 2014
Balance, beginning of the period	**$ 25.1**	$ 41.3
Change in estimates	**5.0**	9.7
Utilized during the period	**(1.0)**	(25.9)
Balance, end of the period	**$ 29.1**	$ 25.1

Other provisions relate to financial obligations retained by the Corporation following the sale of the Coal operations (note 10).

19. SHAREHOLDERS' EQUITY

Normal Course Issuer Bid

On October 29, 2014, the Corporation received approval from the TSX to commence a normal course issuer bid (NCIB) to purchase for cancellation up to 14,875,944 common shares, representing approximately 5% of its issued and outstanding common shares until November 2, 2015. Based on the average daily trading volumes, daily purchases are limited to 300,404 common shares, other than block purchase exceptions.

For the three and six months ended June 30, 2015, the Corporation did not purchase or cancel any common shares under the NCIB. To date, the Corporation has purchased and cancelled 3,960,300 under the NCIB at an average cost of $2.52 per share, for an aggregate cost of $10.0 million.

Capital Stock

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

Canadian $ millions, except share amounts		**For the six months ended June 30 2015**		For the year ended December 31 2014	
	Note	**Number**	**Capital stock**	Number	Capital stock
Balance, beginning of the period		**293,271,191**	**$ 2,772.9**	296,939,426	$ 2,808.5
Restricted stock plan (vested)	20	**260,400**	**1.6**	73,500	0.7
Employee share purchase plan	20	**–**	**–**	218,565	1.2
Share repurchase		**–**	**–**	(3,960,300)	(37.5)
Balance, end of the period		**293,531,591**	**$ 2,774.5**	293,271,191	$ 2,772.9

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except per share amounts	**For the six months ended June 30 2015**		For the year ended December 31 2014	
	Per share	**Total**	Per share	Total
Dividends paid during the period	**$ 0.020**	**$ 6.0**	$ 0.074	$ 21.9
Dividends declared but unpaid	**0.010**	**3.0**	0.010	3.0

On June 16, 2015 the Corporation's Board of Directors approved a quarterly dividend of $0.01 per common share, payable on July 14, 2015 to shareholders of record as of the close of business on June 30, 2015.

Reserves

Canadian $ millions	Note	**For the six months ended June 30 2015**	For the year ended December 31 2014
Stated capital reserve			
Balance, beginning of the period		**$ 217.8**	$ 190.3
Share repurchase		**–**	27.5
Balance, end of the period		**217.8**	217.8
Stock-based compensation reserve(1)			
Balance, beginning of the period		**$ 7.4**	$ 6.2
Restricted stock plan (vested)	20	**(1.6)**	(0.7)
Restricted stock plan expense	20	**0.1**	0.7
Employee share purchase plan (vested)	20	**–**	(0.2)
Employee share purchase plan expense	20	**–**	0.1
Stock option plan expense	20	**0.7**	1.3
Balance, end of the period		**6.6**	7.4
Total reserves, end of the period		**$ 224.4**	$ 225.2

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

Accumulated other comprehensive income

Canadian $ millions	For the six months ended June 30 2015	For the year ended December 31 2014
Foreign currency translation reserve		
Balance, beginning of the period	$ 323.8	$ 63.0
Foreign currency translation differences on foreign operations	227.4	260.8
Balance, end of the period	551.2	323.8
Actuarial gains (losses) on defined benefit obligation		
Balance, beginning of the period	$ (3.3)	$ (1.0)
Actuarial gains (losses) on defined benefit obligation, net of tax		
Continuing operations	0.2	(1.1)
Discontinued operations	–	0.6
Reclassification due to settlement of pension obligation	–	(1.8)
Balance, end of the period	$ (3.1)	$ (3.3)
Total accumulated other comprehensive income	$ 548.1	$ 320.5

20. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

Canadian $, except number of options, for the three months ended June 30	2015 Number of options	2015 Weighted-average exercise price	2014 Number of options	2014 Weighted-average exercise price
Outstanding, beginning of the period	7,125,552	$ 6.19	5,558,752	$ 7.57
Granted	109,700	2.98	–	–
Forfeited	–	–	(15,000)	15.02
Expired	(90,000)	11.45	–	–
Outstanding, end of the period	7,145,252	$ 6.07	5,543,752	$ 7.55
Options exercisable, end of the period	4,215,615	$ 8.46	3,629,288	$ 9.50

Canadian $, except number of options, for the six months ended June 30	2015 Number of options	2015 Weighted-average exercise price	2014 Number of options	2014 Weighted-average exercise price
Outstanding, beginning of the period	5,518,752	$ 7.52	4,868,249	$ 8.70
Granted	1,914,700	2.16	1,233,200	3.02
Forfeited	(198,200)	6.19	(557,697)	7.53
Expired	(90,000)	11.45	–	–
Outstanding, end of the period	7,145,252	$ 6.07	5,543,752	$ 7.55
Options exercisable, end of the period	4,215,615	$ 8.46	3,629,288	$ 9.50

The following table summarizes information on stock options outstanding and exercisable:

As at June 30								2015
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)		Weighted-average exercise price	Number exercisable		Exercisable weighted-average exercise price
$2.11 - $5.05	3,123,400	9.2	$	2.50	429,565	$	3.08
$5.06 - $9.77	2,685,185	5.6		6.58	2,449,383		6.72
$9.78 - $11.64	456,667	0.6		10.29	456,667		10.29
$11.65 - $15.23	880,000	2.1		14.99	880,000		14.99
Total	7,145,252	6.4	$	6.07	4,215,615	$	8.46

As at June 30, 2015, 2,455,552 options with tandem SARs (June 30, 2014 - 2,600,552) and 4,689,700 options without tandem SARs (June 30, 2014 - 2,943,200) remained outstanding for which the Corporation has recognized a compensation expense of $0.4 million and $0.3 million, respectively, for the three and six months ended June 30, 2015 (compensation expense of $0.7 million and $0.7 million for the three and six months ended June 30, 2014, respectively, of which a recovery of $0.1 million and $0.1 million for the three and six months ended June 30, 2014, respectively, is included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $0.2 million as at June 30, 2015 (December 31, 2014 - $0.5 million).

Inputs for measurement of grant date fair values

The fair value at the grant date of the stock options was measured using Black-Scholes. The following summarizes the fair value measurement factors for options granted during the period:

Canadian $, except as noted, for the six months ended June 30		2015		2014
Share price at grant date	$	2.16	$	3.04
Exercise price	$	2.16	$	3.02
Risk-free interest rates (based on 10-year Government of Canada bonds)		1.49%		2.39%
Expected volatility		51.66%		49.10%
Expected dividend yield		1.89%		1.41%
Expected life of options		10 years		10 years
Weighted-average fair value of options granted during the period	$	1.03	$	1.55

Other stock-based compensation

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at June 30, 2015 and 2014 and changes during the three and six months ended is as follows:

For the three months ended June 30				2015
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	275,390	7,312,045	462,008	27,000
Issued	-	83,680	93,775	-
Dividends credited	-	33,307	2,111	-
Exercised	-	-	-	-
Forfeited	(116,050)	-	-	-
Outstanding, end of the period	159,340	7,429,032	557,894	27,000
Units exercisable, end of the period	n/a	n/a	557,894	n/a

For the six months ended June 30				2015
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	**293,280**	**4,696,518**	**375,314**	**287,400**
Issued	**–**	**3,313,475**	**179,230**	**–**
Dividends credited	**–**	**48,948**	**3,350**	**–**
Forfeited	**(133,940)**	**(1,505)**	**–**	**–**
Vested	**–**	**(628,404)**	**–**	**(260,400)**
Outstanding, end of the period	**159,340**	**7,429,032**	**557,894**	**27,000**
Units exercisable, end of the period	**n/a**	**n/a**	**557,894**	**n/a**

For the three months ended June 30				2014
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	738,610	4,818,944	456,841	304,200
Issued	–	–	45,630	–
Dividends credited	–	13,406	1,274	–
Forfeited	(214,135)	–	–	–
Vested	–	(206,667)	(45,666)	(16,800)
Outstanding, end of the period	524,475	4,625,683	458,079	287,400
Units exercisable, end of the period	n/a	n/a	458,079	n/a

For the six months ended June 30				2014
	Share Purchase Plan	RSU	DSU	RSP
Outstanding, beginning of the period	774,560	2,838,197	422,961	360,900
Issued	58,595	2,453,100	74,030	–
Dividends credited	–	50,174	6,754	–
Forfeited	(308,680)	(15,362)	–	–
Vested	–	(700,426)	(45,666)	(73,500)
Outstanding, end of the period	524,475	4,625,683	458,079	287,400
Units exercisable, end of the period	n/a	n/a	458,079	n/a

For other stock-based compensation plans the Corporation recorded a compensation expense of $1.2 million and $0.9 million, respectively for the three and six months ended June 30, 2015 (compensation expense of $3.1 million and $4.1 million for the three and six months ended June 30, 2014, respectively, of which $0.5 and $0.6 million, respectively, are included in earnings from discontinued operations). The carrying amount of liabilities associated with cash-settled compensation arrangements is $6.0 million as at June 30, 2015 (December 31, 2014 – $6.3 million).

Measurement of fair values at grant date

The fair value of the Share Purchase Plan, RSUs, DSUs and RSPs are determined by reference to the market value and performance conditions, as applicable, of the shares at the time of grant.

The number of units subject to the RSU performance conditions outstanding at June 30, 2015 was 7,283,691 (June 30, 2014 – 3,927,914).

The following summarizes the fair value measurement factor for the Share Purchase Plan, RSU and DSU grants during the period:

Canadian $, for the six months ended June 30	2015	2014
Share Purchase Plan	**$ –**	$ 3.31
RSU	**2.13**	3.04
DSU	**2.26**	4.28

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at June 30, 2015 was $6.3 million (December 31, 2014 – $7.0 million).

Employee share ownership plan

The Corporation offers an employee share ownership plan (ESOP) for eligible employees. Under the ESOP, contributions by the Corporation and eligible employees will be used by the plan administrator to make purchases of common shares of the Corporation on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the ESOP. The Corporation will match 50% of employee contributions to the plan, up to a maximum annual contribution. Employer contributions will be used by the plan administrator to purchase additional common shares in the Corporation. These additional shares cannot be sold or withdrawn until the employee has participated in the plan for a continuous 24 month period. Shareholder approval is not required for this plan or any amendments to this plan.

The Corporation accounts for its contributions as compensation and benefits expense when the amounts are contributed to the plan. Compensation and benefits expense related to this plan was $0.1 million and $0.3 million for the three and six months ended June 30, 2015 ($nil for the three and six months ended June 30, 2014).

21. CASH FLOWS

Other operating items

		For the three months ended		For the six months ended	
Canadian $ millions	Note	**2015 June 30**	2014 June 30	**2015 June 30**	2014 June 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	8, 18	**$ 0.4**	$ 0.2	**$ 0.6**	$ 0.4
Stock-based compensation expense, net	20	**1.6**	3.4	**1.2**	4.3
Other items		**2.9**	2.8	**6.7**	5.9
Cash flow arising from changes in:					
Other finance charges	8	**(3.3)**	(3.1)	**(6.7)**	(6.3)
Realized foreign exchange (loss) gain	8	**(0.4)**	(0.2)	**0.2**	(0.2)
		$ 1.2	$ 3.1	**$ 2.0**	$ 4.1

Net change in non-cash working capital

	For the three months ended		For the six months ended	
Canadian $ millions	**2015 June 30**	2014 June 30	**2015 June 30**	2014 June 30
Trade accounts receivable	**$ (27.3)**	$ 60.3	**$ (15.5)**	$ 5.6
Inventories	**2.9**	6.9	**(2.0)**	8.2
Prepaid expenses	**(1.9)**	(3.9)	**(8.6)**	(7.1)
Trade accounts payable and accrued liabilities	**(3.0)**	(2.1)	**(48.4)**	(2.8)
Deferred revenue	**(34.4)**	(34.7)	**(15.5)**	(24.6)
	$ (63.7)	$ 26.5	**$ (90.0)**	$ (20.7)

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

The Corporation has credit risk exposure related to its share of cash, accounts receivable, advances and loans receivable and certificates of deposit associated with its businesses located in Cuba or businesses which have Cuban joint venture partners as follows:

Canadian $ millions, as at	2015 June 30	2014 December 31
Cash	$ **11.3**	$ 19.0
Trade accounts receivable, net	**185.4**	140.7
Advances and loans receivable	**562.4**	609.3
Total	$ **759.1**	$ 769.0

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

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of cash and cash equivalents of $22.4 million and net accounts receivable of $36.7 million associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $18.2 million from the government of Madagascar. The VAT receivable is net of a provision of $86.6 million (40% basis) reflecting the diminished likelihood of receipt of these amounts. As at June 30, 2015, total overdue accounts receivable including VAT (net of provision) for the Ambatovy Joint Venture amount to $5.2 million (40% basis).

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Corporation's financial obligations and in the management of its assets, liabilities and capital structure. The Corporation manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

Financial obligation maturity analysis

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

Canadian $ millions, as at June 30, 2015	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	$ 95.8	$ 95.8	$ –	$ –	$ –	$ –	$ –
Income taxes payable	2.0	2.0	–	–	–	–	–
Loans and borrowings(1)	3,365.3	76.0	143.3	165.2	416.8	206.3	2,357.7
Provisions	197.3	30.5	0.4	7.8	0.8	–	157.8
Operating leases(2)	21.4	2.9	2.9	2.9	3.0	3.0	6.7
Total	$ 3,681.8	$ 207.2	$ 146.6	$ 175.9	$ 420.6	$ 209.3	$ 2,522.2

(1) Loans and borrowings is composed primarily of $732.9 million in senior unsecured debentures and notes having interest rates of between 7.5% and 8.0% and maturities in 2018, 2020 and 2022, and $1,131.6 million and $120.3 million in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture, bearing interest of LIBOR plus a margin of 7.0% and 1.125%, respectively. These partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 17). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. The Ambatovy joint venture additional partner loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions stipulated in the loan documents. The maturity analysis table includes an estimate of interest repayments.

(2) Operating lease payments recognized as an expense in the interim condensed consolidated statements of comprehensive income (loss) were $0.6 million and $1.1 million, respectively, for the three and six months months ended June 30, 2015 ($0.5 million and $1.0 million for the three and six months ended June 30, 2014, respectively).

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include environmental rehabilitation commitments of $205.6 million, other contractual commitments of $42.6 million and senior debt financing of $968.4 million.

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the Joint Venture include advances and loans payable of $179.9 million, environmental rehabilitation commitments of $72.3 million and other commitments of $1.1 million.

Market risk

Foreign exchange risk

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

Based on financial instrument balances as at June 30, 2015, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $12.1 million, respectively, on net loss.

Based on financial instrument balances as at June 30, 2015, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $42.3 million, respectively, on other comprehensive (loss) income.

Interest rate risk

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

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at June 30, 2015, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate could decrease or increase the Corporation's net earnings by approximately $1.5 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed in its interim condensed consolidated statements of financial position and notes to the financial statements: capital stock, deficit and un-drawn credit facilities.

Canadian $ millions, as at	**2015 June 30**	2014 December 31
Capital stock	**$ 2,774.5**	$ 2,772.9
Deficit	**(375.3)**	(259.9)
Un-drawn credit facilities	**68.7**	53.4

23. RELATED PARTY TRANSACTIONS

A description of the Corporation's interest in an associate and its interest in jointly controlled entities are included in notes 6 and 7, respectively.

Canadian $ millions	For the three months ended 2015 June 30	2014 June 30	For the six months ended 2015 June 30	2014 June 30
Total value of goods and services:				
Provided to joint operations	$ **9.0**	$ 2.8	$ **14.5**	$ 8.5
Provided to joint venture	**54.2**	47.2	**89.4**	85.3
Provided to associate	**0.9**	1.3	**1.5**	1.9
Purchased from joint operations	**–**	0.3	**–**	1.0
Purchased from joint venture	**48.5**	49.8	**77.1**	90.0
Purchased from associate	**12.4**	13.4	**29.4**	30.6
Net financing income from joint operations	**4.1**	4.4	**8.4**	9.5
Net financing income from associate	**15.4**	11.8	**30.7**	19.4
Net financing income from joint venture	**1.9**	1.9	**4.0**	3.6

Canadian $ millions, as at	Note	2015 June 30	2014 December 31
Accounts receivable from joint operations	13	$ **0.3**	$ 0.1
Accounts receivable from joint venture	13	**27.4**	20.6
Accounts receivable from associate	13	**33.4**	37.5
Accounts payable to joint operations		**0.2**	0.1
Accounts payable to joint venture		**15.9**	34.2
Accounts payable to associate		**2.0**	2.5
Advances and loans receivable from associate	14	**1,698.5**	1,489.9
Advances and loans receivable from joint operations	14	**199.6**	239.3
Advances and loans receivable from joint venture	14	**262.9**	250.3

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.

24. OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. During 2013, the Corporation recorded an impairment related to its electricity generating facility located in Madagascar. Accordingly, the future minimum lease payments have been determined to be $nil as at June 30, 2015 and as at December 31, 2014.

All operating lease payments related to the Varadero facility are contingent on power generation. The terms of the leases are for 20 years, ending in February 2017 and March 2018. For the three and six months ended June 30, 2015, contingent revenue was $3.3 million and $6.4 million, respectively ($3.3 million and $6.9 million for the three and six months ended June 30, 2014, respectively).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the interim condensed consolidated statement of comprehensive income (loss) for the three and six months ended June 30, 2015 were $0.6 million and $1.1 million, respectively ($0.5 million and $1.0 million for the three and six months ended June 30, 2014, respectively).

25. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30		2015
Property, plant and equipment commitments	$	7.2
Joint venture:		
Property, plant and equipment commitments		29.2
Other commitments		0.3

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