sherritt

Q2

2020 SECOND QUARTER REPORT

Sherritt International Corporation

For the three and six months ended June 30, 2020

For immediate release

Sherritt Reports Higher Nickel and Cobalt Production Results at Moa JV in Q2 2020

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Toronto – July 29, 2020 – Sherritt International Corporation ("Sherritt", the "Corporation", the "Company") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three- and six-month periods ended June 30, 2020. All amounts are in Canadian currency unless otherwise noted.

CEO COMMENTARY

"As a result of additional health and safety practices and new work processes implemented in early March, our mine operations at Moa and at our refinery in Fort Saskatchewan were largely unaffected by the spread of COVID-19 and delivered strong finished nickel and cobalt production results in Q2," said David Pathe, President and CEO of Sherritt International. "We expect to build on this momentum through the end of the year and forecast producing between 32,000 and 33,000 tonnes of finished nickel and between 3,300 and 3,400 tonnes of finished cobalt on a 100% basis for 2020 in line with our original guidance for the year."

Mr. Pathe added, "Also in Q2, we implemented further austerity measures designed to reduce costs, preserve liquidity and defer budgeted expenditures for 2020 in the face of uncertainty caused by the global pandemic to near-term economic and market conditions and, more particularly, on our ability to collect on overdue amounts owed to us by our Cuban energy partners.

"Subsequent to quarter-end, we received stakeholder approval for our balance sheet initiative. Pending court approval and final closing expected by the end of the coming month, the transaction will result in the reduction of our total debt by approximately $305 million, annual savings of $16 million in cash interest payments, resolution to our Ambatovy investment legacy, and position us without any debt maturity until November 2026. Completion of the balance sheet initiative and ongoing austerity measures will help us weather near-term uncertainty in advance of the recovery of nickel and cobalt markets expected over the longer term."

SUMMARY OF KEY Q2 DEVELOPMENTS

- Sherritt's share of finished nickel production at the Moa Joint Venture (Moa JV) in Q2 2020 was 4,147 tonnes, up 4% from last year, while finished cobalt was 425 tonnes, up 2% from last year. Higher production totals were largely driven by the decision to delay the annual shutdown of the refinery for planned maintenance as a safety measure to prevent the spread of COVID-19. Annual maintenance shutdown activities were completed subsequent to the start of Q3 2020.
- Sherritt ended Q2 2020 with cash and cash equivalents of $172.4 million of which $82.2 million of cash and cash equivalents was held by Energas in Cuba. The $21 million decrease in Sherritt's liquidity from $193.4 million at the end of Q1 2020 was largely due to the timing of working capital receipts, capital expenditures totaling $3.6 million and the impact of changes to foreign exchange rates, partially offset by interest received on the Energas conditional sales agreement and the deferral of $15.5 million of interest payments due to the launch of the previously announced balance sheet initiative.
- Sherritt received US$11.6 million in Cuban energy payments as part of the overdue receivables agreement with its Cuban partners. Payments, which included US$9.3 million received in Canada and US $2.3 million accepted in Cuba to support local costs for Sherritt's Oil and Gas operations, were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in Q2 2020.
- Sherritt agreed to an extension for the maturity of its $70 million credit facility from its senior lenders to September 30, 2020 to allow for completion of the balance sheet initiative launched in Q1 2020. As part of the extension, the lenders agreed to a reduction in the monthly minimum net available cash requirement to $65 million from $70 million starting in April. In addition, $47 million of letters of credit related to reclamation costs associated with Sherritt's Spanish oil assets were not renewed at June 30 as the Corporation is in discussions with its Spanish partners on a potential alternative arrangement.
- Sherritt reinstated its production, unit cost and capital spend guidance for 2020, reflecting the minimal impact that COVID-19 has had to date on production and the implementation of austerity measures designed to preserve liquidity in the face of near-term uncertainty caused by the global pandemic on market conditions.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Sherritt received stakeholder approval for its previously announced balance sheet initiative designed to improve its capital structure and preserve liquidity. Pending court approval of the transaction and final closing, which is expected by August 31 subject to the satisfaction or waiver of the applicable conditions to the transaction, Sherritt will reduce its total debt by approximately $305 million, save approximately $16 million in annual cash interest payments, address its Ambatovy investment legacy and have no debt maturities until November 2026 as a result of the transaction. Also pending close of the transaction, Sherritt will no longer be operator of Ambatovy, and focus its mining activities through the Moa JV.
- Sherritt completed a preliminary analysis of Block 10 test samples. The analysis, which was delayed by two months due to cargo travel restrictions imposed by Cuba due to COVID-19, was inconclusive. Sherritt plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted.

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

Q2 2020 FINANCIAL HIGHLIGHTS[1]

$ millions, except per share amount	For the three months ended **2020 June 30**	2019 June 30	Change	For the six months ended **2020 June 30**	2019 June 30	Change
Revenue	**40.9**	46.5	(12%)	**$ 67.6**	$ 78.4	(14%)
Combined revenue[2]	**134.0**	144.3	(7%)	**246.7**	268.9	(8%)
Net earnings (loss) for the period	**(114.5)**	(90.4)	(27%)	**(156.7)**	(152.2)	(3%)
Adjusted EBITDA[2]	**8.9**	9.5	(6%)	**13.6**	8.3	64%
Cash provided (used) by continuing operations	**(12.6)**	14.9	(185%)	**10.0**	(19.7)	151%
Combined adjusted operating cash flow[2]	**17.5**	(8.2)	313%	**24.4**	(18.1)	235%
Combined free cash flow[2]	**(0.6)**	4.0	(115%)	**2.4**	(40.0)	106%
Average exchange rate (CAD/US$)	**1.385**	1.338	-	**1.365**	1.334	-
Net earnings (loss) from continuing operations per share	**(0.29)**	(0.23)	(26%)	**(0.39)**	(0.38)	(3%)

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

$ millions, as at	**2020 June 30**	2019 December 31	Change
Cash, cash equivalents and short term investments	**$ 172.4**	$ 166.1	4%
Loans and borrowings	**727.6**	713.6	2%

Cash, cash equivalents and short-term investments at June 30, 2020 were $172.4 million, down from $193.4 million at March 31, 2020. The decrease was due to a number of factors including, negative working capital changes primarily relating to the timing of fertilizer pre-sales receipts and deliveries, capital expenditures totaling $3.6 million and lower than expected Cuban energy payments. These factors were partially offset, however, by the deferral of $15.5 million in interest payments as a result of the launch of the balance sheet initiative in Q1 2020 and by the timing of changes in inventory.

Sherritt received US$11.6 million in Cuban energy payments as part of its overdue receivables agreement with its Cuban partners. Payments, which included US$9.3 million received in Canada and US$2.3 million accepted in Cuba to support local costs relating to Sherritt's Oil and Gas operations, were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in Q2 2020. Sherritt did not receive any payments on its Oil and Gas receivables in Q2 2020. Total overdue scheduled receivables at June 30, 2020 were US$159.1 million, up from US$154.0 million at March 31, 2020.

As at June 30, 2020, $82.2 million of Sherritt's cash and cash equivalents was held by Energas in Cuba, down from $86.3 million at the end of Q1 2020.

Sherritt agreed to an extension for the maturity of its $70 million credit facility from its senior lenders to September 30, 2020 to allow for completion of the balance sheet initiative launched in Q1 2020. As part of the extension, the lenders agreed to a reduction in the monthly minimum net available cash requirement to $65 million from $70 million starting in April. In addition, $47 million of letters of credit related to reclamation costs associated with Sherritt's Spanish oil assets were not renewed at June 30, 2020 as the Corporation is in discussions with its Spanish partners on a potential alternative arrangement.

Sherritt anticipates that its liquidity position through the end of 2020 will largely be dependent on its ability to collect on amounts owed to it by its Cuban energy partners.

Adjusted net loss[1]

For the three months ended June 30	2020 $ millions	 $/share	2019 $ millions	 $/share
Net earnings (loss) from continuing operations	**(114.5)**	**(0.29)**	(90.4)	(0.23)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**13.1**	**0.03**	8.0	0.02
Ambatovy loans recievable ACL revaluation	**74.4**	**0.19**	53.6	0.13
Moa JV expansion loans ACL revaluation	**(23.6)**	**(0.06)**	-	-
Other	**0.8**	**-**	(12.5)	(0.02)
Adjusted net loss from continuing operations	**(49.8)**	**(0.13)**	(41.3)	(0.10)

For the six months ended June 30	2020 $ millions	 $/share	2019 $ millions	 $/share
Net earnings (loss) from continuing operations	**(156.7)**	**(0.39)**	(152.2)	(0.38)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**(10.4)**	**(0.02)**	13.8	0.03
Ambatovy loans receivable ACL revaluation	**74.4**	**0.19**	54.6	0.14
Moa JV expansion loans ACL revaluation	**(6.4)**	**(0.02)**	-	-
Other	**2.8**	**-**	(12.4)	(0.03)
Adjusted net loss from continuing operations	**(96.3)**	**(0.24)**	(96.2)	(0.24)

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

Net loss from continuing operations for Q2 2020 was $114.5 million, or $0.29 per share, compared to a net loss of $90.4 million, or $0.23 per share, for the same period last year.

Net loss for Q2 2020 includes non-cash adjustments of $74.4 million related to revaluation of allowances for expected credit loss (ACL) on Ambatovy Joint Venture loans receivable and a $23.6 million revaluation gain on the Moa JV expansion loans under IFRS 9.

Adjusted net loss from continuing operations was $49.8 million, or $0.13 per share, for the three months ended June 30, 2020 compared to an adjusted net loss from continuing operations of $41.3 million, or $0.10 per share, for Q2 2019.

METALS MARKET

Nickel

Nickel market conditions improved throughout the second quarter of 2020 in concert with the restart of economic and manufacturing activities in China and Europe following the outbreak of the COVID-19 pandemic in the first quarter of the year.

Nickel prices on the London Metals Exchange (LME) started Q2 at US$5.12/lb and closed on June 30 at US$5.81/lb.

Although nickel prices showed signs of recovery, nickel inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE) remained relatively flat. Combined inventory levels at June 30 totaled approximately 262,000 tonnes, up from approximately 256,000 at April 1.

Nickel inventories on the LME and SHFE have not increased significantly despite the reduced production of stainless steel over the past several months largely because a number of nickel mines around the world have significantly reduced production or have gone into care and maintenance as a result of the spread of COVID-19.

In the near term, nickel prices are expected to be volatile given the ongoing economic uncertainty caused by the pandemic. As mining operations resume production activities, nickel inventory levels may rise given that supply could exceed demand as a number of industries that are large consumers of stainless steel, such as food and hospitality sector, will experience a delayed or slower economic recovery.

In light of this uncertainty, a number of industry experts have lowered their forecasts for nickel demand, reflecting negative market sentiment through end of 2020. Previously, demand for nickel through 2025 was expected to grow by approximately 3% per year to 2.8 million tonnes according to market research by Wood Mackenzie. Recovery of demand is expected to return in 2021.

Nickel pig iron production has increased substantially, and some industry analysts are predicting an oversupplied nickel market in the near term as a result. This development is putting additional pressure on producers of lower-grade material such as ferronickel, which is currently selling at significant discount.

Over the longer term, demand for nickel is expected to increase with the increased adoption of electric vehicles since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries.

A shortage of nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects.

Cobalt

In contrast to the slow recovery of nickel prices and demand in Q2 2020, cobalt prices and demand experienced considerable softness. Cobalt prices, in fact, decreased by 8% in Q2, reversing the upward trend experienced in Q1.

Standard grade cobalt prices on June 30 closed at US$14.88/lb, down from $16.18/lb at the start of the quarter according to data collected by Fastmarkets MB. Cobalt prices since the start of Q3 have extended this downward trend as consumer purchasing has continued to soften.

Market conditions have deteriorated because of the impact that the spread of COVID-19 is having on several industries, such as the aerospace sector, that make extensive use of cobalt as a key component to manufacturing activities as a super alloy. With recovery of these sectors expected to be slow or delayed, it is anticipated that cobalt market demand and prices will continue to be soft in the near term.

Over the longer term, the outlook for cobalt remains strong given the accelerated growth of electric vehicle demand expected in the coming years. Cobalt, in particular, is a key component of rechargeable batteries providing energy density and stability.

REVIEW OF OPERATIONS

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

$ millions, except as otherwise noted	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 115.5**	$ 123.1	(6%)	**$ 209.0**	$ 225.4	(7%)
(Loss) earnings from operations	**1.2**	(0.4)	400%	**(3.5)**	(9.9)	65%
Adjusted EBITDA[1]	**16.4**	14.2	15%	**26.5**	18.4	44%
CASH FLOW						
Cash provided by operations	**$ 12.7**	$ 7.7	65%	**$ 17.2**	$ 3.6	378%
Adjusted operating cash flow[1]	**15.6**	14.8	5%	**22.8**	17.6	30%
Free cash flow[1]	**6.2**	(0.1)	6300%	**4.1**	(10.5)	139%
Distributions and repayments to Sherritt from the Moa JV	**-**	13.5	(100%)	**13.3**	16.8	(21%)
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,323**	4,306	-	**8,337**	8,642	(4%)
Finished Nickel	**4,147**	3,969	4%	**7,983**	8,366	(5%)
Finished Cobalt	**425**	415	2%	**825**	841	(2%)
Fertilizer	**69,777**	59,665	17%	**125,866**	126,627	(1%)
NICKEL RECOVERY (%)	**86%**	86%	-	**84%**	85%	(1%)
SALES VOLUMES (tonnes)						
Finished Nickel	**4,169**	4,073	2%	**7,942**	8,464	(6%)
Finished Cobalt	**353**	429	(18%)	**734**	889	(17%)
Fertilizer	**72,071**	66,552	8%	**103,211**	93,509	10%
AVERAGE-REFERENCE PRICES (US$ per pound)						
Nickel	**$ 5.54**	$ 5.56	-	**$ 5.66**	$ 5.59	1%
Cobalt[2]	**15.19**	15.64	(3%)	**15.89**	17.09	(7%)
AVERAGE REALIZED PRICE[1]						
Nickel ($ per pound)	**$ 7.51**	$ 7.52	-	**$ 7.55**	$ 7.51	1%
Cobalt ($ per pound)	**18.39**	19.56	(6%)	**18.79**	17.00	11%
Fertilizer ($ per tonne)	**399**	491	(19%)	**384**	470	(18%)
UNIT OPERATING COSTS[1] (US$ per pound)						
Nickel - net direct cash cost	**$ 3.92**	$ 3.83	2%	**$ 4.10**	$ 4.19	(2%)
SPENDING ON CAPITAL[3]						
Sustaining	**$ 9.5**	$ 7.8	22%	**$ 16.1**	$ 21.8	(26%)
	$ 9.5	$ 7.8	22%	**$ 16.1**	$ 21.8	(26%)

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

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

(3) Spending on capital for the six months ended June 30, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

The Moa JV produced 4,147 tonnes of finished nickel, up 4% from 3,969 tonnes produced in Q2 2019. Finished cobalt production for Q2 2020 was 425 tonnes, up 2% from 415 tonnes produced in Q2 2019.

Higher finished production totals were largely driven by the decision to delay the annual shutdown of the refinery in Fort Saskatchewan for planned maintenance as a safety measure to prevent the spread of COVID-19. Annual maintenance shutdown activities were completed subsequent to the start of Q3 2020 with the duration extending by four days when compared to plan and the annual shutdown of the prior year. The shutdown extension was due to limited local contractor availability and additional repair scope identified. Shutdown costs for 2020 were consistent with plan and costs incurred in 2019. Increased finished production stemming from the re-scheduling of the planned annual maintenance shutdown and operational excellence initiatives helped to offset the impact of transportation delays of mixed sulphides to the refinery from Moa experienced in April.

Mixed sulphides production at Moa in Q2 2020 of 4,323 tonnes was largely unchanged from Q2 2019. Like finished production at the refinery in Fort Saskatchewan, COVID-19 had minimal impact on mixed sulphides production as a result of new safety protocols and work processes introduced at Moa in March 2020.

Despite higher finished production, revenue declined by 6% to $115.5 million in Q2 2020 when compared to $123.1 million for Q2 2019. The revenue decrease was driven by a number of factors, including lower cobalt sales volumes and lower realized prices for cobalt and fertilizer of 6% and 19%, respectively. Softer cobalt demand and reference prices are particularly being driven by the impact COVID-19 is having on the aerospace industry, which uses cobalt in super alloys in the production of multiple aircraft engine parts. Fertilizer prices declined largely due to increased competition.

Mining, processing and refining (MPR) costs for Q2 2020 were US$4.78/lb, down 16% from US$5.71/lb for Q2 2019. MPR costs declined primarily due to lower input costs related to sulphur and fuel oil as well as due to austerity measures undertaken to reduce operating expenses.

NDCC in Q2 2020 was US$3.92/lb, up 2% from US$3.83/lb for the same period last year. Despite the decline in MPR costs by 16%, NDCC rose as result of lower cobalt by-product credits of 27% due to reduced cobalt product sales and lower realized cobalt prices as well as lower realized fertilizer prices.

Sustaining capital spending in Q2 2020 was $9.5 million, up 22% from $7.8 million in Q2 2019. The year-over-year increase is due primarily to the timing of delivery for mining equipment previously purchased.

As part of austerity measures implemented in Q2, the Moa JV will defer a number capital spend projects. Planned capital spend for 2020 is now expected to be US$22 million (on a 50% basis), down from US$34 million initially forecasted at the start of the year.

Oil and Gas

	For the three months ended			For the six months ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 6.0**	$ 7.5	(20%)	**$ 13.1**	$ 16.5	(21%)
Earnings (loss) from operations	**(4.5)**	(5.4)	17%	**(10.1)**	(11.1)	9%
Adjusted EBITDA(1)	**(3.1)**	(2.7)	(15%)	**(6.7)**	(5.4)	(24%)
CASH FLOW						
Cash (used) provided by operations	**(8.6)**	21.5	(140%)	**(16.0)**	13.5	(219%)
Adjusted operating cash flow(1)	**(3.8)**	(4.6)	17%	**(7.4)**	(6.8)	(9%)
Free cash flow(1)	**(10.5)**	11.2	(194%)	**(19.6)**	(3.7)	nm(3)
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) – Cuba	**3,029**	4,420	(31%)	**3,153**	4,432	(29%)
Total net working-interest (NWI)	**1,931**	1,523	27%	**1,841**	1,648	12%
AVERAGE REFERENCE PRICE (US$ per barrel)						
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**24.86**	61.26	(59%)	**30.99**	61.15	(49%)
AVERAGE-REALIZED PRICE(1) (NWI)						
Cuba ($ per barrel)	**$ 29.82**	$ 62.11	(52%)	**$ 32.27**	$ 60.47	(47%)
UNIT OPERATING COSTS(1) (GWI)						
Cuba ($ per barrel)	**$ 26.92**	$ 19.93	35%	**$ 27.11**	$ 20.56	32%
SPENDING ON CAPITAL(2)						
Development, facilities and other	**$ (0.1)**	$ (0.5)	80%	**$ -**	$ 1.0	(100%)
Exploration	**1.2**	11.8	(90%)	**2.8**	16.0	(83%)
	$ 1.1	$ 11.3	(90%)	**$ 2.8**	$ 17.0	(84%)

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

(2) Spending on capital for the six months ended June 30, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Gross working-interest oil production in Cuba in Q2 2020 was 3,029 barrels of oil per day (bopd), down 31% from 4,420 bopd for Q2 2019. Lower production in the current year period was primarily due to natural reservoir declines and the absence of new development drilling.

Revenue in Q2 2020 was $6.0 million, down 20% when compared to Q2 2019 due to lower realized prices in Cuba, but partially offset by a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba in Q2 2020 were $26.92 per barrel, up 35% when compared to Q2 2019 as a result of lower GWI production and the impact of a weaker Canadian dollar relative to the U.S. dollar. Costs in Cuba are generally denominated in U.S. currency. Spending on equipment has been deferred until the test results of Block 10 can be finalized.

Capital spending in Q2 2020 of $1.1 million was 90% lower as drilling on Block 10 was completed in late 2019. Q2 2020 costs include Block 10 carrying costs.

Subsequent to quarter end, Sherritt completed a preliminary analysis of Block 10 test samples. The analysis, which was delayed by two months due to cargo travel restrictions imposed by Cuba due to COVID-19, was inconclusive. Sherritt plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted.

Power

	For the three months ended			For the six months ended		
	2020	2019		**2020**	2019	
$ millions (33 ⅓% basis), except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 9.6**	$ 11.1	(14%)	**$ 19.0**	$ 21.8	(13%)
Earnings from operations	**1.6**	0.8	nm[4]	**2.9**	1.7	71%
Adjusted EBITDA[1]	**7.0**	7.1	(1%)	**13.5**	14.3	(6%)
CASH FLOW						
Cash provided by operations	**8.3**	11.6	(28%)	**26.7**	15.2	76%
Adjusted operating cash flow[1]	**15.7**	7.0	124%	**28.9**	13.3	117%
Free cash flow[1]	**8.3**	11.5	(28%)	**26.7**	14.6	83%
PRODUCTION AND SALES						
Electricity (GWh)	**153**	180	(15%)	**306**	353	(13%)
AVERAGE-REALIZED PRICE[1]						
Electricity ($/MWh)	**$ 58.48**	$ 56.20	4%	**$ 57.73**	$ 55.97	3%
UNIT OPERATING COSTS[1] ($/MWh)						
Base	**14.12**	16.24	(13%)	**14.09**	18.00	(22%)
Non-base[2]	**-**	0.11	(100%)	**0.25**	0.27	(7%)
	14.12	16.35	(14%)	**14.34**	18.27	(22%)
NET CAPACITY FACTOR (%)	**49**	57	(14%)	**48**	56	(14%)
SPENDING ON CAPITAL[3]						
Sustaining	**$ -**	$ 0.1	(100%)	**$ -**	$ 0.6	(100%)
	$ -	$ 0.1	(100%)	**$ -**	$ 0.6	(100%)

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

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

(3) Spending on capital for the six months ended June 30, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Power production in Q2 2020 was 153 gigawatt hours (GWh) of electricity, down 15% from 180 GWh for the comparable period of 2019 as a result of a decline in gas supply.

Average-realized prices in Q2 2020 were $58.48, up 4% from $56.20 last year. The increase was due to the depreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q2 2020 totaled $9.6 million, down 14% from $11.1 million for last year. The decrease was primarily due to lower power production.

Unit operating costs in Q2 2020 were $14.12/MWh, down 14% from $16.35/MWh for last year. Sherritt continues to limit operational spending in relation to the receipt of funds under its Cuban energy agreements. Unit operating costs for Q2 2020 were also impacted by a lower production and a weakening of the Canadian dollar relative to the U.S. dollar as Power operating costs are generally denominated in U.S. currency.

2020 REVIEW OF STRATEGIC PRIORITIES

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

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt launched a balance sheet initiative in Q1 2020 aimed at strengthening the Corporation's capital structure. In Q2, Sherritt announced amended terms that received overwhelming support from stakeholders. Pending court approval of the transaction and closing which, subject to the satisfaction or waiver of the applicable conditions to the transaction, is expected by August 31, the transaction will result in the elimination of approximately $305 million in total debt and annual interest savings of up to $16 million. In response to the economic uncertainty caused by the spread of COVID-19, Sherritt has implemented a number of austerity measures and identified opportunities to save or defer approximately $90 million of capital spend, operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis). In Q2 2020, Sherritt reduced its administrative expenses by $1 million when compared to Q2 2019 (excluding stock-based compensation, depreciation and costs associated with the balance sheet initiative).
	Optimize working capital and receivables collection	Largely as a result of Cuba's reduced access to foreign currency due to the impacts of COVID-19 and ongoing US sanctions, Sherritt received US$11.6 million of an expected US$22.5 million in Cuban energy payments in Q2 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in Q2 2020 by 16% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q2 2020 increased by 2% to US$3.92/lb from US$3.83/lb last year despite lower MPR costs. The increase was attributable to lower cobalt by-product credits as result of softer cobalt prices and demand since the start of global pandemic and also due to lower fertilizer prices.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Based on production results on a year-to-date basis, the Moa JV is on track to produce between 32,000 and 33,000 tonnes of finished nickel and between 3,300 tonnes and 3,400 tonnes of finished cobalt in 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q2 2020, Sherritt experienced one recordable and one lost time incident at the Moa nickel site. Up to June 30^{th} 2020, the Moa Joint Venture (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.22 and a lost time incident frequency rate (LTIFR) of 0.09; the Oil and Gas business had a TRIFR of 0.26 and a LTIFR of 0.00; and the Power business had a TRIFR and LTIFR of 0.00. Overall Sherritt had TRIFR of 0.20 and a LTIFR rate of 0.07. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Following preliminary analysis of Block 10 samples that were inconclusive, testing is slated to resume now that cargo travel restrictions due to COVID-19 have been lifted.

OUTLOOK

2020 Production, unit operating costs and capital spending guidance

The guidance for 2020 reflects Sherritt's targets for production, unit costs and capital spending updated from those announced on January 22, 2020.

Production volumes, unit operating costs and spending on capital	Initial 2020 guidance - Total(1)	Year-to-date actuals - Total	Updated 2020 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	15,966	32,000 - 33,000
Cobalt, finished	3,300 - 3,600	1,650	3,300 - 3,400
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,153	3,000 - 3,300
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	1,841	1,800 - 2,000
Electricity (GWh, 33⅓% basis)	500 - 550	306	500 - 550
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.10	$4.00 - $4.50
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$27.11	$28.00 - $29.50
Electricity (unit operating cost, $ per MWh)	$28.00 - $29.50	$14.34	$24.50 - $26.00
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	US$34 (CDN$45)	US$12 (CDN$16)	US$22 (CDN$30)
Oil and Gas	US$6 (CDN$8)	US$2 (CDN$3)	US$4 (CDN$6)
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	US$1 (CDN$1.3)
Spending on capital (excluding Corporate)	US$41 (CDN$54)	US$14 (CDN$19)	US$27 (CDN$37)

(1) As originally announced January 22, 2020.

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

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost/NDCC, adjusted earnings/loss, adjusted operating cash flow and free cash flow to monitor the performance of the Corporation and its operating divisions. Management believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the six months ended June 30, 2020 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast July 30, 2020 at 10:00 a.m. Eastern Time to review its Q2 2020 results. Dial-in and webcast details are as follows:

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

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

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

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2020 are available at www.sherritt.com and should be read in conjunction with this news release. Financial and operating data can also viewed in the investor relations section of Sherritt's website.

ABOUT SHERRITT

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

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "potential", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the "Outlook" section of this press release and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; the impact of the COVID-19; qualification for the Canada Emergency Wage Subsidy (CEWS); anticipated payments of outstanding receivables; funding of future Ambatovy cash calls; the completion of the Corporation's balance sheet initiative (the "Transaction"); strengthening the Corporation's capital structure and reducing annual interest expenses; drill plans and results on exploration wells; and amounts of certain other commitments.

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans. By their nature, forward looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this press release not to place undue reliance on any forward looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements. These risks, uncertainties and other factors include, but are not limited to, the impact of the COVID-19 pandemic, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to Sherritt's investment in the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, risks associated with the ability of the Corporation to complete the Transaction; the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Management's Discussion and Analysis for the three months ended June 30, 2020 and the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, which is available on SEDAR at www.sedar.com.

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

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

For the three and six months ended June 30, 2020

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of July 29, 2020, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and six months ended June 30, 2020 and the MD&A for the year ended December 31, 2019. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

The business we manage

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

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

For financial statement purposes, the Moa Joint Venture and Ambatovy Joint Venture are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from the joint venture and associate, respectively. The financial results and review of operations sections in this MD&A presents amounts by reporting segment, based on the Corporation's economic interest.

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

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

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

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

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

Operating and financial results presented in this MD&A for reporting segments can be reconciled to note 7 of the condensed consolidated financial statements for the three and six months ended June 30, 2020.

INVESTMENT IN AMBATOVY JOINT VENTURE

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

As a result of this change, the Ambatovy Joint venture is excluded from combined results, Adjusted EBITDA and combined cash flow metrics in the current and comparative periods. In February 2020, the Corporation announced a transaction, and in June and July 2020, it announced amended terms to the Transaction, that proposed to exchange the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners for the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture. See the Highlights section for further information.

NON-GAAP MEASURES

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

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

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

The non-GAAP measures are reconciled to the most directly comparable IFRS measure in the non-GAAP measures section starting on page 50.

Strategic priorities

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

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt launched a balance sheet initiative in Q1 2020 aimed at strengthening the Corporation's capital structure. In Q2, Sherritt announced amended terms that received overwhelming support from stakeholders. Pending court approval of the transaction and closing which, subject to the satisfaction or waiver of the applicable conditions to the transaction, is expected by August 31, the transaction will result in the elimination of approximately $305 million in total debt and annual interest savings of up to $16 million. In response to the economic uncertainty caused by the spread of COVID-19, Sherritt has implemented a number of austerity measures and identified opportunities to save or defer approximately $90 million of capital spend, operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis). In Q2 2020, Sherritt reduced its administrative expenses by $1 million when compared to Q2 2019 (excluding stock-based compensation, depreciation and costs associated with the balance sheet initiative).
	Optimize working capital and receivables collection	Largely as a result of Cuba's reduced access to foreign currency due to the impacts of COVID-19 and ongoing US sanctions, Sherritt received US$11.6 million of an expected US$22.5 million in Cuban energy payments in Q2 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in Q2 2020 by 16% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q2 2020 increased by 2% to US$3.92/lb from US$3.83/lb last year despite lower MPR costs. The increase was attributable to lower cobalt by-product credits as result of softer cobalt prices and demand since the start of global pandemic and also due to lower fertilizer prices.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Based on production results on a year-to-date basis, the Moa JV is on track to produce between 32,000 and 33,000 tonnes of finished nickel and between 3,300 tonnes and 3,400 tonnes of finished cobalt in 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q2 2020, Sherritt experienced one recordable and one lost time incident at the Moa nickel site. Up to June 30th 2020, the Moa Joint Venture (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.22 and a lost time incident frequency rate (LTIFR) of 0.09; the Oil and Gas business had a TRIFR of 0.26 and a LTIFR of 0.00; and the Power business had a TRIFR and LTIFR of 0.00. Overall Sherritt had TRIFR of 0.20 and a LTIFR rate of 0.07. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Following preliminary analysis of Block 10 samples that were inconclusive, testing is slated to resume now that cargo travel restrictions due to COVID-19 have been lifted.

Highlights

COVID-19

In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures and work processes designed to protect employees at its operations around the world. Other than at the Ambatovy Joint Venture, which is on care and maintenance, the pandemic has had limited impact on nickel, cobalt, power and oil production to date and production activities continue. Accordingly, Sherritt reissued its 2020 guidance included in the Outlook section of this MD&A. More details on market and economic uncertainties caused by COVID-19 can be found in the Significant factors influencing operations section of this MD&A. As a result of the uncertainty resulting from COVID-19, Sherritt has also implemented a number of austerity measures, discussed in more detail in the Preserving liquidity and managing costs section below. In addition, during the three months ended June 30, 2020, the Corporation qualified for and received $1.0 million in subsidies from the Canada Emergency Wage Subsidy (“CEWS”). Subsequent to June 30, 2020, the Corporation received an additional $3.9 million in subsidies. In addition, the Moa Joint Venture qualified for and received $0.1 million in subsidies during the three months ended June 30, 2020 and an additional $3.3 million subsequent to June 30, 2020.

BALANCE SHEET INITIATIVE

In February 2020, the Corporation announced a transaction (the “Transaction” or “Balance Sheet Initiative”) and in June and July 2020, it announced amended terms to the Transaction, to be implemented pursuant to a plan of arrangement (the “Plan of Arrangement”) under the Canada Business Corporations Act (the “CBCA”) that provides for, among other things, the exchange of the Corporation’s existing senior unsecured debentures due in 2021, 2023 and 2025 (the “Existing Notes”) in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon in the aggregate for (i) new 8.50% second lien secured notes due in 2026 (the “New Second Lien Notes”) in an aggregate principal amount equal to 54% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the implementation date of the Transaction (the “Effective Date”), (ii) new 10.75% unsecured notes due in 2029 (the “New Junior Notes”) in an aggregate principal amount of $75 million and (iii) certain early consent cash consideration in an amount of approximately $16 million. Interest on the New Second Lien Notes is payable semi-annually in cash and interest on the New Junior Notes is payable semi-annually in cash or in-kind, at Sherritt’s election. Based on an Effective Date of August 31, 2020, the aggregate principal amount of the New Second Lien Notes would be approximately $358 million, and thus, together with the $75 million of principal amount of the New Junior Notes, if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations’ debenture obligations by approximately $155 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. The final principal amount of New Second Lien Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation’s debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date.

In accordance with the Transaction, the Corporation did not make its March 24, 2020 interest payment of $7.4 million on its 7.50% senior unsecured debentures due 2023, its April 11, 2020 interest payment of $8.7 million on its 7.875% senior unsecured debentures due 2025 and its May 15, 2020 interest payment of $6.8 million on its 8.00% senior unsecured debentures due 2021, as all accrued and unpaid interest in respect of the Existing Notes up to the Effective Date is to be exchanged for New Second Lien Notes as discussed above. Pursuant to the indenture governing the Existing Notes (the “Existing Notes Indenture”), an event of default occurs on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period. As a result of the event of default under the Existing Notes Indenture, the Corporation’s Existing Notes were reclassified to current liabilities as at April 23, 2020, thirty-days after non-payment of interest on the 7.50% senior unsecured debentures due 2023.

The Transaction, as amended, and the Plan of Arrangement also provide that all of Sherritt’s obligations under the Corporation’s Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the “Debtholders”), plus all accrued and unpaid interest in respect thereof, will be exchanged for each Ambatovy Joint Venture partner’s pro rata share of the Corporation’s 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the “Ambatovy Joint Venture Interests”). This would result in a further reduction of recourse loans and borrowings of approximately $152 million using the Corporation’s Ambatovy Joint Venture partner loans balance and foreign exchange rates as at June 30, 2020.

Based on the above aggregate amounts of Existing Notes and Ambatovy Joint Venture partner loans and an Effective Date of August 31, 2020, upon closing the Transaction will result in the reduction of total debt by approximately $305 million. The amount of the final debt reduction will depend on the Effective Date of the Transaction, and other matters such as the exchange rate in effect at that time.

The Plan of Arrangement pursuant to which the Transaction is being implemented was approved by Debtholders on July 23, 2020 and remains subject to Court approval and the satisfaction or waiver of the other conditions of the Plan of Arrangement. Subject to the satisfaction or waiver of all applicable conditions of the Plan of Arrangement, closing is expected in August 2020.

Approximately 50% of the Ambatovy Joint Venture Interests and 50% of the operator fee receivable held by the Corporation met the criteria to be classified as assets held for sale in July 2020, subsequent to the reporting period. The remaining Ambatovy Joint Venture Interests and operator fee receivable are expected to meet the criteria to be classified as assets held for sale upon approval of the Plan of Arrangement by the Court. Sherritt will no longer be the operator of the Ambatovy Joint Venture upon completion of the Transaction. In connection with the Ambatovy Joint Venture partner loans exchange and the transfer of operatorship, the Corporation will waive its rights to the operator fees of approximately $16 million and pay certain transaction costs for the Ambatovy Joint Venture partners. In 2017, these operator fees were restructured such that any receipts by Sherritt would first be used to repay the Ambatovy Joint Venture partner loans and then held in escrow for future Ambatovy Joint Venture funding. As the Ambatovy Joint Venture partner loans and all funding requirements will be extinguished upon the completion of the Transaction, Sherritt agreed to waive its rights to the operator fees.

Subject to Court approval of the Plan of Arrangement and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed pursuant to the Plan of Arrangement by August 31, 2020. Upon implementation, the Plan of Arrangement would bind all Debtholders of the Corporation.

The exchange of the Existing Notes for the New Second Lien Notes, the New Junior Notes and the applicable early consent cash consideration, and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests will be recognized in the condensed consolidated financial statements of the Corporation when the Transaction closes in accordance with IFRS 9 Financial Instruments.

MOA JOINT VENTURE OPERATIONS UPDATE

Sherritt's share of finished nickel production at the Moa Joint Venture for the three months ended June 30, 2020 was 4,147 tonnes, up 4% from the same period last year, while finished cobalt production of 425 tonnes was up 2%. The increase in production was primarily due to the decision to delay the annual shutdown of the refinery in Fort Saskatchewan for planned maintenance as a safety measure to prevent the spread of COVID-19. Annual maintenance shutdown activities were completed subsequent to the start of Q3 2020.

NDCC for the three months ended June 30, 2020 was US$3.92 per pound, 2% higher compared to the same period in the prior year, primarily as a result of lower fertilizer and cobalt by-product credits, partially offset by lower sulphur and fuel oil prices, and lower third-party feed costs.

OIL AND GAS BLOCK 10 UPDATE

Sherritt completed a preliminary analysis of Block 10 test samples. The analysis, which was delayed by two months due to cargo travel restrictions imposed by Cuba due to COVID-19, was inconclusive. Sherritt plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted.

CUBAN OVERDUE RECEIVABLES AGREEMENTS

During 2019, Sherritt's Cuban partners ratified an overdue receivables agreement (the Agreement) under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. For the three months ended June 30, 2020, Sherritt received Cuban energy payments of US$7.8 million in Canada under this agreement.

In February 2020, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month, which is being used to fund Energas operations and reduce amounts owed to Sherritt. For the three months ended June 30, 2020, Sherritt received Cuban energy payments of US$1.5 million in Canada under this agreement.

Cuban energy payments were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in Q2 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at June 30, 2020 were $172.4 million, up from $166.1 million at December 31, 2019. As at June 30, 2020, $82.2 million of Sherritt's cash was held by Energas in Cuba, up from $79.8 million at December 31, 2019. Excluding the cash held by Energas in Cuba, Sherritt's cash was $90.2 million and $86.3 million as at June 30, 2020 and December 31, 2019, respectively.

During the six months ended June 30, 2020, cash increased primarily due to $16.5 million of interest received on the Energas conditional sales agreement, $13.3 million of distributions received from the Moa Joint Venture and a $16 million prepayment against future nickel deliveries in 2020, partially offset by the timing of working capital payments and $6.2 million of capital expenditures. In addition, interest payments for the six months ended June 30, 2020 of $22.9 million were deferred on outstanding debentures as a result of the Transaction and under the related stay of proceedings under the CBCA proceedings. Sherritt anticipates that its liquidity position through the end of 2020 will largely be dependent on its ability to collect on amounts owed to it by its Cuban energy partners

During the quarter, US$11.6 million of Cuban energy payments were received compared to US$19.0 million in the first quarter. Cuban energy payments received during the quarter included US$9.3 million in Canada from the Energas overdue receivables agreements, which are cited in the Cuban overdue receivables agreement section above, $2.3 million accepted in Cuba to support local Cuban costs relating to Sherritt's Oil and Gas operations and nil from Oil and Gas. At June 30, 2020, total overdue scheduled receivables were US$159.1 million, up from US$154.0 million at March 31, 2020. Subsequent to June 30, 2020, the Corporation received US$2.8 million in Canada from the Cuban overdue receivables agreement and US$2.3 million in Cuba to support local costs.

PRESERVING LIQUIDITY AND MANAGING COSTS

On June 25, 2020, the maturity of the syndicated revolving-term credit facility was extended to September 30, 2020. This short-term extension of the maturity is to allow for the Balance Sheet Initiative to be completed, before the typical twelve-month maturity extension. As at June 30, 2020, $47 million of letters of credit related to reclamation costs associated with Sherritt's Spanish oil assets were not renewed. The Corporation is in discussions with its Spanish partners on a potential alternative arrangement. More details can be found in the Liquidity and capital resources section of this MD&A.

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

Excluding Balance Sheet Initiative transaction costs and the non-cash impacts of share-based compensation and depreciation, administrative expenses for the three and six months ended June 30, 2020 decreased by $1.0 million and $2.8 million, respectively, compared to the same periods in the prior year. Administrative expenses for the three and six months ended June 30, 2020 include $1.6 million and $2.8 million, respectively, of transaction costs related to the Balance Sheet Initiative.

AMBATOVY JOINT VENTURE IMPAIRMENT

During the quarter, an impairment indicator was identified at the Ambatovy Joint Venture as a result of the impact the care and maintenance phase has had on the life of mine production plan. Refer to note 11 in the condensed consolidated financial statements for the three and six months ended June 30, 2020 for more information. No impairment was recognized by Sherritt, as the carrying amount of the investment in an associate had already been reduced to nil and therefore, no further share of losses of an associate was recognized. During the three months ended June 30, 2020, the Ambatovy Joint Venture fully converted its Ambatovy Joint Venture subordinated loans payable to equity, resulting in the Corporation recognizing a non-cash loss of $68.7 million within net finance expense for the period. There was no change to the Corporation's ownership interest as a result of the conversions. The Corporation also recognized a non-cash loss of $5.7 million on the revaluation of allowance for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable (post-financial completion), reflecting probability-weighted expected credit losses.

Financial results

$ millions, except as otherwise noted	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 40.9**	$ 46.5	(12%)	**$ 67.6**	$ 78.4	(14%)
Combined revenue(1)	**134.0**	144.3	(7%)	**246.7**	268.9	(8%)
Loss from operations, joint venture and associate	**(45.5)**	(26.9)	(69%)	**(87.5)**	(78.3)	(12%)
Net loss from continuing operations	**(114.5)**	(90.4)	(27%)	**(156.7)**	(152.2)	(3%)
Net loss for the period	**(114.5)**	(90.4)	(27%)	**(156.7)**	(152.2)	(3%)
Adjusted net loss(1)	**(49.8)**	(41.3)	(21%)	**(96.3)**	(96.2)	-
Adjusted EBITDA(1)	**8.9**	9.5	(6%)	**13.6**	8.3	64%
Net loss per share from continuing operations (basic and diluted) ($ per share)	**$ (0.29)**	$ (0.23)	(26%)	**$ (0.39)**	$ (0.38)	(3%)
Net loss per share for the period (basic and diluted) ($ per share)	**(0.29)**	(0.23)	(26%)	**(0.39)**	(0.38)	(3%)
CASH						
Cash, cash equivalents and short-term investments (prior period, December 31, 2019)	**$ 172.4**	$ 166.1	4%	**$ 172.4**	$ 166.1	4%
Cash provided (used) by continuing operating activities	**(12.6)**	14.9	(185%)	**10.0**	(19.7)	151%
Combined adjusted operating cash flow(1)	**17.5**	(8.2)	313%	**24.4**	(18.1)	235%
Combined free cash flow(1)	**(0.6)**	4.0	(115%)	**2.4**	(40.0)	106%
Distributions and repayments to Sherritt from the Moa JV	**-**	13.5	(100%)	**13.3**	16.8	(21%)
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS(3)	**10.6**	$ 19.3	(45%)	**$ 18.9**	$ 39.5	(52%)
PRODUCTION VOLUMES						
Moa JV finished nickel (50% basis, tonnes)	**4,147**	3,969	4%	**7,983**	8,366	(5%)
Moa JV finished cobalt (50% basis, tonnes)	**425**	415	2%	**825**	841	(2%)
Oil (boepd, net working-interest production)(2)	**1,931**	1,523	27%	**1,841**	1,648	12%
Electricity (gigawatt hours) (33⅓% basis)	**153**	180	(15%)	**306**	353	(13%)
AVERAGE EXCHANGE RATE (CAD/US$)	**1.385**	1.338	4%	**1.365**	1.334	2%
AVERAGE-REALIZED PRICES(1)						
Moa JV nickel ($ per pound)	**$ 7.51**	$ 7.52	-	**$ 7.55**	$ 7.51	1%
Moa JV cobalt ($ per pound)	**18.39**	19.56	(6%)	**18.79**	17.00	11%
Oil - Cuba ($ per boe, NWI)(2)	**29.82**	62.11	(52%)	**32.27**	60.47	(47%)
Electricity ($ per megawatt hour)	**58.48**	56.20	4%	**57.73**	55.97	3%
UNIT OPERATING COSTS(1)						
Moa JV - Nickel (US$ per pound)(NDCC)	**$ 3.92**	$ 3.83	2%	**$ 4.10**	$ 4.19	(2%)
Oil - Cuba ($ per boe, GWI)(2)	**26.92**	19.93	35%	**27.11**	20.56	32%
Electricity ($ per megawatt hour)	**14.12**	16.35	(14%)	**14.34**	18.27	(22%)

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

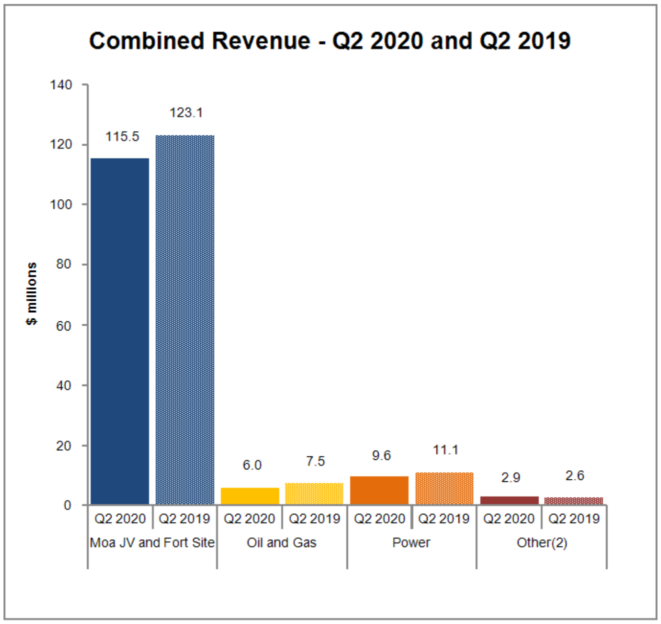
(2) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd); barrels of oil equivalent (boe).

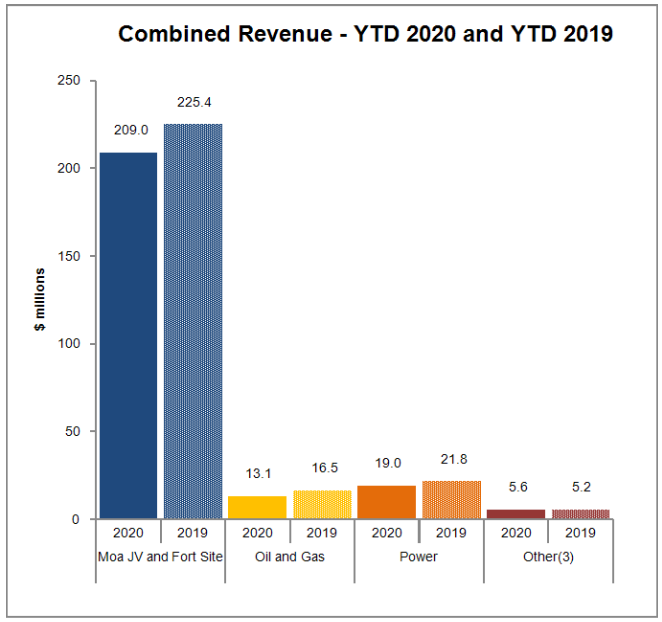
(3) Spending on capital for the three and six months ended June 30, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Revenue for accounting purposes, which excludes revenue from the Moa and Ambatovy joint ventures as they are accounted for under the equity method, was lower for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year primarily due to lower average-realized fertilizer and oil prices, as well as lower power generation.

Total combined revenue(1) was $134.0 million and $246.7 million, respectively, for the three and six months ended June 30, 2020 compared to $144.3 million and $268.9 million for the same periods in the prior year. Lower total combined revenue for the three months ended June 30, 2020 was primarily due to lower cobalt, fertilizer, oil and power revenue, partially offset by higher nickel revenue compared to the same period in the prior year. Lower total combined revenue for the six months ended June 30, 2020 was primarily due to lower nickel, cobalt, fertilizer, oil and power revenue compared to the same period in the prior year.

Combined revenue is composed of the following:





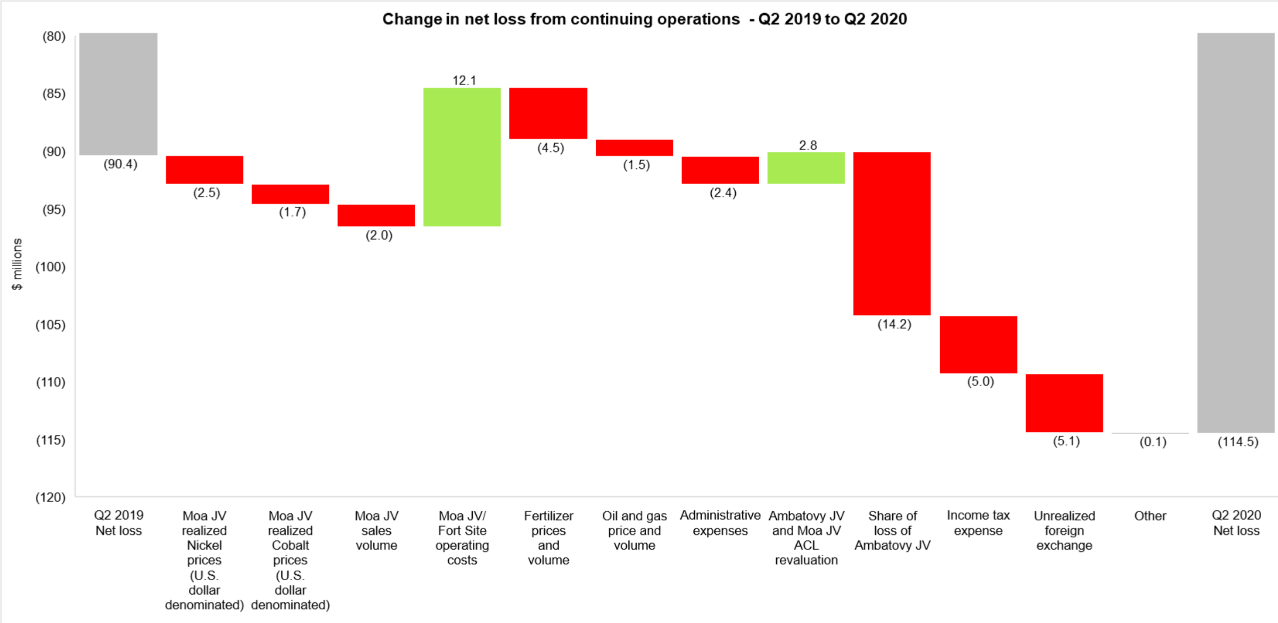
(1) For additional information see the Non-GAAP measures section.

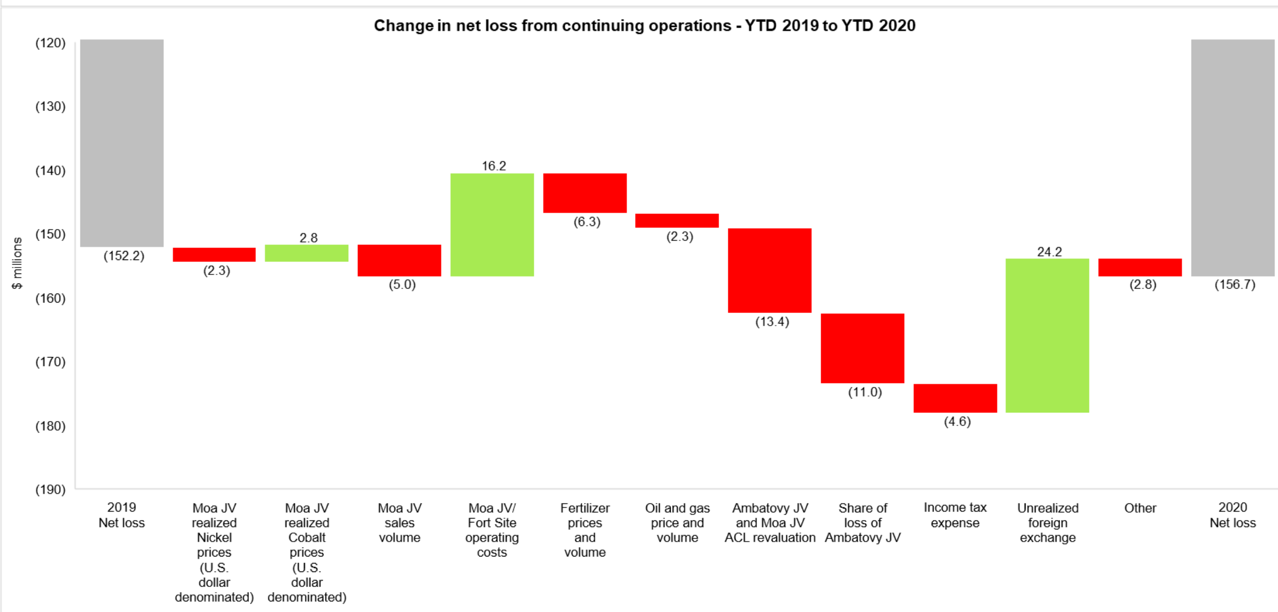
(2) Q2 2020 Other includes - Other Metals - $2.9 million and Corporate and other - $ - million. (Q2 2019 Other includes - Other Metals - $2.8 million and Corporate and other - $ (0.2) million).

(3) YTD 2020 Other includes - Other Metals - $5.9 million and Corporate and other - $ (0.3) million. (YTD 2019 Other includes - Other Metals - $5.7 million and Corporate and other - $ (0.5) million).

For the three months ended June 30, 2020, the net loss from continuing operations was $114.5 million, or $0.29 per share, compared to a loss of $90.4 million, or $0.23 per share in the same period in the prior year. For the six months ended June 30, 2020, the net loss from continuing operations was $156.7 million, or $0.39 per share, compared to a loss of $152.2 million, or $0.38 per share in the prior year.

The change in net loss from continuing operations(1) is detailed below:





Average reference prices for nickel were comparable for the three and six months ended June 30, 2020, respectively, to the same periods in the prior year, while cobalt reference prices were 3% and 7% lower than in the comparable prior year periods. Average-realized prices for nickel were comparable for the three and six months ended June 30, 2020 to the same periods in the prior year. Average-realizes prices for cobalt were 6% lower and 11% higher for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. Realized prices for the three and six months ended June 30, 2020, respectively, were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

At Moa Joint Venture and Fort Site, revenue for the three months ended June 30, 2020 was 6% lower than the same period in the prior year primarily due to lower average-realized cobalt prices as a result of weaker global cobalt demand due to COVID-19, as well as lower cobalt sales volume. Revenue for the six months ended June 30, 2020 was 7% lower than the same period in the prior year primarily due to lower nickel and cobalt sales volume.

At Oil and Gas, revenue for the three and six months ended June 30, 2020 was 20% and 21% lower, respectively, than the same periods in the prior year primarily due to lower average-realized prices and lower gross working-interest sales volume in Cuba due to natural reservoir declines. Average realized prices in Cuba were 52% and 47% lower for the three and six months ended June 30, 2020, respectively, than the same periods in the prior year, reflecting lower U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

Excluding Balance Sheet Initiative transaction costs and the non-cash impacts of share-based compensation and depreciation, administrative expenses for the three and six months ended June 30, 2020 decreased by $1.0 million and $2.8 million, respectively, compared to the same periods in the prior year. Administrative expenses for the three and six months ended June 30, 2020 include $1.6 million and $2.8 million, respectively, of transaction costs related to the Balance Sheet Initiative.

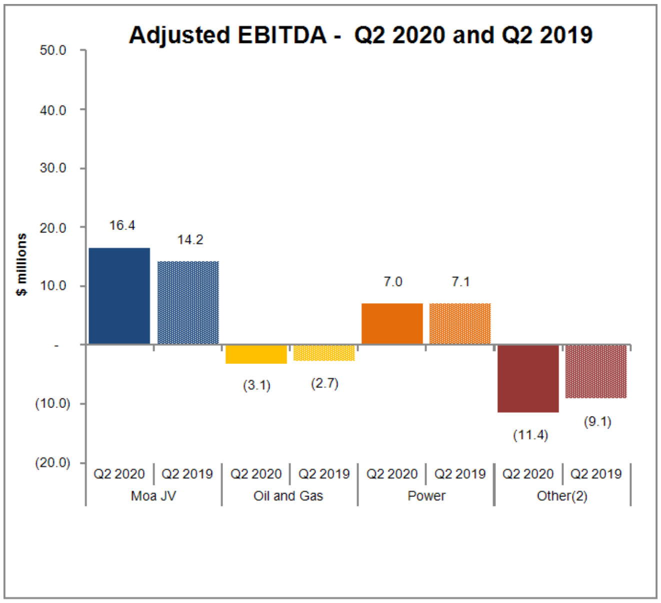
The Corporation recognized net losses of $50.8 million and $68.0 million on revaluation of allowances for expected credit losses on financial assets with the Ambatovy Joint Venture and Moa Joint Venture, respectively. The allowances for expected credit losses reflect probability-weighted scenarios for expected credit losses.

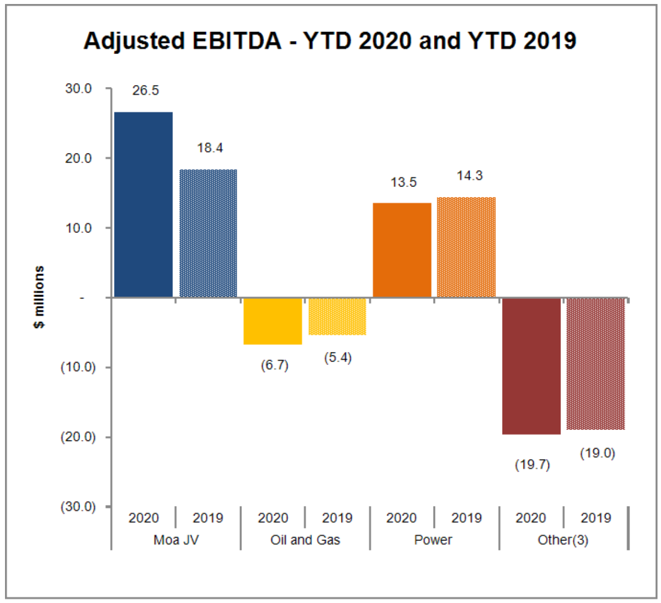
The Corporation recognized an unrealized foreign exchange loss of $13.1 million and a gain of $10.4 million for the three and six months ended June 30, 2020, respectively, compared to losses of $13.0 million and $13.8 million for the same periods in the prior year, respectively. Unrealized exchange gains/losses are impacted by the change in period-end exchange rates and the balance of the Corporation's U.S. dollar-denominated net assets.

The Corporation recognized a higher combined income tax expense for the three and six months ended June 30, 2020 primarily due to one of the Moa Joint Venture entities having higher taxable income in the current periods compared to the same periods in the prior year.

ADJUSTED EBITDA

Total Adjusted EBITDA[1] for the three and six months ended June 30, 2020 was $8.9 million and $13.6 million, respectively, compared to $9.5 million and $8.3 million, respectively, in the same periods in the prior year. Adjusted EBITDA by business segment is as follows:





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

(2) Q2 2020 Other includes - Other Metals - $0.3 million and Corporate and other - $(11.7) million. (Q2 2019 Other includes - Other Metals - $(0.2) million and Corporate and other - $(8.9) million).

(3) YTD 2020 Other includes - Other Metals - $0.8 million and Corporate and other - $(20.5) million. (YTD 2019 Other includes - Other Metals - $0.2 million and Corporate and other - $(19.2) million).

CONSOLIDATED FINANCIAL POSITION

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

$ millions, except as noted, as at	2020 June 30	2019 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	**$ 172.4**	$ 166.1	4%
Working capital(1)	**(511.2)**	47.0	(1,188%)
Current ratio(1)	**0.44:1**	1.14:1	(159%)
Total assets	**$ 1,663.0**	$ 1,738.1	(4%)
Loans and borrowings(2)	**727.6**	713.6	2%
Total liabilities	**1,058.7**	1,016.0	4%
Shareholders' equity	**604.3**	722.1	(16%)

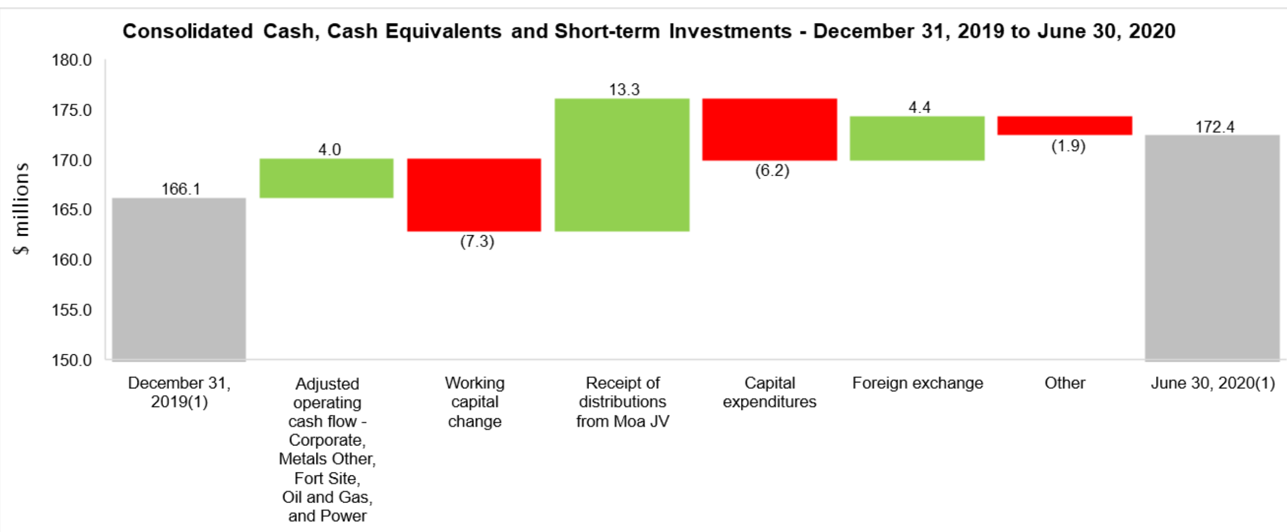
(1) Current liabilities exceeded current assets as at June 30, 2020 as a result of all of the senior unsecured debentures being classified as current liabilities as at June 30, 2020 as a result of the events of defaults related to the Transaction described in the Liquidity and capital resources section of this MD&A. The defaults are expected to be released in the third quarter once the Transaction is completed and New Second Lien Notes are issued.

(2) The Corporation announced amendments to the Transaction during the quarter which, if approved, would reduce Sherritt's total recourse debt by approximately $155 million by exchanging the Corporation's Existing Notes in the aggregate principal amount of approximately $588 million, together with accrued and unpaid interest, for New Second Lien Notes with an aggregate principal amount of approximately $358 million and New Junior Notes with an aggregate principal amount of approximately $75 million. The Transaction also proposes exchanging the Ambatovy Joint Venture partner loans with an aggregate principal amount of approximately $152 million for the Ambatovy Joint Venture Interests. The Transaction would also result in an extension of the maturities under the Existing Notes from 2021, 2023 and 2025, respectively, to 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. The final principal amount of New Second Lien Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date, and other matters.

LIQUIDITY

At June 30, 2020, total available liquidity was $234.2 million which is composed of cash, cash equivalents, short-term investments and $61.8 million of available credit facilities. As at June 30, 2020, $47 million of letters of credit related to reclamation costs associated with Sherritt's Spanish oil assets were not renewed. The Corporation is in discussions with its Spanish partners on a potential alternative arrangement. The total liquidity excludes restricted cash of $5.3 million.

Cash, cash equivalents and short-term investments at June 30, 2020 increased by $6.3 million from December 31, 2019. The components of this change are shown below:



(1) As at June 30, 2020, $84.7 million of the Corporation's cash, cash equivalents and short-term investments was in Cuba (December 31, 2019 - $85.3 million).

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

- positive adjusted operating cash flow at Power, Fort Site and Metals Other, partially offset by negative adjusted operating cash flow at Oil and Gas and Corporate;
- $13.3 million in distributions received from the Moa Joint Venture;
- $16.5 million in interest received on the Energas conditional sales agreement;
- $4.4 million effect of exchange rate changes on cash and cash equivalents; partially offset by,
- negative working capital change primarily due to the timing of working capital payments, partially offset by receipts of Cuban energy payments and a $16 million prepayment against future deliveries of nickel in 2020; and
- $6.2 million in capital expenditures.

Outlook

2020 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	Initial 2020 guidance - Total[1]	Year-to-date actuals - Total	Updated 2020 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	15,966	32,000 - 33,000
Cobalt, finished	3,300 - 3,600	1,650	3,300 - 3,400
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,153	3,000 - 3,300
Oil and Gas – All operations (net working-interest, boepd)	1,900 - 2,100	1,841	1,800 - 2,000
Electricity (GWh, 33⅓% basis)	500 - 550	306	500 - 550
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.10	$4.00 - $4.50
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$27.11	$28.00 - $29.50
Electricity (unit operating cost, $ per MWh)	$28.00 - $29.50	$14.34	$24.50 - $26.00
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)[2]	US$34 (CDN$45)	US$12 (CDN$16)	US$22 (CDN$30)
Oil and Gas	US$6 (CDN$8)	US$2 (CDN$3)	US$4 (CDN$6)
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	US$1 (CDN$1.3)
Spending on capital (excluding Corporate)	US$41 (CDN$54)	US$14 (CDN$19)	US$27 (CDN$37)

(1) As originally announced January 22, 2020.

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

Significant factors influencing operations

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

Nickel

Nickel market conditions improved throughout the second quarter of 2020 in concert with the restart of economic and manufacturing activities in China and Europe following the outbreak of the COVID-19 pandemic in the first quarter of the year.

Nickel prices on the London Metals Exchange (LME) started Q2 at US$5.12/lb and closed on June 30 at US$5.81/lb.

Although nickel prices showed signs of recovery, nickel inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE) remained relatively flat. Combined inventory levels at June 30 totaled approximately 262,000 tonnes, up from approximately 256,000 at April 1.

Nickel inventories on the LME and SHFE have not increased significantly despite the reduced production of stainless steel over the past several months largely because a number of nickel mines around the world have significantly reduced production or have gone into care and maintenance as a result of the spread of COVID-19.

In the near term, nickel prices are expected to be volatile given the ongoing economic uncertainty caused by the pandemic. As mining operations resume production activities, nickel inventory levels may rise given that supply could exceed demand as a number of industries that are large consumers of stainless steel, such as food and hospitality sector, will experience a delayed or slower economic recovery.

In light of this uncertainty, a number of industry experts have lowered their forecasts for nickel demand, reflecting negative market sentiment through end of 2020. Previously, demand for nickel through 2025 was expected to grow by approximately 3% per year to 2.8 million tonnes according to market research by Wood Mackenzie. Recovery of demand is expected to return in 2021.

Nickel pig iron production has increased substantially, and some industry analysts are predicting an oversupplied nickel market in the near term as a result. This development is putting additional pressure on producers of lower-grade material such as ferronickel, which is currently selling at significant discount.

Over the longer term, demand for nickel is expected to increase with the increased adoption of electric vehicles since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries.

A shortage of nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects.

Cobalt

In contrast to the slow recovery of nickel prices and demand in Q2 2020, cobalt prices and demand experienced considerable softness. Cobalt prices, in fact, decreased by 8% in Q2, reversing the upward trend experienced in Q1.

Standard grade cobalt prices on June 30 closed at US$14.88/lb, down from $16.18/lb at the start of the quarter according to data collected by Fastmarkets MB. Cobalt prices since the start of Q3 have extended this downward trend as consumer purchasing has continued to soften.

Market conditions have deteriorated because of the impact that the spread of COVID-19 is having on several industries, such as the aerospace sector, that make extensive use of cobalt as a key component to manufacturing activities as a super alloy. With recovery of these sectors expected to be slow or delayed, it is anticipated that cobalt market demand and prices will continue to be soft in the near term.

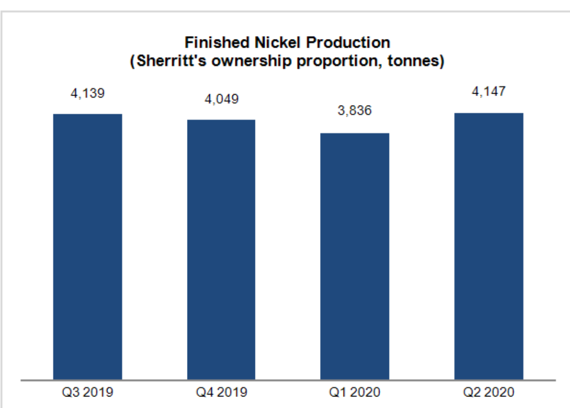
Over the longer term, the outlook for cobalt remains strong given the accelerated growth of electric vehicle demand expected in the coming years. Cobalt, in particular, is a key component of rechargeable batteries providing energy density and stability.

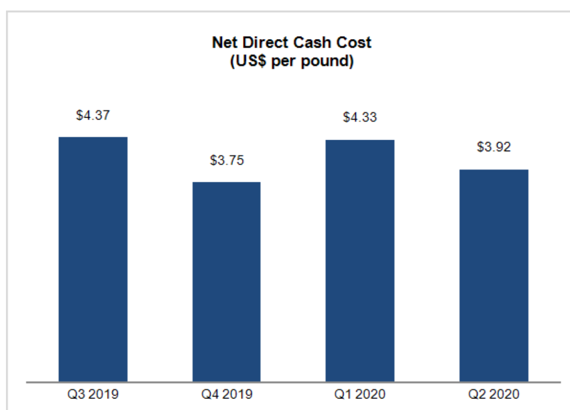
Review of operations

MOA JOINT VENTURE AND FORT SITE

$ millions, except as otherwise noted	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 115.5**	$ 123.1	(6%)	**$ 209.0**	$ 225.4	(7%)
(Loss) earnings from operations	**1.2**	(0.4)	400%	**(3.5)**	(9.9)	65%
Adjusted EBITDA(1)	**16.4**	14.2	15%	**26.5**	18.4	44%
CASH FLOW						
Cash provided by operations	**$ 12.7**	$ 7.7	65%	**$ 17.2**	$ 3.6	378%
Adjusted operating cash flow(1)	**15.6**	14.8	5%	**22.8**	17.6	30%
Free cash flow(1)	**6.2**	(0.1)	6300%	**4.1**	(10.5)	139%
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,323**	4,306	-	**8,337**	8,642	(4%)
Finished Nickel	**4,147**	3,969	4%	**7,983**	8,366	(5%)
Finished Cobalt	**425**	415	2%	**825**	841	(2%)
Fertilizer	**69,777**	59,665	17%	**125,866**	126,627	(1%)
NICKEL RECOVERY (%)	**86%**	86%	-	**84%**	85%	(1%)
SALES VOLUMES (tonnes)						
Finished Nickel	**4,169**	4,073	2%	**7,942**	8,464	(6%)
Finished Cobalt	**353**	429	(18%)	**734**	889	(17%)
Fertilizer	**72,071**	66,552	8%	**103,211**	93,509	10%
AVERAGE REFERENCE PRICES (US$ per pound)						
Nickel	**$ 5.54**	$ 5.56	-	**$ 5.66**	$ 5.59	1%
Cobalt(2)	**15.19**	15.64	(3%)	**15.89**	17.09	(7%)
AVERAGE-REALIZED PRICE(1)						
Nickel ($ per pound)	**$ 7.51**	$ 7.52	-	**$ 7.55**	$ 7.51	1%
Cobalt ($ per pound)	**18.39**	19.56	(6%)	**18.79**	17.00	11%
Fertilizer ($ per tonne)	**399**	491	(19%)	**384**	470	(18%)
UNIT OPERATING COST(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 3.92**	$ 3.83	2%	**$ 4.10**	$ 4.19	(2%)
SPENDING ON CAPITAL(3)						
Sustaining	**$ 9.5**	$ 7.8	22%	**$ 16.1**	$ 21.8	(26%)
	$ 9.5	$ 7.8	22%	**$ 16.1**	$ 21.8	(26%)

(1) For additional information see the Non-GAAP measures section.
(2) Average standard-grade cobalt published price per Fastmarkets MB.
(3) Spending on capital for the three and six months ended June 30, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.



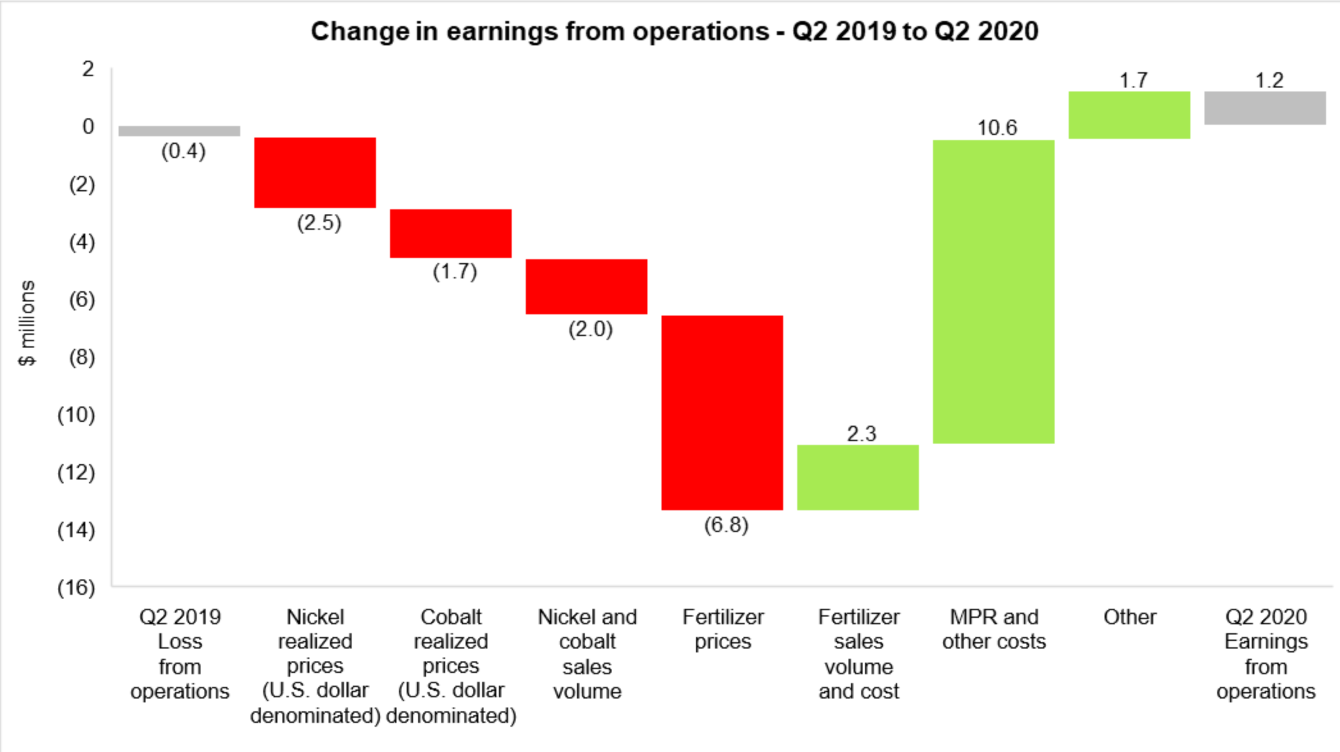


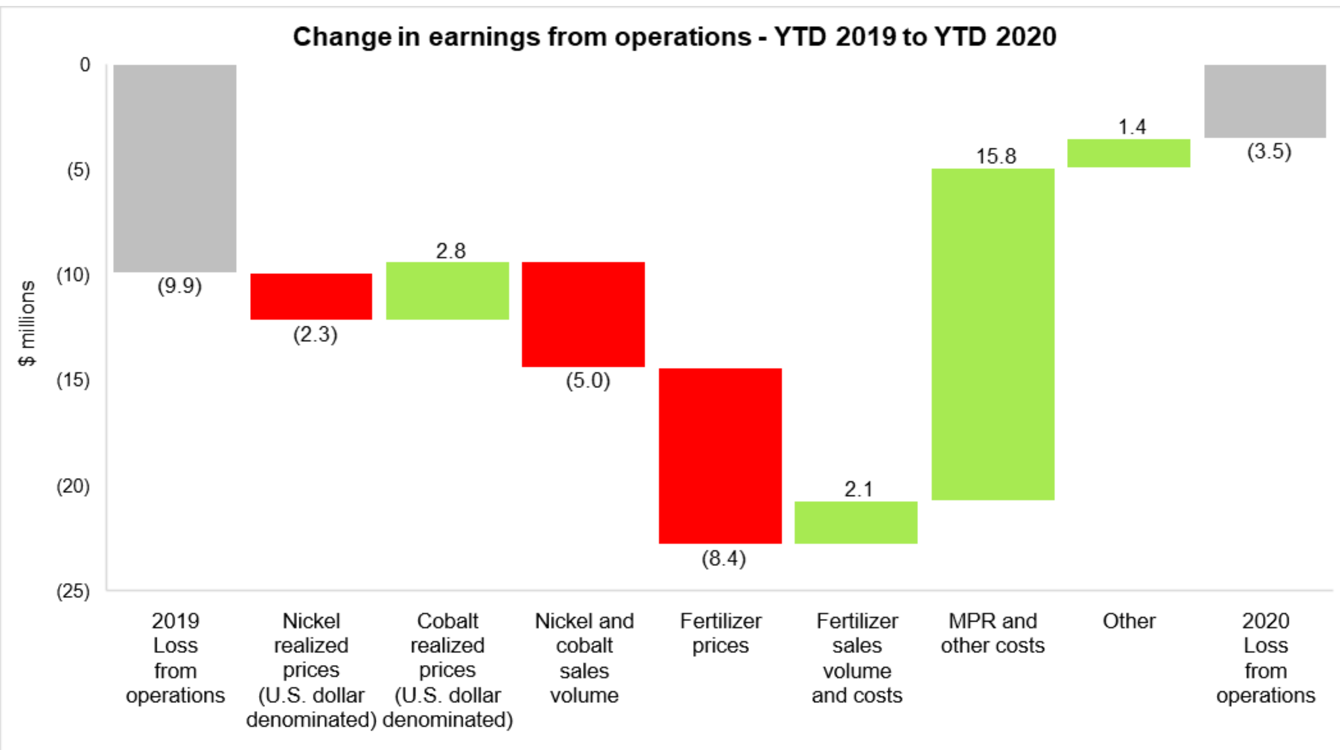
Revenue, cost of sales and NDCC are composed of the following:

	For the three months ended			For the six months ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
REVENUE						
Nickel	**$ 69.0**	$ 67.5	2%	**$ 132.2**	$ 140.2	(6%)
Cobalt	**14.3**	18.5	(23%)	**30.4**	33.3	(9%)
Fertilizers	**28.7**	32.7	(12%)	**39.6**	44.0	(10%)
Other	**3.5**	4.4	(20%)	**6.8**	7.9	(14%)
	$ 115.5	$ 123.1	(6%)	**$ 209.0**	$ 225.4	(7%)
COST OF SALES[1]						
Mining, processing and refining (MPR)	**$ 58.7**	$ 67.0	(12%)	**$ 119.7**	$ 142.7	(16%)
Third-party feed costs	**3.4**	4.6	(26%)	**7.6**	8.5	(11%)
Fertilizers	**23.7**	23.2	2%	**32.6**	30.6	7%
Selling costs	**5.6**	4.6	22%	**9.4**	8.4	12%
Other	**5.1**	7.5	(32%)	**8.3**	12.2	(32%)
	$ 96.5	$ 106.9	(10%)	**$ 177.6**	$ 202.4	(12%)
NET DIRECT CASH COST[2] (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 4.78**	$ 5.71	(16%)	**$ 5.05**	$ 5.65	(11%)
Third-party feed costs	**0.27**	0.39	(31%)	**0.32**	0.34	(6%)
Cobalt by-product credits	**(1.13)**	(1.54)	27%	**(1.28)**	(1.34)	4%
Other[3]	**-**	(0.73)	100%	**0.01**	(0.46)	102%
	$ 3.92	$ 3.83	2%	**$ 4.10**	$ 4.19	(2%)

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

The change in earnings from operations is detailed below:





Average reference prices for nickel were comparable for the three and six months ended June 30, 2020, respectively, to the same periods in the prior year, while cobalt reference prices were 3% and 7% lower than in the comparable prior year periods. Average-realized prices for nickel were comparable for the three and six months ended June 30, 2020 to the same periods in the prior year. Average-realizes prices for cobalt were 6% lower and 11% higher for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year. Realized prices for the three and six months ended June 30, 2020, respectively, were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

Mixed sulphides production was comparable for the three months ended June 30, 2020 to the same period in the prior year. Mixed sulphides production for the six months was lower compared to the same period in the prior year primarily as a result of heavy rains in Cuba in January which impacted mining operations, as well as unplanned downtime in the leach plant, which has since returned to production capacity.

The nickel recovery rates were comparable for the three and six months ended June 30, 2020, respectively, to the same periods in the prior year.

Finished nickel and cobalt production has not been significantly affected by COVID-19 and was higher for the three months ended June 30, 2020 due to the decision to delay the annual shutdown of the refinery in Fort Saskatchewan for planned maintenance as a safety measure to prevent the spread of COVID-19. Annual maintenance shutdown activities were completed subsequent to the start of Q3 2020 with the duration extending by four days when compared to plan and the annual shutdown of the prior year. The shutdown extension was due to limited local contractor availability and additional repair scope identified. Shutdown costs for 2020 were consistent with plan and costs incurred in 2019. Increased finished production stemming from the re-scheduling of the planned annual maintenance shutdown and operational excellence initiatives helped to offset the impact of transportation delays of mixed sulphides to the refinery from Moa experienced in April. Finished nickel and cobalt production was lower for the six months ended June 30, 2020 due to lower mixed sulphides availability at the Fort Site, primarily due to transportation delays in shipping mixed sulphides from Moa to the refinery caused by poor weather and congestion at the port of Moa, as well as Canadian rail transportation issues, all of which have since ended.

The ratio of finished nickel to cobalt production was comparable for the three and six months ended June 30, 2020, respectively, to the same periods in the prior year.

Fertilizer's earnings from operations for the three and six months ended June 30, 2020 were lower compared to the same periods in the prior year primarily due to lower realized prices, which were lower primarily due to reduced North American demand, lower ammonia input prices and increased fertilizer product supply in the current periods. Other costs for the three and six months ended June 30, 2020 were lower primarily due to the impact of lower sulphur prices on sulphuric acid cost of sales at Fort Saskatchewan.

Mining, processing and refining (MPR) unit costs for the three and six months ended June 30, 2020 were 16% and 11% lower, respectively, compared to the same periods in the prior year primarily due to lower sulphur and fuel oil prices. For the six months ended June 30, 2020, the decrease was partially offset by lower nickel sales volume.

NDCC for the three months ended June 30, 2020 was higher compared to the same period in the prior year primarily as a result of lower fertilizer and cobalt by-product credits, partially offset by lower MPR costs, as discussed above, and lower third-party feed costs. NDCC for the six months ended June 30, 2020 was lower compared to the same period in the prior year primarily as a result of lower MPR costs, as discussed above, partially offset by lower fertilizer and cobalt by-product credits.

Sustaining capital spending for the three months ended June 30, 2020 was higher than the same period in the prior year primarily due to receipt of mining equipment in Q2 2020 and was lower for the six months ended June 30, 2020 than the same period in the prior year primarily due to austerity measures implemented during Q1 2020 in response to volatile commodity prices and uncertainties related to the impact of COVID-19.

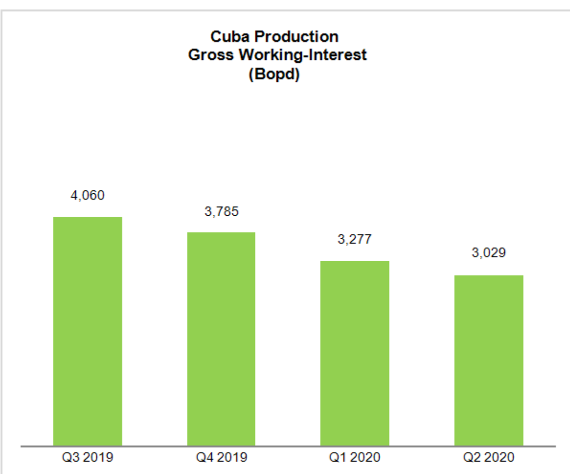
OIL AND GAS

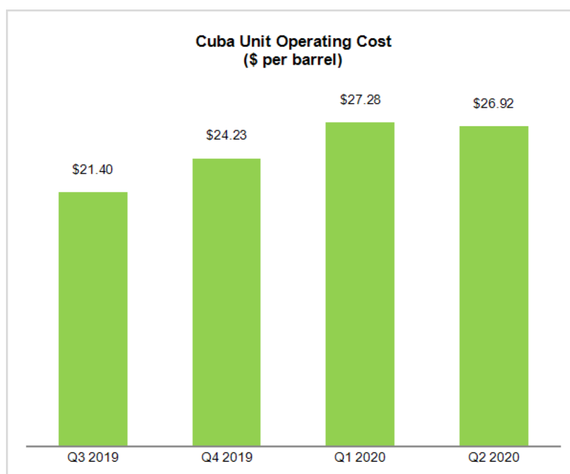
$ millions, except as otherwise noted	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 6.0**	$ 7.5	(20%)	**$ 13.1**	$ 16.5	(21%)
Loss from operations	**(4.5)**	(5.4)	17%	**(10.1)**	(11.1)	9%
Adjusted EBITDA(1)	**(3.1)**	(2.7)	(15%)	**(6.7)**	(5.4)	(24%)
CASH FLOW						
Cash (used) provided by operations	**$ (8.6)**	$ 21.5	(140%)	**$ (16.0)**	$ 13.5	(219%)
Adjusted operating cash flow(1)	**(3.8)**	(4.6)	17%	**(7.4)**	(6.8)	(9%)
Free cash flow(1)	**(10.5)**	11.2	(194%)	**(19.6)**	(3.7)	(430%)
PRODUCTION AND SALES(2)						
Gross working-interest (GWI) - Cuba	**3,029**	4,420	(31%)	**3,153**	4,432	(29%)
Total net working-interest (NWI)	**1,931**	1,523	27%	**1,841**	1,648	12%
AVERAGE REFERENCE PRICES (US$ per barrel)						
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**24.86**	61.26	(59%)	**30.99**	61.15	(49%)
AVERAGE-REALIZED PRICES(1) (per NWI)						
Cuba ($ per barrel)	**$ 29.82**	$ 62.11	(52%)	**$ 32.27**	$ 60.47	(47%)
UNIT OPERATING COSTS(1)(2) (per GWI)						
Cuba ($ per barrel)	**$ 26.92**	$ 19.93	35%	**$ 27.11**	$ 20.56	32%
SPENDING ON CAPITAL(3)						
Development, facilities and other	**$ (0.1)**	$ (0.5)	80%	**$ -**	$ 1.0	(100%)
Exploration	**1.2**	11.8	(90%)	**2.8**	16.0	(83%)
	$ 1.1	$ 11.3	(90%)	**$ 2.8**	$ 17.0	(84%)

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

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

(3) Spending on capital for the three and six months ended June 30, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.





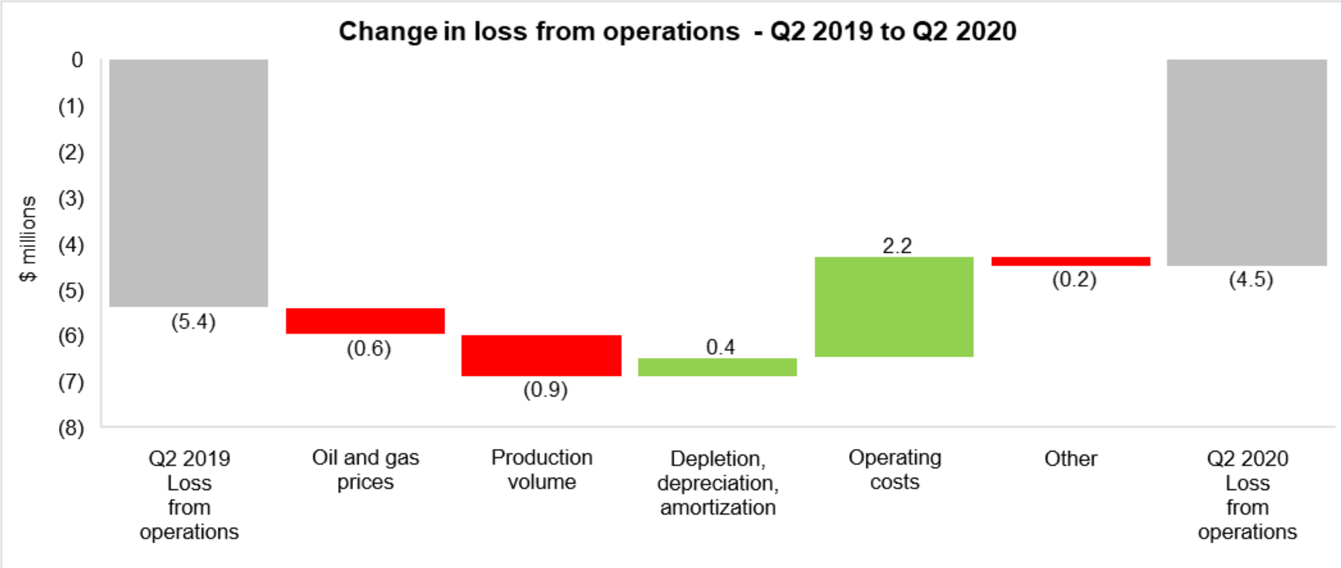
$ millions, except as otherwise noted	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
REVENUE						
Cuba	**$ 5.1**	$ 5.7	(11%)	**$ 10.0**	$ 12.4	(19%)
Other[3]	**0.2**	0.7	(71%)	**1.4**	1.6	(13%)
Processing	**0.7**	1.1	(36%)	**1.7**	2.5	(32%)
	$ 6.0	$ 7.5	(20%)	**$ 13.1**	$ 16.5	(21%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[1][2]						
Gross working-interest (GWI) oil production in Cuba	**3,029**	4,420	(31%)	**3,153**	4,432	(29%)
Net working-interest (NWI) oil production						
Cuba (heavy oil)						
Cost recovery	**1,770**	766	131%	**1,584**	891	78%
Profit oil	**96**	250	(62%)	**116**	241	(52%)
Total	**1,866**	1,016	84%	**1,700**	1,132	50%
Other[3]	**65**	507	(87%)	**141**	516	(73%)
	1,931	1,523	27%	**1,841**	1,648	12%

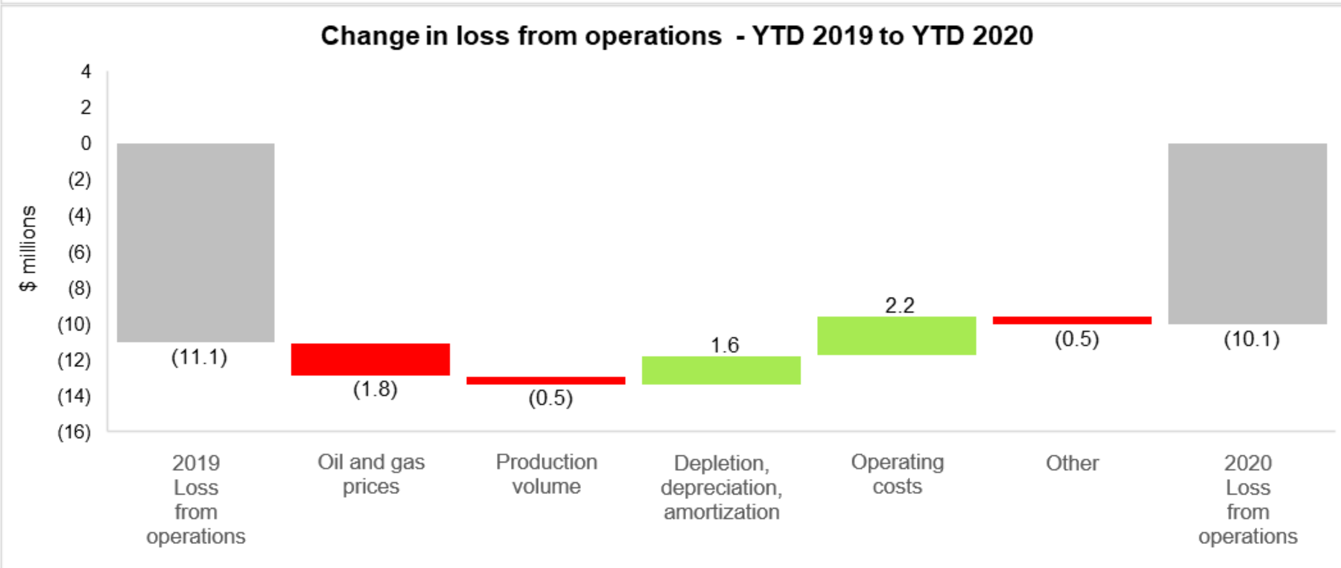
(1) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to CUPET at the time of production.

(2) For additional information regarding determination of gross working-interest and net working–interest, see the Corporation's MD&A for the year ended December 31, 2019.

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

The change in (loss) earnings from operations is detailed below:





Realized prices in Cuba were lower for the three and six months ended June 30, 2020 compared to the same periods in the prior year, reflecting lower USGC HSFO reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

GWI production in Cuba was lower for the three and six months ended June 30, 2020 primarily due to natural reservoir declines and the absence of new development drilling. Cuba cost recovery oil production for the three and six months ended June 30, 2020 was higher than the same periods in the prior year as the impact of lower oil prices offset the impact of lower GWI production. Profit oil production, which represents Sherritt's share of production after cost recovery volume is deducted from GWI volume, was lower than the same periods in the prior year reflecting the higher cost recovery oil production allocation as discussed above.

Total operating costs were lower for the three and six months ended June 30, 2020; however, unit operating costs in Cuba were higher, primarily as a result of the impact of lower GWI production in Cuba compared to the same periods in the prior year. Total operating costs were negatively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

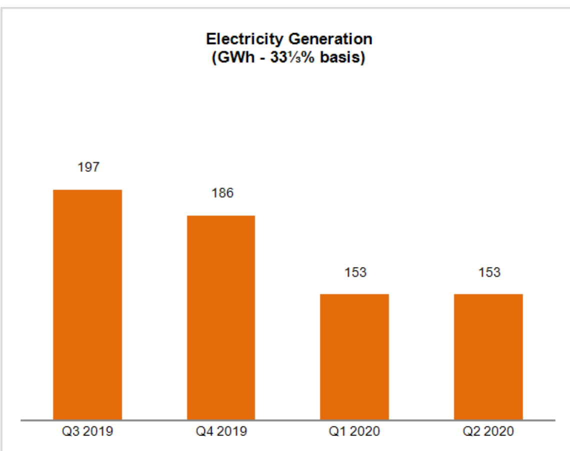
Exploration spending was lower for the three and six months ended June 30, 2020 compared to the same periods in the prior year due to limited spending on drilling activities on Block 10 as the Corporation assessed drill results.

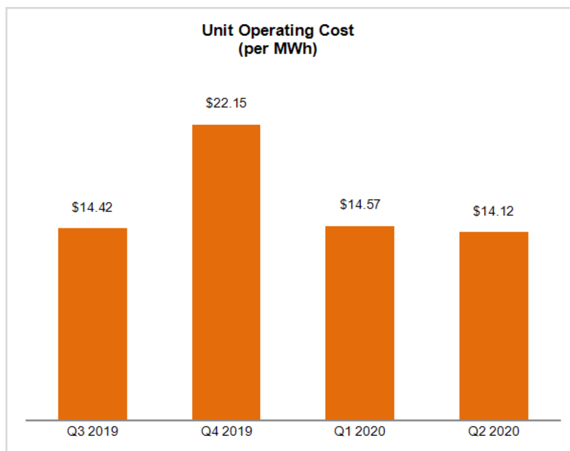
Sherritt completed a preliminary analysis of Block 10 test samples. The analysis, which was delayed by two months due to cargo travel restrictions imposed by Cuba due to COVID-19, was inconclusive. Sherritt plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted.

POWER

$ millions (33⅓% basis), except as otherwise noted		For the three months ended 2020 June 30		2019 June 30	Change		For the six months ended 2020 June 30		2019 June 30	Change
FINANCIAL HIGHLIGHTS										
Revenue	**$**	**9.6**	$	11.1	(14%)	**$**	**19.0**	$	21.8	(13%)
Earnings from operations		**1.6**		0.8	100%		**2.9**		1.7	71%
Adjusted EBITDA[1]		**7.0**		7.1	(1%)		**13.5**		14.3	(6%)
CASH FLOW										
Cash provided by operations	**$**	**8.3**	$	11.6	(28%)	**$**	**26.7**	$	15.2	76%
Adjusted operating cash flow[1]		**15.7**		7.0	124%		**28.9**		13.3	117%
Free cash flow[1]		**8.3**		11.5	(28%)		**26.7**		14.6	83%
PRODUCTION AND SALES										
Electricity (GWh[2])		**153**		180	(15%)		**306**		353	(13%)
AVERAGE-REALIZED PRICES[1]										
Electricity (per MWh[2])	**$**	**58.48**	$	56.20	4%	**$**	**57.73**	$	55.97	3%
UNIT OPERATING COSTS										
Electricity (per MWh[1][2])		**14.12**		16.35	(14%)		**14.34**		18.27	(22%)
SPENDING ON CAPITAL[3]										
Sustaining	**$**	**-**	$	0.1	(100%)	**$**	**-**	$	0.6	(100%)
	$	**-**	$	0.1	(100%)	**$**	**-**	$	0.6	(100%)

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).
(3) Spending on capital for the three and six months ended June 30, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.





Power revenue is composed of the following:

$ millions (33⅓% basis)		For the three months ended 2020 June 30		2019 June 30	Change		For the six months ended 2020 June 30		2019 June 30	Change
Electricity sales	**$**	**9.0**	$	10.1	(11%)	**$**	**17.7**	$	19.7	(10%)
By-products and other		**0.6**		1.0	(40%)		**1.3**		2.1	(38%)
	$	**9.6**	$	11.1	(14%)	**$**	**19.0**	$	21.8	(13%)

Production and sales volumes were lower for the three and six months ended June 30, 2020 compared to the same periods in the prior year primarily as a result of lower gas supply. The change in the average-realized prices of electricity compared to the same periods in the prior year was due to the weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs were lower for the three and six months ended June 30, 2020 compared to the same periods in the prior year due to limiting operational spending to manage within Cuban energy receipts. This decrease was partially offset by lower sales volume and the negative impact of a weaker Canadian dollar relative to the U.S. dollar, as costs are primarily denominated in U.S. dollars.

Power had negligible capital spending for the three and six months ended June 30, 2020.

Liquidity and capital resources

Total available liquidity at June 30, 2020 was $234.2 million, which is composed of available cash, cash equivalents, short term investments and $61.8 million of available credit facilities. As at June 30, 2020, $47 million of letters of credit related to reclamation costs associated with Sherritt's Spanish oil assets were not renewed. The Corporation is in discussions with its Spanish partners on a potential alternative arrangement. Total available liquidity excludes restricted cash of $5.3 million.

CASH AND SHORT-TERM INVESTMENTS

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

$ millions, as at June 30, 2020	Cash	Cash equivalents and short-term investments	Total
Canada	$ 50.2	$ 32.9	$ 83.1
Cuba	84.7	-	84.7
Other	4.6	-	4.6
	$ 139.5	$ 32.9	$ 172.4
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			$ 35.4

SOURCES AND USES OF CASH

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

$ millions	For the three months ended 2020 June 30	2019 June 30	Change	For the six months ended 2020 June 30	2019 June 30	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	**$ (8.6)**	$ 21.5	(140%)	**$ (16.0)**	$ 13.5	(219%)
Power operating cash flow	**8.3**	11.6	(28%)	**26.7**	15.2	76%
Fort Site operating cash flow	**(7.9)**	(13.1)	40%	**(5.4)**	(24.8)	78%
Distributions received from the Moa Joint Venture	**-**	13.5	(100%)	**13.3**	16.8	(21%)
Interest paid on debentures	**-**	(15.5)	100%	**-**	(22.9)	100%
Corporate, Metals Other, and other operating cash flow	**(4.4)**	(3.1)	(42%)	**(8.6)**	(17.5)	51%
Cash (used) provided by continuing operations	**(12.6)**	14.9	(185%)	**10.0**	(19.7)	151%
Cash (used) provided by discontinued operations(1)	**(0.7)**	(0.8)	13%	**(1.1)**	14.0	(108%)
	$ (13.3)	$ 14.1	(194%)	**$ 8.9**	$ (5.7)	256%
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible expenditures	**$ (3.6)**	$ (11.9)	70%	**$ (6.2)**	$ (19.7)	69%
Receipts of advances, loans receivable and other financial assets	**0.1**	0.1	-	**0.3**	0.3	-
Repayment of other financial liabilities	**(0.4)**	(0.8)	50%	**(1.1)**	(1.4)	21%
Effect of exchange rates and other	**(3.8)**	(2.0)	(90%)	**4.4**	(3.7)	219%
	$ (7.7)	$ (14.6)	47%	**$ (2.6)**	$ (24.5)	89%
	(21.0)	(0.5)	nm(2)	**6.3**	(30.2)	121%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**193.4**	177.3	9%	**166.1**	207.0	(20%)
End of the period	**$ 172.4**	$ 176.8	(2%)	**$ 172.4**	$ 176.8	(2%)

(1) Cash (used) provided by discontinued operations relates to payments made, or insurance proceeds received, in respect of a provision retained by the Corporation following the sale of its Coal operations in 2014.

(2) Not meaningful (nm).

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

Cash provided by operating activities was lower and higher for the three and six months ended June 30, 2020, respectively, compared to the same periods in the prior year, primarily as a result of the following:

- lower cash provided by operating activities at Oil and Gas for the three and six months ended June 30, 2020 primarily due to lower Cuban energy receipts;
- lower cash provided by operating activities at Power for the three months ended June 30, 2020 primarily due to lower Cuban energy receipts. Cash provided by operating activities at Power for the six months ended June 30, 2020 was higher primarily due to higher Cuban energy receipts;
- lower cash used by operating activities at Fort Site for the three and six months ended June 30, 2020 primarily due to timing of fertilizer pre-sale receipts and deliveries;
- no interest paid on debentures for the three and six months ended June 30, 2020 as a result of the Balance Sheet Initiative discussed in the Highlights section of this MD&A;
- lower distributions received from the Moa Joint Venture for the three and six months ended June 30, 2020; and
- higher cash used by Corporate, Metals Other and other operating activities for the three months ended June 30, 2020 primarily due to Balance Sheet Initiative transaction costs. Cash used by Corporate, Metals Other and other operating activities was lower for the six months ended June 30, 2020 primarily due to the receipt of a $16 million prepayment against future nickel deliveries in 2020, partially offset by Balance Sheet Initiative transaction costs.

Included in investing and financing activities are expenditures on property, plant and equipment, which decreased due to austerity measures, and expenditures on intangibles related to Block 10, which decreased as the Corporation has completed drilling and plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted. Cash also decreased and increased in the three and six months ended June 30, 2020, respectively, due to the effect of exchange rate changes on cash and cash equivalents as a result of the appreciation and depreciation of the Canadian dollar since March 31, 2020 and December 31, 2019, respectively.

The Corporation's Adjusted EBITDA[1] reconciles to the increase in cash, cash equivalents and short-term investments as follows for the six months ended June 30, 2020:

$ millions, for the six months ended June 30		2020
Adjusted EBITDA[1]	$	13.6
Add (deduct):		
Moa Joint Venture Adjusted EBITDA		(23.9)
Distributions from the Moa Joint Venture		13.3
Interest received on Energas CSA		16.5
Net change in non-cash working capital		(7.3)
Other		(2.2)
Cash provided by continuing operations per financial statements		10.0
Add (deduct):		
Capital expenditures		(6.2)
Effect of exchange rate changes on cash and cash equivalents		4.4
Other		(1.9)
Change in cash, cash equivalents and short-term investments	$	6.3

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Canadian $ millions, as at June 30, 2020	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 161.6	$ 161.6	$ -	$ -	$ -	$ -	$ -
Income taxes payable	12.7	12.7	-	-	-	-	-
Senior unsecured debentures(1)	756.0	45.8	208.6	32.2	222.6	17.4	229.4
Ambatovy Joint Venture Partner loans	160.3	-	-	160.3	-	-	-
Syndicated revolving-term credit facility	8.1	8.1	-	-	-	-	-
Provisions	141.0	4.5	-	0.5	0.5	50.9	84.6
Lease liabilities	22.3	2.5	2.7	2.8	2.5	2.4	9.4
Capital commitments	6.8	6.8	-	-	-	-	-
Other	0.3	-	-	0.3	-	-	-
Total	$ 1,269.1	$ 242.0	$ 211.3	$ 196.1	$ 225.6	$ 70.7	$ 323.4

(1) The maturity analysis for the senior unsecured debentures is based on contractual cash flows according to the indenture agreement prior to the events of default. The Stay of Proceedings prevents any enforcement actions in respect of the Existing Notes and is in effect until the earlier of the implementation of the Transaction under the CBCA or the termination of the CBCA proceedings. Unpaid interest on the senior unsecured debentures of $22.9 million is included in accounts payable and accrued liabilities falling due within 1 year. As discussed in the Events of default section of this MD&A, as part of the Transaction, the senior unsecured debentures, together with all accrued and unpaid interest thereon up to but excluding the Effective Date, will be exchanged for New Second Lien Notes due in 2026 and New Junior Notes due in 2029 will be issued and the events of default will be released.

DEBT RESTRUCTURING

In February 2020, the Corporation announced the Transaction and in June and July 2020, it announced amended terms to the Transaction, to be implemented pursuant to the Plan of Arrangement under the CBCA that provides for, among other things, the exchange of the Existing Notes in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon in the aggregate for (i) the New Second Lien Notes in an aggregate principal amount equal to 54% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, (ii) the New Junior Notes in an aggregate principal amount of $75 million and (iii) certain early consent cash consideration in an amount of approximately $16 million. Interest on the New Second Lien Notes is payable semi-annually in cash and interest on the New Junior Notes is payable semi-annually in cash or in-kind, at Sherritt's election. Based on an Effective Date of August 31, 2020, the aggregate principal amount of the New Second Lien Notes would be approximately $358 million, and thus, together with the $75 million of principal amount of the New Junior Notes, if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by approximately $155 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2026 under the New Second Lien Notes and 2029 under the New Junior Notes. The final principal amount of New Second Lien Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date.

The Transaction, as amended, and the Plan of Arrangement also provide that all of Sherritt's obligations under the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners, plus all accrued and unpaid interest in respect thereof, will be exchanged for each Ambatovy Joint Venture partner's pro rata share of the Ambatovy Joint Venture Interests. This would result in a further reduction of recourse loans and borrowings of approximately $152 million using the Corporation's Ambatovy Joint Venture partner loans balance and foreign exchange rates as at June 30, 2020.

Based on the above aggregate amounts of Existing Notes and Ambatovy Joint Venture partner loans and an Effective Date of August 31, 2020, the Transaction will result in the reduction of total debt by approximately $305 million. The amount of the final debt reduction will depend on the Effective Date of the Transaction, and other matters such as the exchange rate in effect at that time.

The Plan of Arrangement pursuant to which the Transaction is being implemented was approved by Debtholders on July 23, 2020 and remains subject to Court approval and the satisfaction or waiver of the other conditions of the Plan of Arrangement. Subject to the satisfaction or waiver of all applicable conditions of the Plan of Arrangement, closing is expected in August 2020.

Approximately 50% of the Ambatovy Joint Venture Interests and 50% of the operator fee receivable held by the Corporation met the criteria to be classified as assets held for sale in July 2020, subsequent to the reporting period. The remaining Ambatovy Joint Venture Interests and operator fee receivable are expected to meet the criteria to be classified as assets held for sale upon approval of the Plan of Arrangement by the Court. Sherritt will no longer be the operator of the Ambatovy Joint Venture upon completion of the Transaction. In connection with the Ambatovy Joint Venture partner loans exchange and the transfer of operatorship, the Corporation will waive its rights to the operator fees of approximately $16 million and pay certain transaction costs for the Ambatovy Joint Venture partners. In 2017, these operator fees were restructured such that any receipts by Sherritt would first be used to repay the Ambatovy Joint Venture partner loans and then held in escrow for future Ambatovy Joint Venture funding. As the Ambatovy Joint Venture partner loans and all funding requirements will be extinguished upon the completion of the Transaction, Sherritt agreed to waive its rights to the operator fees.

Subject to Court approval of the Plan of Arrangement and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed pursuant to the Plan of Arrangement by August 31, 2020. Upon implementation, the Plan of Arrangement would bind all Debtholders of the Corporation.

The exchange of the Existing Notes for the New Second Lien Notes, the New Junior Notes and the applicable early consent cash consideration and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests will be recognized in the condensed consolidated financial statements of the Corporation when the Transaction closes in accordance with IFRS 9 Financial Instruments.

SYNDICATED REVOLVING-TERM CREDIT FACILITY

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

On June 25, 2020, the maturity of the syndicated revolving-term credit facility was further extended to September 30, 2020. The maximum credit available, collateral and interest rates remain unchanged.

The facility is subject to the following financial covenants and restrictions through to September 30, 2020 maturity:

- EBITDA, as defined in the agreement, equal to or greater than $60.0 million;
- EBITDA-to-interest expense covenant of not less than 1.25:1;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture; and
- Minimum cash covenant balance, as defined in the agreement, of $65.0 million. The amount compared against this covenant is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus the undrawn credit.

As at June 30, 2020, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

EVENTS OF DEFAULT

Senior unsecured debentures

In accordance with the Transaction that was announced during the six months ended June 30, 2020, the Corporation did not make its March 24, 2020 interest payment of $7.4 million on its 7.50% senior unsecured debentures due 2023, its April 11, 2020 interest payment of $8.7 million on its 7.875% senior unsecured debentures due 2025 and its May 15, 2020 interest payment of $6.8 million on its 8.00% senior unsecured debentures due 2021, as all accrued and unpaid interest in respect of the Existing Notes up to the Effective Date is to be exchanged for New Second Lien Notes as discussed in the Highlights section of this MD&A. Pursuant to the Existing Notes Indenture, an event of default occurs on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period.

During the three months ended June 30, 2020, an event of default occurred on all Existing Notes as a result of non-payment of interest due on the Corporation's Existing Notes and not rectifying this default in the thirty-day grace period.

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

As a result of the event of default under the Existing Notes Indenture, the Corporation’s Existing Notes were reclassified to current liabilities as at April 23, 2020, thirty-days after non-payment of interest on the 7.50% senior unsecured debentures due 2023.

On the Effective Date, upon the exchange of the Existing Notes, together with all accrued and unpaid interest thereon, for the New Second Lien Notes, the New Junior Notes and, as applicable, the early consent cash consideration, the Existing Notes and the Existing Notes Indenture will be irrevocably cancelled and terminated pursuant to the Plan of Arrangement. As a result of the cancellation and termination of the Existing Notes and the Existing Notes Indenture, and the release of all claims with respect thereto, pursuant to the Plan of Arrangement, the holders of the Existing Notes shall have no further rights or remedies with respect to any previously triggered events of default under the Existing Notes Indenture.

Ambatovy Joint Venture partner loans

As at June 30, 2020, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture, which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. The Ambatovy Joint Venture partners’ recourse against the Corporation in respect of such default is limited to the Corporation’s ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture.

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

In the event the CBCA proceedings are terminated and the Transaction is not implemented, the Ambatovy Joint Venture partners’ may be entitled to accelerate the Ambatovy Joint Venture partner loans and pursue other remedies in respect of events of default existing under the Ambatovy Joint Venture partner loans, including seeking immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation.

On the Effective Date, upon the exchange of the Ambatovy Joint Venture partner loans for the Corporation’s Ambatovy Joint Venture Interests, the Ambatovy Joint Venture partner loans will be irrevocably cancelled and terminated pursuant to the Plan of Arrangement. As a result of the cancellation and termination of the Ambatovy Joint Venture partner loans pursuant to the Plan of Arrangement, and the release of all claims with respect thereto, pursuant to the Plan of Arrangement, the Ambatovy Joint Venture partner shall have no further rights or remedies with respect to any previously triggered events of default under the Ambatovy Joint Venture partner loans.

Syndicated revolving-term credit facility

The events of default on the Ambatovy Joint Venture partner loans and the Corporation’s Existing Notes would have also resulted in an event of default on the syndicated revolving-term credit facility; however, these potential events of default on the credit facility were waived through to the maturity of the credit facility, for so long as such defaults are stayed under the CBCA proceedings. In the event the Stay of Proceedings is terminated and the Transaction is not implemented, the waiver will cease to be in effect and the lenders under the syndicated revolving-term credit facility may be entitled to direct the agent to pursue remedies in respect of events of default existing under the syndicated revolving-term credit facility.

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $91.0 million, with no significant payments due in the next five years;
- Other contractual commitments of $6.1 million; and
- Advances and loans payable of $246.2 million. Included within this advances and loans payable balance is a $225.0 million loan payable to the entity holding the remaining 50% interest in the Moa Joint Venture.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $122.5 million, with no significant payments due in the next five years;
- Other contractual commitments of $14.7 million;
- Ambatovy revolving credit facilities of $10.4 million;
- The Ambatovy Joint Venture senior debt financing of US$197.4 million ($269.0 million) which is non-recourse to the Joint Venture partners. In September 2019, the Ambatovy Joint Venture financing lenders agreed to defer principal repayments until June 2022 and extend maturity to June 2027. In June 2020, the Ambatovy Joint Venture financing lenders agreed to defer the June 2020 interest payment to December 2020; and
- Once the Transaction is completed, and the Ambatovy Joint Venture Interests are exchanged for the Ambatovy Joint Venture partner loans by both joint venture partners, the Corporation would no longer have a proportionate share of the above commitments.

COMMON SHARES

As at July 29, 2020, the Corporation had 397,284,433 common shares outstanding. An additional 9,009,039 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan, a maximum of 47,232,200 on the issue of cobalt-linked warrants and 10,376,607 common shares issuable on the exercise of other common share warrants.

Managing risk

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks. A comprehensive list of the Corporation's significant business risks and strategies designed to manage these risks can be found in the Corporation's Annual Information Form. There have been no significant changes in these risks other than identified below.

LIQUIDITY AND ACCESS TO CAPITAL

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

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

Accounting Pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

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

There have been no new accounting pronouncements issued in the second quarter of 2020 that are expected to impact the Corporation. For a summary of accounting pronouncements issued but not yet effective, see the accounting pronouncements note in the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2020.

CRITICAL ACCOUNTING JUDGMENTS

The critical accounting judgments used in the preparation of the condensed consolidated financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2019. There have been no other significant changes in critical accounting judgments other than identified below.

Going concern

The condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities and cash-settled share-based payments, which have been measured at fair value. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: the future impact of COVID-19 on the Corporation's business and operations, the success of the balance sheet initiative, future commodity prices, timing of collections of Cuban receivables, and continued access to short-term financing.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position and these factors have been further compounded by the ongoing impacts of COVID-19, the full effects of which continue to evolve at this time. As a result, management concluded that there are material uncertainties related to the full effects of COVID-19 on the Corporation's business and operations and on the timing of collections of amounts receivable from the Corporation's Cuban energy operations, and the impacts to the business should the Corporation fail to complete its balance sheet initiative, which may cast significant doubt upon the Corporation's ability to continue as a going concern. With this uncertainty, the Corporation could face near-term liquidity constraints particularly related to the approaching maturity of its 8.00% senior unsecured debentures in the amount of $169.6 million due in 2021, as well as, the renewal of the Corporation's credit facility on September 30, 2020, which could result in repayment of $8.0 million drawn under the facility. The Corporation has numerous mitigating initiatives available to it to continue to strengthen its financial position and enhance liquidity depending on how these uncertain circumstances unfold. Among the initiatives undertaken, is the Corporation's previously announced balance sheet initiative which would lower debt levels, reduce interest costs and strengthen Sherritt's balance sheet. Subsequent to period-end, Sherritt received the necessary votes from shareholders and debtholders in support of the balance sheet initiative. Court approval and closing of the balance sheet initiative is expected in August 2020.

Summary of quarterly results[1]

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

$ millions, except per share amounts, for the three months ended	**2020 Jun 30**	2020 Mar 31	2019 Dec 31	2019 Sep 30	2019 Jun 30	2019 Mar 31	2018 Dec 31	2018 Sep 30
Revenue per financial statements	**$ 40.9**	$ 26.7	$ 31.4	$ 27.8	$ 46.5	$ 31.9	$ 37.1	$ 29.9
Share of (loss) earnings of a joint venture, net of tax	**(3.2)**	(3.9)	3.5	7.0	(1.3)	(8.9)	6.2	24.7
Share of loss of an associate, net of tax	**(26.3)**	(23.6)	(8.6)	(17.5)	(12.1)	(26.8)	(32.1)	(17.4)
Net loss from continuing operations	**(114.5)**	(42.2)	(182.5)	(30.0)	(90.4)	(61.8)	(69.1)	(13.3)
(Loss) earnings from discontinued operations, net of tax[2]	**-**	-	(3.0)	-	-	-	16.0	-
Net loss for the period	**$ (114.5)**	$ (42.2)	$ (185.5)	$ (30.0)	$ (90.4)	$ (61.8)	$ (53.1)	$ (13.3)
Net loss per share, basic ($ per share)								
Net loss from continuing operations	**$ (0.29)**	$ (0.11)	$ (0.46)	$ (0.08)	$ (0.23)	$ (0.16)	$ (0.17)	$ (0.03)
Net loss for the period	**(0.29)**	(0.11)	(0.47)	(0.08)	(0.23)	(0.16)	(0.13)	(0.03)

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

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

In general, net loss or earnings for the Corporation are primarily affected by production and sales volumes, commodity prices, maintenance and operating costs, and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters ranged from $1.31 (Q3 2018) to $1.39 (Q2 2020) and period-end rates ranged between $1.29 (Q3 2018) to $1.42 (Q1 2020).

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

- The second quarter of 2020 includes the recognition of $13.1 million of unrealized foreign exchange losses, $74.4 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable and subordinated loans receivable (post-financial completion) and $23.6 million of gains on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable.
- The first quarter of 2020 includes the recognition of $23.5 million of unrealized foreign exchange gains and $17.2 million of losses on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable;
- The fourth quarter of 2019 includes $81.5 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated and post-financial completion loans receivable, a $6.8 million loss on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable, impairment losses of $31.0 million and $20.3 million on the investment in an associate and intangible assets, respectively, the recognition of $8.4 million of unrealized foreign exchange losses;
- The third quarter of 2019 includes the recognition of $7.7 million of unrealized foreign exchange gains;
- the second quarter of 2019 includes a $53.6 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other, the recognition of $8.0 million of unrealized foreign exchange losses and a $9.6 million gain recognized within the share of loss of an associate on the revaluation of financial assets measured at fair value through profit or loss;
- the first quarter of 2019 includes the recognition of $5.8 million of unrealized foreign exchange losses;
- the fourth quarter of 2018 includes an unrealized foreign exchange gain of $20.7 million, a $44.1 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other and $15.7 million in losses on write-down of long-lived assets in the Ambatovy Joint Venture; and
- the third quarter of 2018 includes an unrealized foreign exchange loss of $6.1 million and $8.1 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC.

Off-balance sheet arrangements

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

Transactions with related parties

The Corporation enters into transactions related to its investment in joint arrangements and an associate. For further detail, refer to notes 10, 11 and 22 of the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2020. Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

As at June 30, 2020, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2020, the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended June 30, 2020 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in quarterly net earnings (CDN$ millions) Increase/ (decrease)	Approximate change in quarterly basic EPS Increase/ (decrease)
Prices				
Nickel - LME price per pound[1]	US$	1.00	$ 12	$ 0.03
Cobalt - Metal Bulletin price per pound[1]	US$	5.00	5	0.01
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(3)	(0.01)
Operating costs[1]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(1)	-

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

NON-GAAP MEASURES

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

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

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

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

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

Combined results

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

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

	For the three months ended			For the six months ended		
	2020	2019		**2020**	2019	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Revenue by operations						
Moa Joint Venture and Fort Site	**$ 115.5**	$ 123.1	(6%)	**$ 209.0**	$ 225.4	(7%)
Oil and Gas	**6.0**	7.5	(20%)	**13.1**	16.5	(21%)
Power	**9.6**	11.1	(14%)	**19.0**	21.8	(13%)
Other(1)(2)	**2.9**	2.6	12%	**5.6**	5.2	8%
Combined revenue	**$ 134.0**	$ 144.3	(7%)	**$ 246.7**	$ 268.9	(8%)
Adjust joint venture	**(93.1)**	(97.8)		**(179.1)**	(190.5)	
Financial statement revenue	**$ 40.9**	$ 46.5	(12%)	**$ 67.6**	$ 78.4	(14%)

(1) Other Q2 2020 revenue includes - Other Metals - $2.9 million and Corporate and other - $ - million. (Other Q2 2019 revenue includes - Other Metals - $2.8 million and Corporate and other - $ (0.2) million).

(2) Other YTD 2019 revenue includes - Other Metals - $5.9 million and Corporate and other - $ (0.3) million. (Other YTD 2018 revenue includes - Other Metals - $5.7 million and Corporate and other - $ (0.5) million).

Adjusted EBITDA

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

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

$ millions, for the three months ended June 30							**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	**$ 1.2**	**$ 0.2**	**$ (4.5)**	**$ 1.6**	**$ (11.9)**	**$ (32.1)**	**$ (45.5)**
Add (deduct):							
Depletion, depreciation and amortization	**3.1**	**0.1**	**1.4**	**5.4**	**0.2**	**-**	**10.2**
Share of loss of an associate	**-**	**-**	**-**	**-**	**-**	**26.3**	**26.3**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**12.1**	**-**	**-**	**-**	**-**	**-**	**12.1**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**2.4**	**2.4**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**3.4**	**3.4**
Adjusted EBITDA	**$ 16.4**	**$ 0.3**	**$ (3.1)**	**$ 7.0**	**$ (11.7)**	**$ -**	**$ 8.9**
Loss from operations, joint venture and associate							**$ (45.5)**
Net finance expense							**(68.6)**
Income tax expense							**(0.4)**
Net loss from continuing operations							**$ (114.5)**

$ millions, for the three months ended June 30							2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	$ (0.4)	$ (0.2)	$ (5.4)	$ 0.8	$ (9.2)	$ (12.5)	$ (26.9)
Add (deduct):							
Depletion, depreciation and amortization	2.9	-	2.7	6.3	0.3	-	12.2
Share of loss of an associate	-	-	-	-	-	12.1	12.1
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	11.7	-	-	-	-	-	11.7
Net finance expense	-	-	-	-	-	2.2	2.2
Income tax expense	-	-	-	-	-	(1.8)	(1.8)
Adjusted EBITDA	$ 14.2	$ (0.2)	$ (2.7)	$ 7.1	$ (8.9)	$ -	$ 9.5
Loss from operations, joint venture and associate							$ (26.9)
Net finance expense							(62.9)
Income tax expense							(0.6)
Net loss from continuing operations							$ (90.4)

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2020
(Loss) earnings from operations and joint venture per financial statements	**$ (3.5)**	**$ 0.7**	**$ (10.1)**	**$ 2.9**	**$ (21.1)**	**$ (56.4)**	**$ (87.5)**
Add (deduct):							
Depletion, depreciation and amortization	**5.4**	**0.1**	**3.4**	**10.6**	**0.6**	**-**	**20.1**
Share of loss of an associate	**-**	**-**	**-**	**-**	**-**	**49.9**	**49.9**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**24.6**	**-**	**-**	**-**	**-**	**-**	**24.6**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**5.0**	**5.0**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**1.5**	**1.5**
Adjusted EBITDA	**$ 26.5**	**$ 0.8**	**$ (6.7)**	**$ 13.5**	**$ (20.5)**	**$ -**	**$ 13.6**
Loss from operations, joint venture and associate							**$ (87.5)**
Net finance expense							**(69.0)**
Income tax expense							**(0.2)**
Net loss from continuing operations							**$ (156.7)**

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total 2019
(Loss) earnings from operations and joint venture per financial statements	$ (9.9)	$ 0.2	$ (11.1)	$ 1.7	$ (19.9)	$ (39.3)	$ (78.3)
Add (deduct):							
Depletion, depreciation and amortization	5.0	-	5.7	12.6	0.7	-	24.0
Share of loss of an associate	-	-	-	-	-	38.9	38.9
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	23.3	-	-	-	-	-	23.3
Net finance expense	-	-	-	-	-	4.3	4.3
Income tax expense	-	-	-	-	-	(3.9)	(3.9)
Adjusted EBITDA	$ 18.4	$ 0.2	$ (5.4)	$ 14.3	$ (19.2)	$ -	$ 8.3
Loss from operations, joint venture and associate							$ (78.3)
Net finance expense							(73.0)
Income tax expense							(0.9)
Net loss from continuing operations							$ (152.2)

Average-realized price

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

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

$ millions, except average-realized price and sales volume, for the three months ended June 30							**2020**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 69.0**	**$ 14.3**	**$ 28.7**	**$ 3.5**	**$ 115.5**	**$ 6.0**	**$ 9.6**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(0.6)**
Processing revenue	**-**	**-**	**-**			**(0.7)**	**-**
Revenue for purposes of average-realized price calculation	**69.0**	**14.3**	**28.7**			**5.3**	**9.0**
Sales volume for the period	**9.2**	**0.8**	**72.1**			**0.17**	**153**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	**$ 7.51**	**$ 18.39**	**$ 399**			**$ 29.82**	**$ 58.48**

$ millions, except average-realized price and sales volume, for the three months ended June 30							2019
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 67.5	$ 18.5	$ 32.7	$ 4.4	$ 123.1	$ 7.5	$ 11.1
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.0)
Processing revenue	-	-	-			(1.1)	-
Revenue for purposes of average-realized price calculation	67.5	18.5	32.7			6.4	10.1
Sales volume for the period	9.0	0.9	66.6			0.09	180
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ 7.52	$ 19.56	$ 491			$ 62.11	$ 56.20

$ millions, except average-realized price and sales volume, for the six months ended June 30							**2020**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 132.2**	**$ 30.4**	**$ 39.6**	**$ 6.8**	**$ 209.0**	**$ 13.1**	**$ 19.0**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(1.3)**
Processing revenue	**-**	**-**	**-**			**(1.7)**	**-**
Revenue for purposes of average-realized price calculation	**132.2**	**30.4**	**39.6**			**11.4**	**17.7**
Sales volume for the period	**17.5**	**1.6**	**103.2**			**0.31**	**306**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	**$ 7.55**	**$ 18.79**	**$ 384**			**$ 32.27**	**$ 57.73**

$ millions, except average-realized price and sales volume, for the six months ended June 30							2019
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 140.2	$ 33.3	$ 44.0	$ 7.9	$ 225.4	$ 16.5	$ 21.8
Adjustments to revenue:							
By-product revenue	-	-	-			-	(2.1)
Processing revenue	-	-	-			(2.5)	-
Revenue for purposes of average-realized price calculation	140.2	33.3	44.0			14.0	19.7
Sales volume for the period	18.7	2.0	93.5			0.20	353
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ 7.51	$ 17.00	$ 470			$ 60.47	$ 55.97

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

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

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

Unit operating cost/NDCC

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

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

Average unit operating costs for oil and gas is based on gross working-interest oil production in Cuba.

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

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

$ millions, except unit cost and sales volume, for the three months ended June 30			**2020**			2019
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 111.7**	**$ 9.0**	**$ 7.6**	$ 121.5	$ 11.4	$ 9.2
Less:						
Depletion, depreciation and amortization in cost of sales	**(15.2)**	**(1.3)**	**(5.4)**	(14.6)	(2.2)	(6.3)
	96.5	**7.7**	**2.2**	106.9	9.2	2.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(46.5)**	**-**	**-**	(55.6)	-	-
Impact of opening/closing inventory and other	**(0.1)**	**-**	**-**	(5.4)	-	-
Other	**-**	**1.4**	**-**	-	-	-
Cost of sales for purposes of unit cost calculation	**49.9**	**9.1**	**2.2**	45.9	9.2	2.9
Sales volume for the period	**9.2**	**0.29**	**153**	9.0	0.40	180
Volume units	**Millions of pounds**	**Millions of barrels[1]**	**Gigawatt hours**	Millions of pounds	Millions of barrels[1]	Gigawatt hours
Unit operating cost[2][3]	**$ 5.43**	**$ 26.92**	**$ 14.12**	$ 5.11	$ 19.93	$ 16.35
Unit operating cost (U.S. dollars) (NDCC)	**$ 3.92**			$ 3.83		

$ millions, except unit cost and sales volume, for the six months ended June 30	**2020**			2019		
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 207.6**	**$ 20.4**	**$ 15.0**	$ 230.7	$ 23.9	$ 19.0
Less:						
Depletion, depreciation and amortization in cost of sales	**(30.0)**	**(2.9)**	**(10.6)**	(28.3)	(4.7)	(12.6)
	177.6	**17.5**	**4.4**	202.4	19.2	6.4
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(76.8)**	**-**	**-**	(85.2)	-	-
Impact of opening/closing inventory and other	**(2.5)**	**-**	**-**	(13.0)	-	-
Cost of sales for purposes of unit cost calculation	**98.3**	**17.5**	**4.4**	104.2	19.2	6.4
Sales volume for the period	**17.5**	**0.57**	**306**	18.7	0.80	353
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatt hours**	Millions of pounds	Millions of barrels(1)	Gigawatt hours
Unit operating cost(2)(3)	**$ 5.61**	**$ 27.11**	**$ 14.34**	$ 5.58	$ 20.56	$ 18.27
Unit operating cost (U.S. dollars) (NDCC)	**$ 4.10**			$ 4.19		

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

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

(3) Power, unit operating cost price per MWh.

Adjusted earnings/loss from continuing operations

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

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

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

	For the three months ended		For the six months ended	
	2020	2019	**2020**	2019
$ millions	**June 30**	June 30	**June 30**	June 30
Net loss from continuing operations	**$ (114.5)**	$ (90.4)	**$ (156.7)**	$ (152.2)
Adjusting items:				
Sherritt - Unrealized foreign exchange loss (gain) - continuing operations	**13.1**	8.0	**(10.4)**	13.8
Corporate - Cobalt-linked warrants fair value revaluation	**-**	(1.9)	**(0.5)**	(1.9)
Corporate - Ambatovy JV loans receivable ACL revaluation	**74.4**	53.6	**74.4**	54.6
Corporate - Moa JV expansion loans receivable ACL revaluation	**(23.6)**	-	**(6.4)**	-
Corporate - Ambatovy operator fee receivable fair value revaluation	**(0.9)**	(0.6)	**(1.4)**	(0.8)
Oil and Gas and Power - ACL revaluation	**0.3**	0.1	**1.7**	0.4
Balance Sheet Initiative transaction costs	**1.6**	-	**2.8**	-
Ambatovy adjustments	**-**	(9.8)	**0.4**	(9.8)
Other	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Total adjustments, before tax	**$ 64.7**	$ 49.1	**$ 60.4**	$ 56.0
Tax adjustments	**-**	-	**-**	-
Adjusted net loss from continuing operations	**$ (49.8)**	$ (41.3)	**$ (96.3)**	$ (96.2)
Adjusted net loss per share ($ per share)	**$ (0.13)**	$ (0.10)	**$ (0.24)**	$ (0.24)

Combined adjusted operating cash flow

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

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

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

$ millions, for the three months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**2020** **Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 12.7**	**$ (4.9)**	**$ (8.6)**	**$ 8.3**	**$ 0.5**	**$ 8.0**	**$ (20.6)**	**$ (12.6)**
Adjust: net change in non-cash working capital	**2.9**	**6.1**	**4.8**	**7.4**	**(11.7)**	**9.5**	**6.7**	**16.2**
Adjusted operating cash flow	**$ 15.6**	**$ 1.2**	**$ (3.8)**	**$ 15.7**	**$ (11.2)**	**$ 17.5**	**$ (13.9)**	**$ 3.6**

$ millions, for the three months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	2019 **Total derived from financial statements**
Cash provided (used) by continuing operations	$ 7.7	$ 0.6	$ 21.5	$ 11.6	$ (19.2)	$ 22.2	$ (7.3)	$ 14.9
Adjust: net change in non-cash working capital	7.1	(0.5)	(26.1)	(4.6)	(6.3)	(30.4)	11.3	(19.1)
Adjusted operating cash flow	$ 14.8	$ 0.1	$ (4.6)	$ 7.0	$ (25.5)	$ (8.2)	$ 4.0	$ (4.2)

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**2020** **Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 17.2**	**$ 6.9**	**$ (16.0)**	**$ 26.7**	**$ (15.5)**	**$ 19.3**	**$ (9.3)**	**$ 10.0**
Adjust: net change in non-cash working capital	**5.6**	**(5.8)**	**8.6**	**2.2**	**(5.5)**	**5.1**	**2.2**	**7.3**
Adjusted operating cash flow	**$ 22.8**	**$ 1.1**	**$ (7.4)**	**$ 28.9**	**$ (21.0)**	**$ 24.4**	**$ (7.1)**	**$ 17.3**

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	2019 **Total derived from financial statements**
Cash (used) provided by continuing operations	$ 3.6	$ 3.1	$ 13.5	$ 15.2	$ (43.5)	$ (8.1)	$ (11.6)	$ (19.7)
Adjust: net change in non-cash working capital	14.0	(2.7)	(20.3)	(1.9)	0.9	(10.0)	17.7	7.7
Adjusted operating cash flow	$ 17.6	$ 0.4	$ (6.8)	$ 13.3	$ (42.6)	$ (18.1)	$ 6.1	$ (12.0)

Combined free cash flow

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

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

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

$ millions, for the three months ended June 30								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 12.7**	**$ (4.9)**	**$ (8.6)**	**$ 8.3**	**$ 0.5**	**$ 8.0**	**$ (20.6)**	**$ (12.6)**
Less:								
Property, plant and equipment expenditures	**(6.5)**	**-**	**(1.5)**	**-**	**(0.2)**	**(8.2)**	**5.0**	**(3.2)**
Intangible expenditures	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**	**-**	**(0.4)**
Free cash flow	**$ 6.2**	**$ (4.9)**	**$ (10.5)**	**$ 8.3**	**$ 0.3**	**$ (0.6)**	**$ (15.6)**	**$ (16.2)**

$ millions, for the three months ended June 30								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	$ 7.7	$ 0.6	$ 21.5	$ 11.6	$ (19.2)	$ 22.2	$ (7.3)	$ 14.9
Less:								
Property, plant and equipment expenditures	(7.8)	-	(1.2)	(0.1)	-	(9.1)	6.3	(2.8)
Intangible expenditures	-	-	(9.1)	-	-	(9.1)	-	(9.1)
Free cash flow	$ (0.1)	$ 0.6	$ 11.2	$ 11.5	$ (19.2)	$ 4.0	$ (1.0)	$ 3.0

$ millions, for the six months ended June 30								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 17.2**	**$ 6.9**	**$ (16.0)**	**$ 26.7**	**$ (15.5)**	**$ 19.3**	**$ (9.3)**	**$ 10.0**
Less:								
Property, plant and equipment expenditures	**(13.1)**	**-**	**(2.8)**	**-**	**(0.2)**	**(16.1)**	**10.7**	**(5.4)**
Intangible expenditures	**-**	**-**	**(0.8)**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Free cash flow	**$ 4.1**	**$ 6.9**	**$ (19.6)**	**$ 26.7**	**$ (15.7)**	**$ 2.4**	**$ 1.4**	**$ 3.8**

$ millions, for the six months ended June 30								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ 3.6	$ 3.1	$ 13.5	$ 15.2	$ (43.5)	$ (8.1)	$ (11.6)	$ (19.7)
Less:								
Property, plant and equipment expenditures	(14.1)	-	(5.3)	(0.6)	-	(20.0)	12.2	(7.8)
Intangible expenditures	-	-	(11.9)	-	-	(11.9)	-	(11.9)
Free cash flow	$ (10.5)	$ 3.1	$ (3.7)	$ 14.6	$ (43.5)	$ (40.0)	$ 0.6	$ (39.4)

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "potential", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements set out in the "Outlook" section of this MD&A and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; the impact of COVID-19; qualification for the Canada Emergency Wage Subsidy (CEWS); anticipated payments of outstanding receivables; funding of future Ambatovy Joint Venture cash calls; the completion of the Corporation's Balance Sheet Initiative strengthening the Corporation's capital structure and reducing annual interest expenses; drill plans and results on exploration wells; the impact of Title III of the Helms-Burton Act on operations; and amounts of certain other commitments.

Forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the impact of the COVID-19 pandemic, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to Sherritt's investment in the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, risks associated with the ability of the Corporation to complete the Transaction; the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, which is available on SEDAR at www.sedar.com.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and six months ended June 30, 2020 and 2019

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated statements of comprehensive income (loss)

		For the three months ended		For the six months ended	
		2020	2019	**2020**	2019
Unaudited, Canadian $ millions, except per share amounts	Note	**June 30**	June 30	**June 30**	June 30
Revenue	7	**$ 40.9**	$ 46.5	**$ 67.6**	$ 78.4
Cost of sales	8, 9	**(44.6)**	(49.7)	**(77.1)**	(86.5)
Administrative expenses	8, 9	**(12.3)**	(10.3)	**(21.0)**	(21.1)
Share of loss of a joint venture, net of tax	10	**(3.2)**	(1.3)	**(7.1)**	(10.2)
Share of loss of an associate, net of tax	11	**(26.3)**	(12.1)	**(49.9)**	(38.9)
Loss from operations, joint venture and associate		**(45.5)**	(26.9)	**(87.5)**	(78.3)
Interest income on financial assets measured at amortized cost	12	**9.7**	11.3	**19.7**	22.7
Revaluation of allowances for expected credit losses	12	**(51.1)**	(53.7)	**(69.7)**	(55.0)
Other financing items	12	**(0.3)**	3.0	**1.0**	3.9
Financing expense	12	**(26.9)**	(23.5)	**(20.0)**	(44.6)
Net finance expense		**(68.6)**	(62.9)	**(69.0)**	(73.0)
Loss before tax		**(114.1)**	(89.8)	**(156.5)**	(151.3)
Income tax expense	13	**(0.4)**	(0.6)	**(0.2)**	(0.9)
Net loss from continuing operations		**(114.5)**	(90.4)	**(156.7)**	(152.2)
Earnings from discontinued operations, net of tax		**-**	-	**-**	-
Net loss for the period		**$ (114.5)**	$ (90.4)	**$ (156.7)**	$ (152.2)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	19	**(27.9)**	(16.3)	**39.0**	(35.2)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains (losses) on pension plans, net of tax	19	**0.7**	0.1	**(0.1)**	0.6
Other comprehensive (loss) income		**(27.2)**	(16.2)	**38.9**	(34.6)
Total comprehensive loss		**$ (141.7)**	$ (106.6)	**$ (117.8)**	$ (186.8)
Net loss from continuing operations per common share:					
Basic and diluted	14	**$ (0.29)**	$ (0.23)	**$ (0.39)**	$ (0.38)
Net loss per common share:					
Basic and diluted	14	**$ (0.29)**	$ (0.23)	**$ (0.39)**	$ (0.38)

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note	2020 June 30	2019 December 31
ASSETS			
Current assets			
Cash and cash equivalents	15	**$ 172.4**	$ 166.1
Restricted cash		**5.3**	5.5
Advances, loans receivable and other financial assets	16	**34.4**	13.0
Trade accounts receivable, net, and unbilled revenue	15	**158.7**	154.9
Inventories		**31.2**	35.3
Prepaid expenses		**5.1**	2.9
		407.1	377.7
Non-current assets			
Advances, loans receivable and other financial assets	16	**520.0**	588.0
Property, plant and equipment		**220.5**	208.6
Investment in a joint venture	10	**371.5**	382.9
Investment in an associate	11	**-**	39.3
Intangible assets		**143.9**	141.6
		1,255.9	1,360.4
Total assets		**$ 1,663.0**	$ 1,738.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	17	**$ 727.6**	$ 159.5
Trade accounts payable and accrued liabilities		**161.6**	148.1
Income taxes payable	13	**12.7**	1.3
Other financial liabilities	17	**2.5**	9.3
Deferred revenue		**9.9**	7.5
Provisions	18	**4.0**	5.0
		918.3	330.7
Non-current liabilities			
Loans and borrowings	17	**-**	554.1
Other financial liabilities	17	**16.7**	13.5
Other non-financial liabilities		**2.7**	2.8
Provisions	18	**116.9**	99.4
Deferred income taxes	13	**4.1**	15.5
		140.4	685.3
Total liabilities		**1,058.7**	1,016.0
Shareholders' equity			
Capital stock	19	**2,894.9**	2,894.9
Deficit		**(3,059.0)**	(2,902.3)
Reserves	19	**233.7**	233.7
Accumulated other comprehensive income	19	**534.7**	495.8
		604.3	722.1
Total liabilities and shareholders' equity		**$ 1,663.0**	$ 1,738.1

Commitments for expenditures (note 23)

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions	Note	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Operating activities					
Net loss from continuing operations		**$ (114.5)**	$ (90.4)	**$ (156.7)**	$ (152.2)
Add (deduct):					
Depletion, depreciation and amortization	7, 8	**10.2**	12.2	**20.1**	24.0
Share of loss of a joint venture, net of tax	10	**3.2**	1.3	**7.1**	10.2
Share of loss of an associate, net of tax	11	**26.3**	12.1	**49.9**	38.9
Net finance expense (less accretion expense)	12	**68.6**	62.8	**68.9**	72.8
Income tax expense	13	**0.4**	0.6	**0.2**	0.9
Net change in non-cash working capital	20	**(16.2)**	19.1	**(7.3)**	(7.7)
Interest received		**9.7**	0.7	**17.3**	1.4
Interest paid	17	**(0.6)**	(15.8)	**(1.3)**	(23.6)
Income tax paid		**(0.6)**	(0.5)	**(1.1)**	(1.1)
Distributions received from joint venture	10	**-**	13.5	**13.3**	16.8
Other operating items		**0.9**	(0.7)	**(0.4)**	(0.1)
Cash (used) provided by continuing operations		**(12.6)**	14.9	**10.0**	(19.7)
Cash (used) provided by discontinued operations		**(0.7)**	(0.8)	**(1.1)**	14.0
Cash (used) provided by operating activities		**(13.3)**	14.1	**8.9**	(5.7)
Investing activities					
Property, plant and equipment expenditures	7	**(3.2)**	(2.8)	**(5.4)**	(7.8)
Intangible asset expenditures	7	**(0.4)**	(9.1)	**(0.8)**	(11.9)
Receipts of advances, loans receivable and other financial assets		**0.1**	0.1	**0.3**	0.3
Purchase of short-term investments		**-**	(3.0)	**-**	(19.9)
Cash used by continuing operations		**(3.5)**	(14.8)	**(5.9)**	(39.3)
Cash used by investing activities		**(3.5)**	(14.8)	**(5.9)**	(39.3)
Financing activities					
Repayment of other financial liabilities		**(0.4)**	(0.8)	**(1.1)**	(1.4)
Cash used by continuing operations		**(0.4)**	(0.8)	**(1.1)**	(1.4)
Cash used by financing activities		**(0.4)**	(0.8)	**(1.1)**	(1.4)
Effect of exchange rate changes on cash and cash equivalents		**(3.8)**	(2.0)	**4.4**	(3.7)
(Decrease) increase in cash and cash equivalents		**(21.0)**	(3.5)	**6.3**	(50.1)
Cash and cash equivalents at beginning of the period		**193.4**	160.3	**166.1**	206.9
Cash and cash equivalents at end of the period	15	**$ 172.4**	$ 156.8	**$ 172.4**	$ 156.8

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2018		**$ 2,894.9**	**$ (2,534.6)**	**$ 233.4**	**$ 537.2**	**$ 1,130.9**
Total comprehensive loss:						
Net loss for the period		-	(152.2)	-	-	(152.2)
Foreign currency translation differences on foreign operations		-	-	-	(35.2)	(35.2)
Actuarial gains on pension plans, net of tax		-	-	-	0.6	0.6
		-	(152.2)	-	(34.6)	(186.8)
Stock option plan expense		-	-	0.2	-	0.2
Balance as at June 30, 2019		**$ 2,894.9**	**$ (2,686.8)**	**$ 233.6**	**$ 502.6**	**$ 944.3**
Total comprehensive loss:						
Net loss for the period		-	(215.5)	-	-	(215.5)
Foreign currency translation differences on foreign operations		-	-	-	(5.7)	(5.7)
Actuarial losses on pension plans, net of tax		-	-	-	(1.1)	(1.1)
		-	(215.5)	-	(6.8)	(222.3)
Stock option plan expense		-	-	0.1	-	0.1
Balance as at December 31, 2019		**$ 2,894.9**	**$ (2,902.3)**	**$ 233.7**	**$ 495.8**	**$ 722.1**
Total comprehensive loss:						
Net loss for the period		-	(156.7)	-	-	(156.7)
Foreign currency translation differences on foreign operations	19	-	-	-	39.0	39.0
Actuarial losses on pension plans, net of tax	19	-	-	-	(0.1)	(0.1)
		-	(156.7)	-	38.9	(117.8)
Balance as at June 30, 2020		**$ 2,894.9**	**$ (3,059.0)**	**$ 233.7**	**$ 534.7**	**$ 604.3**

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

Notes to the condensed consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 22 Adelaide Street West, Toronto, Ontario, M5H 4E3. These condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on July 29, 2020. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND GOING CONCERN

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

The condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities and cash-settled share-based payments, which have been measured at fair value. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: the future impact of COVID-19 on the Corporation's business and operations, the success of the balance sheet initiative (note 5), future commodity prices, timing of collections of Cuban receivables, and continued access to short-term financing.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position and these factors have been further compounded by the ongoing impacts of COVID-19 (note 6), the full effects of which continue to evolve at this time. As a result, management concluded that there are material uncertainties related to the full effects of COVID-19 on the Corporation's business and operations (note 21) and on the timing of collections of amounts receivable from the Corporation's Cuban energy operations, and the impacts to the business should the Corporation fail to complete its balance sheet initiative (notes 5 and 17), which may cast significant doubt upon the Corporation's ability to continue as a going concern. With this uncertainty, the Corporation could face near-term liquidity constraints particularly related to the approaching maturity of its 8.00% senior unsecured debentures in the amount of $169.6 million due in 2021, as well as, the renewal of the Corporation's credit facility on September 30, 2020, which could result in repayment of $8.0 million drawn under the facility. The Corporation has numerous mitigating initiatives available to it to continue to strengthen its financial position and enhance liquidity depending on how these uncertain circumstances unfold. Among the initiatives undertaken, is the Corporation's previously announced balance sheet initiative which would lower debt levels, reduce interest costs and strengthen Sherritt's balance sheet (note 5). Subsequent to period-end, Sherritt received the necessary votes from shareholders and debtholders in support of the balance sheet initiative. Court approval and closing of the balance sheet initiative is expected in August 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2019. The Corporation discloses further information regarding government grants in note 9, unrecognized share of losses of an associate in note 11 and COVID-19 and other pandemic risk in note 21.

4. ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements issued but not yet effective

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

5. BALANCE SHEET INITIATIVE

Exchange of senior unsecured debentures and Ambatovy Joint Venture partner loans

In February 2020, the Corporation announced a transaction (the "Transaction" or "Balance Sheet Initiative") and in June and July 2020, it announced amended terms to the Transaction, to be implemented pursuant to a plan of arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act (the "CBCA") that provides for, among other things, the exchange of the Corporation's existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Existing Notes") in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon in the aggregate for (i) new 8.50% second lien secured notes due in 2026 (the "New Second Lien Notes") in an aggregate principal amount equal to 54% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the implementation date of the Transaction (the "Effective Date"), (ii) new 10.75% unsecured notes due in 2029 (the "New Junior Notes") in an aggregate principal amount of $75 million and (iii) certain early consent cash consideration in an amount of approximately $16 million. Interest on the New Second Lien Notes is payable semi-annually in cash and interest on the New Junior Notes is payable semi-annually in cash or in-kind, at Sherritt's election. Based on an Effective Date of August 31, 2020, the aggregate principal amount of the New Second Lien Notes would be approximately $358 million, and thus, together with the $75 million of principal amount of the New Junior Notes, if completed, the Transaction would result in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by approximately $155 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. The final principal amount of New Second Lien Notes to be issued pursuant to the Transaction, and the ultimate reduction of the Corporation's debenture obligations, will depend on the aggregate amount of interest accrued in respect of the Existing Notes up to the actual Effective Date.

The Transaction, as amended, and the Plan of Arrangement also provide that all of Sherritt's obligations under the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the "Debtholders"), plus all accrued and unpaid interest in respect thereof, will be exchanged for each Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture Interests"). This would result in a further reduction of recourse loans and borrowings of approximately $152 million using the Corporation's Ambatovy Joint Venture partner loans balance and foreign exchange rates as at June 30, 2020.

Based on the above aggregate amounts of Existing Notes and Ambatovy Joint Venture partner loans and an Effective Date of August 31, 2020, upon closing the Transaction will result in the reduction of total debt by approximately $305 million. The amount of the final debt reduction will depend on the Effective Date of the Transaction, and other matters such as the exchange rate in effect at that time.

The Plan of Arrangement pursuant to which the Transaction is being implemented was approved by Debtholders on July 23, 2020 and remains subject to Court approval and the satisfaction or waiver of the other conditions of the Plan of Arrangement. Subject to the satisfaction or waiver of all applicable conditions of the Plan of Arrangement, closing is expected in August 2020.

Approximately 50% of the Ambatovy Joint Venture Interests and 50% of the operator fee receivable held by the Corporation met the criteria to be classified as assets held for sale in July 2020, subsequent to the reporting period. The remaining Ambatovy Joint Venture Interests and operator fee receivable are expected to meet the criteria to be classified as assets held for sale upon approval of the Plan of Arrangement by the Court. Sherritt will no longer be the operator of the Ambatovy Joint Venture upon completion of the Transaction. In connection with the Ambatovy Joint Venture partner loans exchange and the transfer of operatorship, the Corporation will waive its rights to the operator fees of approximately $16 million and pay certain transaction costs for the Ambatovy Joint Venture partners. In 2017, these operator fees were restructured such that any receipts by Sherritt would first be used to repay the Ambatovy Joint Venture partner loans and then held in escrow for future Ambatovy Joint Venture funding. As the Ambatovy Joint Venture partner loans and all funding requirements will be extinguished upon the completion of the Transaction, Sherritt agreed to waive its rights to the operator fees.

Subject to Court approval of the Plan of Arrangement and the satisfaction or waiver of the other conditions to the Transaction, the Transaction is expected to be completed pursuant to the Plan of Arrangement by August 31, 2020. Upon implementation, the Plan of Arrangement would bind all Debtholders of the Corporation.

The exchange of the Existing Notes for the New Second Lien Notes, the New Junior Notes and the applicable early consent cash consideration, and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture Interests will be recognized in the condensed consolidated financial statements of the Corporation when the Transaction closes in accordance with IFRS 9 Financial Instruments.

The investment in an associate is presented within the Adjustments for Joint Venture and Associate and the Ambatovy Joint Venture loans receivable and the Ambatovy Joint Venture operator fee receivable are presented within the Corporate and Other segment in note 7. Additional information on the Corporation’s investment in an associate is described in note 11.

6. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) as a pandemic. In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures and new work processes designed to protect employees at its operations around the world. As of the date of issuance of these condensed consolidated financial statements, the Corporation's operations have not been significantly impacted, other than the items described below.

Although the Moa Joint Venture and Fort Site nickel and cobalt production in the first half of 2020 were not materially impacted by the onset and spread of COVID-19, cobalt reference prices were impacted by COVID-19 and its impact on the global economy, particularly softer demand from the aerospace industry, which uses cobalt as a super alloy in the production of multiple aircraft engine parts. Over the longer term, demand for cobalt is expected to accelerate with the increased adoption of electric vehicles since cobalt – along with nickel – is a key metal needed to manufacture assorted energy storage batteries.

Cuban energy payments were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba’s access to foreign currency during the three months ended June 30, 2020. Sherritt anticipates variability in the timing and the amount of energy payments in the near term as Cuba’s economy and access to foreign currency recover from the impact of COVID-19

Lastly, during the three months ended June 30, 2020, the Ambatovy Joint Venture was put into care and maintenance to prevent the spread of COVID-19. Refer to note 11 for additional details.

As a result of the COVID-19 pandemic, the Corporation's financial position, performance and cash flows could be further impacted by COVID-19, the full extent of the impact cannot be reasonably estimated at this time. The Corporation discloses further information regarding the conclusion that there are material uncertainties related to events or conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern in note 2 and further information regarding the risks caused by COVID-19 and other pandemics are discussed in note 21.

7. SEGMENTED INFORMATION

Canadian $ millions, for the three months ended June 30	Moa JV and Fort Site[(1)]	Metals Other[(2)]	Oil and Gas	Power	Corporate and Other[(3)]	Adjustments for Joint Venture and Associate[(4)]	Total 2020
Revenue[(5)]	$ 115.5	$ 2.9	$ 6.0	$ 9.6	$ -	$ (93.1)	$ 40.9
Cost of sales	(111.7)	(2.7)	(9.0)	(7.6)	(2.3)	88.7	(44.6)
Administrative expenses	(2.6)	-	(1.5)	(0.4)	(9.6)	1.8	(12.3)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(3.2)	(3.2)
Share of loss of an associate, net of tax	-	-	-	-	-	(26.3)	(26.3)
Earnings (loss) from operations, joint venture and associate	1.2	0.2	(4.5)	1.6	(11.9)	(32.1)	(45.5)
Interest income on financial assets measured at amortized cost							9.7
Revaluation of allowances for expected credit losses							(51.1)
Other financing items							(0.3)
Financing expense							(26.9)
Net finance expense							(68.6)
Loss before tax							(114.1)
Income tax expense							(0.4)
Net loss from continuing operations							(114.5)
Earnings from discontinued operations, net of tax							-
Net loss for the period							(114.5)
Supplementary information							
Depletion, depreciation and amortization	$ 15.2	$ 0.1	$ 1.4	$ 5.4	$ 0.2	$ (12.1)	$ 10.2
Property, plant and equipment expenditures	6.5	-	1.5	-	0.2	(5.0)	3.2
Intangible asset expenditures	-	-	0.4	-	-	-	0.4
Canadian $ millions, as at June 30							2020
Non-current assets[(6)]	$ 710.2	$ 0.6	$ 142.5	$ 57.4	$ 8.9	$ (555.2)	$ 364.4
Total assets	973.1	79.0	192.7	390.9	424.9	(397.6)	1,663.0

Canadian $ millions, for the three months ended June 30	Moa JV and Fort Site[(1)]	Metals Other[(2)]	Oil and Gas	Power	Corporate and Other[(3)]	Adjustments for Joint Venture and Associate[(4)]	Total 2019
Revenue[(5)]	$ 123.1	$ 2.8	$ 7.5	$ 11.1	$ (0.2)	$ (97.8)	$ 46.5
Cost of sales	(121.5)	(2.9)	(11.4)	(9.2)	(2.2)	97.5	(49.7)
Administrative expenses	(2.0)	(0.1)	(1.5)	(1.1)	(6.8)	1.2	(10.3)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(1.3)	(1.3)
Share of loss of an associate, net of tax	-	-	-	-	-	(12.1)	(12.1)
(Loss) earnings from operations, joint venture and associate	(0.4)	(0.2)	(5.4)	0.8	(9.2)	(12.5)	(26.9)
Interest income on financial assets measured at amortized cost							11.3
Revaluation of allowances for expected credit losses							(53.7)
Other financing items							3.0
Financing expense							(23.5)
Net finance expense							(62.9)
Loss before tax							(89.8)
Income tax expense							(0.6)
Net loss from continuing operations							(90.4)
Earnings from discontinued operations, net of tax							-
Net loss for the period							(90.4)
Supplementary information							
Depletion, depreciation and amortization	$ 14.6	$ -	$ 2.7	$ 6.3	$ 0.3	$ (11.7)	$ 12.2
Property, plant and equipment expenditures	7.7	-	1.2	0.1	-	(6.2)	2.8
Intangible asset expenditures	-	-	9.1	-	-	-	9.1
Canadian $ millions, as at December 31							2019
Non-current assets[(6)]	$ 679.5	$ 0.7	$ 133.2	$ 65.2	$ 9.1	$ (537.5)	$ 350.2
Total assets	953.7	73.5	176.8	410.0	462.7	(338.6)	1,738.1

Notes to the condensed consolidated financial statements

Canadian $ millions, for the six months ended June 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Corporate and Other[3]	Adjustments for Joint Venture and Associate[4]	2020 Total
Revenue[5]	$ 209.0	$ 5.9	$ 13.1	$ 19.0	$ (0.3)	$ (179.1)	$ 67.6
Cost of sales	(207.6)	(5.3)	(20.4)	(15.0)	(5.5)	176.7	(77.1)
Administrative expenses	(4.9)	0.1	(2.8)	(1.1)	(15.3)	3.0	(21.0)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(7.1)	(7.1)
Share of loss of an associate, net of tax	-	-	-	-	-	(49.9)	(49.9)
(Loss) earnings from operations, joint venture and associate	(3.5)	0.7	(10.1)	2.9	(21.1)	(56.4)	(87.5)
Interest income on financial assets measured at amortized cost							19.7
Revaluation of allowances for expected credit losses							(69.7)
Other financing items							1.0
Financing expense							(20.0)
Net finance expense							(69.0)
Loss before tax							(156.5)
Income tax expense							(0.2)
Net loss from continuing operations							(156.7)
Earnings from discontinued operations, net of tax							-
Net loss for the period							(156.7)
Supplementary information							
Depletion, depreciation and amortization	$ 30.0	$ 0.1	$ 3.4	$ 10.6	$ 0.6	$ (24.6)	$ 20.1
Property, plant and equipment expenditures	13.1	-	2.8	-	0.2	(10.7)	5.4
Intangible asset expenditures	-	-	0.8	-	-	-	0.8
Canadian $ millions, as at June 30							2020
Non-current assets[6]	$ 710.2	$ 0.6	$ 142.5	$ 57.4	$ 8.9	$ (555.2)	$ 364.4
Total assets	973.1	79.0	192.7	390.9	424.9	(397.6)	1,663.0

Canadian $ millions, for the six months ended June 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Corporate and Other[3]	Adjustments for Joint Venture and Associate[4]	2019 Total
Revenue[5]	$ 225.4	$ 5.7	$ 16.5	$ 21.8	$ (0.5)	$ (190.5)	$ 78.4
Cost of sales	(230.7)	(5.5)	(23.9)	(19.0)	(5.4)	198.0	(86.5)
Administrative expenses	(4.6)	-	(3.7)	(1.1)	(14.0)	2.3	(21.1)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(10.2)	(10.2)
Share of loss of an associate, net of tax	-	-	-	-	-	(38.9)	(38.9)
(Loss) earnings from operations, joint venture and associate	(9.9)	0.2	(11.1)	1.7	(19.9)	(39.3)	(78.3)
Interest income on financial assets measured at amortized cost							22.7
Revaluation of allowances for expected credit losses							(55.0)
Other financing items							3.9
Financing expense							(44.6)
Net finance expense							(73.0)
Loss before tax							(151.3)
Income tax expense							(0.9)
Net loss from continuing operations							(152.2)
Earnings from discontinued operations, net of tax							-
Net loss for the period							(152.2)
Supplementary information							
Depletion, depreciation and amortization	$ 28.3	$ -	$ 5.7	$ 12.6	$ 0.7	$ (23.3)	$ 24.0
Property, plant and equipment expenditures	14.1	-	5.3	0.6	-	(12.2)	7.8
Intangible asset expenditures	-	-	11.9	-	-	-	11.9
Canadian $ millions, as at December 31							2019
Non-current assets[6]	$ 679.5	$ 0.7	$ 133.2	$ 65.2	$ 9.1	$ (537.5)	$ 350.2
Total assets	953.7	73.5	176.8	410.0	462.7	(338.6)	1,738.1

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

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

(3) Included in the Corporate and Other segment are the operations of the Technologies group, which provides technical support, process optimization and technology development services to Sherritt's operating divisions, and identifies opportunities for the Corporation as a result of its research and development activities. The Corporate and Other segment also includes the operations of wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture.

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

(5) Revenue in the Metals Other segment includes $1.7 million and $3.3 million of intersegment revenue with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the three and six months ended June 30, 2020, respectively ($1.7 million and $3.5 million for the three and six months ended June 30, 2019, respectively).

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

Disaggregation of revenue by product type

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

Canadian $ millions	For the three months ended 2020 June 30 Total revenue	2019 June 30 Total revenue	For the six months ended 2020 June 30 Total revenue	2019 June 30 Total revenue
Fertilizer(1)	**$ 22.9**	$ 25.3	**$ 31.2**	$ 35.5
Oil and gas	**5.3**	6.4	**11.4**	14.0
Power generation(2)	**9.0**	10.1	**17.7**	19.7
Other	**3.7**	4.7	**7.3**	9.2
	$ 40.9	$ 46.5	**$ 67.6**	$ 78.4

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

(2) Included in power generation revenue for the three and six months ended June 30, 2020 is $6.2 million and $12.4 million, respectively, of revenue from service concession arrangements ($6.9 million and $13.5 million for the three and six months ended June 30, 2019, respectively).

8. EXPENSES

Cost of sales includes the following:

Canadian $ millions	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Employee costs(1)	**$ 15.2**	$ 15.5	**$ 29.9**	$ 31.7
Severance	**1.0**	0.4	**1.6**	0.6
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**9.9**	11.4	**19.1**	22.4
Raw materials and consumables	**8.0**	8.8	**17.4**	22.2
Repairs and maintenance	**7.8**	12.4	**17.1**	22.5
Shipping and treatment costs	**0.9**	1.3	**1.5**	2.6
Share-based compensation expense (recovery)	**0.1**	(0.1)	**-**	0.3
Changes in inventories and other	**1.7**	-	**(9.5)**	(15.8)
	$ 44.6	$ 49.7	**$ 77.1**	$ 86.5

Administrative expenses(2) include the following:

Canadian $ millions	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Employee costs(1)	**$ 7.4**	$ 6.4	**$ 13.6**	$ 14.5
Severance	**0.7**	0.9	**1.0**	1.2
Depreciation	**0.3**	0.8	**1.0**	1.6
Share-based compensation expense (recovery)	**0.8**	(1.1)	**0.1**	(0.4)
Consulting services and audit fees	**1.0**	1.7	**1.9**	3.1
Other	**2.1**	1.6	**3.4**	1.1
	$ 12.3	$ 10.3	**$ 21.0**	$ 21.1

(1) Included in employee costs for the three and six months ended June 30, 2020 is the Canada Emergency Wage Subsidy (note 9) within cost of sales of $0.4 million and within administrative expenses of $0.6 million (nil for the three and six months ended June 30, 2019).

(2) Included in administrative expenses is $9.6 million and $15.3 million related to the Corporate and Other segment for the three and six months ended June 30, 2020, respectively ($6.8 million and $14.0 million for the three and six months ended June 30, 2019, respectively).

9. GOVERNMENT GRANTS

Accounting policies

Government grants are not recognized until there is reasonable assurance that the Corporation has complied with the conditions attached to the grant and the grant has been received.

Government grants that are received as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognized in the consolidated statements of comprehensive income (loss) as a reduction in the related expense.

Supporting information

In response to the COVID-19 pandemic, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program effective for the period of March 15 to August 29, 2020, which was extended until December 19, 2020 as of July 17, 2020. The CEWS covers 75% of eligible employee remuneration, subject to limits per employee, during the effective period. During the three months ended June 30, 2020, the Corporation qualified for and received $1.0 million in subsidies, covering the qualifying periods of March 15 to April 11, 2020 and April 12 to May 9, 2020. During the three months ended June 30, 2020, these amounts are included in cost of sales and administrative expenses as a reduction in employee costs (note 8) and within the consolidated statements of cash flow as cash provided by operating activities. Subsequent to June 30, 2020, the Corporation received an additional $3.9 million in subsidies, covering the qualifying periods of March 15 to April 11, 2020, April 12 to May 9, 2020 and May 10 to June 6, 2020. In addition, the Moa Joint Venture qualified for and received $0.1 million in subsidies during the three months ended June 30, 2020 (note 10) and an additional $3.3 million subsequent to June 30, 2020, covering the qualifying periods described above. There are no unfulfilled conditions or other contingencies attached to the CEWS and additional grants will be recognized when received.

10. JOINT ARRANGEMENTS

Investment in a joint venture

During the three and six months ended June 30, 2020, the Moa Joint Venture paid distributions of nil and $26.6 million, respectively, of which nil and $13.3 million, respectively, were paid to the Corporation representing its 50% ownership interest ($27.0 million and $33.6 million, and, $13.5 million and $16.8 million, respectively, for the three and six months ended June 30, 2019, respectively). All distributions were in the form of dividends.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	**2020 June 30**	2019 December 31
Current assets[1]	**$ 422.9**	$ 441.8
Non-current assets	**1,208.2**	1,169.3
Current liabilities[2]	**79.2**	81.9
Non-current liabilities[3]	**716.6**	674.6
Net assets of Moa Joint Venture	**$ 835.3**	$ 854.6
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**417.7**	427.3
Intercompany capitalized interest elimination	**(46.2)**	(44.4)
Investment in a joint venture	**$ 371.5**	$ 382.9

(1) Included in current assets is $70.8 million of cash and cash equivalents (December 31, 2019 - $80.9 million).

(2) Included in current liabilities is $26.0 million of financial liabilities (December 31, 2019 - $21.6 million).

(3) Included in non-current liabilities is $577.6 million of financial liabilities (December 31, 2019 - $551.9 million).

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Earnings (loss) from operations(1)(2)(3)	**$ 5.3**	$ (1.6)	**$ (1.2)**	$ (19.4)
Financing income	**-**	0.2	**0.4**	0.4
Financing expense	**(11.1)**	(11.2)	**(23.1)**	(22.2)
Net finance expense	**(11.1)**	(11.0)	**(22.7)**	(21.8)
Loss before tax	**(5.8)**	(12.6)	**(23.9)**	(41.2)
Income tax (expense) recovery(4)	**(6.8)**	3.5	**(2.9)**	7.7
Net loss and comprehensive loss of Moa Joint Venture	**$ (12.6)**	$ (9.1)	**$ (26.8)**	$ (33.5)
Proportion of Sherritt's ownership interest	**50%**	50%	**50%**	50%
Total	**(6.3)**	(4.6)	**(13.4)**	(16.8)
Intercompany elimination	**3.1**	3.3	**6.3**	6.6
Share of loss of a joint venture, net of tax	**$ (3.2)**	$ (1.3)	**$ (7.1)**	$ (10.2)

(1) Included in earnings (loss) from operations for the three and six months ended June 30, 2020 is revenue of $186.2 million and $358.2 million, respectively ($195.6 million and $381.1 million for the three and six months ended June 30, 2019, respectively).

(2) Included in earnings (loss) from operations for the three and six months ended June 30, 2020 is a recovery for the Canada Emergency Wage Subsidy (note 9) within cost of sales of $0.1 million (nil for the three and six months ended June 30, 2019).

(3) Included in earnings (loss) from operations for the three and six months ended June 30, 2020 is depreciation and amortization within cost of sales of $24.2 million and $49.2 million, respectively ($23.4 million and $46.6 million for the three and six months ended June 30, 2019, respectively).

(4) Included in income tax (expense) recovery for the three and six months ended June 30, 2019 is a recovery of $2.6 million reflecting a remeasurement of deferred tax liabilities as a result of the decrease in Alberta's general corporate income tax rate. Effective July 1, 2019, the corporate tax rate decreased from 12% to 11%, with a further decrease to 10% on January 1, 2020, 9% on January 1, 2021 and 8% on January 1, 2022. Income tax (expense) recovery for the three and six months ended June 30, 2020 increased since the comparative periods primarily due to an increase in taxable earnings by one of the operating companies in the Moa Joint Venture.

Joint operations

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

Canadian $ millions, 33⅓% basis, as at	2020 June 30	2019 December 31
Current assets(1)	**$ 104.5**	$ 99.0
Non-current assets	**51.6**	58.2
Current liabilities	**19.0**	10.4
Non-current liabilities	**96.7**	112.0
Net assets	**$ 40.4**	$ 34.8

(1) Included in current assets is $82.2 million of cash and cash equivalents (December 31, 2019 - $79.8 million).

Canadian $ millions, 33⅓% basis	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Revenue	**$ 9.6**	$ 11.1	**$ 19.0**	$ 21.8
Expenses	**(13.7)**	(13.3)	**(12.4)**	(27.0)
Net (loss) earnings	**$ (4.1)**	$ (2.2)	**$ 6.6**	$ (5.2)

11. INVESTMENT IN AN ASSOCIATE

Unrecognized share of losses

During the three months ended June 30, 2020, the Corporation's share of loss of an associate, net of tax, exceeded the carrying value of its investment in an associate. The Corporation assessed if the Ambatovy Joint Venture subordinated loans receivable – post-financial completion and the Ambatovy Joint Venture operator fee receivable form part of the Corporation's investment in an associate. The Corporation determined that these financial assets are excluded from the net investment. As a result, the incremental losses in excess of the carrying value of the investment in an associate are not recognized against these financial assets. Therefore, the Corporation has accumulated unrecognized share of losses of an associate, net of tax, of $204.9 million (12% basis) and unrecognized share of foreign currency translation differences on foreign operations of $3.4 million (12% basis), for a cumulative unrecognized share of losses on an investment in an associate of $208.3 million (12% basis) as at June 30, 2020. The unrecognized share of losses for the three months ended June 30, 2020 include the loss on impairment described below.

Impairment

During the three months ended June 30, 2020, an impairment indicator was identified at the Ambatovy Joint Venture as a result of the impact the care and maintenance phase has had on the life of mine production plan (note 6). As a result of losses recognized from the investment in an associate exceeding its carrying value, losses on impairment that otherwise would have been recognized, are no longer recognized. Had the carrying value of the investment in an associate been sufficient to record the losses on impairment, the Corporation would have recognized losses on impairment of $165.1 million during the three months ended June 30, 2020.

Ambatovy Joint Venture funding

Ambatovy cash calls due during the three and six months ended June 30, 2020 were US$150.0 million. As at June 30, 2020, Sherritt continues to not fund its 12% share of cumulative cash calls in the amount of US$45.0 million. As a result, Sherritt is a defaulting shareholder and does not hold Ambatovy Joint Venture voting rights.

Critical accounting judgments

It is the Corporation's judgment that the Ambatovy Joint Venture continues to be an associate as at and for the three and six months ended June 30, 2020 given the Corporation's ability to cure its event of default and reinstate its Ambatovy Joint Venture voting rights and representation at any time.

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

Statements of financial position

Canadian $ millions, 100% basis, as at		**2020 June 30**		2019 December 31
Current assets(1)	**$**	**607.9**	$	669.7
Non-current assets		**4,289.4**		5,781.6
Current liabilities		**459.2**		477.8
Non-current liabilities(2)		**3,408.1**		4,283.6
Net assets of Ambatovy Joint Venture	**$**	**1,030.0**	$	1,689.9
Proportion of Sherritt's ownership interest		**12%**		12%
Total		**123.6**		202.8
Impairment of investment in associate		**(31.0)**		(31.0)
Intercompany elimination(2)		**(300.9)**		(132.5)
Unrecognized share of losses on an investment in an associate		**208.3**		-
Investment in an associate	**$**	**-**	$	39.3

(1) Included in current assets is $135.3 million of cash and cash equivalents (December 31, 2019 - $100.2 million).

(2) During the six months ended June 30, 2020, US$879.3 million ($1,205.9 million) of the Ambatovy Joint Venture subordinated loans payable and US$145.6 million ($198.4 million) of the Ambatovy Joint Venture subordinated loans payable – post-financial completion were converted to equity. The Corporation has recorded its share of the related subordinated loans receivable and subordinated loans receivable – post-financial completion within advances, loans receivable and other financial assets (note 16). There was no change to the Corporation's ownership interest as a result of the conversions.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Loss from operations[1][2][3]	**$ (1,868.8)**	$ (106.8)	**$ (1,987.0)**	$ (257.0)
Financing income	**0.3**	0.5	**0.1**	1.2
Financing expense[4]	**(62.3)**	-	**(144.9)**	(79.0)
Net finance (expense) income	**(62.0)**	0.5	**(144.8)**	(77.8)
Loss before tax	**(1,930.8)**	(106.3)	**(2,131.8)**	(334.8)
Income tax expense	**(0.3)**	(1.0)	**(1.6)**	(2.1)
Net loss and comprehensive loss of Ambatovy Joint Venture	**$ (1,931.1)**	$ (107.3)	**$ (2,133.4)**	$ (336.9)
Proportion of Sherritt's ownership interest	**12%**	12%	**12%**	12%
Total	**(231.7)**	(12.9)	**(256.0)**	(40.4)
Intercompany elimination	**0.5**	0.8	**1.2**	1.5
Unrecognized share of losses of an associate, net of tax	**204.9**	-	**204.9**	-
Share of loss of an associate, net of tax	**$ (26.3)**	$ (12.1)	**$ (49.9)**	$ (38.9)

(1) Included in loss from operations for the three and six months ended June 30, 2020 is revenue of $32.8 million and $239.4 million, respectively ($155.2 million and $329.1 million for the three and six months ended June 30, 2019, respectively).

(2) Included in loss from operations for the three and six months ended June 30, 2020 is cost of sales of $257.2 million and $572.7 million, respectively ($251.9 million and $565.8 million for the three and six months ended June 30, 2019, respectively).

(3) Included in loss from operations for the three and six months ended June 30, 2020 is depreciation and amortization within cost of sales of $97.3 million and $201.1 million, respectively ($106.3 million and $211.8 million for the three and six months ended June 30, 2019, respectively).

(4) Included in financing expense for the three and six months ended June 30, 2020 is a gain on the revaluation of long-term bonds of $1.8 million and loss on the revaluation of long term bonds of $1.4 million, respectively ($80.3 million and $80.0 million gain for the three and six months ended June 30, 2019, respectively).

12. NET FINANCE EXPENSE

Canadian $ millions	Note	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Interest income on trade accounts receivable, net		**0.3**	0.6	**0.5**	1.0
Interest income on advances and loans receivable		**7.9**	8.5	**16.2**	17.4
Interest income on accretion of advances and loans receivable		**1.5**	2.2	**3.0**	4.3
Interest income on financial assets measured at amortized cost		**9.7**	11.3	**19.7**	22.7
Revaluation of allowance for expected credit losses:					
Trade accounts receivable, net	15	**(0.3)**	(0.1)	**(1.7)**	(0.4)
Ambatovy Joint Venture subordinated loans receivable	15	**(68.7)**	(53.6)	**(68.7)**	(54.6)
Ambatovy Joint Venture subordinated loans receivable - post-financial completion	15	**(5.7)**	-	**(5.7)**	-
Moa Joint Venture expansion loans receivable	15	**23.6**	-	**6.4**	-
Revaluation of allowances for expected credit losses		**(51.1)**	(53.7)	**(69.7)**	(55.0)
Revaluation of cobalt-linked warrants	15, 17	**-**	1.9	**0.5**	1.9
Revaluation of financial assets measured at fair value through profit or loss		**0.9**	0.6	**1.4**	0.8
Other interest income and unrealized (losses) gains on financial instruments		**(1.2)**	0.5	**(0.9)**	1.2
Other financing items		**(0.3)**	3.0	**1.0**	3.9
Interest expense and accretion on loans and borrowings		**(14.3)**	(14.5)	**(29.6)**	(29.0)
Unrealized foreign exchange (loss) gain		**(13.1)**	(8.0)	**10.4**	(13.8)
Realized foreign exchange gain (loss)		**1.5**	(0.1)	**1.1**	(0.1)
Other interest expense and finance charges		**(1.0)**	(0.8)	**(1.8)**	(1.5)
Accretion expense on environmental rehabilitation provisions	18	**-**	(0.1)	**(0.1)**	(0.2)
Financing expense		**(26.9)**	(23.5)	**(20.0)**	(44.6)
Net finance expense		**(68.6)**	(62.9)	**(69.0)**	(73.0)

13. INCOME TAXES

Canadian $ millions	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Current income tax expense[1]	**$ 12.1**	$ 0.6	**$ 12.7**	$ 1.1
Deferred income tax recovery[1]	**(11.7)**	-	**(12.5)**	(0.2)
Income tax expense	**$ 0.4**	$ 0.6	**$ 0.2**	$ 0.9

(1) During the three and six months ended June 30, 2020, a deferred income tax liability of $11.6 million was reclassified to current income taxes payable as a result of certain tax payments due during the second quarter of 2021. These tax payments relate to taxes owed upon the relinquishment of the Puerto Escondido/Yumuri oil field in April 2021 in the Oil and Gas segment. The reclassification resulted in a current income tax expense of $11.6 million and a corresponding deferred income tax recovery of $11.6 million during the three and six months ended June 30, 2020.

14. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Net loss from continuing operations	**$ (114.5)**	$ (90.4)	**$ (156.7)**	$ (152.2)
Earnings from discontinued operations, net of tax	**-**	-	**-**	-
Net loss for the period - basic and diluted	**$ (114.5)**	$ (90.4)	**$ (156.7)**	$ (152.2)
Weighted-average number of common shares - basic and diluted[1]	**397.3**	397.3	**397.3**	397.3
Net loss from continuing operations per common share:				
Basic and diluted	**$ (0.29)**	$ (0.23)	**$ (0.39)**	$ (0.38)
Earnings from discontinued operations per common share:				
Basic and diluted	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Net loss per common share:				
Basic and diluted	**$ (0.29)**	$ (0.23)	**$ (0.39)**	$ (0.38)

(1) The determination of the weighted-average number of common shares - diluted excludes 9.0 million shares related to stock options, 10.4 million shares related to warrants from the 2016 debenture extension and 47.2 million shares related to cobalt-linked warrants that were anti-dilutive for the three and six months ended June 30, 2020, respectively (9.4 million, 10.4 million and 47.2 million that were anti-dilutive for the three and six months ended June 30, 2019, respectively).

15. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at	2020 June 30	2019 December 31
Cash equivalents	**$ 32.9**	$ 15.8
Cash held in banks	**139.5**	150.3
	$ 172.4	$ 166.1

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Madagascar and Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $84.7 million as at June 30, 2020 (December 31, 2019 - $85.3 million).

As at June 30, 2020, $82.2 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2019 - $79.8 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

Fair value measurement

The following table presents financial instruments with carrying values different from their fair values[1]:

Canadian $ millions, as at	Note	Hierarchy level	2020 June 30 Carrying value	2020 June 30 Fair value	2019 December 31 Carrying value	2019 December 31 Fair value
Liabilities:						
8.00% senior unsecured debentures due 2021[2]	17	1	**$ 165.6**	**$ 42.4**	$ 164.4	$ 74.6
7.50% senior unsecured debentures due 2023[2]	17	1	**189.0**	**49.4**	187.8	57.4
7.875% senior unsecured debentures due 2025[2]	17	1	**203.1**	**55.2**	201.9	66.2
Ambatovy Joint Venture partner loans[3]	17	3	**161.9**	**8.2**	151.5	18.6

(1) The carrying values are net of financing costs and the fair values exclude financing costs.
(2) The fair values of the senior unsecured debentures are based on market closing prices.
(3) The fair value of the Ambatovy Joint Venture partner loans is calculated by discounting future cash flows using rates that are based on market rates adjusted for the borrowers' credit quality for instruments with similar maturity horizons.

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

Canadian $ millions, as at	Note	Hierarchy level	2020 June 30	2019 December 31
Fair value through profit or loss				
Assets:				
Ambatovy Joint Venture operator fee receivable[1][2]	16	3	**$ 15.8**	$ 12.7
Liabilities:				
Cobalt-linked warrant liability[2][3]	17	1	**0.2**	0.7
Fair value through other comprehensive income (loss)				
Cash equivalents		1	**32.9**	15.8

(1) The fair value of the Ambatovy Joint Venture operator fee receivable is calculated by discounting future cash flows using a rate that is based on a market rate adjusted for the borrowers' credit quality.
(2) Changes in fair value are recognized within other financing items within net finance expense (note 12).
(3) The cobalt-linked warrants are measured at fair value using the closing market price as at each reporting date. As at June 30, 2020, the closing price of the cobalt-linked warrants was $0.005 per warrant (note 17) (December 31, 2019 - $0.015 per warrant).

Trade accounts receivable, net, and unbilled revenue

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

Canadian $ millions, as at	2020 June 30	2019 December 31
Trade accounts receivable, net	**$ 157.3**	$ 154.9
Unbilled revenue	**1.4**	-
	$ 158.7	$ 154.9

Trade accounts receivable, net

Canadian $ millions, as at	2020 June 30	2019 December 31
Trade accounts receivable	**$ 132.0**	$ 128.4
Allowance for expected credit losses	**(20.8)**	(19.1)
Accounts receivable from joint operations	**0.1**	0.1
Accounts receivable from joint venture	**18.6**	15.8
Accounts receivable from associate	**10.4**	11.8
Other	**17.0**	17.9
	$ 157.3	$ 154.9

Aging of trade accounts receivable, net

Canadian $ millions, as at		2020 June 30		2019 December 31
Not past due	$	**122.5**	$	125.7
Past due no more than 30 days		**8.4**		7.9
Past due for more than 30 days but no more than 60 days		**0.6**		0.8
Past due for more than 60 days		**25.8**		20.5
	$	**157.3**	$	154.9

Allowance for expected credit losses

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

Canadian $ millions		As at 2019 December 31		For the six months ended June 30, 2020 — Revaluation (note 12)		Debt-to-equity conversion (note 16)		Foreign exchange and other non-cash items		As at 2020 June 30
Lifetime expected credit losses										
Trade accounts receivable, net	$	(19.1)	$	**(1.7)**	$	**-**	$	**-**	$	**(20.8)**
Ambatovy Joint Venture subordinated loans receivable		(71.2)		**(68.7)**		**144.7**		**(4.8)**		**-**
Ambatovy Joint Venture subordinated loans receivable - post-financial completion		(33.2)		**(5.7)**		**23.8**		**(1.6)**		**(16.7)**
Moa Joint Venture expansion loans receivable[1]		(6.8)		**6.4**		**-**		**0.4**		**-**

(1) During the year ended December 31, 2019, the ECL stage of the Moa Joint Venture expansion loans receivable was reassessed from stage 1 to stage 2, indicating that the credit risk of the loan had increased significantly subsequent to origination but is not considered to be in default. The Corporation has considered a combination of factors that are expected to adversely impact the borrower's ability to meet its debt obligation, which include past and potential future interest suspensions as well as potential changes to loan documentation. For the six months ended June 30, 2020, the allowance for expected credit losses revaluation reflects the probability-weighted impact that the present value of these factors could have on the net carrying value of these loans.

During the three and six months ended June 30, 2020 the Corporation recognized revaluations of allowance for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable of $68.7 million in losses (note 12). During the six months ended June 30, 2020, the Ambatovy Joint Venture converted US$879.3 million ($1,205.9 million) of its subordinated loans payable to equity (note 11) which, at the Corporation's 12% share, resulted in a US$105.5 million ($144.7 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for expected credit losses. As a result of the conversion, the Corporation's subordinated loans receivable was fully converted to equity reducing the loans receivable and the allowance for expected credit losses to nil (note 16).

During the three and six months ended June 30, 2020 the Corporation recognized revaluations of allowance for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable – post-financial completion of $5.7 million in losses (note 12). During the six months ended June 30, 2020, the Ambatovy Joint Venture converted US$145.6 million ($198.4 million) of its subordinated loans payable – post-financial completion to equity (note 11) which, at the Corporation's 12% share, resulted in a US$17.5 million ($23.8 million) decrease in the Corporation's subordinated loans receivable – post-financial completion and corresponding decrease in the Corporation's allowance for expected credit losses, resulting in a net nil change.

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

16. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note		2020 June 30		2019 December 31
Advances and loans receivable					
Ambatovy Joint Venture subordinated loans receivable		**$**	**-**	$	61.0
Ambatovy Joint Venture subordinated loans receivable - post-financial completion			**42.2**		41.3
Ambatovy Joint Venture operator fee receivable	15		**15.8**		12.7
Energas conditional sales agreement			**217.6**		228.4
Moa Joint Venture expansion loans receivable			**274.0**		252.2
Other financial assets(1)			**4.8**		5.4
			554.4		601.0
Current portion of advances, loans receivable and other financial assets(2)			**(34.4)**		(13.0)
		$	**520.0**	$	588.0

(1) Included in other financial assets are finance lease receivables of $4.8 million (December 31, 2019 - $5.1 million).

(2) Included in the current portion of advances, loans receivable and other financial assets is the Energas conditional sales agreement of $33.6 million (December 31, 2019 - $12.4 million). During the six months ended June 30, 2020, the current portion of the Energas conditional sales agreement increased $21.2 million and the non-current portion decreased by a corresponding $21.2 million, as a result of a new payment commitment with the Corporation's Cuban partners.

During the six months ended June 30, 2020, the Ambatovy Joint Venture converted US$879.3 million ($1,205.9 million) of its subordinated loans payable to equity (note 11) which, at the Corporation's 12% share, resulted in a US$105.5 million ($144.7 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for expected credit losses. As a result of the conversion, the Corporation's subordinated loans receivable was fully converted to equity reducing the loans receivable and the allowance for expected credit losses to nil (note 15). There was no change to the Corporation's ownership interest as a result of the conversion.

During the six months ended June 30, 2020, the Ambatovy Joint Venture converted US$145.6 million ($198.4 million) of its subordinated loans payable – post-financial completion to equity (note 11) which, at the Corporation's 12% share, resulted in a US$17.5 million ($23.8 million) decrease in the Corporation's subordinated loans receivable – post-financial completion and corresponding decrease in the Corporation's allowance for expected credit losses, resulting in a net nil change. There was no change to the Corporation's ownership interest as a result of the conversion.

17. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

				For the six months ended June 30, 2020 — Non-cash changes				
Canadian $ millions	Note		As at 2019 December 31		Effect of movement in exchange rates		Other		As at 2020 June 30
8.00% senior unsecured debentures due 2021(1)	15	$	164.4	**$**	**-**	**$**	**1.2**	**$**	**165.6**
7.50% senior unsecured debentures due 2023(1)	15		187.8		**-**		**1.2**		**189.0**
7.875% senior unsecured debentures due 2025(1)	15		201.9		**-**		**1.2**		**203.1**
Ambatovy Joint Venture partner loans(2)	15		151.5		**7.3**		**3.1**		**161.9**
Syndicated revolving-term credit facility			8.0		**-**		**-**		**8.0**
		$	713.6	**$**	**7.3**	**$**	**6.7**	**$**	**727.6**
Current portion of loans and borrowings			(159.5)						**(727.6)**
		$	554.1					**$**	**-**

(1) As at June 30, 2020, the outstanding principal amounts of the 8.00% senior unsecured debentures due 2021, 7.50% senior unsecured debentures due 2023 and 7.875% senior unsecured debentures due 2025 are $169.6 million, $197.8 million and $220.7 million, respectively. Other non-cash changes consists of accretion.

(2) As at June 30, 2020, the outstanding principal amount of the Ambatovy Joint Venture partner loans is $151.7 million, including capitalized interest. Other non-cash changes on the Ambatovy Joint Venture partner loans consists of accretion and accrued interest. Accrued and unpaid interest on these loans is capitalized to the loan balance semi-annually in June and December.

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

Senior unsecured debentures event of default

In accordance with the Transaction that was announced during the six months ended June 30, 2020, the Corporation did not make its March 24, 2020 interest payment of $7.4 million on its 7.50% senior unsecured debentures due 2023, its April 11, 2020 interest payment of $8.7 million on its 7.875% senior unsecured debentures due 2025 and its May 15, 2020 interest payment of $6.8 million on its 8.00% senior unsecured debentures due 2021, as all accrued and unpaid interest in respect of the Existing Notes up to the Effective Date is to be exchanged for New Second Lien Notes as discussed in note 5. Pursuant to the indenture governing the Existing Notes (the “Existing Notes Indenture”), an event of default occurs on all Existing Notes thirty days after non-payment of interest if the default is not rectified in that thirty-day grace period.

During the three months ended June 30, 2020, an event of default occurred on all Existing Notes as a result of non-payment of interest due on the Corporation’s Existing Notes and not rectifying this default in the thirty-day grace period.

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

As a result of the event of default under the Existing Notes Indenture, the Corporation’s Existing Notes were reclassified to current liabilities as at April 23, 2020, thirty-days after non-payment of interest on the 7.50% senior unsecured debentures due 2023.

On the Effective Date, upon the exchange of the Existing Notes, together with all accrued and unpaid interest thereon, for the New Second Lien Notes, the New Junior Notes and, as applicable, the early consent cash consideration, the Existing Notes and the Existing Notes Indenture will be irrevocably cancelled and terminated pursuant to the Plan of Arrangement. As a result of the cancellation and termination of the Existing Notes and the Existing Notes Indenture, and the release of all claims with respect thereto, pursuant to the Plan of Arrangement, the holders of the Existing Notes shall have no further rights or remedies with respect to any previously triggered events of default under the Existing Notes Indenture.

Ambatovy Joint Venture partner loans

As at June 30, 2020, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture (note 11), which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. The Ambatovy Joint Venture partners’ recourse against the Corporation in respect of such default is limited to the Corporation’s ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture.

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

In the event the CBCA proceedings are terminated and the Transaction is not implemented, the Ambatovy Joint Venture partners' may be entitled to accelerate the Ambatovy Joint Venture partner loans and pursue other remedies in respect of events of default existing under the Ambatovy Joint Venture partner loans, including seeking immediate full repayment of the Ambatovy Joint Venture partner loans, on an unsecured basis, from the Corporation.

On the Effective Date, upon the exchange of the Ambatovy Joint Venture partner loans for the Corporation's Ambatovy Joint Venture Interests, the Ambatovy Joint Venture partner loans will be irrevocably cancelled and terminated pursuant to the Plan of Arrangement. As a result of the cancellation and termination of the Ambatovy Joint Venture partner loans pursuant to the Plan of Arrangement, and the release of all claims with respect thereto, pursuant to the Plan of Arrangement, the Ambatovy Joint Venture partner shall have no further rights or remedies with respect to any previously triggered events of default under the Ambatovy Joint Venture partner loans.

Syndicated revolving-term credit facility

During the year ended December 31, 2018, the maturity of the syndicated revolving-term credit facility was extended to April 30, 2020 and the maximum credit available increased to $70.0 million. On April 15, 2020, the maturity of the syndicated revolving-term credit facility was extended to August 31, 2020 and on June 25, 2020, the maturity was further extended to September 30, 2020. The maximum credit available, collateral and interest rates remained unchanged.

The total available draw is based on eligible receivables and inventories, which are pledged as collateral. Certain assets of the Corporation and its wholly-owned subsidiaries in Canada are also pledged as security. The interest rates for the credit facility are prime plus 3.00% or bankers' acceptance plus 4.00%.

The facility is subject to the following financial covenants and restrictions as of April 15, 2020 through to September 30, 2020 maturity:

- EBITDA, as defined in the agreement, equal to or greater than $60.0 million;
- EBITDA-to-interest expense covenant of not less than 1.25:1;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture; and
- Minimum cash covenant balance, as defined in the agreement, of $65.0 million. The amount compared against this covenant is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus the undrawn credit.

The events of default on the Ambatovy Joint Venture partner loans and the Corporation's Existing Notes would have also resulted in an event of default on the syndicated revolving-term credit facility; however, these potential events of default on the credit facility were waived through to the maturity of the credit facility, for so long as such defaults are stayed under the CBCA proceedings. In the event the Stay of Proceedings is terminated and the Transaction is not implemented, the waiver will cease to be in effect and the lenders under the syndicated revolving-term credit facility may be entitled to direct the agent to pursue remedies in respect of events of default existing under the syndicated revolving-term credit facility.

Effective June 30, 2020, the Corporation did not renew a $47.0 million letter of credit issued to support its share of the environmental rehabilitation obligations held by its Spanish operations. The Corporation is in discussions with its operating partners to replace the letter of credit with a potential alternative arrangement.

Covenants

As at June 30, 2020, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

Other financial liabilities

Canadian $ millions, as at	Note	2020 June 30	2019 December 31
Lease liabilities		**$ 17.0**	$ 14.8
Cobalt-linked warrant liability[(1)]	15	**0.2**	0.7
Share-based compensation liability		**1.7**	2.2
Other financial liabilities		**0.3**	5.1
		19.2	22.8
Current portion of other financial liabilities		**(2.5)**	(9.3)
		$ 16.7	$ 13.5

(1) In January 2018, the Corporation issued 47.2 million cobalt-linked warrants as part of a unit offering that also included common shares. The cobalt-linked warrants have an exercise price of $1.95 for a period of 36 months, effective January 25, 2018, and are listed on the Toronto Stock Exchange. As at June 30, 2020, 47.2 million cobalt-linked warrants related to the 2018 unit offering were outstanding (note 15) (December 31, 2019 - 47.2 million).

18. PROVISIONS AND CONTINGENCIES

Provisions

Canadian $ millions, as at	2020 June 30	2019 December 31
Environmental rehabilitation provisions	**$ 115.5**	$ 97.9
Other provisions[(1)]	**5.4**	6.5
	120.9	104.4
Current portion of provisions	**(4.0)**	(5.0)
	$ 116.9	$ 99.4

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

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the six months ended 2020 June 30	For the year ended 2019 December 31
Balance, beginning of the period		**$ 97.9**	$ 107.7
Change in estimates[(1)]		**14.9**	(2.5)
Gain on settlement of environmental rehabilitation provision		**-**	(0.7)
Accretion	12	**0.1**	0.3
Effect of movement in exchange rates		**2.6**	(6.9)
Balance, end of the period		**$ 115.5**	$ 97.9

(1) Change in estimates for the six months ended June 30, 2020, increased compared to the comparative period primarily as a result of revisions to the estimated future costs it will take to rehabilitate property and changes in rates used in discounting the expected future cash flows.

Contingencies

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

19. SHAREHOLDERS' EQUITY

Capital stock

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

Canadian $ millions, except share amounts		For the six months ended 2020 June 30		For the year ended 2019 December 31
	Number	**Capital stock**	Number	Capital stock
Balance, beginning of the period	**397,282,785**	**$ 2,894.9**	397,281,686	$ 2,894.9
Warrants exercised - 2016 debenture extension(1)	**1,648**	**-**	1,099	-
Balance, end of the period	**397,284,433**	**$ 2,894.9**	397,282,785	$ 2,894.9

(1) During the year ended December 31, 2016, 19.1 million warrants were granted to Noteholders of the senior unsecured debentures that elected to extend the maturity dates with a fair value of $0.43 per warrant which totaled $8.2 million. As at June 30, 2020, 10.4 million warrants related to the 2016 debenture extension were outstanding (December 31, 2019 - 10.4 million).

Reserves

Canadian $ millions	For the six months ended 2020 June 30	For the year ended 2019 December 31
Stated capital reserve		
Balance, beginning of the period	**$ 222.2**	$ 222.2
Balance, end of the period	**$ 222.2**	$ 222.2
Share-based compensation reserve		
Balance, beginning of the period	**$ 11.5**	$ 11.2
Stock option plan expense	**-**	0.3
Balance, end of the period	**11.5**	11.5
Total reserves, end of the period	**$ 233.7**	$ 233.7

Accumulated other comprehensive income

Canadian $ millions	For the six months ended 2020 June 30	For the year ended 2019 December 31
Foreign currency translation reserve		
Balance, beginning of the period	**$ 500.9**	$ 541.8
Foreign currency translation differences on foreign operations	**39.0**	(40.9)
Balance, end of the period	**539.9**	500.9
Actuarial losses on pension plans		
Balance, beginning of the period	**$ (5.1)**	$ (4.6)
Actuarial losses on pension plans, net of tax	**(0.1)**	(0.5)
Balance, end of the period	**(5.2)**	(5.1)
Total accumulated other comprehensive income	**$ 534.7**	$ 495.8

20. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

Canadian $ millions	For the three months ended 2020 June 30	2019 June 30	For the six months ended 2020 June 30	2019 June 30
Trade accounts receivable, net, and unbilled revenue	**$ (11.2)**	$ 59.8	**$ 2.4**	$ 56.7
Inventories	**10.1**	7.9	**4.7**	1.9
Prepaid expenses	**(2.7)**	(0.5)	**(2.1)**	(0.4)
Trade accounts payable and accrued liabilities	**11.1**	(14.9)	**(14.2)**	(43.2)
Deferred revenue	**(23.5)**	(33.2)	**1.9**	(22.7)
	$ (16.2)	$ 19.1	**$ (7.3)**	$ (7.7)

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

COVID-19 and other pandemic risk

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

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

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

22. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its joint arrangements (note 10) and investment in an associate (note 11). 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.

23. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30		2020
Property, plant and equipment commitments	$	6.8
Joint venture:		
Property, plant and equipment commitments		10.4

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