sherritt

Q2

2021 SECOND QUARTER REPORT

Sherritt International Corporation

For the three and six months ended June 30, 2021

For immediate release

Sherritt Reports Strong Nickel and Cobalt Production in Q2 and Upgrades ESG Targets

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Toronto – July 29, 2021 – 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 months ended June 30, 2021. All amounts are in Canadian currency unless otherwise noted.

CEO COMMENTARY

"Our performance in Q2 was marked by strong nickel and cobalt production, receipt of US$28 million in distributions from the Moa Joint Venture, and measures taken to reduce corporate costs by approximately $1.3 million annually," said Leon Binedell, President and CEO of Sherritt International. "Just as significant, we accelerated efforts to transition our Technologies Group from being a cost centre to becoming an incubator of industry solutions that can be commercialized externally or applied internally to improve operational performance, reduce carbon emissions, and support growth initiatives, such as efforts to de-bottleneck production, evaluate brownfield expansion opportunities, and increase mineral reserves."

Mr. Binedell added, "Although our ability to collect overdue receivables may be subject to near-term volatility due to the continued impact of U.S. sanctions and Cuba's reduced access to foreign currency on account of the global pandemic, we remain bullish on our prospects given the favourable outlook for nickel and cobalt with the mass adoption of electric vehicles anticipated in the coming years."

SELECTED Q2 2021 HIGHLIGHTS

- Leon Binedell, a 25-year mining industry veteran with a history of building shareholder value, was appointed President and CEO of Sherritt International effective June 1, 2021.
- Adjusted EBITDA(1) was $18 million, up 114% from last year. The higher total was indicative of strong production totals at the Moa Joint Venture (Moa JV) and improved nickel and cobalt prices, but offset by increased input costs and $1.8 million of expenses relating to a 10% workforce reduction in Sherritt's Corporate office, which will result in a reduction of corporate costs by approximately $1.3 million annually, and $5.5 million in other contract benefits expenses relating to the planned departure of senior executives.
- Sherritt's share of finished nickel production at the Moa JV was 4,230 tonnes, up 2% from last year while Sherritt's share of finished cobalt production was 476 tonnes, up 12%. The growth was largely attributable to higher inventories of mixed sulphides available at the refinery in Fort Saskatchewan, Alberta and improved refinery reliability.
- Net Direct Cash Cost (NDCC)(1) at the Moa JV was US$4.58/lb, up 17% from last year. Despite a 73% improvement in cobalt by-product credits, unit costs per pound of finished nickel sold were impacted by the 65% increase in sulphur prices, 160% increase in fuel oil prices, 46% increase in natural gas prices, and added costs stemming from the purchase of sulphuric acid necessary because of the acid plant shutdown at Moa due to scheduled maintenance repairs.
- Upgraded a number of environmental, social, and governance (ESG) targets, including a target of achieving net zero greenhouse emissions by 2050 and obtaining 15% of overall energy from renewable sources by 2030. Sherritt's list of long-term and interim ESG targets will be published in its upcoming Sustainability Report.
- Received US$28 million in distributions from the Moa JV. The total consisted of Sherritt's 50% share of distributions declared by the Moa JV, or US$14 million, and US$14 million re-directed by General Nickel Company S.A. (GNC), Sherritt's joint venture partner, from its 50% share to be used to fund Energas operations.
- Received US$24.5 million in Cuban energy payments, including the US$14 million noted above redirected to Sherritt by its Moa JV partner. Sherritt anticipates continued variability in the timing of collections through the remainder of 2021, and is working with its Cuban partners to ensure timely receipts.
- Generated $1.5 million of cash from continuing operations for operating activities, representing a turnaround of $14.1 million from Q2 2020.

- Purchased a total of $2 million principal amount of 8.5% second lien notes at an aggregate cost of $1.3 million. The $2 million debt reduction will also result in cash interest savings of $0.9 million through to the maturity in November 2026.
- Excluding the non-cash impacts of share-based compensation and depreciation, administrative expenses declined by $2.7 million from Q2 2020.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Sherritt donated $250,000 to UNICEF to support immunization efforts and improve the capacity of approximately 90 vaccination centres throughout Cuba, including the municipality of Moa in Holguin. The donation, which will benefit almost 3 million people, including approximately 350,000 children, will help curb the spread of COVID-19 and support future vaccination needs.

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

Q2 2021 FINANCIAL HIGHLIGHTS

	For the three months ended			For the six months ended		
$ millions, except per share amount	**2021 June 30**	2020 June 30	Change	**2021 June 30**	2020 June 30	Change
Revenue	**31.0**	40.4	(23%)	**$ 52.9**	$ 66.7	(21%)
Combined revenue[(1)]	**152.3**	133.5	14%	**294.0**	245.8	20%
Loss from operations and joint venture	**(7.3)**	(19.7)	63%	**(1.2)**	(38.5)	97%
Net loss from continuing operations	**(10.4)**	(13.3)	22%	**(12.3)**	(47.8)	74%
Net loss for the period	**(10.7)**	(114.5)	91%	**(16.3)**	(156.7)	90%
Adjusted EBITDA[(1)]	**18.0**	8.4	114%	**48.2**	12.7	280%
Cash provided (used) by continuing operations for operating activities	**1.5**	(12.6)	112%	**(1.5)**	10.0	(115%)
Combined free cash flow[(1)]	**2.6**	(0.6)	nm[(2)]	**21.6**	2.4	nm[(2)]
Average exchange rate (CAD/US$)	**1.228**	1.385	(11%)	**1.247**	1.365	(9%)
Net loss from continuing operations ($ per share)	**(0.03)**	(0.03)	-	**(0.03)**	(0.12)	75%

(1) For additional information see the Non-GAAP measures section.
(2) Not meaningful (nm)

$ millions, as at	**2021 June 30**	2020 December 31	Change
Cash, cash equivalents and short term investments	**$ 153.8**	$ 167.4	(8%)
Loans and borrowings	**439.6**	441.4	-

Cash, cash equivalents, and short-term investments at June 30, 2021 were $153.8 million, down from $158.3 million at March 31, 2021. The decrease was due to a number of factors, including use of $1.3 million towards the repurchase of 8.5% second lien notes with a principal value of $2 million, payment of $15 million in interest on 8.5% second lien notes and $2.9 million in capital expenditures. The decrease was partially offset by the receipt of US$14 million in distributions from the Moa JV representing Sherritt's 50% share and the receipt of US$24.5 million in Cuban energy payments, which included US$14 million re-directed by GNC, Sherritt's joint venture partner, from its 50% share of distributions.

The US$28 million of distributions paid by the Moa JV in Q2 2021 was indicative of improved nickel and cobalt average-realized prices and strong production results. In Q2 2020, the Moa JV did not declare any distributions. Sherritt anticipates receipt of additional distributions from the Moa JV through to the end of 2021 based on prevailing nickel and cobalt prices, planned capital spend, and liquidity requirements for the Moa JV.

Collections against overdue amounts owed to Sherritt by its Cuban energy partners continue to be adversely impacted by a combination of factors, including the ongoing effects of U.S. sanctions against Cuba, Cuba's reduced access to foreign currency on account of the global pandemic, and the country's launch of a currency unification process. Sherritt received US$24.5 million of Cuban energy payments, which included US$14 million of redirections from GNC, in Q2 2021.

Total overdue scheduled receivables at June 30, 2021 were US$154.7 million, largely unchanged from US$154.2 million at March 31, 2021. Subsequent to quarter end, Sherritt received US$1.6 million in Cuban energy payments. Sherritt anticipates variability in the timing and the amount of energy payments, and continues to work with its Cuban partners to ensure timely receipt of energy payments.

As at June 30, 2021, Sherritt held cash, cash equivalents and short-term investment in Canada totaling $77.4 million, up from $75.6 million at March 31, 2021.

Adjusted net loss[1]

For the three months ended June 30	2021 $ millions	2021 $/share	2020 $ millions	2020 $/share
Net loss from continuing operations	**(10.4)**	**(0.03)**	(13.3)	(0.03)
Adjusting items:				
Unrealized foreign exchange (gain) loss - continuing operations	**(8.6)**	**(0.02)**	7.4	0.02
Severance and other contractual benefits expense	**2.4**	**0.01**	-	-
Unrealized losses on commodity put options	**3.7**	**0.01**	-	-
Moa JV expansion loans receivable ACL revaluation	**-**	**-**	(23.6)	(0.06)
Other	**(0.1)**	**-**	1.8	-
Adjusted net loss from continuing operations	**(13.0)**	**(0.03)**	(27.7)	(0.07)

For the six months ended June 30	2021 $ millions	2021 $/share	2020 $ millions	2020 $/share
Net loss from continuing operations	**(12.3)**	**(0.03)**	(47.8)	(0.12)
Adjusting items:				
Unrealized foreign exchange gain - continuing operations	**(11.2)**	**(0.02)**	(5.1)	(0.01)
Severance and other contractual benefits expense	**2.4**	**0.01**	-	-
Unrealized losses on commodity put options	**4.3**	**0.01**	-	-
Moa JV expansion loans receivable ACL revaluation	**-**	**-**	(6.4)	(0.02)
Gain on repurchase of notes	**(2.1)**	**-**	-	-
Other	**3.6**	**(0.01)**	3.2	0.01
Adjusted net loss from continuing operations	**(15.3)**	**(0.04)**	(56.1)	(0.14)

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

Net loss from continuing operations for Q2 2021 was $10.4 million, or $0.03 per share, compared to a net loss of $13.3 million, or $0.03 per share, for the same period last year. The improvement was driven largely by the strong contributions from the Moa JV as a result of higher sales volumes and higher realized prices compared to the same period of last year.

Adjusted net loss from continuing operations was $13.0 million, or $0.03 per share, for the quarter ended June 30, 2021. In Q2 2020, Sherritt incurred an adjusted net loss of $27.7 million or $0.07 per share. Sherritt's adjusted net loss for Q2 2021 excluded an unrealized foreign exchange gain of $8.6 million, severance and other contract benefits expense of $2.4 million, and unrealized losses on commodity put options of $3.7 million.

METALS MARKET

Nickel

Following a price pullback triggered by Tsingshan's announcement in early March that it plans to supply 100,000 tonnes of a nickel intermediate product amenable for use in electric vehicle batteries starting in October 2021, nickel prices enjoyed a sharp recovery in Q2, closing at US$8.37/lb on June 30, up 15% from the start of the quarter.

The price increase was driven by a number of market developments suggesting strong near-term demand for nickel and lower available supply by year end.

Chief among the factors that contributed to rising nickel prices in Q2 was news from Indonesia that it plans to put restrictions on the construction of new nickel pig iron and ferronickel smelters, effectively raising supply concerns, particularly about how China's growing demand for stainless steel production would be met. Supply concerns were also exacerbated by a labour strike at a nickel operation in Ontario.

The impact of nickel supply disruptions and strong demand driven by global economic recovery since the start of the global pandemic and growing electric vehicle sales was made evident by the 12% decrease in nickel inventory levels on the London Metals Exchange (LME) to 232,476 tonnes by June 30. Similarly, inventory levels on the Shanghai Futures Exchange fell to 4,982 tonnes, down from 8,972 tonnes at the start of the quarter.

Continued strong demand and market tightness led a number of industry analysts, including Wood Mackenzie, to forecast a nickel supply deficit in 2021 in contrast to a forecast for nickel surplus at the start of the year. As at July 29, nickel inventories on the LME declined further to 215,412 tonnes.

Nickel inventory level uncertainty is, however, anticipated in 2022 and 2023, and some industry analysts have forecast an inventory surplus in the near term.

The long-term outlook for nickel remains bullish due to the strong demand expected from the electric vehicle battery market. Over the past year, in particular, multiple automakers and governments have announced plans for significant investments to expand electric vehicle production capacity to meet growing demand as well as more aggressive timelines to phase out the sale of internal combustion engines. In 2020, more than three million plug-in electric vehicles (PEV) were sold despite the global pandemic. Industry observers estimate that the number of PEVs sold in 2021 will double to 6.1 million units. CRU has forecast that electric vehicles sales will grow to 13.7 million units by 2025.

As a result of its unique properties, high-nickel cathode formulations remain the dominant choice for long-range vehicles manufactured by automakers with Class 1 nickel being an essential feedstock in the battery supply chain. Sherritt is particularly well positioned given our Class 1 production capabilities and the fact that Cuba possesses the world's fourth largest nickel reserves.

Cobalt

While standard grade cobalt prices on June 30 closed at US$22.90/lb, essentially flat from the start of the second quarter according to data collected by Fastmarkets MB, cobalt prices in Q2 were, in fact, marked by considerable volatility. Prices ranged from a low of US$19.88/lb to a high of US$22.90/lb, a variance of more than 12%.

Prices in Q2 declined because of increased supply made available from the Democratic Republic of Congo. By quarter end, prices recovered largely as a result of increased buying from electric vehicle battery manufacturers in Europe and increased stockpiling from consumers. Cobalt is a key component of rechargeable batteries providing energy stability.

The recovery of cobalt prices by the end of Q2 2021 also reflected improved market conditions as demand grew from sectors particularly impacted at the start of the pandemic, such as the aerospace sector and consumer electronics, which experienced increased purchasing of home office equipment. In Q2 2020, when market conditions for cobalt were at their softest as a result of the pandemic, the average reference price was US$15.19/lb. The higher average cobalt reference price of US$21.06/lb in Q2 2021 demonstrates the strengthening of the cobalt market over the past year.

Industry observers, such as CRU, expect cobalt prices to continue to rise in the near term with prices forecast to peak at US$31/lb in 2024 as limited new sources of supply have been announced to fill expected demand over the next five years. Since the start of Q3, cobalt prices have risen to US$24.85/lb largely because of supply logistics disruptions in South Africa.

The outlook for cobalt over the long term remains bullish as demand is expected to grow to 270,000 tonnes by 2025, representing a compound annual growth rate of 13.5% according to CRU.

REVIEW OF OPERATIONS

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

	For the three months ended			For the six months ended		
	2021	2020		**2021**	2020	
$ millions (Sherritt's share), except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 142.2**	$ 115.5	23%	**$ 268.5**	$ 209.0	28%
Earnings (loss) from operations	**19.7**	1.2	nm(1)	**47.5**	(3.5)	nm(1)
Adjusted EBITDA(2)	**34.1**	16.4	108%	**75.8**	26.5	186%
CASH FLOW						
Cash provided by operations	**$ 21.6**	$ 12.7	70%	**$ 45.1**	$ 17.2	162%
Free cash flow(2)	**13.8**	6.2	123%	**32.7**	4.1	698%
Dividend distributions from the Moa Joint Venture(3)	**16.9**	-	-	**23.2**	13.3	74%
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,020**	4,323	(7%)	**7,951**	8,337	(5%)
Finished Nickel	**4,230**	4,147	2%	**8,418**	7,983	5%
Finished Cobalt	**476**	425	12%	**953**	825	16%
Fertilizer	**69,516**	69,777	-	**133,308**	125,866	6%
NICKEL RECOVERY (%)	**85%**	86%	(1%)	**84%**	84%	-
SALES VOLUMES (tonnes)						
Finished Nickel	**4,268**	4,169	2%	**8,445**	7,942	6%
Finished Cobalt	**452**	353	28%	**929**	734	27%
Fertilizer	**64,722**	72,071	(10%)	**91,833**	103,211	(11%)
AVERAGE-REFERENCE PRICE (US$ per pound)						
Nickel	**$ 7.87**	$ 5.54	42%	**$ 7.92**	$ 5.66	40%
Cobalt(4)	**21.06**	15.19	39%	**21.38**	15.89	35%
AVERAGE-REALIZED PRICE(2)						
Nickel ($ per pound)	**$ 9.46**	$ 7.51	26%	**$ 9.71**	$ 7.55	29%
Cobalt ($ per pound)	**22.82**	18.39	24%	**22.35**	18.79	19%
Fertilizer ($ per tonne)	**409**	399	3%	**381**	384	(1%)
UNIT OPERATING COST(2) (US$ per pound)						
Nickel - net direct cash cost	**$ 4.58**	$ 3.92	17%	**$ 4.20**	$ 4.10	2%
SPENDING ON CAPITAL						
Sustaining	**$ 7.7**	$ 9.5	(19%)	**$ 12.4**	$ 16.1	(23%)
	$ 7.7	$ 9.5	(19%)	**$ 12.4**	$ 16.1	(23%)

(1) Not meaningful (nm)
(2) For additional information see the Non-GAAP measures section.
(3) Excludes redirections of dividends from Sherritt's joint venture partner.
(4) Average standard grade cobalt published price per Fastmarkets MB.

Mixed sulphides production at the Moa JV in Q2 2021 was 4,020 tonnes, down 7% from 4,323 tonnes produced in Q2 2020. The decline was primarily due to reduced availability of sulphur on account of shipment delays to Moa. Lower mixed sulphides production was offset by the availability of high feed inventory levels at the refinery in Fort Saskatchewan, Alberta. Mixed sulphides production levels returned to normal in the latter part of Q2 with completion of acid plant repairs and improved suphur availability at Moa.

Finished nickel production in Q2 2021 totaled 4,230 tonnes, up 2% from the 4,147 tonnes produced in Q2 2020 while finished cobalt production for Q2 2021 was 476 tonnes, up 12% from the 425 tonnes produced in Q2 2020. The growth was largely attributable to the availability of higher inventory of mixed sulphides at the refinery and improved refinery reliability. Finished cobalt production also improved because of a higher cobalt to nickel ratio in ore feed.

Consistent since the start of the global pandemic in February 2020, production of mixed sulphides and finished nickel and cobalt were not affected by the spread of COVID-19 in Q2 2021 largely because of additional health and safety measures implemented to protect employees, suppliers and various stakeholders at operations at Moa and at the refinery in Fort Saskatchewan. Safety protocols to mitigate the impact of COVID-19, which are in accordance with or are more stringent than guidelines outlined by local governments, will continue.

As disclosed previously, the annual maintenance shutdown of the refinery in Fort Saskatchewan was deferred from Q2 to Q3, and finished nickel and cobalt production will be impacted accordingly. This year's shutdown will be a full-facility shutdown, including all of the refinery and utility plants, that occurs once every six years. Full-facility shutdowns have previously occurred once every five years. The extended interval between full-facility shutdowns reflects ongoing commitments to asset management and operational excellence measures implemented over the past several years. This year's shutdown is expected to last approximately 11 days compared to the typical five-day annual shutdowns. Sherritt's guidance for 2021 production, unit cost and capital spend at the Moa JV is based on this full-facility shutdown. Based on performance through June 30, guidance for 2021 remains in effect.

Sales volume for finished nickel and cobalt in Q2 2021 were up 2% and 28%, respectively, from last year. The year-over-year increase was largely due to higher production and improved demand as a result of economic recovery since the onset of the global pandemic, particularly in China, which is a significant consumer of nickel and cobalt.

Total Moa JV revenue in Q2 2021 was $142.2 million, up 23% from $115.5 million last year. The revenue increase was attributable to a number of factors, including higher average-realized nickel and cobalt prices as well as higher nickel and cobalt sales volumes, but partially offset by lower fertilizer sales volumes. In Q2 2021, average-realized nickel and cobalt prices were up 26% and 24%, respectively, from last year. Average-realized prices are impacted by the timing of deliveries, settlement against contract terms, and fluctuations in the value of the Canadian currency.

Mining, processing and refining (MPR) costs per pound of nickel sold for Q2 2021 were US$5.86/lb, up 23% from last year. MPR costs in Q2 2021 increased due to a combination of factors, including higher input costs, higher maintenance costs and added costs stemming from the purchase of sulphuric acid necessary during the acid plant shutdown at Moa due to scheduled maintenance repairs. Input costs, in particular, were negatively impacted by the 65% increase in sulphur prices, 160% increase in fuel oil prices, and 46% increase in natural gas prices. Higher MPR costs were partially offset by the effect of Cuba's unification of its currencies in lowering labour and other service expenses.

Net direct cash cost (NDCC) per pound of nickel sold in Q2 2021 was US$4.58/lb, up 17% from last year. The increase was primarily driven by MPR costs, but partially offset by the 73% improvement in cobalt by-product credits due to higher average-realized prices, and by the higher cobalt to nickel production ratio. Lower fertilizer and other by-product credits were driven by higher fertilizer and sulphuric-acid production costs due to higher sulphur and energy prices.

Sustaining capital spending in Q2 2021 was $7.7 million, down 19% from $9.5 million in Q2 2020 for the same period last year. The year-over-year decrease was due primarily to the timing of planned capital expenditures. Sherritt's share of planned spending at the Moa JV and Fort Site in 2021 is unchanged at US$44 million, and primarily earmarked for the continued replacement of mine and plant equipment.

Sherritt has begun preliminary discussions with its Moa JV partner on brownfield expansion opportunities, including the launch of a slurry preparation plant initiative that would result in improved ore sorting and processing as well as reduced transportation expenses.

Power

$ millions (33 ⅓% basis), except as otherwise noted	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 7.0**	$ 9.6	(27%)	**$ 12.9**	$ 19.0	(32%)
(Loss) earnings from operations	**(0.2)**	1.6	(113%)	**(1.3)**	2.9	(145%)
Adjusted EBITDA(1)	**3.7**	7.0	(47%)	**6.5**	13.5	(52%)
CASH FLOW						
Cash provided by operations	**$ 11.5**	$ 8.3	39%	**$ 14.3**	$ 26.7	(46%)
Free cash flow(1)	**11.5**	8.3	39%	**14.3**	26.7	(46%)
PRODUCTION AND SALES						
Electricity (GWh(2))	**115**	153	(25%)	**210**	306	(31%)
AVERAGE-REALIZED PRICE(1)						
Electricity ($/MWh(2))	**$ 52.60**	$ 58.48	(10%)	**$ 53.60**	$ 57.73	(7%)
UNIT OPERATING COSTS(1)						
Electricity ($/MWh)	**21.03**	14.12	49%	**23.23**	14.34	62%
NET CAPACITY FACTOR (%)	**37**	49	(24%)	**33**	48	(31%)
SPENDING ON CAPITAL						
Sustaining	**$ -**	$ -	-	**$ -**	$ -	-
	$ -	$ -	-	**$ -**	$ -	-

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).

Power production in Q2 2021 was 115 gigawatt hours (GWh) of electricity, down 25% from 153 GWh produced in the comparable period of 2020. The production decline was due to maintenance activities performed at Boca de Jaruco deferred from 2020 and delays in other maintenance activities on account of limited liquidity availability. As a result of the US$14 million of Moa JV distributions re-directed by GNC to fund Energas operations and Cuban energy payments, Sherritt does not anticipate liquidity constraints for the Power business through the end of 2021.

The average-realized price in Q2 2021 was $52.60/MWh was down 10% from Q2 2020. The decline was primarily due to the strengthening of the Canadian currency relative to the U.S. dollar.

Revenue in Q2 2021 totaled $7 million, down 27% from $9.6 million for the same quarter last year primarily due to lower power production.

Unit operating costs in Q2 2021 were $21.03/MWh, up 49% from $14.12/MWh for last year. The year-over-year increase was attributable to lower sales volume and higher operational spending on maintenance activities that were deferred from 2020. The increase in unit operating costs in Q2 2021 was partially offset by the impact of a strengthening Canadian dollar as costs are denominated in U.S. currency, and by the effect of Cuba's unification of its currencies in lowering labour and third-party service costs.

The Power business unit had negligible capital spend for the three-month period ended June 30, 2021.

Sherritt is currently in discussions with its Cuban partners to extend its power generation agreement with Energas, which is currently slated to expire in March 2023.

Technologies

Sherritt's Technologies business accelerated efforts to transition from a cost centre to an incubator of industry solutions that can also be commercialized externally or applied internally to improve operational performance, reduce carbon emissions, and support growth initiatives, such as efforts to de-bottleneck production, evaluate brownfield expansion opportunities and increase mineral reserves.

The Technologies business also continued to make progress on the commercialization of its enhanced proprietary process to fully upgrade heavy oil, refining residues and bitumen, which provides a number of environmental and business benefits, such as eliminating the need for bitumen diluent, thereby increasing pipeline capacity, and increasing the economic value of the oil transported to downstream markets, as well as reduced energy consumption due to the elimination of energy intensive unit operations, which translates into a reduced carbon footprint for the process. This process has reached a Technology Readiness Level of 5. As a result, Technologies will undergo piloting again with a new catalyst system that allows for full upgrading instead of partial upgrading. Discussions are ongoing with external parties regarding the potential use of this process.

Technologies is also pursuing the commercialization of its proprietary process for the treatment of copper concentrates with higher arsenic content. Arsenic is a poisonous element requiring significant mitigation and management costs rendering certain copper projects uneconomical. With copper demand expected to grow significantly over the next decade, Technologies' advanced hydrometallurgical process technology fulfills a pressing industry need, presenting a significant step change in the stabilization of arsenic bearing solid waste, produces zero carbon emissions, extends the life of aging copper mines, reduces treatment costs and capitalizes on existing infrastructure. This process has reached a Technology Readiness Level of 4 after completing successful batch testing and completion of a pilot plant. Discussions with potentially interested parties to progress the commercialization of this process have commenced.

OUTLOOK

2021 Production, unit operating costs and capital spending guidance

Sherritt's targets for production, unit costs and capital spending in 2021 remain consistent with guidance announced on January 25, 2021 based on operational results achieved through June 30, prevailing commodity prices and input costs and planned capital spend for the year.

Production volumes, unit operating costs and spending on capital	Guidance for 2021 - Total	Year-to-date actuals - Total	Updated 2021 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	16,836	No change
Cobalt, finished	3,300 - 3,600	1,906	No change
Electricity (GWh, 33⅓% basis)	450 - 500	210	No change
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.25 - $4.75	$4.20	No change
Electricity (unit operating cost, $ per MWh)	$30.50 - $32.00	$23.23	No change
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)(1)	US$44 (CDN$57)	US$10 (CDN$12)	No change
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	No change
Spending on capital (excluding Corporate)	US$45 (CDN$58)	US$10 (CDN$12)	No change

(1) 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 revenue, adjusted EBITDA, average-realized price, unit operating cost/NDCC, adjusted earnings/loss from continuing operations, and combined free cash flow to monitor the financial performance of the Corporation and its operating divisions. Management believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the three and six months ended June 30, 2021 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, 2021 at 10:00 a.m. Eastern Time to review its Q2 2021 results. Dial-in and webcast details are as follows:

North American callers, please dial:	1 (888) 500-2295
International callers, please dial:	(438) 801-4078
Live webcast:	www.sherritt.com

Please dial in 15 minutes before the start of the call to secure a line. Alternatively, listeners can access the conference call and presentation via the webcast available on Sherritt's website.

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

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2021 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 – metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for oil and mining companies around the world to improve environmental performance and increase economic value. Sherritt is also the largest independent energy producer in Cuba. Sherritt'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, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt’s strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; the impact of Cuba’s currency unification; anticipated payments of outstanding receivables, including re-directed distributions from the Corporation’s Moa Joint Venture partner; the impact of U.S. sanctions on Cuba; the anticipated renewal of a joint venture agreement; 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; global demand for electric vehicles; the commercialization of certain proprietary technologies and services; advancements in environmental and greenhouse gas reduction technology; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; 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; the risk to Sherritt’s entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; Sherritt’s ability to replace depleted mineral 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; growth opportunity risks; 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 2021; 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, the ability of the Corporation to achieve its financial goals; 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 “Managing Risk” section of the Management’s Discussion and Analysis for the three and six months ended June 30, 2021 and the Annual Information Form of the Corporation dated March 17, 2021 for the period ending December 31, 2020, 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, 2021

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, 2021, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and six months ended June 30, 2021 and Sherritt's audited consolidated financial statements and the MD&A for the year ended December 31, 2020. 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 International Corporation ("Sherritt" or the "Corporation") is a world leader in the mining and refining of nickel and cobalt – metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for oil and mining companies around the world to improve environmental performance and increase economic value. The Corporation is also the largest independent energy producer in Cuba. Sherritt manages its mining, oil and gas, power and technologies operations through different legal structures including 100%-owned subsidiaries, joint arrangements and production-sharing contracts. 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
Metals Other	Subsidiaries	100%	Consolidation
Oil and Gas	Subsidiary	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses
Ambatovy Joint Venture[1]	Associate	0%	Discontinued operations

(1) On August 31, 2020, the Corporation's economic interest in the Ambatovy Joint Venture was reduced from 12% to nil as a result of the implementation of a transaction.

The Fort Site, Technologies and Corporate operations are a part of Sherritt International Corporation, the parent company, and are not separate legal entities.

For financial statement purposes, the Moa Joint Venture is accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from Moa Joint Venture and its net assets as the Corporation's investment in Moa Joint Venture. The financial results and review of operations sections in this MD&A presents amounts by reportable segment, based on the Corporation's economic interest. The Corporation's reportable segments are as follows:

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

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

Oil and Gas: 100% interest in its Oil and Gas business.

Power: 33⅓% interest in Energas S.A. (Energas).

Technologies: 100% interest in its Technologies business.

Corporate: head office activities.

Operating and financial results presented in this MD&A for reportable segments can be reconciled to note 4 of the condensed consolidated financial statements for the three and six months ended June 30, 2021.

NON-GAAP MEASURES

Management uses the following non-GAAP financial performance measures in this MD&A: combined revenue, adjusted EBITDA, average-realized price, unit operating cost/net direct cash cost (NDCC), adjusted earnings/loss from continuing operations and combined 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 International Financial Reporting Standards (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 39.

Highlights

MOA JOINT VENTURE

Sherritt's share of finished nickel production for the three months ended June 30, 2021 was 4,230 tonnes, 2% higher compared to the prior year period, and finished cobalt production of 476 tonnes was 12% higher compared to the prior year period. Finished nickel and cobalt production was higher primarily due to higher mixed sulphides availability at the refinery in Fort Saskatchewan, Alberta and improved refinery reliability. Mixed sulphides availability in the prior year was impacted by 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.

Consistent since the start of the global pandemic in February 2020, production of mixed sulphides and finished nickel and cobalt were not affected by the spread of COVID-19 in the second quarter of 2021 largely because of additional health and safety measures implemented to protect employees, suppliers and various stakeholders at operations at Moa and at the refinery in Fort Saskatchewan. Safety protocols to mitigate the impact of COVID-19, which are in accordance with or are more stringent than guidelines outlined by local governments, will continue.

NDCC for the three months ended June 30, 2021 was US$4.58 per pound, 17% higher compared to the same period in the prior year. Despite a 73% improvement in cobalt by-product credits, unit costs per pound of finished nickel sold were impacted by the 65% increase in sulphur prices, 160% increase in fuel oil prices, 46% increase in natural gas prices and added costs stemming from the purchase of sulphuric acid necessary because of the acid plant shutdown at Moa due to scheduled maintenance repairs.

The full-facility shutdown of the refinery in Fort Saskatchewan that was planned for the second quarter of 2021 was deferred to the third quarter of 2021 to mitigate the risk of COVID-19 on employee and contractor health and safety.

With support from the Technologies group, the Moa Joint Venture and Fort Site are exploring a number of brownfield development opportunities with the Corporation's joint venture partner to improve operational performance and reduce carbon emissions. For example, preliminary discussions with the Corporation's joint venture partner on project scope and execution strategy have commenced regarding completion of a new slurry preparation plant in Moa.

NICKEL AND COBALT PRICE

The nickel reference price on the London Metal Exchange (LME) closed on June 30, 2021 at US$8.37/lb, up 15% from $7.30/lb at the start of the quarter, driven by a number of market developments suggesting strong near-term demand for nickel and lower available supply by year-end.

The cobalt reference price closed on June 30, 2021 at US$22.90/lb according to data collected by Fastmarkets MB, essentially flat from $22.75/lb at the start of the quarter, largely as a result of increased buying from electric vehicle battery manufacturers in Europe and increased stockpiling from consumers. Cobalt is a key component of rechargeable batteries providing energy density and stability.

Refer to the Significant factors influencing operations section in this MD&A for further updates on nickel and cobalt.

WORKING CAPITAL

Cash, cash equivalents and short-term investments as at June 30, 2021 were $153.8 million, down from $167.4 million as at December 31, 2020. As at June 30, 2021, Sherritt held cash, cash equivalents and short-term investments in Canada totaling $77.4 million, down from $84.8 million as at December 31, 2020.

During the six months ended June 30, 2021, cash decreased due to a number of factors, including $15.0 million of interest paid on the 8.50% second lien secured notes due 2026, $4.6 million on repurchase of the second lien secured notes and $4.2 million of capital expenditures, partially offset by $23.2 million of distributions received from the Moa Joint Venture, $11.3 million of dividend redirections from the Corporation's joint venture partner, General Nickel Company S.A. (GNC), prepayments received for deliveries of nickel in 2021 and $3.4 million of interest received on the Energas conditional sales agreement (CSA).

The $4.6 million in repurchases of $7.0 million of principal of the 8.50% second lien secured notes due 2026 during the six months ended June 30, 2021 will result in cash interest savings of $3.4 million over the period to maturity of the notes.

DISTRIBUTIONS FROM THE MOA JOINT VENTURE

During the three and six months ended June 30, 2021, the Moa Joint Venture paid distributions of US$28.0 million and US$38.0 million, respectively, to its shareholders, of which US$14.0 million and US$19.0 million, respectively, was paid to Sherritt directly, representing its 50% share. In addition, GNC, Sherritt's joint venture partner, redirected US$14.0 million of distributions during the three and six months ended June 30, 2021 to the Corporation to fund Energas operations. Higher distributions in the current year periods were indicative of improved average-realized nickel and cobalt prices and strong production results. Sherritt anticipates receipt of additional distributions from the Moa Joint Venture through to the end of 2021 based on prevailing nickel and cobalt prices, planned capital spend and liquidity requirements for the Moa Joint Venture.

CUBAN OVERDUE RECEIVABLES AGREEMENTS

Cuban energy payments received under the overdue receivables agreements are shown below:

US$ millions (100% basis)		Overdue March 31, 2021	Expected/Due		Received		Received on overdue receivables agreements		**Overdue June 30, 2021**
Oil and Gas receivables	$	27.5	3.7	$	(5.2)	$	-	$	**26.0**
Power receivables:									
Trade receivables		2.7	14.8		(0.6)		(16.9)		**-**
Energas CSA		124.0	6.5		-		(1.8)		**128.7**
	$	**154.2**	**25.0**	**$**	**(5.8)**	**$**	**(18.7)**	**$**	**154.7**

During the quarter, US$24.5 million of Cuban energy payments were received, which incudes US$14.0 million of dividend redirections from GNC, compared to US$5.7 million in the first quarter of 2021. Starting in May 2021, amounts received on the overdue receivables agreement are being used to fund Energas operations until the end of 2021. As a result of the US$14 million of Moa JV distributions re-directed by GNC to fund Energas operations and Cuban energy payments in 2021, Sherritt does not anticipate liquidity constraints for the Power business through the end of 2021.

Cuban energy payments continue to be impacted by restrictions on tourism as a result of COVID-19 and ongoing impact of U.S. sanctions limiting Cuba's access to foreign currency, in addition to the impact of Cuban currency unification. Further information on Cuban currency unification is included in note 10 of the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2021. Sherritt anticipates continued variability in the timing and the amount of energy payments through the remainder of 2021 and continues to work with its Cuban partners to ensure timely receipt of energy payments.

Subsequent to June 30, 2021, the Corporation received US$1.6 million in Canada as part of the Cuban overdue receivables agreements.

PRESERVING LIQUIDITY AND MANAGING COSTS

The Corporation continues to implement a number of cost control measures for capital spend projects and administrative and operating expenses while sustaining safe operations. These measures include optimizing capital spending, eliminating discretionary spending not affecting safe operations, applying for government grants, deferring external hiring and reducing the workforce, maximizing sales terms to improve collections and negotiating with vendors for improved payment terms.

For the three months ended June 30, 2021, administrative expenses excluding the non-cash impacts of share-based compensation ($6.8 million) and depreciation(1) ($0.4 million) decreased by $2.7 million compared to the same period in the prior year primarily due to a reduction in employee costs, and legal and consulting fees incurred, partially offset by severance and other contractual benefits expense. For the six months ended June 30, 2021, administrative expenses excluding the non-cash impacts of share-based compensation ($12.7 million) and depreciation(1) ($0.8 million) decreased by $4.2 million compared to the same period in the prior year primarily due to a reduction in employee costs, and legal and consulting fees incurred, partially offset by severance and other contractual benefits expense.

(1) Non-GAAP measure.

CORPORATE OFFICE

During the three and six months ended June 30, 2021, the Corporation recognized a severance expense of $1.0 million and $0.8 million in accelerated share-based compensation expense related to the May 2021 reduction of 10% of the Corporate office salaried workforce. The Corporation expects to achieve estimated annual savings of approximately $1.3 million in employee costs going forward as a result of the workforce reduction.

The Corporation recognized a $1.4 million expense for other contractual benefits and $4.1 million in accelerated share-based compensation expense related to the planned departures of two senior executives later this year. Additional other contractual benefits of $3.2 million and $0.5 million will be recognized during the three months ended September 30, 2021 and December 31, 2021, respectively, as the senior executives complete their service.

Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted. The timing of recognition of share-based compensation expenses for the departing senior executives will also be accelerated during the three months ended September 30, 2021 and December 31, 2021 as they complete their service for share-based units previously granted. The amount of share-based compensation expense to be recognized in future periods will be based on the Corporation's share price in those periods.

TECHNOLOGIES

The Technologies business has accelerated efforts to transition from a cost centre to an incubator of industry solutions that can also be commercialized externally or applied internally to improve operational performance, reduce carbon emissions, and support growth initiatives, such as efforts to de-bottleneck production, evaluate brownfield expansion opportunities and increase mineral reserves.

Sherritt's Technologies business continued to make progress on the commercialization of its enhanced proprietary process to fully upgrade heavy oil, refining residues and bitumen, which provides a number of environmental and business benefits, such as eliminating the need for bitumen diluent, thereby increasing pipeline capacity, and increasing the economic value of the oil transported to downstream markets, as well as reduced energy consumption due to the elimination of energy intensive unit operations, which translates into a reduced carbon footprint for the process. This process has reached a Technology Readiness Level of 5, however, Technologies will undergo piloting again with a new catalyst system which allows for full upgrading instead of partial upgrading. Discussions are ongoing with external parties regarding the potential use of this process.

Technologies is also pursuing the commercialization of its proprietary process for the treatment of copper concentrates with higher arsenic content. Arsenic is a poisonous element requiring significant mitigation and management costs rendering certain copper projects uneconomical. With copper demand expected to grow significantly over the next decade, Technologies' advanced hydrometallurgical process technology fulfills a pressing industry need, presenting a significant step change in the stabilization of arsenic bearing solid waste, produces zero carbon emissions, extends the life of aging copper mines, reduces treatment costs and capitalizes on existing infrastructure. This process has reached a Technology Readiness Level of 4 after completing successful batch testing and completion of a pilot plant. Discussions with potentially interested parties to progress the commercialization of this process have commenced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

The Corporation has established a number of ESG targets in four categories, a selection of which are shown below. The Corporation's list of ESG long-term and interim targets will be published in its upcoming Sustainability Report.

Health and Safety	Achieve level A of Towards Sustainable Mining (TSM) Safety and Health Protocol in all operations by 2024
Climate and Environment	Achieve net zero greenhouse gas (GHG) emissions by 2050
	Obtain overall 15% of energy from renewable sources by 2030
	Reduce nitrogen oxides (NO_x) emissions intensity by 10% by 2024
Diversity and Inclusion	Increase women in the workforce to 36% by 2030
Responsible Sourcing	Be fully compliant with all material responsible sourcing frameworks (Organisation for Economic Co-operation and Development, London Metal Exchange and Cobalt Industry Responsible Assessment Framework) by 2024

Subsequent to June 30, 2021, the Corporation donated $250,000 to UNICEF to support immunization efforts and improve the capacity of approximately 90 vaccination centres throughout Cuba, including the municipality of Moa in Holguin. The donation, which will benefit almost 3 million people, including approximately 350,000 children, will help curb the spread of COVID-19 and support future vaccination needs.

Financial results

$ millions, except as otherwise noted	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 31.0**	$ 40.4	(23%)	**$ 52.9**	$ 66.7	(21%)
Combined revenue(1)	**152.3**	133.5	14%	**294.0**	245.8	20%
Loss from operations and joint venture	**(7.3)**	(19.7)	63%	**(1.2)**	(38.5)	97%
Net loss from continuing operations	**(10.4)**	(13.3)	22%	**(12.3)**	(47.8)	74%
Loss from discontinued operations, net of tax	**(0.3)**	(101.2)	100%	**(4.0)**	(108.9)	96%
Net loss for the period	**(10.7)**	(114.5)	91%	**(16.3)**	(156.7)	90%
Adjusted net loss from continuing operations(1)	**(13.0)**	(27.7)	53%	**(15.3)**	(56.1)	73%
Adjusted EBITDA(1)	**18.0**	8.4	114%	**48.2**	12.7	280%
Net loss from continuing operations ($ per share) (basic and diluted)	**$ (0.03)**	$ (0.03)	-	**$ (0.03)**	$ (0.12)	75%
Net loss (basic and diluted)	**(0.03)**	(0.29)	90%	**(0.04)**	(0.39)	90%
CASH						
Cash, cash equivalents and short-term investments (prior period, December 31, 2020)	**$ 153.8**	$ 167.4	(8%)	**$ 153.8**	$ 167.4	(8%)
Cash provided (used) by continuing operations for operating activities	**1.5**	(12.6)	112%	**(1.5)**	10.0	(115%)
Combined free cash flow(1)	**2.6**	(0.6)	nm(3)	**21.6**	2.4	nm(3)
Distributions to Sherritt from the Moa Joint Venture(2)	**16.9**	-	-	**23.2**	13.3	74%
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS	**8.0**	$ 10.6	(25%)	**$ 13.1**	$ 18.9	(31%)
PRODUCTION VOLUMES						
Finished nickel (50% basis, tonnes)	**4,230**	4,147	2%	**8,418**	7,983	5%
Finished cobalt (50% basis, tonnes)	**476**	425	12%	**953**	825	16%
Electricity (gigawatt hours) (33⅓% basis)	**115**	153	(25%)	**210**	306	(31%)
AVERAGE EXCHANGE RATE (CAD/US$)	**1.228**	1.385	(11%)	**1.247**	1.365	(9%)
AVERAGE-REALIZED PRICES(1)						
Nickel ($ per pound)	**$ 9.46**	$ 7.51	26%	**$ 9.71**	$ 7.55	29%
Cobalt ($ per pound)	**22.82**	18.39	24%	**22.35**	18.79	19%
Electricity ($ per megawatt hour)	**52.60**	58.48	(10%)	**53.60**	57.73	(7%)
UNIT OPERATING COSTS(1)						
Nickel (US$ per pound) (NDCC)	**$ 4.58**	$ 3.92	17%	**$ 4.20**	$ 4.10	2%
Electricity ($ per megawatt hour)	**21.03**	14.12	49%	**23.23**	14.34	62%

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

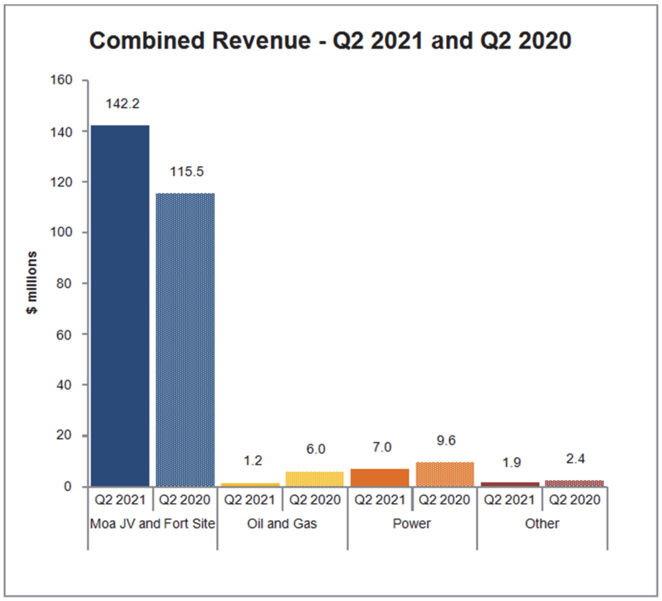
(2) Excludes redirections of dividends from Sherritt's joint venture partner.

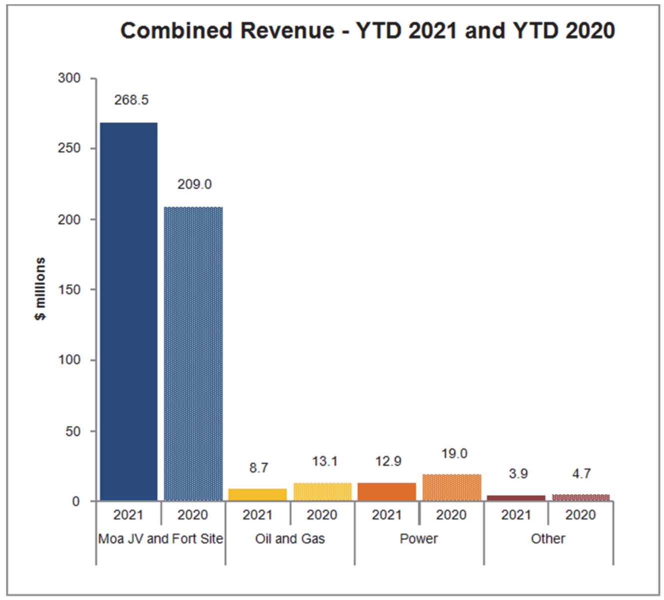
(3) Not meaningful (nm).

Revenue for accounting purposes, which excludes revenue from the Moa Joint Venture as it is accounted for under the equity method, was lower for the three and six months ended June 30, 2021 compared to the same periods in the prior year primarily due to lower oil and gas revenue, lower power generation and lower fertilizer revenue. Oil and gas revenue decreased during the three and six months ended June 30, 2021 compared to the prior year periods as a result of the expiration of the Puerto Escondido/Yumuri production-sharing contract during the first quarter of 2021.

The Corporation uses combined revenue as a measure to help management assess the Corporation's financial performance, including the Corporation's consolidated financial results and the results of its 50% share of the Moa Joint Venture.

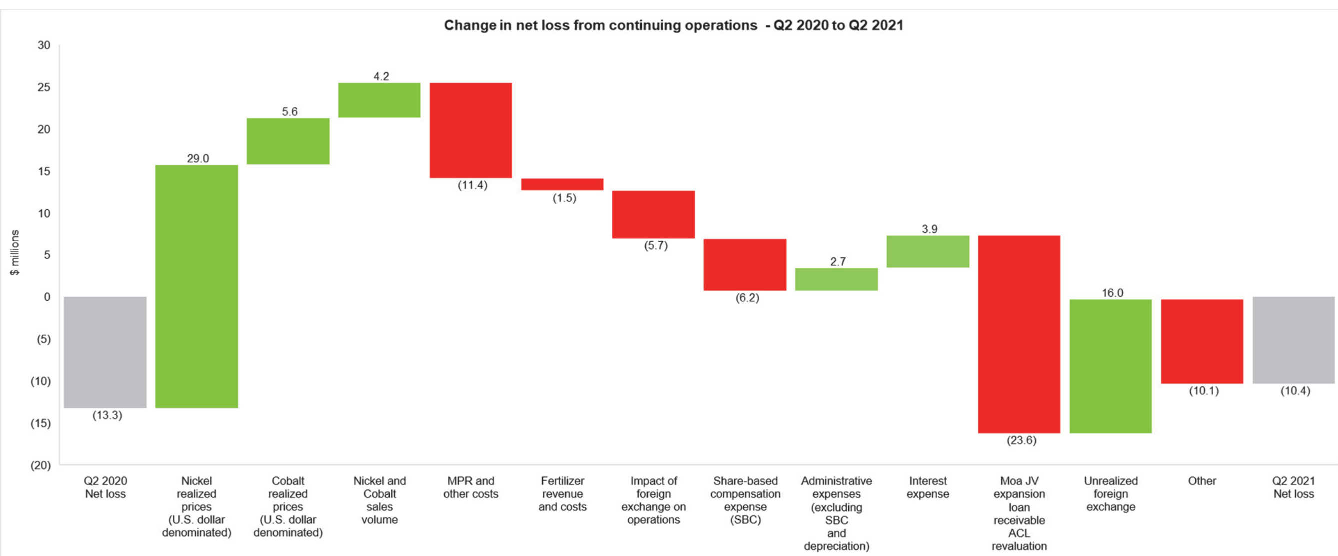
Combined revenue(1) is composed of the following:

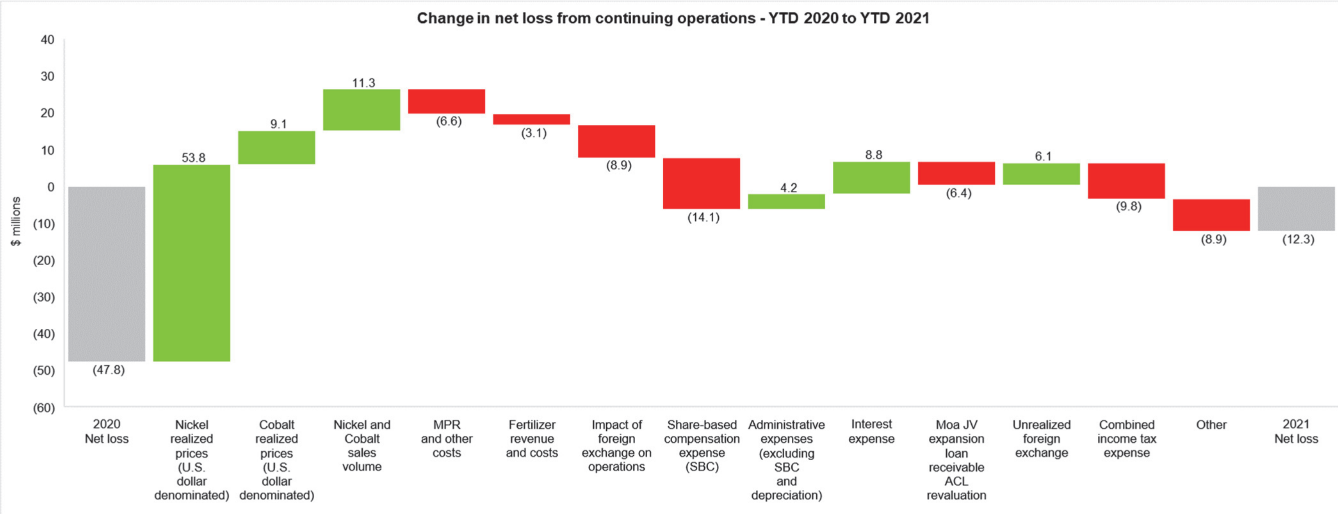




(1) For additional information see the Non-GAAP measures section.

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





At the Moa Joint Venture and Fort Site, revenue for the three and six months ended June 30, 2021 was 23% and 28% higher, respectively, than the same periods in the prior year primarily due to higher average-realized nickel and cobalt prices and higher nickel and cobalt sales volume, partially offset by lower fertilizer sales volume. Operating costs for the three and six months ended June 30, 2021 were 10% and 6% higher, respectively, than the same periods in the prior year primarily due to higher mining, processing and refining costs and higher third-party feed costs, partially offset by lower fertilizer costs. The increase in average-realized prices more than offset the increase in unit costs as a result of the increasing demand for electric vehicles.

For the three and six months ended June 30, 2021, administrative expenses excluding the non-cash impacts of share-based compensation ($6.8 million and $12.7 million, respectively) and depreciation[(1)] ($0.4 million and $0.8 million, respectively) decreased by $2.7 million and $4.2 million, respectively, compared to the prior year periods. Included in administrative expenses for the three and six months ended June 30, 2021 is a Corporate severance and other contractual benefits expense of $2.4 million related to the workforce reduction and planned departures of two senior executives. Share-based compensation expense increased during the three and six months ended June 30, 2021 as a result of an increase in the Corporation's share price compared to the prior year periods, coupled with accelerated expensing of $4.9 million in the current period as a result of the above employees' departures. Employee costs included in administrative expenses were $2.2 million and $2.4 million lower for the three and six months ended June 30, 2021, respectively, compared to the prior year periods.

Interest expense for the three and six months ended June 30, 2021 decreased by $3.9 million and $8.8 million, respectively, compared to the prior year periods due to the reduction in loans and borrowings. In the prior year periods, the Corporation recognized gains of $23.6 million and $6.4 million on revaluation of the Moa Joint Venture expansion loans receivable allowance for expected credit losses.

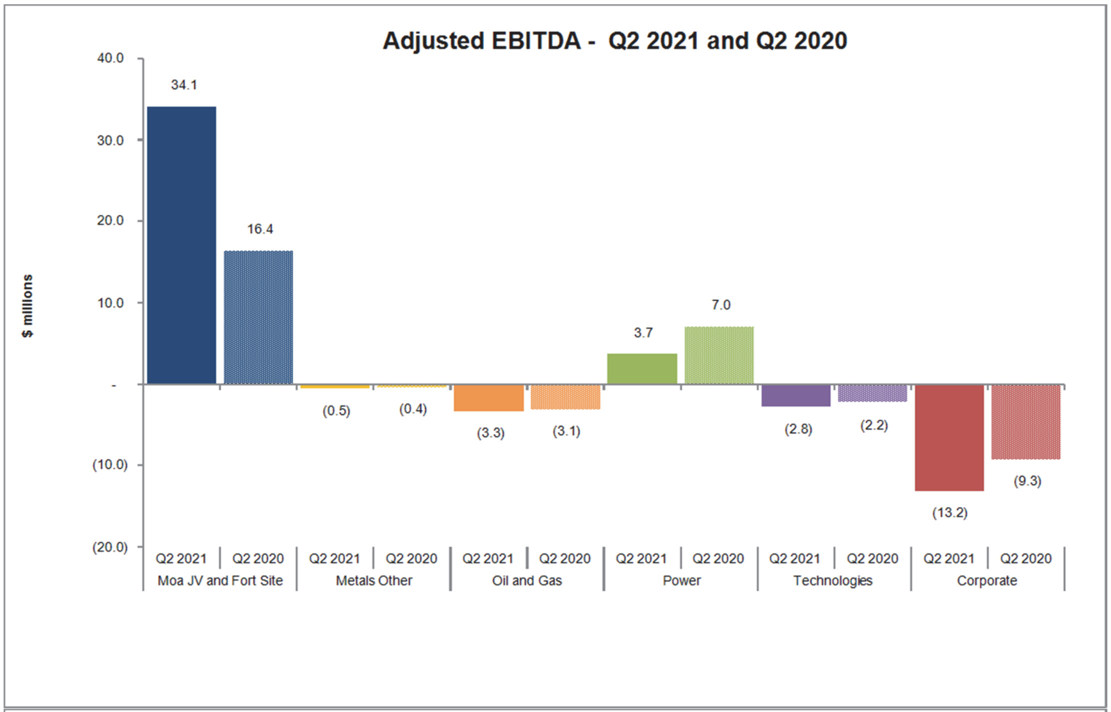
The Corporation recognized unrealized foreign exchange gains of $8.6 million and $11.2 million for the three and six months ended June 30, 2021, respectively, compared to an unrealized foreign exchange loss of $7.4 million and an unrealized foreign exchange gain of $5.1 million, respectively, in the same periods in the prior year. Unrealized exchange gains/losses are impacted by the change in period-end exchange rates and the balance of the Corporation's U.S. dollar-denominated net liabilities.

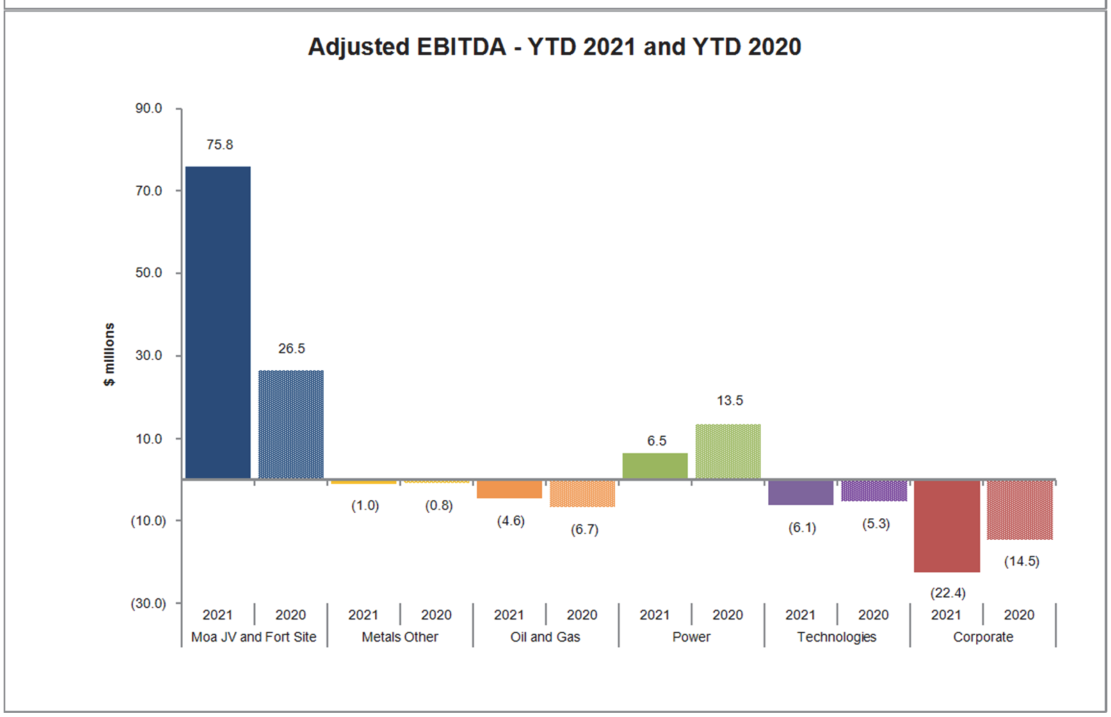
Combined income tax expense for the six months ended June 30, 2021 increased by $9.8 million compared to the period year period primarily due to an increase in taxable earnings of the operating companies in the Moa Joint Venture.

(1) Non-GAAP measure.

ADJUSTED EBITDA

Total Adjusted EBITDA[1] for the three and six months ended June 30, 2021 was $18.0 million and $48.2 million, respectively, compared to $8.4 million and $12.7 million, respectively, in the same periods in the prior year, representing increases of 114% and 280% over the prior year periods. Adjusted EBITDA by segment is as follows:



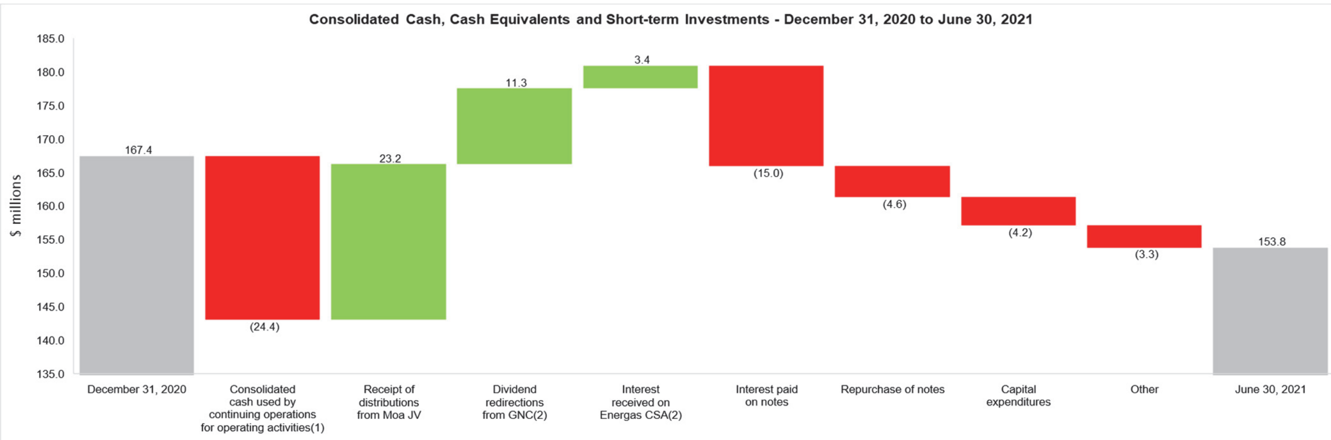


(1) For additional information see the Non-GAAP measures section.

Liquidity and capital resources

As at June 30, 2021, total available liquidity was $215.3 million, which is composed of cash, cash equivalents, short-term investments and $61.5 million of available credit facilities. 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 continues to be in discussions with its partners to replace the letter of credit with a potential alternative arrangement. Total available liquidity excludes restricted cash of $5.3 million.

Cash, cash equivalents and short-term investments as at June 30, 2021 decreased by $13.6 million from December 31, 2020. The components of this change are shown below:



(1) Excludes receipts of distributions from the Moa Joint Venture, dividend redirections from GNC, interest received on the Energas CSA and interest paid on notes presented separately above.

(2) Dividend redirections from GNC and interest received on the Energas CSA are net of a 33⅓% elimination.

The Corporation's cash, cash equivalent and short-term investments are deposited in the following countries:

$ millions, as at June 30, 2021	Cash	Cash equivalents and short-term investments	Total
Canada	$ 46.3	$ 31.1	$ 77.4
Cuba	75.2	-	75.2
Other	1.2	-	1.2
	$ 122.7	$ 31.1	$ 153.8
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			$ 30.8

SOURCES AND USES OF CASH

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

	For the three months ended			For the six months ended		
	2021	2020		**2021**	2020	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Cash provided (used) by operating activities						
Fort Site operating cash flow	**$ (4.5)**	$ (7.9)	43%	**$ (14.4)**	$ (5.4)	(167%)
Metals Other operating cash flow	**(5.1)**	(7.9)	35%	**10.5**	3.7	184%
Oil and Gas operating cash flow	**4.5**	(8.6)	152%	**(0.2)**	(16.0)	99%
Power operating cash flow(1)	**(1.2)**	(1.0)	(20%)	**(0.4)**	10.2	(104%)
Technologies operating cash flow	**(2.7)**	(2.8)	4%	**(5.9)**	(4.8)	(23%)
Corporate operating cash flow(2)	**(4.1)**	6.3	(165%)	**(13.8)**	(7.5)	(84%)
Distributions received from the Moa Joint Venture	**16.9**	-	-	**23.2**	13.3	74%
Dividend redirections from GNC	**11.3**	-	-	**11.3**	-	-
Interest received on Energas CSA	**1.4**	9.3	(85%)	**3.4**	16.5	(79%)
Interest paid on notes/debentures	**(15.0)**	(0.4)	nm(4)	**(15.2)**	(0.9)	nm(4)
Other operating cash flow	**-**	0.4	(100%)	**-**	0.9	(100%)
Cash provided (used) by continuing operations	**1.5**	(12.6)	112%	**(1.5)**	10.0	(115%)
Cash used by discontinued operations	**(0.5)**	(0.7)	29%	**(0.6)**	(1.1)	45%
Cash provided (used) by continuing operations	**$ 1.0**	$ (13.3)	108%	**$ (2.1)**	$ 8.9	(124%)
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible asset expenditures	**$ (2.9)**	$ (3.6)	19%	**$ (4.2)**	$ (6.2)	32%
Receipts of advances, loans receivable and other financial assets	**0.2**	0.1	100%	**0.4**	0.3	33%
Repayment of other financial liabilities	**(0.4)**	(0.4)	-	**(0.6)**	(1.1)	45%
Repurchase of notes	**(1.3)**	-	-	**(4.6)**	-	-
Fees paid on debenture exchange	**-**	-	-	**(0.2)**	-	-
Cash used by investing and financing activities	**$ (4.4)**	$ (3.9)	(13%)	**$ (9.2)**	$ (7.0)	(31%)
Effect of exchange rate changes on cash and cash equivalents	**(1.1)**	(3.8)	71%	**(2.3)**	4.4	(152%)
(Decrease) increase in cash and cash equivalents	**(4.5)**	(21.0)	79%	**(13.6)**	6.3	(316%)
Cash, cash equivalents and short-term investments:						
Beginning of the period	**158.3**	193.4	(18%)	**167.4**	166.1	1%
End of the period(3)	**$ 153.8**	$ 172.4	(11%)	**$ 153.8**	$ 172.4	(11%)

(1) Excluding interest received on the Energas CSA and dividend redirections from GNC, which are presented separately.
(2) Excluding distributions received from the Moa Joint Venture and interest paid on notes/debentures, which are presented separately.
(3) As at June 30, 2021, $72.3 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2020 - $75.0 million).
(4) Not meaningful (nm).

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

Cash provided by operating activities was higher and lower for the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year, primarily as a result of the following:

- Lower and higher cash used by operating activities at Fort Site for the three and six months ended June 30, 2021, respectively, primarily due to the timing of working capital receipts and payments;
- Higher cash provided by operating activities at Metals Other for the three months ended June 30, 2021 primarily due to timing of working capital receipts and payments. Cash provided by operating activities at Metals Other was also higher for the six months ended June 30, 2021 primarily due to a $20.3 million prepayment received for deliveries of nickel in 2021, compared to a prepayment of $16.0 million received in the prior year period;
- Higher cash provided by operating activities at Oil and Gas for the three and six months ended June 30, 2021 primarily due to higher Cuban energy receipts;
- Higher cash used by operating activities at Power for the six months ended June 30, 2021 primarily due to lower electricity production and increased maintenance activities;
- Higher cash used by operating activities at Corporate for the three and six months ended June 30, 2021 primarily due to timing of working capital payments;
- Higher distributions received from the Moa Joint Venture for the three and six months ended June 30, 2021, indicative of improved nickel and cobalt average-realized prices and strong production results;

- Higher dividend redirections from GNC for the three and six months ended June 30, 2021 to fund Energas operations. Dividend redirections from GNC are net of a 33⅓% elimination;
- Lower interest received on the Energas CSA for the three and six months ended June 30, 2021 due to Cuba's limited access to foreign currency and Cuban currency unification. Interest received on the Energas CSA is net of a 33⅓% elimination; and
- Higher interest paid for the three and six months ended June 30, 2021 on the 8.50% second lien secured notes due 2026 due to the deferral of interest payments in the prior year periods.

Included in investing and financing activities for the three and six months ended June, 30, 2021 are expenditures on property, plant and equipment and intangible assets, which decreased due to the timing of planned capital expenditures and cost control measures, and $1.3 million and $4.6 million, respectively, of repurchases of the 8.50% second lien secured notes due 2026.

The Corporation's decreases in cash, cash equivalents and short-term investments reconcile to Adjusted EBITDA as follows for the three and six months ended June 30, 2021:

$ millions	For the three months ended **June 30, 2021**	For the six months ended **June 30, 2021**
Adjusted EBITDA[1]	**$ 18.0**	**$ 48.2**
Add (deduct):		
Moa Joint Venture Adjusted EBITDA	**(34.2)**	**(76.8)**
Distributions from the Moa Joint Venture	**16.9**	**23.2**
Interest received on Energas conditional sales agreement	**1.4**	**3.4**
Interest paid on notes	**(15.0)**	**(15.2)**
Net change in non-cash working capital	**8.0**	**2.6**
Share-based compensation expense	**7.1**	**14.2**
Other	**(0.7)**	**(1.1)**
Cash provided (used) by continuing operations for operating activities per financial statements	**1.5**	**(1.5)**
Deduct:		
Cash used by discontinued operations	**(0.5)**	**(0.6)**
Repurchase of notes	**(1.3)**	**(4.6)**
Property, plant, equipment and intangible asset expenditures	**(2.9)**	**(4.2)**
Fees paid on debenture exchange	**(1.1)**	**(0.2)**
Effect of exchange rate changes on cash and cash equivalents	**(1.1)**	**(2.3)**
Other	**0.9**	**(0.2)**
Change in cash, cash equivalents and short-term investments	**$ (4.5)**	**$ (13.6)**

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

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	**2021 June 30**	2020 December 31	Change
Financial condition			
Cash, cash equivalents and short-term investments	**$ 153.8**	$ 167.4	(8%)
Working capital	**168.7**	211.8	(20%)
Current ratio	**1.86:1**	2.25:1	(21%)
Total assets	**$ 1,345.5**	$ 1,352.2	-
Loans and borrowings	**439.6**	441.4	-
Total liabilities	**772.2**	745.4	4%
Shareholders' equity	**573.3**	606.8	(6%)

Outlook

2021 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

Sherritt's targets for production, unit costs and capital spending in 2021 remain consistent with guidance announced on January 25, 2021 based on operational results achieved through June 30, prevailing commodity prices and input costs and planned capital spend for the year.

Production volumes, unit operating costs and spending on capital	Guidance for 2021 - Total	Year-to-date actuals - Total	Updated 2021 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	16,836	No change
Cobalt, finished	3,300 - 3,600	1,906	No change
Electricity (GWh, 33⅓% basis)	450 - 500	210	No change
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.25 - $4.75	$4.20	No change
Electricity (unit operating cost, $ per MWh)	$30.50 - $32.00	$23.23	No change
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)(1)	US$44 (CDN$57)	US$10 (CDN$12)	No change
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0 (CDN$0)	No change
Spending on capital (excluding Corporate)	US$45 (CDN$58)	US$10 (CDN$12)	No change

(1) 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 business, Sherritt's operating results are primarily influenced by the prices of nickel and cobalt.

Nickel

Following a price pullback triggered by Tsingshan's announcement in early March that it plans to supply 100,000 tonnes of a nickel intermediate product amenable for use in electric vehicle batteries starting in October 2021, nickel prices enjoyed a sharp recovery in Q2, closing at US$8.37/lb on June 30, up 15% from the start of the quarter.

The price increase was driven by a number of market developments suggesting strong near-term demand for nickel and lower available supply by year end.

Chief among the factors that contributed to rising nickel prices in Q2 was news from Indonesia that it plans to put restrictions on the construction of new nickel pig iron and ferronickel smelters, effectively raising supply concerns, particularly about how China's growing demand for stainless steel production would be met. Supply concerns were also exacerbated by a labour strike at a nickel operation in Ontario.

The impact of nickel supply disruptions and strong demand driven by global economic recovery since the start of the global pandemic and growing electric vehicle sales was made evident by the 12% decrease in nickel inventory levels on the London Metals Exchange (LME) to 232,476 tonnes by June 30. Similarly, inventory levels on the Shanghai Futures Exchange fell to 4,982 tonnes, down from 8,972 tonnes at the start of the quarter.

Continued strong demand and market tightness led a number of industry analysts, including Wood Mackenzie, to forecast a nickel supply deficit in 2021 in contrast to a forecast for nickel surplus at the start of the year. As at July 29, nickel inventories on the LME declined further to 215,412 tonnes.

Nickel inventory level uncertainty is, however, anticipated in 2022 and 2023, and some industry analysts have forecast an inventory surplus in the near term.

The long-term outlook for nickel remains bullish due to the strong demand expected from the electric vehicle battery market. Over the past year, in particular, multiple automakers and governments have announced plans for significant investments to expand electric vehicle production capacity to meet growing demand as well as more aggressive timelines to phase out the sale of internal combustion engines. In 2020, more than three million plug-in electric vehicles (PEV) were sold despite the global pandemic. Industry observers estimate that the number of PEVs sold in 2021 will double to 6.1 million units. CRU has forecast that electric vehicles sales will grow to 13.7 million units by 2025.

As a result of its unique properties, high-nickel cathode formulations remain the dominant choice for long-range vehicles manufactured by automakers with Class 1 nickel being an essential feedstock in the battery supply chain. Sherritt is particularly well positioned given our Class 1 production capabilities and the fact that Cuba possesses the world's fourth largest nickel reserves.

Cobalt

While standard grade cobalt prices on June 30 closed at US$22.90/lb, essentially flat from the start of the second quarter according to data collected by Fastmarkets MB, cobalt prices in Q2 were, in fact, marked by considerable volatility. Prices ranged from a low of US$19.88/lb to a high of US$22.90/lb, a variance of more than 12%.

Prices in Q2 declined because of increased supply made available from the Democratic Republic of Congo. By quarter end, prices recovered largely as a result of increased buying from electric vehicle battery manufacturers in Europe and increased stockpiling from consumers. Cobalt is a key component of rechargeable batteries providing energy stability.

The recovery of cobalt prices by the end of Q2 2021 also reflected improved market conditions as demand grew from sectors particularly impacted at the start of the pandemic, such as the aerospace sector and consumer electronics, which experienced increased purchasing of home office equipment. In Q2 2020, when market conditions for cobalt were at their softest as a result of the pandemic, the average reference price was US$15.19/lb. The higher average cobalt reference price of US$21.06/lb in Q2 2021 demonstrates the strengthening of the cobalt market over the past year.

Industry observers, such as CRU, expect cobalt prices to continue to rise in the near term with prices forecast to peak at US$31/lb in 2024 as limited new sources of supply have been announced to fill expected demand over the next five years. Since the start of Q3, cobalt prices have risen to US$24.85/lb largely because of supply logistics disruptions in South Africa.

The outlook for cobalt over the long term remains bullish as demand is expected to grow to 270,000 tonnes by 2025, representing a compound annual growth rate of 13.5% according to CRU.

Review of operations

MOA JOINT VENTURE AND FORT SITE

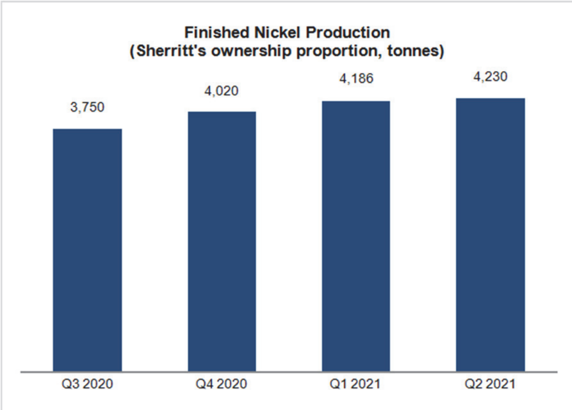
$ millions (Sherritt's share), except as otherwise noted	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue(1)(2)	**$ 142.2**	$ 115.5	23%	**$ 268.5**	$ 209.0	28%
Earnings (loss) from operations	**19.7**	1.2	nm(4)	**47.5**	(3.5)	nm(4)
Adjusted EBITDA(1)	**34.1**	16.4	108%	**75.8**	26.5	186%
CASH FLOW						
Cash provided by operations	**$ 21.6**	$ 12.7	70%	**$ 45.1**	$ 17.2	162%
Free cash flow(1)	**13.8**	6.2	123%	**32.7**	4.1	698%
PRODUCTION VOLUME (tonnes)						
Mixed Sulphides	**4,020**	4,323	(7%)	**7,951**	8,337	(5%)
Finished Nickel	**4,230**	4,147	2%	**8,418**	7,983	5%
Finished Cobalt	**476**	425	12%	**953**	825	16%
Fertilizer	**69,516**	69,777	-	**133,308**	125,866	6%
NICKEL RECOVERY (%)	**85%**	86%	(1%)	**84%**	84%	-
SALES VOLUME (tonnes)						
Finished Nickel	**4,268**	4,169	2%	**8,445**	7,942	6%
Finished Cobalt	**452**	353	28%	**929**	734	27%
Fertilizer	**64,722**	72,071	(10%)	**91,833**	103,211	(11%)
AVERAGE REFERENCE PRICE (US$ per pound)						
Nickel	**$ 7.87**	$ 5.54	42%	**$ 7.92**	$ 5.66	40%
Cobalt(3)	**21.06**	15.19	39%	**21.38**	15.89	35%
AVERAGE-REALIZED PRICE(1)						
Nickel ($ per pound)	**$ 9.46**	$ 7.51	26%	**$ 9.71**	$ 7.55	29%
Cobalt ($ per pound)	**22.82**	18.39	24%	**22.35**	18.79	19%
Fertilizer ($ per tonne)	**409**	399	3%	**381**	384	(1%)
UNIT OPERATING COST(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 4.58**	$ 3.92	17%	**$ 4.20**	$ 4.10	2%
SPENDING ON CAPITAL						
Sustaining	**$ 7.7**	$ 9.5	(19%)	**$ 12.4**	$ 16.1	(23%)
	$ 7.7	$ 9.5	(19%)	**$ 12.4**	$ 16.1	(23%)

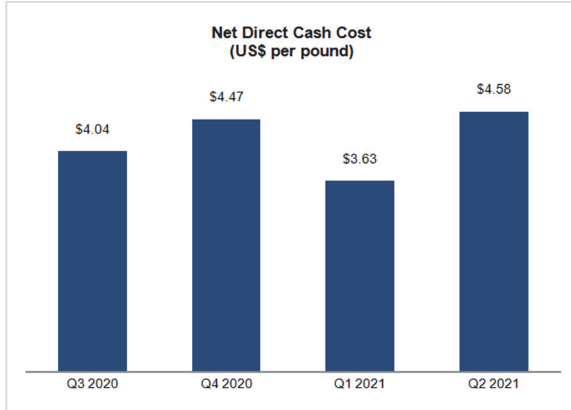
(1) For additional information see the Non-GAAP measures section.

(2) Revenue of Moa Joint Venture and Fort Site for the three months ended June 30, 2021 is composed of revenue recognized by the Moa Joint Venture of $121.3 million (50% basis), which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $20.9 million, which is included in consolidated revenue (for the three months ended June 30, 2020 - $93.1 million and $22.4 million, respectively). Revenue of Moa Joint Venture and Fort Site for the six months ended June 30, 2021 is composed of revenue recognized by the Moa Joint Venture of $241.1 million (50% basis), which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $27.4 million, which is included in consolidated revenue (for the six months ended June 30, 2020 - $179.1 million and $29.9 million, respectively).

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

(4) Not meaningful (nm).



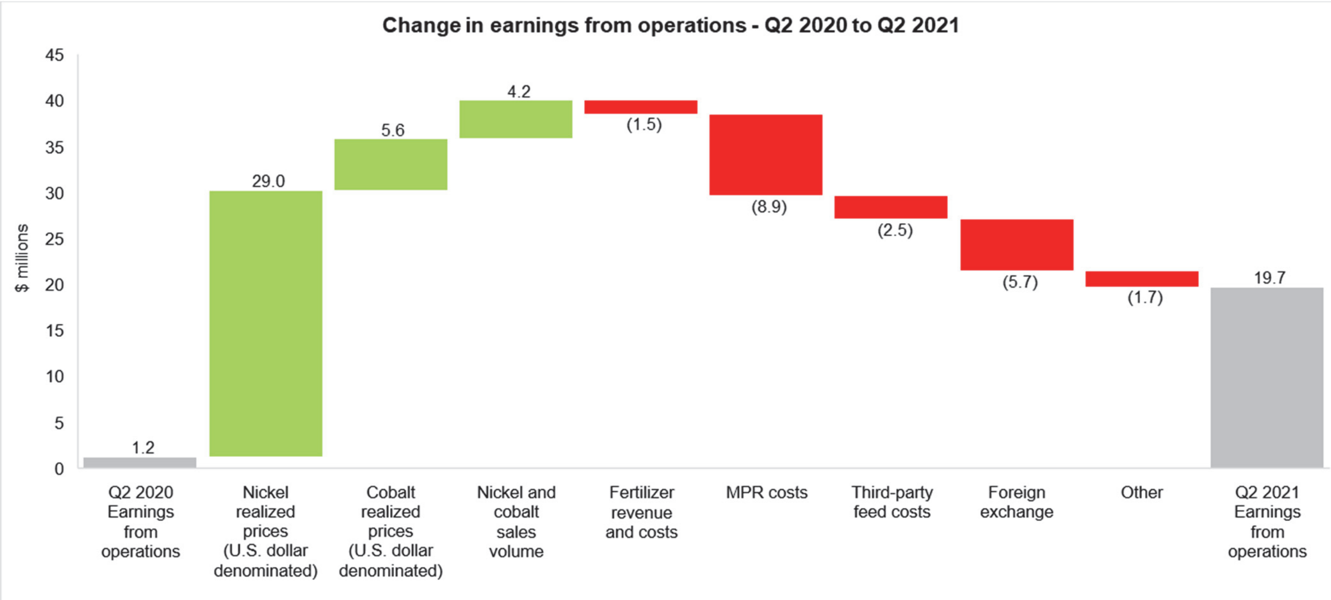


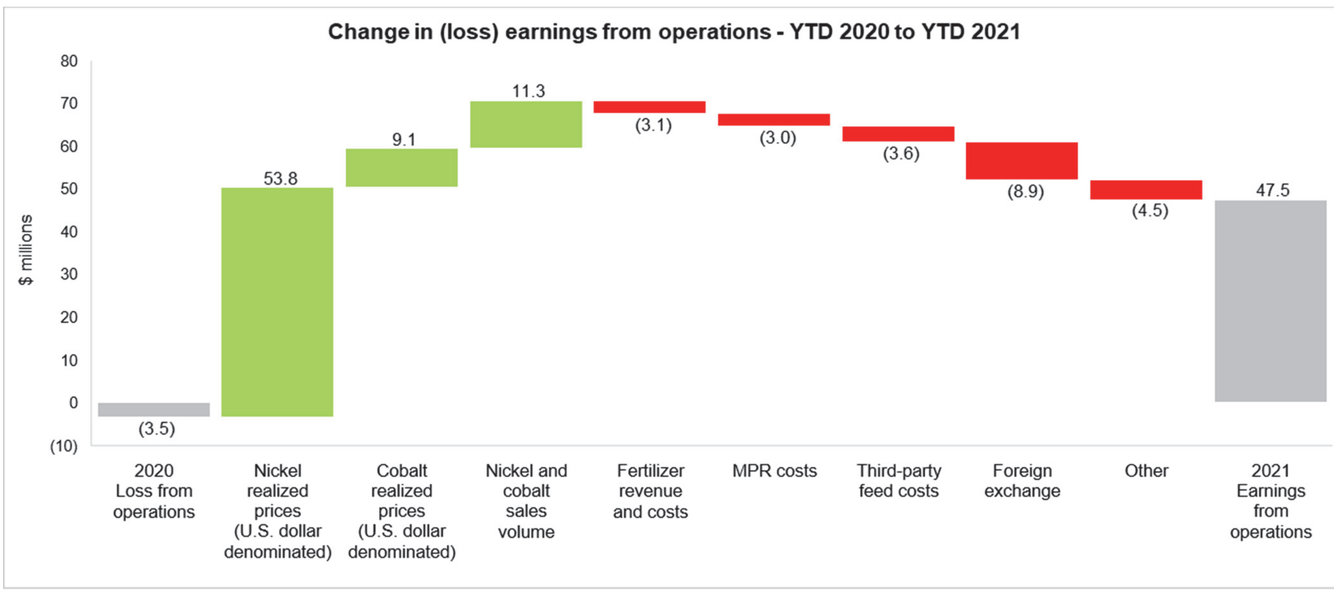
Revenue, cost of sales and NDCC are composed of the following:

	For the three months ended			For the six months ended		
	2021	2020		**2021**	2020	
$ millions, except as otherwise noted	**June 30**	June 30	Change	**June 30**	June 30	Change
REVENUE						
Nickel	**$ 89.0**	$ 69.0	29%	**$ 180.8**	$ 132.2	37%
Cobalt	**22.7**	14.3	59%	**45.7**	30.4	50%
Fertilizers	**26.4**	28.7	(8%)	**34.9**	39.6	(12%)
Other	**4.1**	3.5	17%	**7.1**	6.8	4%
	$ 142.2	$ 115.5	23%	**$ 268.5**	$ 209.0	28%
COST OF SALES(1)						
Mining, processing and refining (MPR)	**$ 65.0**	$ 58.7	11%	**$ 124.1**	$ 119.7	4%
Third-party feed costs	**5.4**	3.4	59%	**11.1**	7.6	46%
Fertilizers	**23.0**	23.7	(3%)	**31.0**	32.6	(5%)
Selling costs	**4.9**	5.6	(13%)	**8.7**	9.4	(7%)
Other	**7.5**	5.1	47%	**13.4**	8.3	61%
	$ 105.8	$ 96.5	10%	**$ 188.3**	$ 177.6	6%
NET DIRECT CASH COST(2) (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 5.86**	$ 4.78	23%	**$ 5.48**	$ 5.05	9%
Third-party feed costs	**0.47**	0.27	74%	**0.48**	0.32	50%
Cobalt by-product credits	**(1.96)**	(1.13)	(73%)	**(1.97)**	(1.28)	(54%)
Other(3)	**0.21**	-	-	**0.21**	0.01	nm(4)
	$ 4.58	$ 3.92	17%	**$ 4.20**	$ 4.10	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.
(4) Not meaningful (nm).

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





Average-realized prices for nickel were 26% and 29% higher for the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year, while average-realized prices for cobalt were 24% and 19% higher compared to the same periods in the prior year, respectively. Average-realized prices are impacted by the timing of deliveries, settlement against contract terms and fluctuations in the value of the Canadian currency. Average-realized prices for the three and six months ended June 30, 2021 were negatively impacted by a weaker U.S. dollar relative to the Canadian dollar compared to the same periods in the prior year. The Corporation anticipates strong long-term nickel and cobalt prices due to commodity supply constraints as a result of increased demand for and adoption of electric vehicles.

For the three and six months ended June 30, 2021, finished nickel and cobalt production was higher than the same periods in the prior year primarily due to higher mixed sulphides availability at the refinery in Fort Saskatchewan, Alberta and improved refinery reliability. Mixed sulphides availability in the prior year was impacted by transportation delays in shipping mixed sulphides from Moa to the refinery caused by poor weather and congestion at the Moa port, as well as Canadian rail transportation issues. Consistent since the start of the global pandemic in February 2020, production of mixed sulphides and finished nickel and cobalt were not affected by the spread of COVID-19 in the second quarter of 2021 largely because of additional health and safety measures implemented to protect employees, suppliers and various stakeholders at operations at Moa and at the refinery in Fort Saskatchewan. Safety protocols to mitigate the impact of COVID-19, which are in accordance with or are more stringent than guidelines outlined by local governments, will continue.

Mixed sulphides production was 7% and 5% lower for the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year, primarily due to lower sulphur availability caused by shipment and unloading delays at the Moa port. This resulted in the shutdown of the acid plants, which in turn caused the shutdown of the leach plant for approximately four days, which has since returned to production capacity. Furthermore, mixed sulphides production was negatively impacted in Q1 2021 by lower ore quality caused by the impact of heavy rainfall on mining operations, which was offset by high feed inventory levels at the refinery in Fort Saskatchewan.

The nickel recovery rates for the three and six months ended June 30, 2021 were comparable to the same periods in the prior year.

The ratios of finished nickel to cobalt production for the three and six months ended June 30, 2021 were lower than the same periods in the prior year due to higher cobalt content in mined ore.

Finished nickel and cobalt production in the third quarter of 2021 will be unfavourably impacted by the annual maintenance shutdown of the refinery in Fort Saskatchewan. The shutdown was deferred to Q3 2021 from the previously scheduled Q2 2021 period to mitigate the risk of COVID-19 on employee and contractor health and safety. This year's shutdown will be a full-facility shutdown, including all of the refinery and utility plants, that occurs once every six years. Full-facility shutdowns have previously occurred once every five years. The extended interval between full-facility shutdowns reflects ongoing commitments to asset management and operational excellence measures implemented over the past several years. This year's shutdown is expected to last approximately 11 days compared to the typical five-day annual shutdowns. Sherritt's guidance for 2021 production, unit cost and capital spend at the Moa Joint Venture was based on a full-facility shutdown. Based on performance through June 30, guidance for 2021 remains in effect.

Fertilizer production for the three months ended June 30, 2021 was comparable to the same period in the prior year. Fertilizer production was 6% higher for the six months ended June 30, 2021 primarily due to lower opening 2021 inventory resulting in increased production in preparation for spring season shipments. Poor weather in Q4 2019 resulted in lower than anticipated sales and higher opening 2020 inventory.

Mining, processing and refining (MPR) unit costs were 23% and 9% higher for the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year primarily due to higher purchased sulphuric acid consumption, higher sulphur and fuel oil prices and higher maintenance costs, partially offset by lower labour and other service costs at Moa. Higher purchased sulphuric acid consumption and maintenance costs were primarily due to the planned sulphuric acid plant shutdown at Moa in the second quarter of 2021. The Moa Joint Venture incurred lower labour and other service costs as a result of Cuban currency unification. The Corporation continues to monitor the impact of currency unification on labour and other service costs, which may change if further legislation and regulation is issued in 2021 as the Cuban government evaluates the impact of the currency unification process.

NDCC for the three and six months ended June 30, 2021 was US$4.58 per pound and US$4.20 per pound, 17% higher and 2% higher, respectively, compared to the same periods in the prior year. NDCC was higher primarily as a result of higher MPR costs, as discussed above, higher third-party feed costs, and higher fertilizer and sulphuric acid by-product costs, partially offset by higher cobalt by-product credits due to higher average-realized cobalt prices and a lower nickel to cobalt ratio. Higher fertilizer and sulphuric acid by-product costs were primarily due to higher sulphur and energy prices.

Sustaining capital spending for the three and six months ended June 30, 2021 was lower compared to the same periods in the prior year primarily due to the timing of planned capital expenditures.

During the three and six months ended June 30, 2021, the Moa Joint Venture paid distributions of US$28.0 million and US$38.0 million, respectively, to its shareholders, of which US$14.0 million and US$19.0 million, respectively, was paid to Sherritt directly, representing its 50% share. In addition, GNC, Sherritt's joint venture partner, redirected US$14.0 million of distributions during the three and six months ended June 30, 2021 to the Corporation to fund Energas operations. Higher distributions in the current year periods were indicative of improved average-realized nickel and cobalt prices and strong production results. Sherritt anticipates receipt of additional distributions from the Moa Joint Venture through to the end of 2021 based on prevailing nickel and cobalt prices, planned capital spend and liquidity requirements for the Moa Joint Venture.

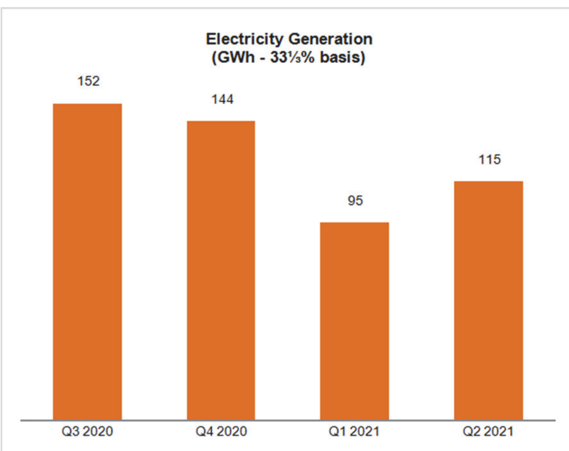
In 2020, an initiative was launched at the Moa Joint Venture to increase the use of renewable energy, including a project to electrify light vehicles in support of carbon reduction targets. As of June 30, 2021, four electric light vehicles have been delivered and an additional three are expected to be received through the remainder of the year. In addition, opportunities for further vehicle replacements, as well as other renewable energy projects, beyond 2021 are currently under review.

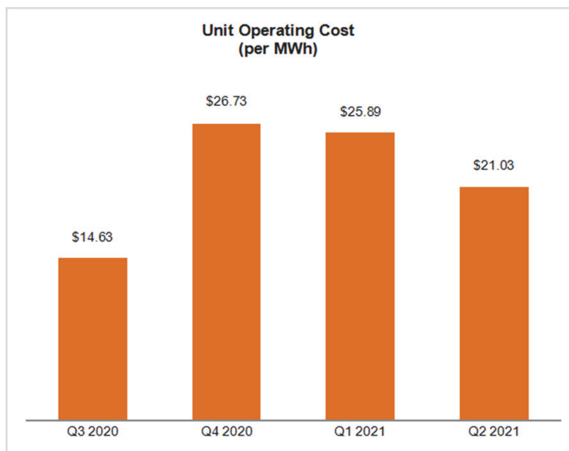
With support from the Technologies group, the Moa Joint Venture and Fort Site are exploring a number of brownfield development opportunities with the Corporation's joint venture partner to improve operational performance and reduce carbon emissions. For example, preliminary discussions with the Corporation's joint venture partner on project scope and execution strategy have commenced regarding completion of a new slurry preparation plant in Moa.

POWER

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 7.0**	$ 9.6	(27%)	**$ 12.9**	$ 19.0	(32%)
(Loss) earnings from operations	**(0.2)**	1.6	(113%)	**(1.3)**	2.9	(145%)
Adjusted EBITDA(1)	**3.7**	7.0	(47%)	**6.5**	13.5	(52%)
CASH FLOW						
Cash provided by operations	**$ 11.5**	$ 8.3	39%	**$ 14.3**	$ 26.7	(46%)
Free cash flow(1)	**11.5**	8.3	39%	**14.3**	26.7	(46%)
PRODUCTION AND SALES						
Electricity (GWh(2))	**115**	153	(25%)	**210**	306	(31%)
AVERAGE-REALIZED PRICE(1)						
Electricity (per MWh(2))	**$ 52.60**	$ 58.48	(10%)	**$ 53.60**	$ 57.73	(7%)
UNIT OPERATING COST						
Electricity (per MWh(1)(2))	**21.03**	14.12	49%	**23.23**	14.34	62%
SPENDING ON CAPITAL						
Sustaining	**$ -**	$ -	-	**$ -**	$ -	-
	$ -	$ -	-	**$ -**	$ -	-

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).





Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
Electricity sales	**$ 6.0**	$ 9.0	(33%)	**$ 11.2**	$ 17.7	(37%)
By-products and other	**1.0**	0.6	67%	**1.7**	1.3	31%
	$ 7.0	$ 9.6	(27%)	**$ 12.9**	$ 19.0	(32%)

Operational spending on maintenance activities continues to be limited to the amount of Cuban energy receipts allocated for that purpose. Available liquidity permitted performance of maintenance activities deferred from 2020, which contributed to lower electricity production and sales volume for the three and six months ended June 30, 2021 compared to the same periods in the prior year. As a result of the US$14.0 million of Moa Joint Venture distributions re-directed by GNC to fund Energas operations and Cuban energy payments in 2021, Sherritt does not anticipate liquidity constraints for the Power business through the end of 2021.

The decrease in the average-realized price of electricity for the three and six months ended June 30, 2021 compared to the same periods in the prior year was due to the weaker U.S. dollar relative to the Canadian dollar.

Unit operating costs were higher for the three and six months ended June 30, 2021 compared to the same periods in the prior year as a result of lower sales volume and higher operational spending on maintenance activities that were deferred from 2020 when spending was limited as a result of lower Cuban energy receipts. These increases were partially offset by the positive impact of a weaker U.S. dollar relative to the Canadian dollar, as costs are primarily denominated in U.S. dollars, and by the impact of Cuban currency unification, which lowered labour and third-party service costs.

The Corporation's current contract term for power generation from Energas expires in March 2023 and the Corporation is currently in discussions with its Cuban partners to extend the contract term.

TECHNOLOGIES

	For the three months ended			For the six months ended		
	2021	2020		**2021**	2020	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 0.1**	$ 0.2	(50%)	**$ 0.2**	$ 0.3	(33%)
Cost of sales	**(3.0)**	(2.5)	(20%)	**(6.4)**	(5.7)	(12%)
Loss from operations	**(2.9)**	(2.3)	(26%)	**(6.2)**	(5.4)	(15%)

With a renewed emphasis on leveraging the value of its Technologies business, the Corporation is committed to identifying commercial implementation opportunities that address improving current operations' financial performance and product quality, as well as making next-generation nickel mining more economically viable and more sustainable and developing project opportunities for the generation of battery-grade nickel and cobalt products from lateritic ores. Value levers include improving the purity of nickel, reducing environmental impacts such as water, greenhouse gas emissions and a reduction in tailings, extending the life of existing assets, increasing the recovery of high-value metals, and reducing operating costs and capital requirements.

The Technologies business has accelerated efforts to transition from a cost centre to an incubator of industry solutions that can also be commercialized externally or applied internally to improve operational performance, reduce carbon emissions, and support growth initiatives, such as efforts to de-bottleneck production, evaluate brownfield expansion opportunities and increase mineral reserves. Technologies' innovation pipeline is an efficient vehicle for rapidly evaluating new ideas and is involved in strategic growth initiatives and the evaluation of merger and acquisition opportunities.

Technologies' cost of sales relates to the ongoing support for the development of growth opportunities for Sherritt, including process technology solutions and brownfield development projects where Technologies have been engaged by the Moa Joint Venture and Fort Site to improve operational performance, some of which are detailed below. Technologies' efforts build on its considerable depth of project and operational experience, and its scientific expertise developed over the years; particularly in hydrometallurgy and lateritic ore processing, representing a key point of differentiation for Sherritt.

Sherritt's Technologies business continued to make progress on the commercialization of its enhanced proprietary process to fully upgrade heavy oil, refining residues and bitumen, which provides a number of environmental and business benefits, such as eliminating the need for bitumen diluent, thereby increasing pipeline capacity, and increasing the economic value of the oil transported to downstream markets, as well as reduced energy consumption due to the elimination of energy intensive unit operations, which translates into a reduced carbon footprint for the process. This process has reached a Technology Readiness Level of 5, however, Technologies will undergo piloting again with a new catalyst system which allows for full upgrading instead of partial upgrading. Discussions are ongoing with external parties regarding the potential use of this process.

Technologies is also pursuing the commercialization of its proprietary process for the treatment of copper concentrates with higher arsenic content. Arsenic is a poisonous element requiring significant mitigation and management costs rendering certain copper projects uneconomical. With copper demand expected to grow significantly over the next decade, Technologies' advanced hydrometallurgical process technology fulfills a pressing industry need, presenting a significant step change in the stabilization of arsenic bearing solid waste, produces zero carbon emissions, extends the life of aging copper mines, reduces treatment costs and capitalizes on existing infrastructure. This process has reached a Technology Readiness Level of 4 after completing successful batch testing and completion of a pilot plant. Discussions with potentially interested parties to progress the commercialization of this process have commenced.

CORPORATE

$ millions	For the three months ended 2021 June 30	2020 June 30	Change	For the six months ended 2021 June 30	2020 June 30	Change
EXPENSES						
Administrative expenses	**$ 13.3**	$ 9.6	39%	**$ 23.1**	$ 15.3	51%
	13.3	9.6	39%	**23.1**	15.3	51%

Corporate's administrative expenses are primarily composed of employee costs, share-based compensation expense, severance and other contractual benefits expense, legal fees and fees for other third-party services.

The increase in administrative expenses during the three months ended June 30, 2021 is primarily due to the recognition of a $4.9 million non-cash share-based compensation expense and a $2.4 million in severance and other contractual benefits expense, both of which are as a result of a workforce reduction and planned departures in the Corporate office, discussed further below. Administrative expenses during the six months ended June 30, 2021 also increased by $6.4 million due to share-based compensation expense primarily as result of a $0.10 increase in the Corporation's share price since December 31, 2020.

During the three and six months ended June 30, 2021, the Corporation recognized severance expense of $1.0 million and $0.8 million in accelerated share-based compensation expense related to the May 2021 reduction of 10% of the Corporate office salaried workforce. The Corporation expects to achieve estimated annual savings of approximately $1.3 million in employee costs going forward as a result of the workforce reduction.

The Corporation recognized a $1.4 million expense for other contractual benefits and $4.1 million in accelerated share-based compensation expense related to the planned departures of two senior executives later this year. Additional other contractual benefits of $3.2 million and $0.5 million will be recognized during the three months ended September 30, 2021 and December 31, 2021, respectively, as the senior executives complete their service.

Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted. The timing of recognition of share-based compensation expenses for the departing senior executives will also be accelerated during the three months ended September 30, 2021 and December 31, 2021 as they complete their service for share-based units previously granted. The amount of share-based compensation expense to be recognized in future periods will be based on the Corporation's share price in those periods.

Administrative expenses excluding the non-cash impacts of share-based compensation(1) ($6.5 million) at Corporate for the three months ended June 30, 2021 decreased by $2.2 million compared to the same period in the prior year primarily due to a reduction in employee costs, and legal and consulting fees incurred, partially offset by $2.4 million in severance and other contractual benefits expense. Administrative expenses excluding the non-cash impacts of share-based compensation(1) ($11.3 million) at Corporate for the six months ended June 30, 2021 decreased by $3.4 million compared to the same period in the prior year primarily due to a reduction in employee costs, and legal and consulting fees incurred, partially offset by $2.4 million in severance and other contractual benefits expense.

(1) Non-GAAP measure.

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, 2021	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	$ 161.3	$ 161.3	$ -	$ -	$ -	$ -	$ -
Income taxes payable	1.7	1.7	-	-	-	-	-
8.50% second lien secured notes due 2026	535.8	29.8	29.8	30.2	53.8	59.3	332.9
10.75% unsecured PIK option notes due 2029	192.6	-	-	-	-	-	192.6
Syndicated revolving-term credit facility	8.3	8.3	-	-	-	-	-
Provisions	137.1	3.4	3.8	2.8	0.5	0.4	126.2
Lease liabilities	19.5	2.6	2.6	2.4	2.4	1.8	7.7
Capital commitments	6.6	6.6	-	-	-	-	-
Other	0.2	-	0.2	-	-	-	-
Total	$ 1,063.1	$ 213.7	$ 36.4	$ 35.4	$ 56.7	$ 61.5	$ 659.4

SYNDICATED REVOLVING-TERM CREDIT FACILITY

As at June 30, 2021, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

MOA JOINT VENTURE COMMITMENTS

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, which are not reflected in the table above:

- Environmental rehabilitation commitments of $99.1 million, with no significant payments due in the next five years;
- Accounts payable and accrued liabilities of $28.1 million;
- Income taxes payable of $5.8 million;
- Lease commitments of $1.6 million;
- Loans and borrowings of $11.9 million; and
- Property, plant and equipment commitments of $21.8 million.

Property, plant and equipment commitments include normal course expenditures associated with tailings management facilities.

COMMON SHARES

As at July 29, 2021, the Corporation had 397,287,581 common shares outstanding. An additional 8,611,366 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan and a maximum of 10,373,459 common shares are issuable upon the exercise of other common share warrants.

Managing risk

Over recent months, Cuba has experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. In addition, the number of new cases of COVID-19 in Cuba has recently increased and the percentage of the Cuban population that has been fully vaccinated remains comparatively low (approximately 22% as at July 29, 2021). The foregoing may contribute to increased political, economic and related risks to the Corporation. See the discussion of risks associated with COVID-19 in "Risk Factors – Liquidity and Access to Capital" and "Risk Factors – Political, Economic and Other Risks of Foreign Operations" in the Corporation's Annual Information Form.

The Corporation's Moa Joint Venture and Fort Site and Technologies segments are pursuing the development of growth opportunities, including without limitation, process technology solutions, brownfield development projects and commercial implementation opportunities. Certain factors that could, alone or in combination, prevent us from successfully achieving these growth or commercialization opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, commissioning, procurement, construction, commissioning, ramp-up to commercial scale production and completion; securing regulatory and government approvals. There can be no assurance that any growth or commercialization opportunity will be successful, commercially viable, or will generate any meaningful revenues, savings or earnings, as the case may be, for the Corporation. In addition, the Corporation will incur costs in pursuing any particular opportunity, which may be significant.

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.

Basis of presentation and critical accounting judgments

The condensed consolidated financial statements referenced in this MD&A have been 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.

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 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, 2020.

The critical accounting estimates and judgments used in the preparation of the condensed consolidated financial statements are consistent with those used in the Corporation's annual consolidated financial statements as at and for the year ended December 31, 2020. The annual consolidated financial statements included a critical accounting judgment related to impairment of non-financial assets, in part due to uncertainty as a result of COVID-19 and its potential impact on commodity prices and collection of Cuban receivables.

Summary of quarterly results

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

$ millions, except per share amounts, for the three months ended	**2021 Jun 30**	2021 Mar 31	2020 Dec 31	2020 Sep 30	2020 Jun 30	2020 Mar 31	2019 Dec 31	2019 Sep 30
Revenue	$ **31.0**	$ 21.9	$ 28.2	$ 24.9	$ 40.4	$ 26.3	$ 31.0	$ 27.5
Share of earnings (loss) of Moa Joint Venture, net of tax	**17.7**	28.1	11.4	4.2	(3.2)	(3.9)	3.5	7.0
Net (loss) earnings from continuing operations	**(10.4)**	(1.9)	(49.3)	11.4	(13.3)	(34.5)	(65.6)	(15.5)
(Loss) earnings from discontinued operations, net of tax(1)	**(0.3)**	(3.7)	(0.3)	217.1	(101.2)	(7.7)	(119.9)	(14.5)
Net (loss) earnings for the period	$ **(10.7)**	$ (5.6)	$ (49.6)	$ 228.5	$ (114.5)	$ (42.2)	$ (185.5)	$ (30.0)
Net (loss) earnings per share, basic ($ per share)								
Net (loss) earnings from continuing operations	$ **(0.03)**	$ 0.00	$ (0.12)	$ 0.03	$ (0.03)	$ (0.09)	$ (0.17)	$ (0.04)
Net (loss) earnings for the period	**(0.03)**	(0.01)	(0.12)	0.58	(0.29)	(0.11)	(0.47)	(0.08)

(1) (Loss) earnings from discontinued operations, net of tax, relates to the Ambatovy Joint Venture, as well as expenses and insurance recoveries 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.

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 $1.23 (Q2 2021) to $1.39 (Q2 2020) and period-end rates ranged between $1.24 (Q2 2021) 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):

- Q2 2021: $8.6 million of unrealized foreign exchange gains in continuing operations, a $0.8 million gain on repurchase of notes, $3.7 million of unrealized losses on commodity put options, in addition to a $4.9 million share-based compensation expense and $2.4 million severance and other contractual benefits expense, both of which related to the Corporate workforce reduction and planned departures;
- Q1 2021: $2.6 million of unrealized foreign exchange gains in continuing operations and a $1.3 million gain on repurchase of notes;
- Q4 2020: $4.3 million of unrealized foreign exchange losses in continuing operations and a $9.4 million impairment of Power assets;
- Q3 2020: $3.6 million of unrealized foreign exchange gains in continuing operations, a $115.6 million impairment of Oil assets, a $143.4 gain on debenture exchange within net finance income (expense) and $217.2 million of earnings from discontinued operations related to the Ambatovy Joint Venture;
- Q2 2020: $13.1 million of unrealized foreign exchange losses, a $23.6 million of gains on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable, and, included in discontinued operations, $74.4 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable and post-financial completion loans receivable;
- Q1 2020: $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;
- Q4 2019: $6.8 million loss on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable, an impairment loss of $20.3 million on intangible assets, the recognition of $8.4 million of unrealized foreign exchange losses, and, included in discontinued operations, a $31.0 million impairment of the investment an associate and $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; and
- Q3 2019: $7.7 million of unrealized foreign exchange gains.

Off-balance sheet arrangements

As at June 30, 2021, the Corporation had no foreign exchange options, futures or forward contracts and no commodity futures or forward contracts.

During the year ended December 31, 2020, the Corporation purchased put options on nickel. For further details, refer to note 15 of the Corporation's consolidated financial statements for the year ended December 31, 2020.

Transactions with related parties

The Corporation enters into transactions related to its joint arrangements. For further detail, refer to notes 6 and 18 of the Corporation's condensed consolidated financial statements for the three and six months ended June 30, 2021.

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.

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, 2021 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 (CAD$ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel - LME price per pound(1)	US$	1.00	$ 9	$ 0.02
Cobalt - Fastmarkets MB 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	(5)	(0.01)
Operating costs(1)				
Natural gas - per gigajoule (Moa Joint Venture and Fort Site)	$	1.00	(1)	-
Fuel oil - cost per tonne (Moa Joint Venture and Fort Site)	US$	50.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Fort Site)	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.

NON-GAAP MEASURES

Combined revenue

The Corporation uses combined revenue as a measure to help management assess the Corporation's financial performance across its operations. Combined revenue includes the Corporation's consolidated revenue and revenue of the Moa Joint Venture on a 50% basis, which is accounted for using the equity method for accounting purposes. Management uses this measure to reflect the Corporation's economic interest in its operations 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		
	2021	2020		**2021**	2020	
$ millions	**June 30**	June 30	Change	**June 30**	June 30	Change
Revenue by reportable segment						
Moa Joint Venture and Fort Site(1)	**$ 142.2**	$ 115.5	23%	**$ 268.5**	$ 209.0	28%
Metals Other	**1.8**	2.0	(10%)	**3.4**	4.1	(17%)
Oil and Gas	**1.2**	6.0	(80%)	**8.7**	13.1	(34%)
Power	**7.0**	9.6	(27%)	**12.9**	19.0	(32%)
Technologies	**0.1**	0.2	(50%)	**0.2**	0.3	(33%)
Corporate	**-**	0.2	(100%)	**0.3**	0.3	-
Combined revenue	**$ 152.3**	$ 133.5	14%	**$ 294.0**	$ 245.8	20%
Adjustment for Moa Joint Venture	**(121.3)**	(93.1)		**(241.1)**	(179.1)	
Financial statement revenue	**$ 31.0**	$ 40.4	(23%)	**$ 52.9**	$ 66.7	(21%)

(1) Revenue of Moa Joint Venture and Fort Site for the three months ended June 30, 2021 is composed of revenue recognized by the Moa Joint Venture of $121.3 million (50% basis), which is equity accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $20.9 million, which is included in consolidated revenue (for the three months ended June 30, 2020 - $93.1 million and $22.4 million, respectively). Revenue of Moa Joint Venture and Fort Site for the six months ended June 30, 2021 is composed of revenue recognized by the Moa Joint Venture of $241.1 million (50% basis), which is equity accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $27.4 million, which is included in consolidated revenue (for the six months ended June 30, 2020 - $179.1 million and $29.9 million, respectively).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations and joint venture, which excludes net finance expense, as reported in the financial statements for the period, adjusted for: depletion, depreciation and amortization; impairment losses for long-lived assets, intangible assets, goodwill and investments; gains or losses on disposal of property, plant and equipment of the Corporation or the Moa Joint Venture; and gains or losses on disposition of an interest in the investment in Moa Joint Venture of the Corporation. The exclusion of impairment losses eliminates the non-cash impact of the losses. 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 the Corporation's operating results in the same manner as management and the Board of Directors.

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

$ millions, for the three months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	**2021** Total
(Loss) earnings from operations and joint venture per financial statements	**$ 19.7**	**$ (0.5)**	**$ (5.0)**	**$ (0.2)**	**$ (2.9)**	**$ (13.3)**	**$ (5.1)**	**$ (7.3)**
Add (deduct):								
Depletion, depreciation and amortization	**3.1**	**-**	**1.7**	**3.9**	**0.1**	**0.1**	**-**	**8.9**
Adjustments for share of joint venture:								
Depletion, depreciation and amortization	**11.3**	**-**	**-**	**-**	**-**	**-**	**-**	**11.3**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**5.1**	**5.1**
Adjusted EBITDA	**$ 34.1**	**$ (0.5)**	**$ (3.3)**	**$ 3.7**	**$ (2.8)**	**$ (13.2)**	**$ -**	**$ 18.0**
Loss from operations and joint venture								**$ (7.3)**
Net finance expense								**(2.6)**
Income tax expense								**(0.5)**
Net loss from continuing operations								**$ (10.4)**

$ millions, for the three months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	2020 Total
(Loss) earnings from operations and joint venture per financial statements	$ 1.2	$ (0.5)	$ (4.5)	$ 1.6	$ (2.3)	$ (9.4)	$ (5.8)	$ (19.7)
Add (deduct):								
Depletion, depreciation and amortization	3.1	0.1	1.4	5.4	0.1	0.1	-	10.2
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	$ (0.4)	$ (3.1)	$ 7.0	$ (2.2)	$ (9.3)	$ -	$ 8.4
Loss from operations and joint venture								$ (19.7)
Net finance income								6.8
Income tax expense								(0.4)
Net loss from continuing operations								$ (13.3)

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total 2021
(Loss) earnings from operations and joint venture per financial statements	**$ 47.5**	**$ (1.1)**	**$ (8.9)**	**$ (1.3)**	**$ (6.2)**	**$ (22.8)**	**$ (8.4)**	**$ (1.2)**
Add (deduct):								
Depletion, depreciation and amortization	**5.7**	**0.1**	**4.3**	**7.8**	**0.1**	**0.4**	**-**	**18.4**
Adjustments for share of joint venture:								
Depletion, depreciation and amortization	**22.6**	**-**	**-**	**-**	**-**	**-**	**-**	**22.6**
Net finance income	**-**	**-**	**-**	**-**	**-**	**-**	**(2.4)**	**(2.4)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**10.8**	**10.8**
Adjusted EBITDA	**$ 75.8**	**$ (1.0)**	**$ (4.6)**	**$ 6.5**	**$ (6.1)**	**$ (22.4)**	**$ -**	**$ 48.2**
Loss from operations and joint venture								$ **(1.2)**
Net finance expense								**(10.4)**
Income tax expense								**(0.7)**
Net loss from continuing operations								$ **(12.3)**

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total 2020
(Loss) earnings from operations and joint venture per financial statements	$ (3.5)	$ (0.9)	$ (10.1)	$ 2.9	$ (5.4)	$ (15.0)	$ (6.5)	$ (38.5)
Add (deduct):								
Depletion, depreciation and amortization	5.4	0.1	3.4	10.6	0.1	0.5	-	20.1
Adjustments for share of joint venture:								
Depletion, depreciation and amortization	24.6	-	-	-	-	-	-	24.6
Net finance expense	-	-	-	-	-	-	5.0	5.0
Income tax recovery	-	-	-	-	-	-	1.5	1.5
Adjusted EBITDA	$ 26.5	$ (0.8)	$ (6.7)	$ 13.5	$ (5.3)	$ (14.5)	$ -	$ 12.7
Loss from operations and joint venture								$ (38.5)
Net finance expense								(9.1)
Income tax expense								(0.2)
Net loss from continuing operations								$ (47.8)

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt and fertilizer excludes the impact of by-product revenue. Transactions by a Moa Joint Venture marketing company, included in other revenue, are excluded. 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 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							**2021**
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 89.0**	**$ 22.7**	**$ 26.4**	**$ 7.0**	**$ 7.2**	**$ (121.3)**	**$ 31.0**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(1.0)**			
Revenue for purposes of average-realized price calculation	**89.0**	**22.7**	**26.4**	**6.0**			
Sales volume for the period	**9.4**	**1.0**	**64.7**	**115**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(1)(2)	**$ 9.46**	**$ 22.82**	**$ 409**	**$ 52.60**			

$ millions, except average-realized price and sales volume, for the three months ended June 30							2020
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	$ 69.0	$ 14.3	$ 28.7	$ 9.6	$ 11.9	$ (93.1)	$ 40.4
Adjustments to revenue:							
By-product revenue	-	-	-	(0.6)			
Revenue for purposes of average-realized price calculation	69.0	14.3	28.7	9.0			
Sales volume for the period	9.2	0.8	72.1	153			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(1)(2)	$ 7.51	$ 18.39	$ 399	$ 58.48			

$ millions, except average-realized price and sales volume, for the six months ended June 30							**2021**
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 180.8**	**$ 45.7**	**$ 34.9**	**$ 12.9**	**$ 19.7**	**$ (241.1)**	**$ 52.9**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(1.7)**			
Revenue for purposes of average-realized price calculation	**180.8**	**45.7**	**34.9**	**11.2**			
Sales volume for the period	**18.6**	**2.0**	**91.8**	**210**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(1)(2)	**$ 9.71**	**$ 22.35**	**$ 381**	**$ 53.60**			

$ millions, except average-realized price and sales volume, for the six months ended June 30							2020
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	$ 132.2	$ 30.4	$ 39.6	$ 19.0	$ 24.6	$ (179.1)	$ 66.7
Adjustments to revenue:							
By-product revenue	-	-	-	(1.3)			
Revenue for purposes of average-realized price calculation	132.2	30.4	39.6	17.7			
Sales volume for the period	17.5	1.6	103.2	306			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(1)(2)	$ 7.55	$ 18.79	$ 384	$ 57.73			

(1) Average-realized price may not calculate exactly based on amounts presented due to foreign exchange and rounding.
(2) 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 losses, 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, amortization and impairment losses 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, expressed in U.S. dollars.

Unit operating costs for nickel 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 mine 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					2021
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 120.2**	**$ 6.2**	**$ 11.1**	**$ (97.2)**	**$ 40.3**
Less:					
Depletion, depreciation and amortization in cost of sales	**(14.4)**	**(3.9)**			
	105.8	**2.3**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(53.2)**	**-**			
Impact of opening/closing inventory and other	**0.3**	**-**			
Cost of sales for purposes of unit cost calculation	**52.9**	**2.3**			
Sales volume for the period	**9.4**	**115**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(2)(3)	**$ 5.62**	**$ 21.03**			
Unit operating cost (US$) (NDCC)(4)	**$ 4.58**				

$ millions, except unit cost and sales volume, for the three months ended June 30					2020
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 111.7	$ 7.6	$ 14.0	$ (88.7)	$ 44.6
Less:					
Depletion, depreciation and amortization in cost of sales	(15.2)	(5.4)			
	96.5	2.2			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(46.5)	-			
Impact of opening/closing inventory and other	(0.1)	-			
Cost of sales for purposes of unit cost calculation	49.9	2.2			
Sales volume for the period	9.2	153			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(2)(3)	$ 5.43	$ 14.12			
Unit operating cost (US$) (NDCC)(4)	$ 3.92				

$ millions, except unit cost and sales volume, for the six months ended June 30					2021
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 216.6**	**$ 12.6**	**$ 25.9**	**$ (184.4)**	**$ 70.7**
Less:					
Depletion, depreciation and amortization in cost of sales	**(28.3)**	**(7.8)**			
	188.3	**4.8**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(87.7)**	**-**			
Impact of opening/closing inventory and other	**(3.1)**	**-**			
Cost of sales for purposes of unit cost calculation	**97.5**	**4.8**			
Sales volume for the period	**18.6**	**210**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(2)(3)	**$ 5.24**	**$ 23.23**			
Unit operating cost (US$) (NDCC)(4)	**$ 4.20**				

$ millions, except unit cost and sales volume, for the six months ended June 30					2020
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 207.6	$ 15.0	$ 31.2	$ (176.7)	$ 77.1
Less:					
Depletion, depreciation and amortization in cost of sales	(30.0)	(10.6)			
	177.6	4.4			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(76.8)	-			
Impact of opening/closing inventory and other	(2.5)	-			
Cost of sales for purposes of unit cost calculation	98.3	4.4			
Sales volume for the period	17.5	306			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(2)(3)	$ 5.61	$ 14.34			
Unit operating cost (US$) (NDCC)(4)	$ 4.10				

(1) Other includes the cost of sales of the Metals Other, Oil and Gas and Technologies reportable segments.
(2) Unit operating cost/NDCC may not calculate exactly based on amounts presented due to foreign exchange and rounding.
(3) Power, unit operating cost price per MWh.
(4) Unit operating costs in US$ are converted at the average exchange rate for the period.

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 financial assets and liabilities and other one-time adjustments. While some adjustments are recurring (such as unrealized foreign exchange (gain) loss and revaluations of allowances for expected credit losses (ACL)), 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	
	2021	2020	**2021**	2020
$ millions	**June 30**	June 30	**June 30**	June 30
Net loss from continuing operations	**$ (10.4)**	$ (13.3)	**$ (12.3)**	$ (47.8)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - continuing operations	**(8.6)**	7.4	**(11.2)**	(5.1)
Corporate - Gain on repurchase of notes	**(0.8)**	-	**(2.1)**	-
Corporate - Severance and other contractual benefits expense	**2.4**	-	**2.4**	-
Corporate - Unrealized losses on commodity put options	**3.7**	-	**4.3**	-
Corporate - Moa JV expansion loans receivable ACL revaluation	**-**	(23.6)	**-**	(6.4)
Fort Site - Inventory obsolescence	**(0.1)**	-	**0.2**	-
Oil and Gas and Power - ACL revaluation	**(0.1)**	0.3	**1.5**	1.7
Other	**0.9**	1.5	**2.4**	1.5
Total adjustments, before tax	**$ (2.6)**	$ (14.4)	**$ (2.5)**	$ (8.3)
Tax adjustments	**-**	-	**(0.5)**	-
Adjusted net loss from continuing operations	**$ (13.0)**	$ (27.7)	**$ (15.3)**	$ (56.1)
Adjusted net loss per share ($ per share)	**$ (0.03)**	$ (0.07)	**$ (0.04)**	$ (0.14)

Combined free cash flow

The Corporation defines combined free cash flow as cash flow provided (used) by continuing operations for operating activities, less cash expenditures on property plant and equipment and intangible assets, including exploration and evaluation assets. Corporate's cash used by continuing operations for operating activities is adjusted to exclude distributions received from Moa Joint Venture and these distributions are added to the Adjustment for Moa Joint Venture to arrive at total cash provided (used) by continuing operations per the financial statements.

Free cash flow is used by management, and management believes this information is used by investors, 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 needs and service debt.

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

$ millions, for the three months ended June 30 **2021**

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations[1]	**$ 21.6**	**$ (5.1)**	**$ 4.5**	**$ 11.5**	**$ (2.7)**	**$ (19.1)**	**$ 10.7**	**$ (9.2)**	**$ 1.5**
Less:									
Property, plant and equipment expenditures	**(7.8)**	**-**	**-**	**-**	**-**	**-**	**(7.8)**	**5.2**	**(2.6)**
Intangible expenditures	**-**	**-**	**(0.3)**	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Free cash flow	**$ 13.8**	**$ (5.1)**	**$ 4.2**	**$ 11.5**	**$ (2.7)**	**$ (19.1)**	**$ 2.6**	**$ (4.0)**	**$ (1.4)**

$ millions, for the three months ended June 30 2020

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations[1]	$ 12.7	$ (7.9)	$ (8.6)	$ 8.3	$ (2.8)	$ 6.3	$ 8.0	$ (20.6)	$ (12.6)
Less:									
Property, plant and equipment expenditures	(6.5)	-	(1.5)	-	(0.1)	(0.1)	(8.2)	5.0	(3.2)
Intangible expenditures	-	-	(0.4)	-	-	-	(0.4)	-	(0.4)
Free cash flow	$ 6.2	$ (7.9)	$ (10.5)	$ 8.3	$ (2.9)	$ 6.2	$ (0.6)	$ (15.6)	$ (16.2)

$ millions, for the six months ended June 30 **2021**

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations[2]	**$ 45.1**	**$ 10.5**	**$ (0.2)**	**$ 14.3**	**$ (5.9)**	**$ (29.0)**	**$ 34.8**	**$ (36.3)**	**$ (1.5)**
Less:									
Property, plant and equipment expenditures	**(12.4)**	**-**	**(0.2)**	**-**	**-**	**(0.1)**	**(12.7)**	**9.0**	**(3.7)**
Intangible expenditures	**-**	**-**	**(0.5)**	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Free cash flow	**$ 32.7**	**$ 10.5**	**$ (0.9)**	**$ 14.3**	**$ (5.9)**	**$ (29.1)**	**$ 21.6**	**$ (27.3)**	**$ (5.7)**

$ millions, for the six months ended June 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
2020									
Cash provided (used) by continuing operations[2]	$ 17.2	$ 3.7	$ (16.0)	$ 26.7	$ (4.8)	$ (7.5)	$ 19.3	$ (9.3)	$ 10.0
Less:									
Property, plant and equipment expenditures	(13.1)	-	(2.8)	-	(0.1)	(0.1)	(16.1)	10.7	(5.4)
Intangible expenditures	-	-	(0.8)	-	-	-	(0.8)	-	(0.8)
Free cash flow	$ 4.1	$ 3.7	$ (19.6)	$ 26.7	$ (4.9)	$ (7.6)	$ 2.4	$ 1.4	$ 3.8

(1) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $26.1 million and $(4.5) million, respectively, for the three months ended June 30, 2021. (June 30, 2020 - $20.6 million and $(7.9) million, respectively).

(2) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $59.5 million and $(14.4) million, respectively, for the six months ended June 30, 2021. (June 30, 2020 - $22.6 million and $(5.4) million, respectively).

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 interim 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 interim 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, 2021, the Corporation’s CEO and interim CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended June 30, 2021, 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.

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, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt's strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; continued qualification for the Canada Emergency Wage Subsidy (CEWS); the impact of Cuba's currency unification; anticipated payments of outstanding receivables, including re-directed distributions from the Corporation's Moa Joint Venture partner; the impact of U.S. sanctions on Cuban operations; the anticipated renewal of a joint venture agreement; 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; global demand for electric vehicles; the commercialization of certain proprietary technologies and services; advancements in environmental and greenhouse gas reduction technology; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; 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; the risk to Sherritt's entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; Sherritt's ability to replace depleted mineral 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; growth opportunity risks; 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 2021; 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, the ability of the Corporation to achieve its financial goals; 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 the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 17, 2021 for the period ending December 31, 2020, 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, 2021 and 2020

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2021 June 30	2020 June 30	For the six months ended 2021 June 30	2020 June 30
Revenue	4	**$ 31.0**	$ 40.4	**$ 52.9**	$ 66.7
Cost of sales	5	**(40.3)**	(44.6)	**(70.7)**	(77.1)
Administrative expenses	5	**(15.7)**	(12.3)	**(29.2)**	(21.0)
Share of earnings (loss) of Moa Joint Venture, net of tax	6	**17.7**	(3.2)	**45.8**	(7.1)
Loss from operations and joint venture		**(7.3)**	(19.7)	**(1.2)**	(38.5)
Interest income on financial assets measured at amortized cost	7	**3.8**	6.0	**7.5**	12.0
Revaluation of allowances for expected credit losses	7	**0.1**	23.3	**(1.5)**	4.7
Other financing items	7	**(4.4)**	(1.3)	**(5.2)**	(0.5)
Financing expense	7	**(2.1)**	(21.2)	**(11.2)**	(25.3)
Net finance (expense) income		**(2.6)**	6.8	**(10.4)**	(9.1)
Loss before income tax		**(9.9)**	(12.9)	**(11.6)**	(47.6)
Income tax expense		**(0.5)**	(0.4)	**(0.7)**	(0.2)
Net loss from continuing operations		**(10.4)**	(13.3)	**(12.3)**	(47.8)
Loss from discontinued operations, net of tax	8	**(0.3)**	(101.2)	**(4.0)**	(108.9)
Net loss for the period		**$ (10.7)**	$ (114.5)	**$ (16.3)**	$ (156.7)
Other comprehensive (loss) income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations, net of tax		**(8.8)**	(27.9)	**(17.3)**	39.0
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains (losses) on pension plans, net of tax		**0.3**	0.7	**-**	(0.1)
Other comprehensive (loss) income		**(8.5)**	(27.2)	**(17.3)**	38.9
Total comprehensive loss		**$ (19.2)**	$ (141.7)	**$ (33.6)**	$ (117.8)
Net loss from continuing operations per common share:					
Basic and diluted	9	**$ (0.03)**	$ (0.03)	**$ (0.03)**	$ (0.12)
Net loss per common share:					
Basic and diluted	9	**$ (0.03)**	$ (0.29)	**$ (0.04)**	$ (0.39)

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	2021 June 30	2020 December 31
ASSETS			
Current assets			
Cash and cash equivalents	10	**$ 153.8**	$ 167.4
Restricted cash		**5.3**	5.3
Advances, loans receivable and other financial assets	11	**8.8**	37.6
Trade accounts receivable, net, and unbilled revenue	10	**167.6**	140.3
Inventories		**25.6**	27.0
Prepaid expenses		**4.7**	3.7
		365.8	381.3
Non-current assets			
Investment in Moa Joint Venture	6	**604.7**	597.4
Advances, loans receivable and other financial assets	11	**193.8**	169.6
Property, plant and equipment		**151.0**	166.4
Intangible assets		**30.2**	37.5
		979.7	970.9
Total assets		**$ 1,345.5**	$ 1,352.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	12	**$ 8.0**	$ 8.0
Trade accounts payable and accrued liabilities		**161.3**	135.0
Income taxes payable		**1.7**	12.3
Other financial liabilities	12	**9.4**	4.8
Deferred revenue		**13.3**	7.5
Provisions	13	**3.4**	1.9
		197.1	169.5
Non-current liabilities			
Loans and borrowings	12	**431.6**	433.4
Other financial liabilities	12	**32.7**	24.7
Other non-financial liabilities		**8.8**	6.2
Provisions	13	**100.4**	110.2
Deferred income taxes		**1.6**	1.4
		575.1	575.9
Total liabilities		**772.2**	745.4
Shareholders' equity			
Capital stock	16	**2,894.9**	2,894.9
Deficit		**(2,896.4)**	(2,880.1)
Reserves		**233.4**	233.3
Accumulated other comprehensive income		**341.4**	358.7
		573.3	606.8
Total liabilities and shareholders' equity		**$ 1,345.5**	$ 1,352.2

Commitments for expenditures (note 14)

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 2021 June 30	2020 June 30	For the six months ended 2021 June 30	2020 June 30
Operating activities					
Net loss from continuing operations		**$ (10.4)**	$ (13.3)	**$ (12.3)**	$ (47.8)
Add (deduct):					
Depletion, depreciation and amortization	4, 5	**8.9**	10.2	**18.4**	20.1
Share-based compensation expense	5	**7.1**	0.9	**14.2**	0.1
Share of (earnings) loss of Moa Joint Venture, net of tax	6	**(17.7)**	3.2	**(45.8)**	7.1
Net finance expense (income)	7	**2.6**	(6.8)	**10.4**	9.1
Income tax expense		**0.5**	0.4	**0.7**	0.2
Net change in non-cash working capital	15	**8.0**	(16.2)	**2.6**	(7.3)
Interest received		**1.8**	9.7	**4.0**	17.3
Interest paid		**(15.7)**	(0.6)	**(16.6)**	(1.3)
Income tax paid		**(0.8)**	(0.6)	**(1.0)**	(1.1)
Distributions received from Moa Joint Venture	6	**16.9**	-	**23.2**	13.3
Other operating items		**0.3**	0.5	**0.7**	0.3
Cash provided (used) by continuing operations		**1.5**	(12.6)	**(1.5)**	10.0
Cash used by discontinued operations	8	**(0.5)**	(0.7)	**(0.6)**	(1.1)
Cash provided (used) by operating activities		**1.0**	(13.3)	**(2.1)**	8.9
Investing activities					
Property, plant and equipment expenditures	4	**(2.6)**	(3.2)	**(3.7)**	(5.4)
Intangible asset expenditures	4	**(0.3)**	(0.4)	**(0.5)**	(0.8)
Receipts of advances, loans receivable and other financial assets		**0.2**	0.1	**0.4**	0.3
Cash used by continuing operations		**(2.7)**	(3.5)	**(3.8)**	(5.9)
Cash used by investing activities		**(2.7)**	(3.5)	**(3.8)**	(5.9)
Financing activities					
Repurchase of notes	12	**(1.3)**	-	**(4.6)**	-
Repayment of other financial liabilities		**(0.4)**	(0.4)	**(0.6)**	(1.1)
Fees paid on debenture exchange		**-**	-	**(0.2)**	-
Cash used by continuing operations		**(1.7)**	(0.4)	**(5.4)**	(1.1)
Cash used by financing activities		**(1.7)**	(0.4)	**(5.4)**	(1.1)
Effect of exchange rate changes on cash and cash equivalents		**(1.1)**	(3.8)	**(2.3)**	4.4
(Decrease) increase in cash and cash equivalents		**(4.5)**	(21.0)	**(13.6)**	6.3
Cash and cash equivalents at beginning of the period		**158.3**	193.4	**167.4**	166.1
Cash and cash equivalents at end of the period	10	**$ 153.8**	$ 172.4	**$ 153.8**	$ 172.4

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

Condensed consolidated statements of changes in shareholders’ equity

Unaudited, Canadian $ millions

	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
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, net of tax	-	-	-	39.0	39.0
Actuarial losses on pension plans, net of tax	-	-	-	(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**
Total comprehensive income:					
Net earnings for the period	-	178.9	-	-	178.9
Foreign currency translation differences on foreign operations, net of tax	-	-	-	(45.5)	(45.5)
Actuarial losses on pension plans, net of tax	-	-	-	(0.8)	(0.8)
	-	178.9	-	(46.3)	132.6
Reclassification of accumulated other comprehensive income on disposal of foreign operation	-	-	-	(129.7)	(129.7)
Stock option plan recovery	-	-	(0.4)	-	(0.4)
Balance as at December 31, 2020	**$ 2,894.9**	**$ (2,880.1)**	**$ 233.3**	**$ 358.7**	**$ 606.8**
Total comprehensive loss:					
Net loss for the period	-	(16.3)	-	-	(16.3)
Foreign currency translation differences on foreign operations, net of tax	-	-	-	(17.3)	(17.3)
	-	(16.3)	-	(17.3)	(33.6)
Stock option plan expense	-	-	0.1	-	0.1
Balance as at June 30, 2021	**$ 2,894.9**	**$ (2,896.4)**	**$ 233.4**	**$ 341.4**	**$ 573.3**

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 – metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for oil and mining companies around the world to improve environmental performance and increase economic value. The Corporation is also the largest independent energy producer in Cuba.

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, 2021. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

The condensed consolidated financial statements of the Corporation are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed. These condensed consolidated financial statements include the financial results of the Corporation's interest in its subsidiaries and joint arrangements. 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.

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, 2020.

These condensed consolidated financial statements have been prepared using the same critical accounting estimates and judgments as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2020. The annual consolidated financial statements included a critical accounting judgment related to impairment of non-financial assets, in part due to uncertainty as a result of COVID-19 and its potential impact on commodity prices and collection of Cuban receivables.

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

4. SEGMENTED INFORMATION

The Corporation revised the presentation of its segmented information during the three months ended March 31, 2021 as a result of Technologies being identified as a reportable segment during that period in accordance with quantitative thresholds and as information for the Technologies operating segment is separately reviewed by the chief operating decision maker. Segmented information for the prior period has been restated for comparative purposes to reflect this change.

Canadian $ millions, for the three months ended June 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Tech-nologies	Corporate[2]	Adjustments for Moa Joint Venture	Total 2021
Revenue[3]	$ 142.2	$ 1.8	$ 1.2	$ 7.0	$ 0.1	$ -	$ (121.3)	$ 31.0
Cost of sales	(120.2)	(2.4)	(5.7)	(6.2)	(3.0)	-	97.2	(40.3)
Administrative expenses	(2.3)	0.1	(0.5)	(1.0)	-	(13.3)	1.3	(15.7)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	-	17.7	17.7
Earnings (loss) from operations and joint venture	19.7	(0.5)	(5.0)	(0.2)	(2.9)	(13.3)	(5.1)	(7.3)
Interest income on financial assets measured at amortized cost								3.8
Revaluation of allowances for expected credit losses								0.1
Other financing items								(4.4)
Financing expense								(2.1)
Net finance expense								(2.6)
Loss before income tax								(9.9)
Income tax expense								(0.5)
Net loss from continuing operations								(10.4)
Loss from discontinued operations, net of tax								(0.3)
Net loss for the period								$ (10.7)
Supplementary information								
Depletion, depreciation and amortization	$ 14.4	$ -	$ 1.7	$ 3.9	$ 0.1	$ 0.1	$ (11.3)	$ 8.9
Property, plant and equipment expenditures	7.8	-	-	-	-	-	(5.2)	2.6
Intangible asset expenditures	-	-	0.3	-	-	-	-	0.3

Canadian $ millions, as at June 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Tech-nologies	Corporate[2]	Adjustments for Moa Joint Venture	Total 2021
Non-current assets[4]	$ 615.0	$ 0.5	$ 14.2	$ 26.7	$ 0.9	$ 7.0	$ (483.1)	$ 181.2
Total assets	895.0	106.6	57.9	315.5	1.2	77.8	(108.5)	1,345.5

Canadian $ millions, for the three months ended June 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Tech-nologies	Corporate[2]	Adjustments for Moa Joint Venture	2020 (Restated) Total
Revenue[3]	$ 115.5	$ 2.0	$ 6.0	$ 9.6	$ 0.2	$ 0.2	$ (93.1)	$ 40.4
Cost of sales	(111.7)	(2.5)	(9.0)	(7.6)	(2.5)	-	88.7	(44.6)
Administrative expenses	(2.6)	-	(1.5)	(0.4)	-	(9.6)	1.8	(12.3)
Share of loss of Moa Joint Venture, net of tax	-	-	-	-	-	-	(3.2)	(3.2)
Earnings (loss) from operations and joint venture	1.2	(0.5)	(4.5)	1.6	(2.3)	(9.4)	(5.8)	(19.7)
Interest income on financial assets measured at amortized cost								6.0
Revaluation of allowances for expected credit losses								23.3
Other financing items								(1.3)
Financing expense								(21.2)
Net finance income								6.8
Loss before income tax								(12.9)
Income tax expense								(0.4)
Net loss from continuing operations								(13.3)
Loss from discontinued operations, net of tax								(101.2)
Net loss for the period								$ (114.5)

Supplementary information

Depletion, depreciation and amortization	$ 15.2	$ 0.1	$ 1.4	$ 5.4	$ 0.1	$ 0.1	$ (12.1)	$ 10.2
Property, plant and equipment expenditures	6.5	-	1.5	-	0.1	0.1	(5.0)	3.2
Intangible asset expenditures	-	-	0.4	-	-	-	-	0.4

Canadian $ millions, as at December 31								2020 (Restated)
Non-current assets[4]	$ 652.6	$ 0.6	$ 18.5	$ 35.4	$ 1.0	$ 7.2	$ (511.4)	$ 203.9
Total assets	897.8	71.3	71.9	327.4	1.3	100.8	(118.3)	1,352.2

Canadian $ millions, for the six months ended June 30	**Moa JV and Fort Site[1]**	**Metals Other[2]**	**Oil and Gas**	**Power**	**Tech-nologies**	**Corporate[2]**	**Adjustments for Moa Joint Venture**	**2021 Total**
Revenue[3]	**$ 268.5**	**$ 3.4**	**$ 8.7**	**$ 12.9**	**$ 0.2**	**$ 0.3**	**$ (241.1)**	**$ 52.9**
Cost of sales	**(216.6)**	**(4.6)**	**(14.9)**	**(12.6)**	**(6.4)**	**-**	**184.4**	**(70.7)**
Administrative expenses	**(4.4)**	**0.1**	**(2.7)**	**(1.6)**	**-**	**(23.1)**	**2.5**	**(29.2)**
Share of earnings of Moa Joint Venture, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**45.8**	**45.8**
Earnings (loss) from operations and joint venture	**47.5**	**(1.1)**	**(8.9)**	**(1.3)**	**(6.2)**	**(22.8)**	**(8.4)**	**(1.2)**
Interest income on financial assets measured at amortized cost								**7.5**
Revaluation of allowances for expected credit losses								**(1.5)**
Other financing items								**(5.2)**
Financing expense								**(11.2)**
Net finance expense								**(10.4)**
Loss before income tax								**(11.6)**
Income tax expense								**(0.7)**
Net loss from continuing operations								**(12.3)**
Loss from discontinued operations, net of tax								**(4.0)**
Net loss for the period								**$ (16.3)**

Supplementary information

Depletion, depreciation and amortization	**$ 28.3**	**$ 0.1**	**$ 4.3**	**$ 7.8**	**$ 0.1**	**$ 0.4**	**$ (22.6)**	**$ 18.4**
Property, plant and equipment expenditures	**12.4**	**-**	**0.2**	**-**	**-**	**0.1**	**(9.0)**	**3.7**
Intangible asset expenditures	**-**	**-**	**0.5**	**-**	**-**	**-**	**-**	**0.5**

Canadian $ millions, as at June 30								**2021**
Non-current assets[4]	**$ 615.0**	**$ 0.5**	**$ 14.2**	**$ 26.7**	**$ 0.9**	**$ 7.0**	**$ (483.1)**	**$ 181.2**
Total assets	**895.0**	**106.6**	**57.9**	**315.5**	**1.2**	**77.8**	**(108.5)**	**1,345.5**

Canadian $ millions, for the six months ended June 30								2020 (Restated)
	Moa JV and Fort Site(1)	Metals Other(2)	Oil and Gas	Power	Tech-nologies	Corporate(2)	Adjustments for Moa Joint Venture	Total
Revenue(3)	$ 209.0	$ 4.1	$ 13.1	$ 19.0	$ 0.3	$ 0.3	$ (179.1)	$ 66.7
Cost of sales	(207.6)	(5.1)	(20.4)	(15.0)	(5.7)	-	176.7	(77.1)
Administrative expenses	(4.9)	0.1	(2.8)	(1.1)	-	(15.3)	3.0	(21.0)
Share of loss of Moa Joint Venture, net of tax	-	-	-	-	-	-	(7.1)	(7.1)
(Loss) earnings from operations and joint venture	(3.5)	(0.9)	(10.1)	2.9	(5.4)	(15.0)	(6.5)	(38.5)
Interest income on financial assets measured at amortized cost								12.0
Revaluation of allowances for expected credit losses								4.7
Other financing items								(0.5)
Financing expense								(25.3)
Net finance expense								(9.1)
Loss before income tax								(47.6)
Income tax expense								(0.2)
Net loss from continuing operations								(47.8)
Loss from discontinued operations, net of tax								(108.9)
Net loss for the period								$ (156.7)
Supplementary information								
Depletion, depreciation and amortization	$ 30.0	$ 0.1	$ 3.4	$ 10.6	$ 0.1	$ 0.5	$ (24.6)	$ 20.1
Property, plant and equipment expenditures	13.1	-	2.8	-	0.1	0.1	(10.7)	5.4
Intangible asset expenditures	-	-	0.8	-	-	-	-	0.8

Canadian $ millions, as at December 31								2020 (Restated)
Non-current assets(4)	$ 652.6	$ 0.6	$ 18.5	$ 35.4	$ 1.0	$ 7.2	$ (511.4)	$ 203.9
Total assets	897.8	71.3	71.9	327.4	1.3	100.8	(118.3)	1,352.2

(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) During the three and six months ended June 30, 2021, eliminations were included in determining reported segment earnings (loss) from operations and joint venture given a change to the measure of the segment earnings (loss) that is used by the chief operating decision maker. The prior period has been restated for this change.

(3) Revenue in the Metals Other segment includes $0.8 million and $1.5 million of intersegment revenue, net of elimination, with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the three and six months ended June 30, 2021, respectively ($0.8 million and $1.6 million for the three and six months ended June 30, 2020, respectively).

(4) 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 the equity-accounted investment in the Moa Joint Venture:

Canadian $ millions	For the three months ended 2021 June 30 Total revenue	2020 June 30 Total revenue	For the six months ended 2021 June 30 Total revenue	2020 June 30 Total revenue
Fertilizer(1)	**$ 21.4**	$ 22.9	**$ 28.4**	$ 31.2
Oil and gas	**1.1**	5.3	**7.9**	11.4
Power generation(2)	**6.1**	9.0	**11.3**	17.7
Other	**2.4**	3.2	**5.3**	6.4
	$ 31.0	$ 40.4	**$ 52.9**	$ 66.7

(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, 2020, 45% of fertilizer revenue was recognized in the second quarter, 23% was recognized in the fourth quarter and the remaining 32% 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, 2021 is $4.7 million and $9.0 million of revenue from service concession arrangements ($6.2 million and $12.4 million for the three and six months ended June 30, 2020).

5. EXPENSES

Cost of sales includes the following:

Canadian $ millions	For the three months ended **2021 June 30**	2020 June 30	For the six months ended **2021 June 30**	2020 June 30
Employee costs[(1)]	**$ 14.2**	$ 15.2	**$ 28.3**	$ 29.9
Severance	**0.3**	1.0	**0.6**	1.6
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**8.5**	9.9	**17.6**	19.1
Raw materials and consumables	**16.4**	8.0	**30.5**	17.4
Repairs and maintenance	**11.4**	7.8	**21.9**	17.1
Shipping and treatment costs	**0.7**	0.9	**1.1**	1.5
Share-based compensation expense	**0.3**	0.1	**1.5**	-
Changes in inventories and other	**(11.5)**	1.7	**(30.8)**	(9.5)
	$ 40.3	$ 44.6	**$ 70.7**	$ 77.1

Administrative expenses include the following:

Canadian $ millions	For the three months ended **2021 June 30**	2020 June 30	For the six months ended **2021 June 30**	2020 June 30
Employee costs[(1)]	**$ 5.2**	$ 7.4	**$ 11.2**	$ 13.6
Severance and other contractual benefits	**2.5**	0.7	**2.6**	1.0
Depreciation	**0.4**	0.3	**0.8**	1.0
Share-based compensation expense	**6.8**	0.8	**12.7**	0.1
Consulting services and audit fees	**0.6**	1.0	**1.3**	1.9
Other	**0.2**	2.1	**0.6**	3.4
	$ 15.7	$ 12.3	**$ 29.2**	$ 21.0

(1) Included in employee costs for the three and six months ended June 30, 2021 is the Canada Emergency Wage Subsidy within cost of sales of nil and $0.2 million, respectively, and within administrative expenses of nil and $0.1 million, respectively (within cost of sales $0.4 million and within administrative expenses $0.6 million for the three and six months June 30, 2020, respectively).

Corporate office workforce reduction and planned departures

Administrative expenses for the three and six months ended June 30, 2021 include $1.0 million of severance expense and $0.8 million of accelerated share-based compensation expense related to the May 2021 reduction of 10% of the Corporate office salaried workforce (nil for the three and six months ended June 30, 2020). The severance liability is included in the current portion of trade accounts payable and accrued liabilities in the condensed consolidated statements of financial position as at June 30, 2021.

Administrative expenses for the three and six months ended June 30, 2021 include a $1.4 million expense for other contractual benefits and $4.1 million of accelerated share-based compensation expense related to the planned departures of two senior executives later this year, who are key management personnel.

Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted (nil for the three and six months ended June 30, 2020).

Additional other contractual benefits and share-based compensation expense for the departing senior executives will be recognized during the three months ended September 30, 2021 and December 31, 2021 as they complete their service. The amount of share-based compensation expense to be recognized in future periods will be based on the Corporation's share price in those periods.

6. JOINT ARRANGEMENTS

Investment in Moa Joint Venture

During the three and six months ended June 30, 2021, the Moa Joint Venture paid dividend distributions of $33.8 million and $46.3 million, respectively, of which $16.9 million and $23.2 million, respectively, were paid to the Corporation representing its 50% ownership interest (nil and $26.6 million, and nil and $13.3 million, respectively, for the three and six months ended June 30, 2020, respectively).

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		**2021 June 30**		2020 December 31
Current assets(1)	**$**	**450.1**	$	401.2
Non-current assets		**1,059.4**		1,116.4
Current liabilities(2)		**82.8**		85.8
Non-current liabilities(3)		**134.7**		151.5
Net assets of Moa Joint Venture	**$**	**1,292.0**	$	1,280.3
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**646.0**		640.2
Intercompany capitalized interest elimination		**(41.3)**		(42.8)
Investment in Moa Joint Venture	**$**	**604.7**	$	597.4

(1) Included in current assets is $61.7 million of cash and cash equivalents (December 31, 2020 - $26.2 million).

(2) Included in current liabilities is $15.2 million of financial liabilities (December 31, 2020 - $22.4 million).

(3) Included in non-current liabilities is $14.4 million of financial liabilities (December 31, 2020 - $20.9 million).

Statements of comprehensive income (loss)

	For the three months ended				For the six months ended			
Canadian $ millions, 100% basis		**2021 June 30**		2020 June 30		**2021 June 30**		2020 June 30
Revenue	**$**	**242.8**	$	186.2	**$**	**482.3**	$	358.2
Cost of sales(1)(2)		**(194.6)**		(177.5)		**(368.9)**		(353.5)
Administrative expenses(2)		**(2.6)**		(3.4)		**(4.9)**		(5.9)
Earnings (loss) from operations		**45.6**		5.3		**108.5**		(1.2)
Financing income		**-**		-		**0.1**		0.4
Financing expense		**(2.0)**		(11.1)		**0.7**		(23.1)
Net finance (expense) income		**(2.0)**		(11.1)		**0.8**		(22.7)
Earnings (loss) before income tax		**43.6**		(5.8)		**109.3**		(23.9)
Income tax expense(3)		**(10.2)**		(6.8)		**(21.5)**		(2.9)
Net earnings (loss) and comprehensive income (loss) of Moa Joint Venture	**$**	**33.4**	$	(12.6)	**$**	**87.8**	$	(26.8)
Proportion of Sherritt's ownership interest		**50%**		50%		**50%**		50%
Total		**16.7**		(6.3)		**43.9**		(13.4)
Intercompany elimination		**1.0**		3.1		**1.9**		6.3
Share of earnings (loss) of Moa Joint Venture, net of tax	**$**	**17.7**	$	(3.2)	**$**	**45.8**	$	(7.1)

(1) Included in cost of sales for the three and six months ended June 30, 2021 is depreciation and amortization of $22.8 million and $45.3 million, respectively ($24.2 million and $49.2 million for the three and six months ended June 30, 2020, respectively).

(2) For the three and six months ended June 30, 2021, recoveries for the Canada Emergency Wage Subsidy within cost of sales of $0.6 million and $2.5 million, respectively, and within administrative expenses of nil and $0.1 million, respectively, were recognized (within cost of sales of $0.1 million and $0.1 million and within administrative expenses of nil and nil for the three and six months ended June 30, 2020, respectively).

(3) Income tax expense for the three and six months ended June 30, 2021 increased since the comparative periods primarily due to an increase in taxable earnings 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	2021 June 30	2020 December 31
Current assets[1]	$ **89.1**	$ 89.2
Non-current assets	**23.1**	30.6
Current liabilities	**1.7**	15.9
Non-current liabilities	**99.6**	85.8
Net assets	$ **10.9**	$ 18.1

(1) Included in current assets is $72.3 million of cash and cash equivalents (December 31, 2020 - $75.0 million).

	For the three months ended		For the six months ended	
Canadian $ millions, 33⅓% basis	2021 June 30	2020 June 30	2021 June 30	2020 June 30
Revenue	$ **7.0**	$ 9.6	$ **12.9**	$ 19.0
Expenses	**(9.1)**	(13.7)	**(17.9)**	(12.4)
Net (loss) earnings	$ **(2.1)**	$ (4.1)	$ **(5.0)**	$ 6.6

7. NET FINANCE (EXPENSE) INCOME

		For the three months ended		For the six months ended	
Canadian $ millions	Note	2021 June 30	2020 June 30	2021 June 30	2020 June 30
Interest income on trade accounts receivable, net		$ **0.1**	$ 0.3	$ **0.2**	$ 0.5
Interest income on advances and loans receivable		**3.7**	4.2	**7.3**	8.5
Interest income on accretion of advances and loans receivable		**-**	1.5	**-**	3.0
Interest income on financial assets measured at amortized cost		**3.8**	6.0	**7.5**	12.0
Revaluation of allowances for expected credit losses:					
Trade accounts receivable, net		**0.1**	(0.3)	**(1.5)**	(1.7)
Moa Joint Venture expansion loans receivable		**-**	23.6	**-**	6.4
Revaluation of allowances for expected credit losses		**0.1**	23.3	**(1.5)**	4.7
Revaluation of cobalt-linked warrants		**-**	-	**0.2**	0.5
Unrealized losses on commodity put options		**(3.7)**	-	**(4.3)**	-
Realized losses on commodity put options		**(0.8)**	-	**(0.8)**	-
Gain on repurchase of notes	12	**0.8**	-	**2.1**	-
Other interest income and unrealized losses on financial instruments		**(0.7)**	(1.3)	**(2.4)**	(1.0)
Other financing items		**(4.4)**	(1.3)	**(5.2)**	(0.5)
Interest expense and accretion on loans and borrowings		**(10.4)**	(14.3)	**(20.8)**	(29.6)
Unrealized foreign exchange gain (loss)		**8.6**	(7.4)	**11.2**	5.1
Realized foreign exchange gain (loss)		**0.5**	1.5	**(0.1)**	1.1
Other interest expense and finance charges		**(0.7)**	(1.0)	**(1.3)**	(1.8)
Accretion expense on environmental rehabilitation provisions	13	**(0.1)**	-	**(0.2)**	(0.1)
Financing expense		**(2.1)**	(21.2)	**(11.2)**	(25.3)
Net finance (expense) income		$ **(2.6)**	$ 6.8	$ **(10.4)**	$ (9.1)

Unrealized foreign exchange gain due to Cuban currency unification

During the three and six months ended June 30, 2021, the Corporation recognized a $10.0 million unrealized foreign exchange gain within financing expense relating to a Cuban tax liability due to Cuban currency unification. Prior to currency unification, the Cuban tax liability was payable in Cuban convertible pesos (CUC) at the previous exchange rate of 1 CUC:US$1. As a result of Cuban currency unification and confirmation from the Government of Cuba received during the three months ended June 30, 2021, it will be payable in Cuban pesos (CUP) at the current exchange rate of 24 CUP:US$1, resulting in a foreign exchange gain. The Cuban tax liability was paid subsequent to period-end and will be reclassified to realized foreign exchange gain during the three months ending September 30, 2021.

8. DISCONTINUED OPERATIONS

The loss from discontinued operations, net of tax, is presented net in the condensed consolidated statements of comprehensive income (loss) and is composed of the following discontinued operations components:

		For the three months ended		For the six months ended	
		2021	2020	**2021**	2020
Canadian $ millions	Note	**June 30**	June 30	**June 30**	June 30
Loss from discontinued operations, net of tax - Ambatovy Joint Venture		**$ (0.3)**	$ (101.2)	**$ (0.6)**	$ (108.9)
Loss from discontinued operations, net of tax - Other discontinued operations	13	**-**	-	**(3.4)**	-
Loss from discontinued operations, net of tax		**$ (0.3)**	$ (101.2)	**$ (4.0)**	$ (108.9)

Ambatovy Joint Venture

On August 31, 2020, the Corporation completed a transaction resulting in the extinguishment of all of Sherritt's obligations under the Corporation's Ambatovy Joint Venture partner loans, plus all accrued and unpaid interest in respect thereof, in exchange for the Corporation's remaining 12% interest in the Ambatovy Joint Venture and its loans and operator fee receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture Interests").

During the three months ended June 30, 2021, Sherritt ceased being the operator of the Ambatovy Joint Venture.

The loss from discontinued operations, net of tax related to the Ambatovy Joint Venture is composed of the following (loss) earnings components reclassified from continuing operations:

	For the three months ended		For the six months ended	
	2021	2020	**2021**	2020
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Share of loss of an associate, net of tax	**$ -**	$ (26.3)	**$ -**	$ (49.9)
Interest income on Ambatovy Joint Venture subordinated loans receivable	**-**	2.0	**-**	4.4
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable	**-**	(68.7)	**-**	(68.7)
Interest income on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	**-**	1.7	**-**	3.3
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	**-**	(5.7)	**-**	(5.7)
Revenue on Ambatovy Joint Venture operator fee receivable	**-**	0.5	**-**	0.9
Revaluation of Ambatovy Joint Venture operator fee receivable	**-**	0.9	**-**	1.4
Realized foreign exchange (loss) gain on monetary assets	**-**	(5.6)	**-**	5.4
Loss from discontinued operations, net of tax	**$ -**	$ (101.2)	**$ -**	$ (108.9)

The loss on disposal of the Ambatovy Joint Venture Interests, net of tax, which pertains to transactions costs, and loss from discontinued operations, net of tax are presented net in the condensed consolidated statements of comprehensive income (loss) within loss from discontinued operations, net of tax as follows:

	For the three months ended		For the six months ended	
	2021	2020	**2021**	2020
Canadian $ millions	**June 30**	June 30	**June 30**	June 30
Loss on disposal of the Ambatovy Joint Venture Interests, net of tax	**$ (0.3)**	$ -	**$ (0.6)**	$ -
Loss from discontinued operations, net of tax	**-**	(101.2)	**-**	(108.9)
Loss from discontinued operations, net of tax – Ambatovy Joint Venture	**$ (0.3)**	$ (101.2)	**$ (0.6)**	$ (108.9)

Other discontinued operations

For the three and six months ended June 30, 2021, the Corporation recognized nil and a $3.4 million loss, respectively, from discontinued operations, net of tax as a result of a revision to the estimated future costs of a provision retained by the Corporation following the sale of its Coal operations in 2014 (nil for the three and six months ended June 30, 2020). Also included in cash used by discontinued operations are payments of $0.6 million made in respect of this provision during the three and six months ended June 30, 2021 (note 13) ($0.7 million and $1.1 million in cash used by discontinued operations for the three and six months ended June 30, 2020, respectively).

9. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2021 June 30	2020 June 30	For the six months ended 2021 June 30	2020 June 30
Net loss from continuing operations	**$ (10.4)**	$ (13.3)	**$ (12.3)**	$ (47.8)
Loss from discontinued operations, net of tax	**(0.3)**	(101.2)	**(4.0)**	(108.9)
Net loss for the period - basic and diluted	**$ (10.7)**	$ (114.5)	**$ (16.3)**	$ (156.7)
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	**$ (0.03)**	$ (0.03)	**$ (0.03)**	$ (0.12)
Loss from discontinued operations, net of tax, per common share:				
Basic and diluted	**$ 0.00**	$ (0.25)	**$ (0.01)**	$ (0.27)
Net loss per common share:				
Basic and diluted	**$ (0.03)**	$ (0.29)	**$ (0.04)**	$ (0.39)

(1) The determination of the weighted-average number of common shares - diluted excludes 8.6 million shares related to stock options, 10.4 million shares related to warrants from the 2016 debenture extension and nil shares related to the cobalt-linked warrants that were anti-dilutive for the three and six months ended June 30, 2021, respectively (9.0 million, 10.4 million and 47.2 million, respectively, that were anti-dilutive for the three and six months ended June 30, 2020).

10. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at	2021 June 30	2020 December 31
Cash equivalents	**$ 31.1**	$ 41.0
Cash held in banks	**122.7**	126.4
	$ 153.8	$ 167.4

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 Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $75.2 million as at June 30, 2021 (December 31, 2020 - $80.0 million).

As at June 30, 2021, $72.3 million of the Corporation’s cash and cash equivalents was held by Energas (December 31, 2020 - $75.0 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

Cuban currency unification

On January 1, 2021, the Cuban government unified its two currencies and discontinued use of the Cuban convertible peso (CUC), with a six-month transition period for the CUC to be phased out of the economy. The Cuban peso (CUP) remains as the sole Cuban currency at a current exchange rate of 24 CUP:US$1. Further legislation and regulation may be enacted in 2021 as the Cuban government evaluates the impact of the currency unification process.

There was no impact to the functional currencies of the Corporation's Cuban entities as a result of currency unification and the U.S. dollar remains the functional currency of these Cuban entities. The Corporation recognized an unrealized foreign exchange gain on a Cuban tax liability of $10.0 million within financing expense during the three and six months ended June 30, 2021 as a result of currency unification and confirmation received from the Government of Cuba during the three months ended June 30, 2021 (note 7). During the three and six months ended June 30, 2021, the Corporation also incurred lower labour and other service costs at its Cuban entities as a result of Cuban currency unification. The Corporation continues to monitor the impact of currency unification on its Cuban operations. All Cuban receivables remain owing to the Corporation and are denominated in U.S. dollars.

Fair value measurement

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

Canadian $ millions, as at	Note	Hierarchy level	2021 June 30 Carrying value	2021 June 30 Fair value	2020 December 31 Carrying value	2020 December 31 Fair value
Liabilities:						
8.50% second lien secured notes due 2026[1]	12	1	**$ 353.3**	**$ 217.3**	$ 358.4	$ 185.9
10.75% unsecured PIK option notes due 2029[1]	12	1	**78.3**	**32.1**	75.0	16.9

(1) The fair values of the 8.50% second lien secured notes due 2026 and 10.75% unsecured PIK option notes due 2029 are based on market closing prices.

Trade accounts receivable, net, and unbilled revenue

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

Canadian $ millions, as at	2021 June 30	2020 December 31
Trade accounts receivable, net	**$ 167.6**	$ 139.8
Unbilled revenue	**-**	0.5
	$ 167.6	$ 140.3

Trade accounts receivable, net

Canadian $ millions, as at	2021 June 30	2020 December 31
Trade accounts receivable	**$ 152.8**	$ 128.7
Allowance for expected credit losses	**(22.3)**	(21.4)
Accounts receivable from joint operations	**0.3**	0.3
Accounts receivable from Moa Joint Venture	**20.0**	13.8
Other	**16.8**	18.4
	$ 167.6	$ 139.8

Aging of trade accounts receivable, net

Canadian $ millions, as at	2021 June 30	2020 December 31
Not past due	**$ 135.4**	$ 108.5
Past due no more than 30 days	**7.0**	2.6
Past due for more than 30 days but no more than 60 days	**0.3**	2.2
Past due for more than 60 days	**24.9**	26.5
	$ 167.6	$ 139.8

11. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at		2021 June 30		2020 December 31
Advances and loans receivable				
Energas conditional sales agreement	**$**	**198.0**	$	197.0
Other financial assets				
Commodity put options		**0.5**		5.7
Other		**4.1**		4.5
		202.6		207.2
Current portion of advances, loans receivable and other financial assets(1)		**(8.8)**		(37.6)
Non-current portion of advances, loans receivable and other financial assets	**$**	**193.8**	$	169.6

(1) Included in the current portion of advances, loans receivable and other financial assets is the Energas conditional sales agreement of $7.4 million (December 31, 2020 - $31.1 million).

12. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

				For the six months ended June 30, 2021				
				Cash flows		Non-cash changes		
Canadian $ millions	Note		As at 2020 December 31	Repurchase of notes		Other		As at 2021 June 30
8.50% second lien secured notes due 2026	10	$	358.4	**$ (4.6)**	**$**	**(0.5)**	**$**	**353.3**
10.75% unsecured PIK option notes due 2029	10		75.0	**-**		**3.3**		**78.3**
Syndicated revolving-term credit facility			8.0	**-**		**-**		**8.0**
		$	441.4	**$ (4.6)**	**$**	**2.8**	**$**	**439.6**
Current portion of loans and borrowings			(8.0)					**(8.0)**
Non-current portion of loans and borrowings		$	433.4				**$**	**431.6**

8.50% second lien secured notes due 2026

During the six months ended June 30, 2021, the Corporation repurchased $7.0 million of principal of the 8.50% second lien secured notes due 2026 on the open market at a cost of $4.6 million, plus $0.2 million of accrued interest, resulting in a gain on repurchase of notes of $2.1 million (note 7).

As at June 30, 2021, the outstanding principal amount of the 8.50% second lien secured notes due 2026 is $350.5 million.

Other non-cash changes on the 8.50% second lien secured notes due 2026 consists of the gain on repurchase of notes, net of accretion of a 7% premium. This premium is due upon the earlier of optional redemption and maturity of the 8.50% second lien secured notes due 2026 and is accreted over the life of the instrument.

10.75% unsecured PIK option notes due 2029

During the six months ended June 30, 2021, the Corporation elected not to pay cash interest of $3.4 million on the 10.75% unsecured PIK option notes due 2029 and added the payment-in-kind interest to the principal amount owed to noteholders.

As at June 30, 2021, the outstanding principal amount of the 10.75% unsecured PIK option notes due 2029 is $78.4 million.

Other non-cash changes on the 10.75% unsecured PIK option notes due 2029 consists of accretion and capitalized interest. Accrued and unpaid interest on these loans is capitalized to the principal balance semi-annually in January and July at the election of the Corporation.

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 Oil and Gas operations.

Other financial liabilities

Canadian $ millions, as at	Note		2021 June 30		2020 December 31
Lease liabilities		**$**	**15.0**	$	15.7
Share-based compensation liability	5		**23.3**		10.5
Other financial liabilities			**3.8**		3.3
			42.1		29.5
Current portion of other financial liabilities			**(9.4)**		(4.8)
Non-current portion of other financial liabilities		**$**	**32.7**	$	24.7

13. PROVISIONS

Canadian $ millions, as at	Note		2021 June 30		2020 December 31
Environmental rehabilitation provisions		**$**	**98.8**	$	109.9
Other provisions	8		**5.0**		2.2
			103.8		112.1
Current portion of provisions			**(3.4)**		(1.9)
Non-current portion of provisions		**$**	**100.4**	$	110.2

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note		For the six months ended 2021 June 30		For the year ended 2020 December 31
Balance, beginning of the period		**$**	**109.9**	$	97.9
Change in estimates			**(6.9)**		8.6
Gain on settlement of environmental rehabilitation provisions			**(1.2)**		(0.3)
Accretion	7		**0.2**		0.3
Effect of movement in exchange rates			**(3.2)**		3.4
Balance, end of the period		**$**	**98.8**	$	109.9

The following is a reconciliation of other provisions:

Canadian $ millions	Note		For the six months ended 2021 June 30		For the year ended 2020 December 31
Balance, beginning of the period		**$**	**2.2**	$	6.5
Change in estimates	8		**3.4**		-
Utilized during the period	8		**(0.6)**		(4.3)
Balance, end of the period		**$**	**5.0**	$	2.2

14. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at June 30		2021
Property, plant and equipment commitments	**$**	**6.6**
Joint venture:		
Property, plant and equipment commitments		**21.8**

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

	For the three months ended		For the six months ended	
Canadian $ millions	**2021 June 30**	2020 June 30	**2021 June 30**	2020 June 30
Trade accounts receivable, net, and unbilled revenue	**$ 4.1**	$ (11.2)	**$ (32.1)**	$ 2.4
Inventories	**5.8**	10.1	**(0.3)**	4.7
Prepaid expenses	**(2.4)**	(2.7)	**(0.9)**	(2.1)
Trade accounts payable and accrued liabilities	**17.2**	11.1	**26.9**	(14.2)
Deferred revenue	**(16.7)**	(23.5)	**9.0**	1.9
	$ 8.0	$ (16.2)	**$ 2.6**	$ (7.3)

16. 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:

		For the six months ended 2021 June 30		For the year ended 2020 December 31
Canadian $ millions, except share amounts	**Number**	**Capital stock**	Number	Capital stock
Balance, beginning of the period	**397,284,652**	**$ 2,894.9**	397,282,785	$ 2,894.9
Warrants exercised - 2016 debenture extension	**1,098**	**-**	1,867	-
Balance, end of the period	**397,285,750**	**$ 2,894.9**	397,284,652	$ 2,894.9

17. FINANCIAL RISK MANAGEMENT

COVID-19 and Cuba 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. 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.

Finished nickel and cobalt production at the Moa Joint Venture and Fort Site during the three and six months ended June 30, 2021 was not materially impacted by COVID-19.

Over recent months, Cuba has experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. In addition, the number of new cases of COVID-19 in Cuba has recently increased and the percentage of the Cuban population that has been fully vaccinated remains comparatively low (approximately 22% as at July 29, 2021). The foregoing may contribute to increased political, economic and related risks to the Corporation. See the discussion of risks associated with COVID-19 in "Risk Factors – Liquidity and Access to Capital" and "Risk Factors – Political, Economic and Other Risks of Foreign Operations" in the Corporation's Annual Information Form.

The timing and amount of receipts of Cuban energy payments are dependent upon Cuba's economy, which has been impacted by restrictions on tourism as a result of COVID-19 and ongoing impact of U.S. sanctions limiting Cuba's access to foreign currency, in addition to the impact of Cuban currency unification. The carrying values of trade accounts receivable for the Oil and Gas and Power segments and the Energas conditional sales agreement within the Corporation's condensed consolidated statements of financial position reflect the Corporation's exposure to credit risk. The net carrying value represents the Corporation's best estimate of amounts collectible as at the reporting date.

As a result of the COVID-19 pandemic, the Corporation's financial position, performance and cash flows could be impacted by COVID-19, the full extent of the impact cannot be reasonably estimated at this time. For the three and six months ended June 30, 2021, there have been no significant impacts from COVID-19 on the Corporation, other than the items described above.

18. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its joint arrangements (note 6). Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

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