sherritt

Q3

2020 THIRD QUARTER REPORT

Sherritt International Corporation

For the three and nine months ended September 30, 2020

For immediate release

Sherritt Reports Financial Results for Q3 2020

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Toronto – November 4, 2020 – Sherritt International Corporation ("Sherritt", the "Corporation", the "Company") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three- and nine-month periods ended September 30, 2020. All amounts are in Canadian currency unless otherwise noted.

During the quarter, pursuant to its plan of arrangement under the Canadian Business Corporations Act, Sherritt announced the successful closing of the latest step in its program to improve its capital structure. Overall, the transaction which closed on August 31, represented completion of the key Ambatovy part in the broader restructuring of Sherritt's debt obligations.

In summary, this CBCA restructuring:

- eliminated a further $300 million in direct debt;
- eliminated debt maturities in 2021, 2023, and 2025, and replaced them with maturities in 2026 and 2029;
- reduced our cash interest expense by one-third to approximately $30 million per year;
- completed our exit from the Ambatovy project, eliminating the associated direct and indirect debt and the risk of being required to fund further cash calls with the associated risk of default; and
- achieved all of this with no dilution to the current equity of Sherritt.

CHAIRMAN COMMENTARY

Commenting on the debt restructuring program, Sherritt Chairman Sir Richard Lapthorne said, "Preserving adequate liquidity and rebuilding balance sheet strength have been Sherritt's top priorities since the current management team and Board have been in place. This has been a step-by-step process requiring a sustained concentration on removing the threats to the Corporation's viability, and this process had to focus on Ambatovy. Indeed, final resolution of our Ambatovy position was a key part of the recently completed CBCA arrangement."

He continued, "Sherritt entered the Ambatovy project in 2007 as a 40% partner with Sumitomo and Kores, our Korean partner, through the $1.6 billion acquisition of Dynatec. At that time, the project was forecast to require funding of US$3.3 billion. A senior debt facility of US$2.1 billion with recourse to the three partners was negotiated with the balance to be funded directly by the partners. However, the capital requirement for Ambatovy grew and, at the last count, had reached US$8.5 billion of which the shareholders funded US$6.4 billion. A feature of the shareholder agreement was that each partner had to meet its calls for cash from the joint venture or risk a default, which could cross default to its other borrowings; in Sherritt's case to its publicly traded debentures. As early as 2009, Sherritt was forced to start mortgaging its future earnings from the project by borrowing from the other partners in order to finance its cash calls. By 2016, with accrued compound interest, one of these loans had a balance of $1.4 billion with no direct recourse to Sherritt, whilst the other of $133 million became a liability on Sherritt's consolidated balance sheet."

Sir Richard added, "Over the past six year, the management team has worked tirelessly in seeking to reduce these financial risks created through its Ambatovy commitments. In 2015, a combination of specialists from Sherritt's Technologies business and locally-based expatriate management enabled Ambatovy to operate its mine and plant at the required throughput relative to capacity to enable the senior loans to become without recourse to the partners' own balance sheets. This removed US$840 million from Sherritt's debt profile. In 2017, Sherritt negotiated with its partners to reduce its shareholding in Ambatovy to 12%. As a consequence, the partner loan of $1.4 billion was cancelled and Sherritt's responsibility for meeting the JV's total cash calls dropped from 40% to 12%. Finally, as part of the CBCA Court application completed in August 2020, the 12% stake was surrendered, the remaining partner loan, which had increased to $145 million on Sherritt's Balance Sheet, was cancelled and the financial planning uncertainty created by its cash call and potential default exposures from Ambatovy was extinguished.

"Sherritt has also effectively addressed the non-Ambatovy components in its funding. In 2006 it had borrowed $274 million in publicly-traded debentures. Through the course of funding Ambatovy, total public debenture debt peaked at $1,158 million in 2013. Following the recently completed restructuring, debenture debt has now fallen to $358 million at the end of September 2020. Bondholders also hold a $75 million 2029 note. In 2014, Sherritt sold its coal business for $814 million of total cash proceeds. Not only was this a well-timed business decision, but it also assisted the Corporation's liquidity planning. The cash proceeds were used to redeem $300 million of debentures with the balance ultimately sustaining Sherritt's liquidity during the prolonged Ambatovy exit program."

Sir Richard concluded by saying, "In total, since 2014, Sherritt has eliminated approximately $2.4 billion in debt from the balance sheet along with a further $1.1 billion debt guarantee, and has removed the default risks posed by the Ambatovy agreements. Had we failed to do these, Sherritt would not exist in its current form today."

CEO COMMENTARY

"The completion of the balance sheet initiative and the resolution of the Ambatovy legacy debt puts Sherritt in the best possible position to manage our business through the long term," said David Pathe, President and CEO of Sherritt. "We have achieved this outcome despite the significant volatility in nickel and cobalt pricing and the increasingly aggressive U.S. policy towards Cuba we have seen over the last few years."

Mr. Pathe added, "With the debt restructuring now behind us, our near-term focus will centre on sustaining the momentum we have been able to establish at the Moa Joint Venture and achieve our production targets for 2020. That we are on track for this achievement is a testament to the determination and resiliency of so many Sherritt employees managing the impact of the COVID-19 pandemic.

"We continue to take proactive actions to manage our liquidity. Since the end of the quarter, we have received a US$15 million distribution from the Moa JV, representing both our 50% share of US$7.5 million and our Cuban partner's share of US$7.5 million, which is being redirected towards overdue receivables pursuant to our 2019 receivables agreement. We have also taken advantage of the recent strength in nickel prices to purchase a derivative contract to provide a floor - but no cap - on 25% of our share of 2021 nickel production at $6.50 per pound, which protects our 2021 cash flow against downside risk to the nickel price next year.

"Over the longer term, we anticipate demand for our products to grow given the strong outlook for nickel in the coming years, particularly as the market adoption of electric vehicles accelerates, and we will bring greater focus to the projects and innovation of our Technologies Group and look to commercialize those innovations to create new revenue streams for Sherritt."

SUMMARY OF KEY Q3 2020 DEVELOPMENTS

- Sherritt successfully completed its balance sheet initiative, which improved its capital structure and addressed its Ambatovy investment legacy, following stakeholder approval. As a result of the transaction, Sherritt reduced its total outstanding debt by approximately $301 million, extended the maturities of its note obligations to 2026 and 2029, reduced cash annual interest payments by more than $15 million, and terminated its debt obligations relating to the Ambatovy Joint Venture, all without any dilution of its common shares.
- Following close of its balance sheet initiative, Sherritt's note obligations, totaling $433 million, were reclassified as long-term debt.
- Sherritt's share of finished nickel production at the Moa Joint Venture (Moa JV) in Q3 2020 was 3,750 tonnes, down 9% from last year, while finished cobalt was 409 tonnes, down 6% from last year. The decline was due to the rescheduling of the planned plant shutdown and maintenance activities at the refinery in Fort Saskatchewan from June to July as previously disclosed. The Moa JV remains on track to meet its production guidance in 2020 and has produced 23,466 tonnes of finished nickel and 2,468 tonnes of finished cobalt on a 100% basis through September 30.
- Sherritt ended Q3 2020 with cash and cash equivalents of $165.1 million of which $82.1 million was held by Energas in Cuba. The $7.3 million decrease in Sherritt's liquidity from $172.4 million at the end of Q2 2020 was largely driven by costs associated with the balance sheet initiative, including approximately $16 million of cash payments made to note holders as early consent consideration.
- Net earnings from continuing operations totaled $11.4 million, or $0.03 per share, and included a non-cash gain of $143.4 million on the exchange of debentures relating to the balance sheet initiative, offset by a non-cash impairment loss of $115.6 million relating to the write down of Block 10 capital assets.

- Sherritt recognized earnings from discontinued operations of $217.1 million related to the disposition of its 12% ownership interest in the Ambatovy Joint Venture as part of the balance sheet initiative and reclassification as discontinued operations.
- Sherritt received US$16.3 million in Cuban energy payments as part of the overdue receivables agreement with its Cuban partners. Payments, which included US$14.0 million received in Canada and US$2.3 million accepted in Cuba to support local costs for Sherritt's Oil and Gas operations, were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in Q3 2020.
- Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which is located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 without first securing an earn-in partner.
- Sherritt released its 2019 Sustainability Report that showed progress against the Company's Environmental, Social and Governance targets, including efforts to reduce greenhouse house emissions, maintain peer-leading safety metrics, and commit to doubling the number of female employees by 2030.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- The Moa JV paid a US$15 million distribution to its shareholders in November. Sherritt received its 50% share of this distribution, or US$7.5 million, directly. In addition, General Nickel Company, Sherritt's joint venture partner, re-directed its US$7.5 million share of this distribution to the Corporation to be applied against amounts owing to Sherritt from Energas. The re-direction was secured through negotiations between Sherritt and its Cuban partners, and was made in accordance with the June 2019 overdue receivables agreement.
- Sherritt purchased put options on 25% of its share of attributable finished nickel production from the Moa JV for 2021 at a strike price of US$6.50/lb. Any cash settlements will be completed on a monthly basis against the average monthly nickel price on the London Metals Exchange and will involve no physical delivery. The hedging strategy, which will be in effect for a 12-month period starting January 1, 2021, is designed to provide Sherritt with cash flow security in 2021 against major downward changes in nickel prices.
- Sherritt employee members of Unifor at the refinery in Fort Saskatchewan ratified a new collective agreement through March 31, 2022. The new agreement extends Sherritt's track record of no labour disruptions at the refinery since it began operations in 1954.
- Sherritt agreed to an extension for the maturity of its $70 million credit facility from its syndicate of lenders to December 31, 2020. A longer-term extension is expected to be finalized in Q4 2020.
- Sherritt continues to be in discussion with its Spanish partners on a potential alternative arrangement relating to the expired $47.0 million letter of credit for reclamation costs associated with Sherritt's Spanish oil assets.

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

Q3 2020 FINANCIAL HIGHLIGHTS[1]

$ millions, except per share amount	For the three months ended **2020** **September 30**	 2019 September 30	Change	For the nine months ended **2020** **September 30**	 2019 September 30	Change
Revenue	**24.9**	27.6	(10%)	**$ 91.6**	$ 105.3	(13%)
Combined revenue[2]	**115.3**	133.7	(14%)	**(36.4)**	401.9	(109%)
Net earnings (loss) from continuing operations for the period	**11.4**	(15.4)	174%	**(36.4)**	(76.8)	53%
Net earnings (loss) for the period	**228.5**	(30.0)	862%	**71.8**	(182.2)	139%
Adjusted EBITDA[2]	**15.5**	20.9	(26%)	**28.2**	28.5	(1%)
Cash provided (used) by continuing operations	**25.3**	1.5	nm[3]	**35.3**	(18.2)	294%
Combined adjusted operating cash flow[2]	**21.5**	15.4	40%	**45.9**	(2.7)	nm[3]
Combined free cash flow[2]	**27.1**	(12.3)	320%	**29.5**	(52.3)	156%
Average exchange rate (CAD/US$)	**1.332**	1.320	-	**1.354**	1.329	-
Net earnings (loss) from continuing operations per share	**0.03**	(0.04)	175%	**(0.09)**	(0.19)	53%

(1) All non-GAAP measures exclude the Joint Venture performance. As a result of the transaction, Ambatovy Joint Venture's share of loss of an associate and other statement of comprehensive income (loss) items related to the Ambatovy Joint Venture were reclassified to the loss on discontinued operations in the current and comparative periods. The loss on discontinued operations also includes the gain on disposal of Ambatovy Joint Venture Interests in the current period.

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

(3) Not meaningful (nm)

$ millions, as at		2020 September 30		2019 December 31	Change
Cash, cash equivalents and short term investments	$	**165.1**	$	166.1	(1%)
Loans and borrowings		**440.7**		713.6	(38%)

Cash, cash equivalents and short-term investments at September 30, 2020 were $165.1 million, down from $172.4 million at June 30, 2020. The decrease was due to a number of factors including, cash payments of approximately $16 million made to noteholders as early consent consideration and capital expenditures totaling $2.5 million, partially offset by higher Cuban energy payments. In addition, interest payments owed to holders of Sherritt's series of debentures maturing in 2021, 2023 and 2025 were deferred as a result of the balance sheet initiative. Upon close of the transaction, all unpaid and accrued interest amounts were added to the principal amounts of second lien notes exchanged to holders for old notes.

As at September 30, 2020, $82.1 million of Sherritt's cash and cash equivalents was held by Energas in Cuba, down from $82.2 million at the end of Q2 2020.

Sherritt received US$16.3 million in Cuban energy payments as part of its overdue receivables agreement with its Cuban partners in Q3 2020. Payments, which included US$14.0 million received in Canada and US$2.3 million accepted in Cuba to support local costs relating to Sherritt's Oil and Gas operations, were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in Q3 2020. Total overdue scheduled receivables at September 30, 2020 were US$159.1 million, unchanged from June 30, 2020 due to the timing of payments received and scheduling of expected payments. Subsequent to September 30, 2020, the Corporation received US$2.6 million in Canada from the Cuban overdue receivables agreement and US$2.4 million in Cuba to support local costs.

In Q3 2020, the Moa JV declared dividends of US$15 million, which were subsequently distributed in Q4 2020. In addition to Sherritt receiving its US$7.5 million share of this distribution, General Nickel Company, the Corporation's joint venture partner, re-directed its share of this distribution to Sherritt to be applied against amounts owing to Sherritt from Energas. This re-direction was secured through negotiations between Sherritt and its Cuban partners, and was made in accordance with the June 2019 overdue receivables agreement. Sherritt anticipates receiving further dividend distributions in Q4 2020 given prevailing nickel and cobalt prices.

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

Adjusted net loss[1]

For the three months ended September 30	2020 $ millions	2020 $/share	2019 $ millions	2019 $/share
Net earnings (loss) from continuing operations	**11.4**	**0.03**	(15.4)	(0.04)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**(3.6)**	**(0.01)**	(5.5)	(0.01)
Gain on debenture exchange	**(143.4)**	**(0.36)**	-	-
Impairment of Oil assets	**115.6**	**0.29**	-	-
Other	**3.9**	**0.01**	0.3	-
Adjusted net loss from continuing operations	**(16.1)**	**(0.04)**	(20.6)	(0.05)

For the nine months ended September 30	2020 $ millions	2020 $/share	2019 $ millions	2019 $/share
Net earnings (loss) from continuing operations	**(36.4)**	**(0.09)**	(76.8)	(0.19)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**(8.7)**	**(0.02)**	(0.8)	-
Gain on debenture exchange	**(143.4)**	**(0.36)**	-	-
Moa JV expansion loans ACL revaluation	**(6.4)**	**(0.02)**	-	-
Impairment of Oil assets	**115.6**	**0.29**	-	-
Other	**6.3**	**0.02**	(1.2)	(0.01)
Adjusted net loss from continuing operations	**(73.0)**	**(0.18)**	(78.8)	(0.20)

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

Net earnings from continuing operations for Q3 2020 was $11.4 million, or $0.03 per share, compared to a net loss of $15.4 million, or $0.04 per share, for the same period last year. Net earnings for Q3 2020 includes a gain of $143.4 million on the exchange of debentures as part of the balance sheet initiative offset by an impairment loss recognized on the write down of exploration and evaluation assets and capitalized spare parts relating to Block 10 drilling activities totaling $115.6 million.

Adjusted net loss from continuing operations was $16.1 million, or $0.04 per share, for the three months ended September 30, 2020 compared to an adjusted net loss from continuing operations of $20.6 million, or $0.05 per share, for Q3 2019.

On the close of the balance sheet initiative, Sherritt exchanged its 12% ownership interest and its loans and operator fee receivables in the Ambatovy Joint Venture for $145.6 million owed to its partners. Consistent with IFRS standards, Sherritt's investment in the Ambatovy Joint Venture met the criteria to be classified and presented as discontinued operations for accounting purposes. As a result, Sherritt's share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the earnings (loss) on discontinued operations, net of tax, in the current and comparative periods. Sherritt recognized earnings on the disposition and reclassification of $217.1 million in Q3 2020 as a result.

METALS MARKET

Nickel

Nickel market conditions continued to improve in the third quarter of 2020, sustaining the trend started in Q2 with the easing of lock-down restrictions related to the COVID-19 pandemic and the restart of economic and manufacturing activities, particularly in China.

Nickel prices on the London Metals Exchange (LME) opened at US$5.69/lb on July 1 and closed on September 30 at US$6.52/lb, representing a growth of 15%.

While nickel prices climbed during Q3, nickel inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE) remained relatively flat. Combined inventory levels at September 30 totaled approximately 263,000 tonnes, up from approximately 262,000 tonnes at June 30. Nickel inventories on the LME and SHFE have stayed relatively flat despite the reduced production of stainless steel globally on a year to date basis largely because a number of nickel mines around the world have either significantly reduced production or have gone into care and maintenance as a result of the spread of COVID-19. Production at the Moa JV has largely been unaffected by the spread of COVID-19 through September 30.

Renewed interest in electric vehicles and bullish forecasts for accelerated demand growth in the coming years have triggered speculative purchasing from commodity investors, sustaining the nickel price momentum into the fourth quarter. A number of carmakers, in particular, have indicated that high purity nickel will be the primary metal in their battery chemistries. At October 20, nickel prices had risen to US$7.16/lb, the highest price since the start of 2020. This renewed interest in nickel is expected to contribute to higher prices into 2021.

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

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

Added to this uncertainty is the substantial increase in nickel pig iron production, leading some industry analysts to predict an oversupplied nickel market in the near term. This development is putting additional pressure on producers of lower-grade material such as ferronickel, which is currently selling at significant discount. As a result, it remains unclear how nickel prices will fare in the near term.

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

Cobalt

Cobalt prices experienced a turnaround in Q3 following an extended period of softness through much of the first half of the year as a result of the impact COVID-19 on consumer demand. Standard grade cobalt prices, in fact, rose 9% ending the quarter at US$15.65/lb according to data collected by Fastmarkets MB. Standard grade cobalt prices on July 1 closed at US$14.30/lb, widely believed by industry watchers and traders to be a floor-level price.

It is speculated that market conditions have improved for a number of factors, including growing demand from battery manufacturers as a result of higher demand for electronics and computer equipment due to the growing trend of working from home accelerated since the start of the COVID-19 pandemic.

Increasing cobalt demand from battery makers has helped to offset demand softness from other industries, such as the aerospace sector, that make extensive use of cobalt as a key component to manufacturing activities as a super alloy. With recovery of these sectors expected to be slow or delayed, it is anticipated that cobalt market conditions will experience some volatility.

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

REVIEW OF OPERATIONS

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

	For the three months ended			For the nine months ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**September 30**	September 30	Change	**September 30**	September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 97.7**	$ 112.2	(13%)	**$ 306.7**	$ 337.6	(9%)
(Loss) earnings from operations	**3.0**	12.2	(75%)	**(0.5)**	2.3	(122%)
Adjusted EBITDA(1)	**17.4**	25.5	(32%)	**43.9**	43.9	-
CASH FLOW						
Cash provided by operations	**$ 23.1**	$ 4.4	425%	**$ 40.3**	$ 8.0	404%
Adjusted operating cash flow(1)	**17.0**	24.7	(31%)	**39.8**	42.3	(6%)
Free cash flow(1)	**16.3**	(0.6)	nm(4)	**20.4**	(11.1)	284%
Distributions and repayments to Sherritt from the Moa JV	**-**	11.6	(100%)	**13.3**	28.4	(53%)
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,671**	4,165	12%	**13,008**	12,807	2%
Finished Nickel	**3,750**	4,139	(9%)	**11,733**	12,505	(6%)
Finished Cobalt	**409**	436	(6%)	**1,234**	1,277	(3%)
Fertilizer	**53,743**	66,296	(19%)	**179,609**	192,923	(7%)
NICKEL RECOVERY (%)	**90%**	85%	6%	**86%**	85%	1%
SALES VOLUMES (tonnes)						
Finished Nickel	**3,568**	4,145	(14%)	**11,510**	12,609	(9%)
Finished Cobalt	**501**	440	14%	**1,235**	1,329	(7%)
Fertilizer	**36,169**	25,186	44%	**139,380**	118,695	17%
AVERAGE-REFERENCE PRICES (US$ per pound)						
Nickel	**$ 6.45**	$ 7.08	(9%)	**$ 5.93**	$ 6.09	(3%)
Cobalt(2)	**14.87**	15.20	(2%)	**15.52**	16.46	(6%)
AVERAGE REALIZED PRICE(1)						
Nickel ($ per pound)	**$ 8.36**	$ 9.11	(8%)	**$ 7.80**	$ 8.04	(3%)
Cobalt ($ per pound)	**16.71**	17.54	(5%)	**17.95**	17.18	4%
Fertilizer ($ per tonne)	**289**	345	(16%)	**359**	444	(19%)
UNIT OPERATING COSTS(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 4.04**	$ 4.37	(8%)	**$ 4.09**	$ 4.25	(4%)
SPENDING ON CAPITAL(3)						
Sustaining	**$ 6.8**	$ 4.9	39%	**$ 22.9**	$ 26.7	(14%)
	$ 6.8	$ 4.9	39%	**$ 22.9**	$ 26.7	(14%)

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

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

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

(4) Not meaningful (nm)

Mixed sulphides production at the Moa JV in Q3 2020 was 4,671 tonnes, up 12% from 4,165 tonnes produced in Q3 2019. The increase was largely due to the normalized availability of diesel fuel supply at Moa, resulting in the greater use of mining equipment and better access to higher grade material compared to last year. In Q3 2019, mixed sulphides production at Moa was negatively impacted by diesel fuel conservation measures implemented in response to reduced diesel fuel supply availability caused by economic and trade sanctions imposed on Venezuela, Cuba's largest oil supplier. The diesel conservation measures in Q3 2019 included reduced use of mining equipment and increased draw down of lower grade ore stockpiles.

Finished nickel production in Q3 2020 totaled 3,750 tonnes, down 9% from 4,139 tonnes produced in Q3 2019. Finished cobalt production for Q3 2020 was 409 tonnes, down 6% from 436 tonnes produced in Q3 2019.

Consistent with previous disclosure, finished nickel and cobalt production totals in Q3 2020 were impacted by the rescheduling of the planned plant shutdown and maintenance activities at the refinery at Fort Saskatchewan from June to July, and by the extension of the shutdown by four days. The shutdown extension was caused by limited local contractor availability and additional repair scope identified. The decision to reschedule the shutdown and maintenance activities was taken as a safety measure to prevent the spread of COVID-19.

The Moa JV remains on track to achieve its production targets for 2020 based on year-to-date finished nickel production of 23,466 tonnes and finished cobalt production of 2,468 tonnes on a 100% basis through September 30, 2020.

Sales volume for finished nickel in Q3 2020 was 3,568 tonnes, down 14% from 4,145 tonnes for last year. The decline was largely driven by the shutdown of the refinery in Fort Saskatchewan and by the timing of nickel deliveries. Sales volume for finished cobalt was up 14% to 501 tonnes and fertilizer sales volume was up 44% to 36,169 tonnes in Q3 2020. The respective increases were due to the timing of deliveries and strong market demand.

Largely as a result of the 14% decrease in nickel sales volume and the 8% decrease in average realized nickel prices, revenue at the Moa JV declined by 13% to $97.7 million in Q3 2020 when compared to $112.2 million for Q3 2019. The revenue decline was partly offset by higher cobalt and fertilizer sales volumes, although cobalt and fertilizer realized prices declined 5% and 16%, respectively, in Q3 2020 from last year.

Mining, processing and refining (MPR) costs for Q3 2020 were US$4.90/lb, down 6% from US$5.22/lb for Q3 2019. MPR costs declined primarily due to lower input costs related to sulphur and fuel oil as well as due to austerity measures undertaken to reduce operating expenses.

NDCC in Q3 2020 was US$4.04/lb, down 8% from US$4.37/lb for the same period last year reflecting the decline in MPR costs, lower third-party feed costs and a 25% increase in cobalt by-product credits.

Sustaining capital spending in Q3 2020 was $6.8 million, up 39% from $4.9 million in Q3 2019. The year-over-year increase was due primarily to the timing of planned capital expenditures.

Sherritt's share of planned capital spend for 2020 at the Moa JV (50% basis) and Fort Site (100%) is expected to be US$22 million, down from US$34 million initially forecasted at the start of the year. The reduction in planned capital spend is due to austerity measures implemented earlier in 2020, including the decision to defer a number of capital spend projects.

In addition to being on track with its production targets for 2020, the Moa JV also expects to meet its guidance for unit costs and planned capital spend for the year.

In Q3 2020 Sherritt and the General Nickel Company S.A., the two Moa JV shareholders, considered amendments to the Moa JV expansion loans, and mutually agreed to convert $548.0 million of loans receivable into equity. Based on Sherritt's 50% equity interest in the Moa JV, the agreement resulted in a decrease of the Corporation's expansion loans receivable and commensurate increase in the Corporation's investment in the Moa JV. The conversion of the expansion loans into equity, which did not result in any change to the ownership interest percentage of either Moa JV shareholder, results in a simpler capital structure for the Moa JV, and results in all future distributions to shareholders being in the form of dividends.

Oil and Gas

$ millions, except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 5.6**	$ 6.9	(19%)	**$ 18.7**	$ 23.4	(20%)
Earnings (loss) from operations	**(120.4)**	(6.5)	nm(3)	**(130.5)**	(17.6)	nm(3)
Adjusted EBITDA(1)	**(3.2)**	(3.8)	16%	**(9.9)**	(9.2)	(8%)
CASH FLOW						
Cash (used) provided by operations	**(5.2)**	(9.2)	43%	**(21.2)**	4.3	(593%)
Adjusted operating cash flow(1)	**(2.7)**	(4.8)	44%	**(10.1)**	(11.6)	13%
Free cash flow(1)	**(5.8)**	(13.7)	58%	**(25.4)**	(17.4)	(46%)
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) – Cuba	**2,886**	4,060	(29%)	**3,063**	4,306	(29%)
Total net working-interest (NWI)	**1,554**	1,199	30%	**1,744**	1,496	17%
AVERAGE REFERENCE PRICE (US$ per barrel)						
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**37.95**	51.49	(26%)	**33.35**	57.90	(42%)
AVERAGE-REALIZED PRICE(1) (NWI)						
Cuba ($ per barrel)	**$ 34.38**	$ 50.38	(32%)	**$ 32.92**	$ 57.22	(42%)
UNIT OPERATING COSTS(1) (GWI)						
Cuba ($ per barrel)	**$ 30.93**	$ 21.40	45%	**$ 28.32**	$ 20.83	36%
SPENDING ON CAPITAL(2)						
Development, facilities and other	**$ (2.1)**	$ (0.2)	nm(3)	**$ (2.1)**	$ 0.8	nm(3)
Exploration	**0.3**	5.1	(94%)	**3.1**	21.1	(85%)
	$ (1.8)	$ 4.9	(137%)	**$ 1.0**	$ 21.9	(95%)

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

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

(3) Not meaningful (nm)

Gross working-interest oil production in Cuba in Q3 2020 was 2,886 barrels of oil per day (bopd), down 29% from 4,060 bopd for Q3 2019. Lower production in the current year period was primarily due to natural reservoir declines and the absence of new development drilling.

Revenue in Q3 2020 was $5.6 million, down 19% when compared to Q3 2019 due to lower production and lower realized average prices in Cuba, but partially offset by a weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs in Cuba in Q3 2020 were $30.93 per barrel, up 45% when compared to Q3 2019 as a result of lower GWI production and the impact of a weaker Canadian dollar relative to the U.S. dollar. Costs in Cuba are generally denominated in U.S. currency.

In Q3 2020, Sherritt reversed accruals of capital spending previously made totaling $2.1 million and recognized a total impairment loss of $115.6 million in the Oil and Gas segment relating to Block 10 drilling activities. The impairment loss consisted of a $95.0 million impairment on exploration and evaluation assets and a $20.6 million impairment on capital spare parts included within property, plant and equipment.

In Q3 2020, Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which located at a depth of approximately 5,300 meters and above the target oil reservoir. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. The analysis confirmed conditions existing in Q3 2020 that resulted in the impairment record. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 drilling without first securing an earn-in partner.

Based on performance through September 30, the Oil and Gas business remains on track to achieve its 2020 guidance for production and unit costs. As a result of the analysis completed at Block 10 in Q3, planned capital spend for 2020 has been lowered to US$1.5 million from US$4.0 million at the start of the year.

Power

$ millions (33 ⅓% basis), except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 9.4**	$ 12.1	(22%)	**$ 28.4**	$ 33.9	(16%)
Earnings from operations	**1.6**	1.8	(11%)	**4.5**	3.5	29%
Adjusted EBITDA(1)	**6.8**	8.6	(21%)	**20.3**	22.9	(11%)
CASH FLOW						
Cash provided by operations	**20.9**	15.9	31%	**47.6**	31.1	53%
Adjusted operating cash flow(1)	**10.9**	11.2	(3%)	**39.8**	24.5	62%
Free cash flow(1)	**20.2**	15.7	29%	**46.9**	30.3	55%
PRODUCTION AND SALES						
Electricity (GWh)	**152**	197	(23%)	**458**	550	(17%)
AVERAGE-REALIZED PRICE(1)						
Electricity ($/MWh)	**$ 57.55**	$ 55.50	4%	**$ 57.67**	$ 55.80	3%
UNIT OPERATING COSTS(1) ($/MWh)	**14.63**	14.42	1%	**14.44**	16.89	(15%)
NET CAPACITY FACTOR (%)	**48**	63	(24%)	**48**	58	(17%)
SPENDING ON CAPITAL(2)						
Sustaining	**$ 0.8**	$ 0.2	300%	**$ 0.8**	$ 0.8	-
	$ 0.8	$ 0.2	300%	**$ 0.8**	$ 0.8	-

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

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

Power production in Q3 2020 was 152 gigawatt hours (GWh) of electricity, down 23% from 197 GWh for the comparable period of 2019 as a result of a decline in gas supply.

Average-realized prices in Q3 2020 were $57.55, up 4% from $55.50 last year. The increase was due to the depreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q3 2020 totaled $9.4 million, down 22% from $12.1 million for last year. The decrease was primarily due to lower power production.

Unit operating costs in Q3 2020 were $14.63/MWh, up 1% from $14.42/MWh for last year. Sherritt continues to limit operational spending in relation to the receipt of funds under its Cuban energy agreements. Unit operating costs for Q3 2020 were also impacted by a lower production and a weakening of the Canadian dollar relative to the U.S. dollar as Power operating costs are generally denominated in U.S. currency.

Based on performance through September 30, the Power business is on track to achieve its 2020 guidance for production and planned capital spend. Unit cost targets have been lowered to $20.00 to $21.50 per MWh based on performance year to date and anticipated power production in Q4 2020.

2020 REVIEW OF STRATEGIC PRIORITIES

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

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	In Q3 2020, Sherritt successfully completed a balance sheet initiative, which improved its capital structure and addressed its Ambatovy investment legacy following strong stakeholder support. The transaction resulted in the elimination of approximately $301 million of total debt, savings of more than $15 million in annual cash interest payments and the extension of debt maturities to 2026 and 2029. In concert with the balance sheet initiative and in response to the economic uncertainty caused by the spread of COVID-19, Sherritt has implemented a number of austerity measures and identified opportunities to save or defer approximately $90 million of capital spend and operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis). In Q3 2020, Sherritt reduced its administrative expenses by $2.1 million when compared to Q3 2019 (excluding stock-based compensation, depreciation and costs associated with the balance sheet initiative). Administrative expenses were offset by $0.9 million received via the Canada Emergency Wage Subsidy.
	Optimize working capital and receivables collection	Largely as a result of Cuba's reduced access to foreign currency due to the impacts of COVID-19 and ongoing US sanctions, Sherritt received US$16.3 million of an expected US$22.5 million in Cuban energy payments in Q3 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in Q3 2020 by 6% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q3 2020 decreased by 8% to US$4.04/lb from US$4.37/lb last year as a result of lower MPR costs and the benefit of higher cobalt by-product credits.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Based on production results on a year-to-date basis, the Moa JV remains on track to produce between 32,000 and 33,000 tonnes of finished nickel and between 3,300 tonnes and 3,400 tonnes of finished cobalt in 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q3 2020, Sherritt experienced one recordable incident at the Fort Site and no lost time incidents. Up to September 30th 2020, the Moa Joint Venture (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.19 and a lost time incident frequency rate (LTIFR) of 0.12; the Oil and Gas business had a TRIFR and LTIFR of 0.00; and the Power business had a TRIFR and LTIFR of 0.00. Overall Sherritt had TRIFR of 0.12 and a LTIFR rate of 0.07. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 without first securing an earn-in partner.

OUTLOOK

2020 Production, unit operating costs and capital spending guidance

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

Production volumes, unit operating costs and spending on capital	Guidance for 2020 - Total	Year-to-date actuals - Total	Updated 2020 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 33,000 (1)	23,466	No change
Cobalt, finished	3,300 - 3,400 (1)	2,468	No change
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,063	No change
Oil and Gas – All operations (net working-interest, boepd)	1,800 - 2,000 (1)	1,744	No change
Electricity (GWh, 33⅓% basis)	500 - 550	458	No change
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.09	No change
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$28.32	No change
Electricity (unit operating cost, $ per MWh)	$24.50 - $26.00 (1)	$14.44	$20.00 - $21.50
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	US$22 (CDN$30) (1)	US$17 (CDN$23)	No change
Oil and Gas	US$4 (CDN$6) (1)	US$1 (CDN$1)	US$1.5 (CDN$2)
Power (33⅓% basis)	US$1 (CDN$1.3)	US$1 (CDN$1)	No change
Spending on capital (excluding Corporate)	US$27 (CDN$37) (1)	US$19 (CDN$25)	US$24.5 (CDN$33)

(1) Guidance updated June 30, 2020.
(2) Spending is 50% of US$ expenditures for the Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

NON-GAAP MEASURES

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

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast November 5, 2020 at 9:00 a.m. Eastern Time to review its Q3 2020 results. Dial-in and webcast details are as follows:

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

Please dial in 15 minutes before the start of the call to secure a line. 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.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

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

ABOUT SHERRITT

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

FORWARD-LOOKING STATEMENTS

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

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments redemptions and 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; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation’s joint venture partner; variability in production at Sherritt’s operations in Cuba; risks related to Sherritt’s operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation’s social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation’s future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation’s other documents filed with the Canadian securities authorities, including without limitation the Management’s Discussion and Analysis for the three months ended September 30, 2020 and the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, which is available on SEDAR at www.sedar.com.

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

For further investor information contact:
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Toll-free: 1 (800) 704-6698
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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2020

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of November 4, 2020, should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and nine months ended September 30, 2020 and the MD&A for the year ended December 31, 2019. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

The business we manage

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

	Relationship for accounting purposes	Interest	Basis of accounting
Moa Joint Venture	Joint venture	50%	Equity method
Oil and Gas	Subsidiary	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses
Technologies	Subsidiary	100%	Consolidation
Ambatovy Joint Venture(1)	Associate	12%, 0%	Discontinued operations

(1) On August 31, 2020, the Corporation reduced its interest in the Ambatovy Joint Venture to nil.

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 a joint venture. The financial results and review of operations sections in this MD&A presents amounts by reporting segment based on the Corporation's economic interest.

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

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

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

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

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

Operating and financial results presented in this MD&A for reporting segments can be reconciled to note 8 of the condensed consolidated financial statements for the three and nine months ended September 30, 2020.

INVESTMENT IN AMBATOVY JOINT VENTURE

In August 2020, the Corporation completed a transaction (the "Transaction" or "Balance Sheet Initiative") that exchanged the Corporation's Ambatovy Joint Venture partner loans for the Corporation's 12% interest in the Ambatovy Joint Venture and its loans and operator fee receivable from the Ambatovy Joint Venture ("the Ambatovy Joint Venture Interests"). As a result, Ambatovy Joint Venture's share of loss of an associate and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss on discontinued operations in the current and comparative periods. The loss on discontinued operations also includes the gain on disposal of the Ambatovy Joint Venture Interests in the current period. In 2019, the Ambatovy Joint Venture was excluded from combined results, Adjusted EBITDA and combined cash flow metrics as a result of Sherritt becoming a defaulting shareholder and the Ambatovy Joint Venture therefore no longer being a reportable segment. As a result of the completion of the Transaction, the Ambatovy Joint Venture continues to be excluded in the current and comparative periods. See the Highlights section for further information.

NON-GAAP MEASURES

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

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

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

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

Strategic priorities

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

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	In Q3 2020, Sherritt successfully completed a balance sheet initiative, which improved its capital structure and addressed its Ambatovy investment legacy following strong stakeholder support. The transaction resulted in the elimination of approximately $301 million of total debt, savings of more than $15 million in annual cash interest payments and the extension of debt maturities to 2026 and 2029. In concert with the balance sheet initiative and in response to the economic uncertainty caused by the spread of COVID-19, Sherritt has implemented a number of austerity measures and identified opportunities to save or defer approximately $90 million of capital spend and operating and administrative expenses. These austerity measures will be applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis). In Q3 2020, Sherritt reduced its administrative expenses by $2.1 million when compared to Q3 2019 (excluding stock-based compensation, depreciation and costs associated with the balance sheet initiative). Administrative expenses were offset by $0.9 million received via the Canada Emergency Wage Subsidy.
	Optimize working capital and receivables collection	Largely as a result of Cuba's reduced access to foreign currency due to the impacts of COVID-19 and ongoing US sanctions, Sherritt received US$16.3 million of an expected US$22.5 million in Cuban energy payments in Q3 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in Q3 2020 by 6% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in Q3 2020 decreased by 8% to US$4.04/lb from US$4.37/lb last year as a result of lower MPR costs and the benefit of higher cobalt by-product credits.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Based on production results on a year-to-date basis, the Moa JV remains on track to produce between 32,000 and 33,000 tonnes of finished nickel and between 3,300 tonnes and 3,400 tonnes of finished cobalt in 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q3 2020, Sherritt experienced one recordable incident at the Fort Site and no lost time incidents. Up to September 30th 2020, the Moa Joint Venture (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.19 and a lost time incident frequency rate (LTIFR) of 0.12; the Oil and Gas business had a TRIFR and LTIFR of 0.00; and the Power business had a TRIFR and LTIFR of 0.00. Overall Sherritt had TRIFR of 0.12 and a LTIFR rate of 0.07. Sherritt remains in the lowest quartile of its benchmark peer set of data.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 without first securing an earn-in partner.

Highlights

COVID-19

In response to health risks associated with the spread of COVID-19, Sherritt implemented a number of additional health and safety measures and work processes designed to protect employees at its operations around the world. The pandemic has had limited impact on nickel, cobalt, power and oil production to date and production activities continue. The Corporation's 2020 production, unit cost and capital spending guidance remains unchanged, except for a decrease in capital spending at Oil and Gas due to the completion of analysis on Block 10 and a decrease in unit costs at Power based on performance year-to-date and anticipated power production in Q4 2020. More details on market and economic uncertainties caused by COVID-19 can be found in the Significant factors influencing operations section of this MD&A. As a result of the uncertainty resulting from COVID-19, Sherritt has also implemented a number of austerity measures, discussed in more detail in the Preserving liquidity and managing costs section below. In addition, during the three and nine months ended September 30, 2020, the Corporation qualified for and received $4.7 million and $5.7 million, respectively, in subsidies from the Canada Emergency Wage Subsidy ("CEWS"). Subsequent to September 30, 2020, the Corporation received an additional $1.2 million in subsidies.

BALANCE SHEET INITIATIVE

In February 2020, the Corporation announced the Transaction to be implemented pursuant to a plan of arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act (the "CBCA"), and in June and July 2020, it announced amended terms to the Transaction. The Plan of Arrangement received approval by debtholders on July 23, 2020 and by the Ontario Superior Court of Justice (Commercial List) ("the Court") on August 6, 2020, and the Transaction was completed on August 31, 2020.

The Transaction resulted in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Old Notes") in the aggregate principal amount of $588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) new 8.50% second lien secured notes due in 2026 (the "New Second Lien Notes") in an aggregate principal amount of $357.5 million, (ii) new 10.75% unsecured payment-in-kind ("PIK") option notes due in 2029 (the "New Junior Notes") in an aggregate principal amount of $75.0 million and (iii) early consent cash consideration of $15.5 million. The Transaction resulted in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by $155.6 million and an extension of the 2021, 2023 and 2025 maturities under the Old Notes to a maturity of 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. As a result, the Corporation recognized a $143.4 million gain on debenture exchange for the three and nine months ended September 30, 2020 within net finance income (expense).

The Transaction also resulted 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"). This resulted in a further reduction of recourse loans and borrowings of $145.2 million. As of August 31, 2020, as a result of the implementation of the Transaction the Corporation no longer had an interest in the Ambatovy Joint Venture. As a result, the Corporation recognized a $259.0 million gain on disposal of the Ambatovy Joint Venture Interests, net of tax, for the three and nine months ended September 30, 2020 included in the earnings (loss) from discontinued operations, net of tax.

In aggregate, the Transaction reduced total debt by $300.8 million.

The Ambatovy Joint Venture Interests met the criteria to be classified and presented as discontinued operations during the three months ended September 30, 2020. As a result of the classification as discontinued operations, equity accounting was discontinued and the share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss on discontinued operations, net of tax, in the current and comparative periods. The Corporation recognized $41.9 million and $150.8 million of losses from discontinued operations, net of tax, for the three and nine months ended September 30, 2020 related to the reclassifications.

Subject to execution of certain documentation with the Ambatovy Joint Venture, Sherritt will cease being the operator of the Ambatovy Joint Venture.

MOA JOINT VENTURE UPDATE

Sherritt's share of finished nickel production at the Moa Joint Venture for the three months ended September 30, 2020 was 3,750 tonnes, down 9% from the same period last year, while finished cobalt production of 409 tonnes was down 6%. The decrease in production was primarily due to the annual shutdown of the refinery in Fort Saskatchewan for planned maintenance, which was deferred from Q2 2020 to Q3 2020 as a safety measure to prevent the spread of COVID-19. Fertilizer production was 19% lower for the three months ended September 30, 2020 compared to the same period in the prior year due to the planned annual ammonia plant shutdown at Fort Site, which occurred in Q2 2019 in the prior year.

NDCC for the three months ended September 30, 2020 was US$4.04 per pound, 8% lower compared to the same period in the prior year, primarily as a result of higher cobalt by-product credits due to higher cobalt sales volume, lower sulphur and fuel oil prices and lower third-party feed costs, partially offset by lower fertilizer by-product credits primarily due to lower average-realized fertilizer prices.

During the three months ended September 30, 2020, the Corporation and General Nickel Company S.A. (GNC) (together, the Moa Joint Venture partners) considered amendments to the Moa Joint Venture expansion loans and mutually agreed to convert US$402.1 million ($548.0 million) of its loans receivable with the Moa Joint Venture to equity which, at the Corporation's 50% share, resulted in a US$201.0 million ($274.0 million) decrease in the Corporation's expansion loans receivable and a US$201.0 million ($274.0 million) increase in the investment in a joint venture. The conversion of the expansion loans into equity, which did not result in any change to the ownership interest percentage of either Moa JV shareholder, results in a simpler capital structure for the Moa JV and results in all future distributions to shareholders being in the form of dividends.

Subsequent to period-end, Sherritt employee members of Unifor at the refinery in Fort Saskatchewan ratified a new collective agreement through March 31, 2022. The new agreement extends Sherritt's track record of no labour disruptions at the refinery since it began operations in 1954.

IMPAIRMENT OF OIL ASSETS

During the three months ended September 30, 2020, the Corporation completed its analysis and testing of samples obtained from the Block 10 well. Testing confirmed that water is present and entering the well from the loss circulation zone, which is located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. As a result, the Corporation has decided to suspend the well and recognized a non-cash impairment loss of $95.0 million for capitalized well costs. The impairment loss consists of all exploration and evaluation assets related to the well asset, including drilling materials and equipment, as well as geological and engineering expenses. The Corporation also recognized a non-cash impairment loss of $20.6 million on capital spare parts due to the well suspension and uncertainty on the timing of future exploration activities in Cuba. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. Sherritt has committed to making no further investments in Block 10 without first securing an earn-in partner.

CUBAN OVERDUE RECEIVABLES AGREEMENTS

During 2019, Sherritt's Cuban partners ratified an overdue receivables agreement under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. For the three months ended September 30, 2020, Sherritt received Cuban energy payments of US$7.3 million in Canada under this agreement.

In February 2020, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month, which is being used to fund Energas operations and reduce amounts owed to Sherritt. For the three months ended September 30, 2020, Sherritt received Cuban energy payments of US$6.7 million in Canada under this agreement.

Cuban energy payments were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions continued to limit Cuba's access to foreign currency in Q3 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2020 and 2021.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at September 30, 2020 were $165.1 million, a marginal decrease from $166.1 million at December 31, 2019. As at September 30, 2020, $82.1 million of Sherritt's cash was held by Energas in Cuba, up from $79.8 million at December 31, 2019. Excluding the cash held by Energas in Cuba, Sherritt's cash was $83.0 million and $86.3 million as at September 30, 2020 and December 31, 2019, respectively.

During the nine months ended September 30, 2020, cash decreased primarily due to $26.0 million of cash transaction costs related to the Balance Sheet Initiative and $8.7 million of capital expenditures, partially offset by $21.8 million of interest received primarily on the Energas conditional sales agreement, $13.3 million of distributions received from the Moa Joint Venture and the timing of working capital receipts and payments. In addition, interest payments of $40.3 million on the Old Notes were deferred as a result of the Transaction and included in the principal amount of the New Second Lien Notes. Sherritt anticipates that its liquidity position through the end of 2020 will largely be dependent on its ability to collect on amounts owed to it by its Cuban energy partners and dividends from the Moa Joint Venture.

During the quarter, US$16.3 million of Cuban energy payments were received compared to US$11.6 million in the second quarter. Cuban energy payments received during the quarter included US$14.0 million in Canada from the Energas overdue receivables agreements, which are cited in the Cuban overdue receivables agreements section above, $2.3 million accepted in Cuba to support local Cuban costs relating to Sherritt's Oil and Gas operations and nil from Oil and Gas. At September 30, 2020, total overdue scheduled receivables were US$159.1 million, consistent with US$159.1 million at June 30, 2020. Subsequent to September 30, 2020, the Corporation received US$2.6 million in Canada from the 2019 Cuban overdue receivables agreement and US$2.4 million in Cuba to support local costs.

Subsequent to period-end, the Moa Joint Venture paid a US$15.0 million distribution to its shareholders. Sherritt received its 50% share of this distribution, or US$7.5 million, directly. In addition, GNC, Sherritt's joint venture partner, re-directed its US$7.5 million share of this distribution to the Corporation to be applied against amounts owing to Sherritt from Energas. The re-direction was secured through negotiations between Sherritt and its Cuban partners, and was made in accordance with the 2019 Cuban overdue receivables agreement.

PRESERVING LIQUIDITY AND MANAGING COSTS

On October 27, 2020, the maturity of the Corporation's $70.0 million syndicated revolving-term credit facility was extended to December 31, 2020. A longer-term extension is expected to be finalized during the three months ended December 31, 2020. The maximum credit available, collateral and interest rates remained unchanged. 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 discussion with its operating partners to replace the letter of credit with a potential alternative arrangement. More details can be found in the Liquidity and capital resources section of this MD&A.

The Corporation has identified opportunities to reduce or defer budgeted expenditures for the Moa Joint Venture (100% basis), Sherritt's Oil and Gas and Power operations, and Corporate Office by approximately $90 million in 2020 for capital spend projects and administrative and operating expenses while sustaining safe operations. These opportunities include limiting capital spending, eliminating discretionary spending not affecting safe operations, applying for government grants, deferring external hiring, maximizing sales terms to improve collections and negotiating with vendors for improved payment terms.

Excluding Balance Sheet Initiative transaction costs and the non-cash impacts of share-based compensation and depreciation, administrative expenses for the three and nine months ended September 30, 2020 decreased by $2.1 million and $4.9 million, respectively, compared to the same periods in the prior year. Administrative expenses for the three and nine months ended September 30, 2020 include $0.9 million and $1.5 million, respectively, of recoveries related to the Canada Emergency Wage Subsidy (CEWS) amounts received in support of employee costs. The remaining CEWS amounts received are recognized in cost of sales. The Corporation has accessed the CEWS program to mitigate the risk of additional employee layoffs.

Subsequent to period-end, Sherritt took advantage of the recent strength in nickel prices and purchased put options on 25% of its share of attributable finished nickel production from the Moa Joint Venture for 2021 at a strike price of US$6.50/lb. Any cash settlements will be completed on a monthly basis against the average monthly nickel price on the London Metals Exchange and will involve no physical delivery. The hedging strategy, which will be in effect for a 12-month period starting January 1, 2021, is designed to provide Sherritt with cash flow security in 2021 against major downward changes in nickel prices by providing a floor but no cap on 25% of Sherritt's share of 2021 nickel production.

Financial results

$ millions, except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 24.9**	$ 27.6	(10%)	**$ 91.6**	$ 105.3	(13%)
Combined revenue[1]	**115.3**	133.7	(14%)	**361.1**	401.9	(10%)
Earnings (loss) from operations and joint venture	**(124.7)**	(8.7)	nm[4]	**(163.2)**	(48.8)	(234%)
Net earnings (loss) from continuing operations	**11.4**	(15.4)	174%	**(36.4)**	(76.8)	53%
Earnings (loss) from discontinued operations, net of tax	**217.1**	(14.6)	nm[4]	**108.2**	(105.4)	nm[4]
Net earnings (loss) for the period	**228.5**	(30.0)	nm[4]	**71.8**	(182.2)	nm[4]
Adjusted net loss[1]	**(16.1)**	(20.6)	22%	**(73.0)**	(78.8)	7%
Adjusted EBITDA[1]	**15.5**	20.9	(26%)	**28.2**	28.5	(1%)
Net earnings (loss) from continuing operations per share (basic and diluted) ($ per share)	**$ 0.03**	$ (0.04)	175%	**$ (0.09)**	$ (0.19)	53%
Net earnings (loss) per share (basic and diluted) ($ per share)	**0.58**	(0.08)	825%	**0.18**	(0.46)	139%
CASH						
Cash, cash equivalents and short-term investments (prior period, December 31, 2019)	**$ 165.1**	$ 166.1	(1%)	**$ 165.1**	$ 166.1	(1%)
Cash provided (used) by continuing operating activities	**25.3**	1.5	nm[4]	**35.3**	(18.2)	294%
Combined adjusted operating cash flow[1]	**21.5**	15.4	40%	**45.9**	(2.7)	nm[4]
Combined free cash flow[1]	**27.1**	(12.3)	320%	**29.5**	(52.3)	156%
Distributions and repayments to Sherritt from the Moa JV	**-**	11.6	(100%)	**13.3**	28.4	(53%)
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[3]	**5.8**	$ 10.1	(43%)	**$ 24.7**	$ 49.5	(50%)
PRODUCTION VOLUMES						
Finished nickel (50% basis, tonnes)	**3,750**	4,139	(9%)	**11,733**	12,505	(6%)
Finished cobalt (50% basis, tonnes)	**409**	436	(6%)	**1,234**	1,277	(3%)
Oil (boepd, net working-interest production)[2]	**1,554**	1,199	30%	**1,744**	1,496	17%
Electricity (gigawatt hours) (33⅓% basis)	**152**	197	(23%)	**458**	550	(17%)
AVERAGE EXCHANGE RATE (CAD/US$)	**1.332**	1.320	1%	**1.354**	1.329	2%
AVERAGE-REALIZED PRICES[1]						
Nickel ($ per pound)	**$ 8.36**	$ 9.11	(8%)	**$ 7.80**	$ 8.04	(3%)
Cobalt ($ per pound)	**16.71**	17.54	(5%)	**17.95**	17.18	4%
Oil - Cuba ($ per boe, NWI)[2]	**34.38**	50.38	(32%)	**32.92**	57.22	(42%)
Electricity ($ per megawatt hour)	**57.55**	55.50	4%	**57.67**	55.80	3%
UNIT OPERATING COSTS[1]						
Nickel (US$ per pound)(NDCC)	**$ 4.04**	$ 4.37	(8%)	**$ 4.09**	$ 4.25	(4%)
Oil - Cuba ($ per boe, GWI)[2]	**30.93**	21.40	45%	**28.32**	20.83	36%
Electricity ($ per megawatt hour)	**14.63**	14.42	1%	**14.44**	16.89	(15%)

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

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

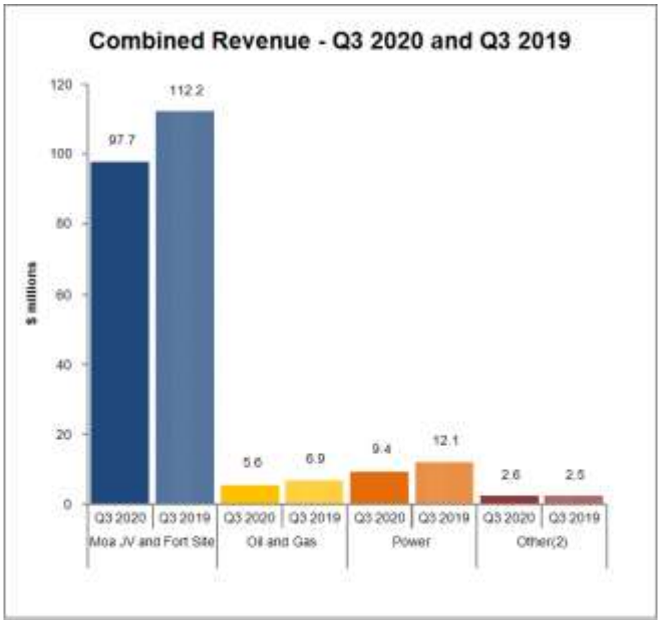
(3) Spending on capital for the three and nine months ended September 30, 2019 excludes right-of-use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

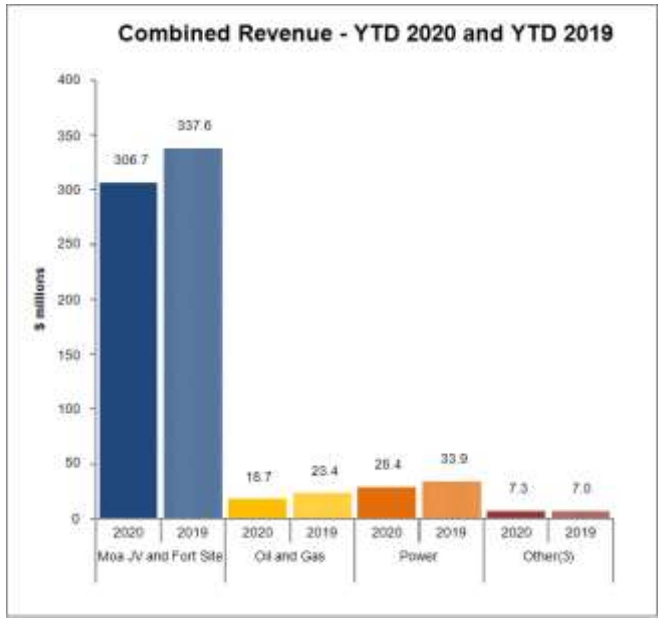
(4) Not meaningful (nm).

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 nine months ended September 30, 2020 compared to the same periods in the prior year primarily due to lower average-realized fertilizer and oil prices, as well as lower power generation, partially offset by higher fertilizer sales volume.

Total combined revenue(1) was $115.3 million and $361.1 million, respectively, for the three and nine months ended September 30, 2020 compared to $133.7 million and $401.9 million for the same periods in the prior year. Lower total combined revenue for the three months ended September 30, 2020 was primarily due to lower nickel and power revenue. Lower total combined revenue for the nine months ended September 30, 2020 was primarily due to lower nickel, oil and power revenue compared to the same period in the prior year.

Combined revenue is composed of the following:





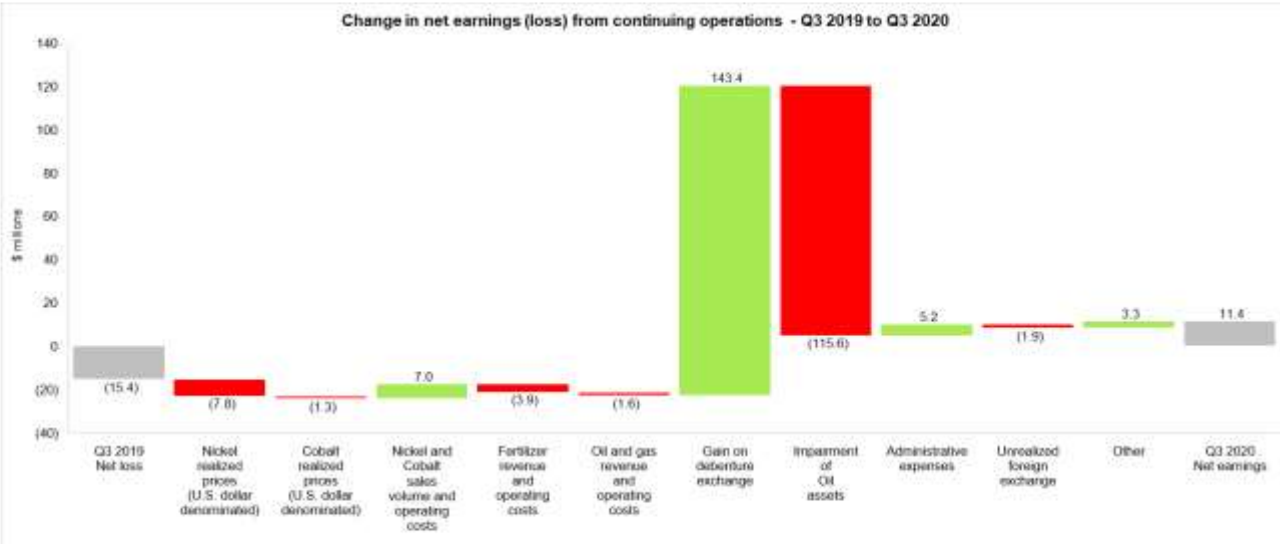
(1) For additional information see the Non-GAAP measures section.

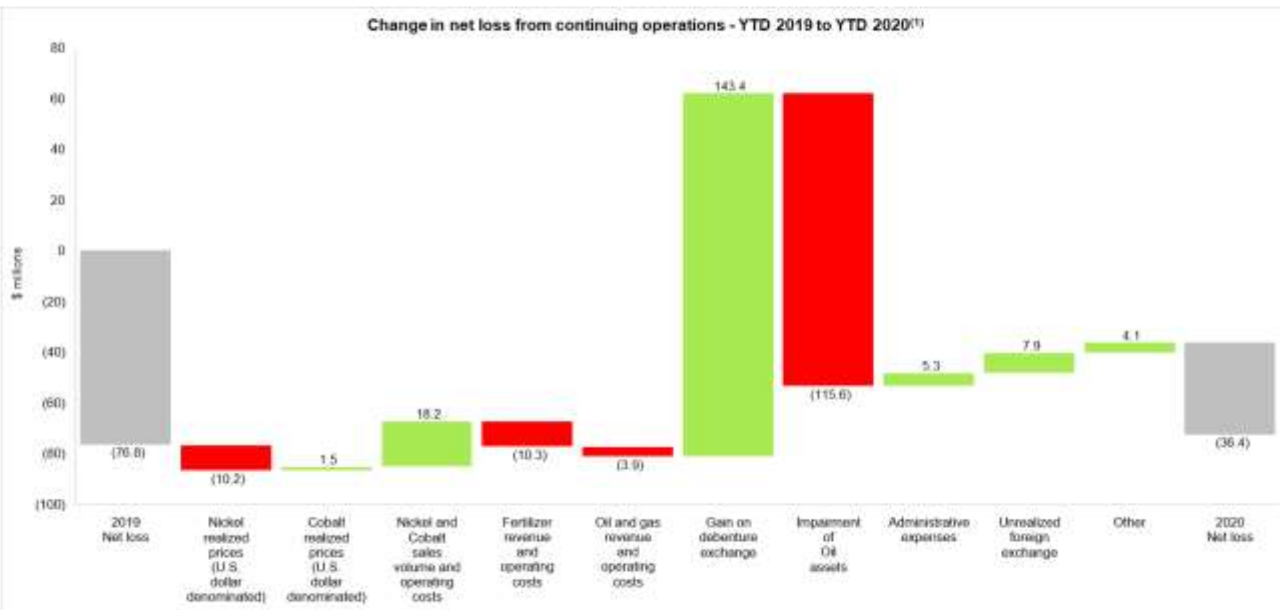
(2) Q3 2020 Other includes - Other Metals - $3.3 million and Corporate and other - $ (0.7) million. (Q3 2019 Other includes - Other Metals - $2.8 million and Corporate and other - $ (0.3) million).

(3) YTD 2020 Other includes - Other Metals - $9.2 million and Corporate and other - $ (1.9) million. (YTD 2019 Other includes - Other Metals - $8.5 million and Corporate and other - $ (1.5) million).

For the three months ended September 30, 2020, the net earnings from continuing operations was $11.4 million, or $0.03 per share, compared to a loss of $15.4 million, or $0.04 per share in the same period in the prior year. For the nine months ended September 30, 2020, the net loss from continuing operations was $36.4 million, or $0.09 per share, compared to a loss of $76.8 million, or $0.19 per share in the prior year.

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





Average U.S. dollar reference prices for nickel were 9% and 3% lower for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year, while average U.S. dollar reference prices for cobalt were 2% and 6% lower compared to the same periods in the prior year. Average-realized prices for nickel were 8% and 3% lower for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year. Average-realized prices for cobalt were 5% lower and 4% higher for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year. Realized prices for the three and nine months ended September 30, 2020, respectively, were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

At the Moa Joint Venture and Fort Site, revenue for the three months ended September 30, 2020 was 13% lower than the same period in the prior year primarily due to lower average-realized nickel, cobalt and fertilizer prices and lower nickel sales volume, partially offset by higher cobalt sales volume and higher fertilizer sales volume. Revenue for the nine months ended September 30, 2020 was 9% lower than the same period in the prior year primarily due to lower average-realized nickel and fertilizer prices and lower nickel and cobalt sales volume, partially offset by higher average-realized cobalt prices and higher fertilizer sales volume.

At Oil and Gas, revenue for the three and nine months ended September 30, 2020 was 19% and 20% lower, respectively, than the same periods in the prior year primarily due to lower average-realized oil prices, partially offset by higher net-working interest sales volume. Average-realized oil prices in Cuba were 32% and 42% lower for the three and nine months ended September 30, 2020, respectively, than the same periods in the prior year, reflecting lower U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

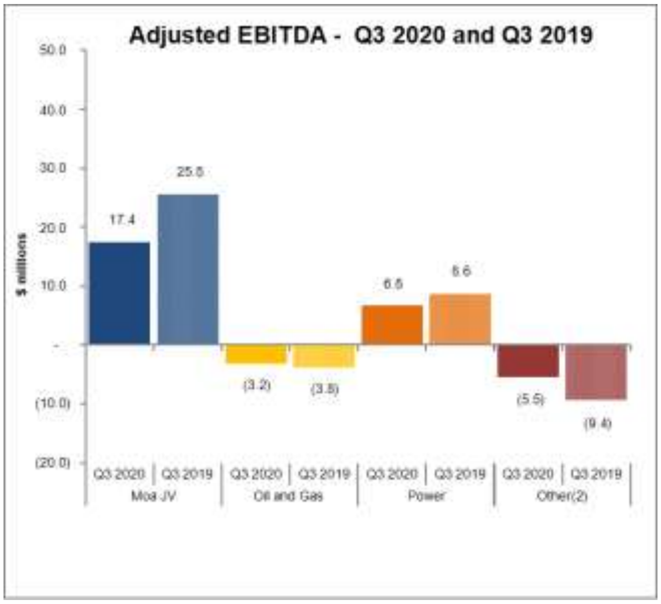
During the three and nine months ended September 30, 2020, the Corporation recognized a $143.4 million gain on debenture exchange and $115.6 million impairment of Oil assets. Refer to notes 12 and 17 of the condensed consolidated financial statements for the three and nine months ended September 30, 2020 for more information.

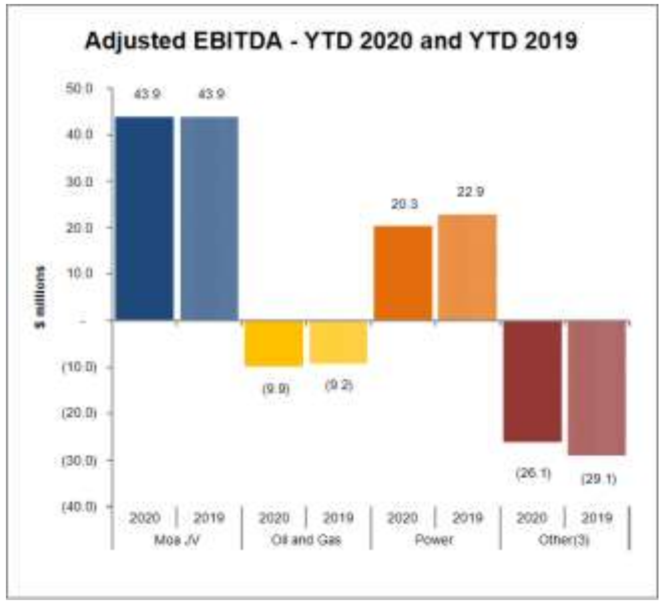
Administrative expenses decreased by $5.2 million and $5.3 million for the three and nine months ended September 30, 2020, respectively. For the three and nine months ended September 30, 2020, administrative expenses decreased primarily due to lower employee costs of $0.9 million and $1.5 million, respectively, due to recoveries related to CEWS amounts received in support of employee costs, in addition to other costs savings in employee costs and consulting services due to austerity measures. Administrative expenses for the three months ended September 30, 2020 include a reclassification of Balance Sheet Initiative transaction costs previously recognized in administrative expenses to gain on debenture exchange and earnings from discontinued operations, net of tax.

The Corporation recognized unrealized foreign exchange gains of $3.6 million and $8.7 million for the three and nine months ended September 30, 2020, respectively, compared to gains of $5.5 million and $0.8 million for the same periods in the prior year, respectively. Unrealized exchange gains/losses are impacted by the change in period-end exchange rates and the balance of the Corporation's U.S. dollar-denominated net assets.

ADJUSTED EBITDA

Total Adjusted EBITDA(1) for the three and nine months ended September 30, 2020 was \$15.5 million and \$28.2 million, respectively, compared to \$20.9 million and \$28.5 million, respectively, in the same periods in the prior year. Adjusted EBITDA by business segment is as follows:





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

(2) Q3 2020 Other includes - Other Metals - \$0.4 million and Corporate and other - \$(5.9) million. (Q3 2019 Other includes - Other Metals - \$0.3 million and Corporate and other - \$(9.7) million).

(3) YTD 2020 Other includes - Other Metals - \$1.2 million and Corporate and other - \$(27.3) million. (YTD 2019 Other includes - Other Metals - \$0.5 million and Corporate and other - \$(29.6) million).

CONSOLIDATED FINANCIAL POSITION

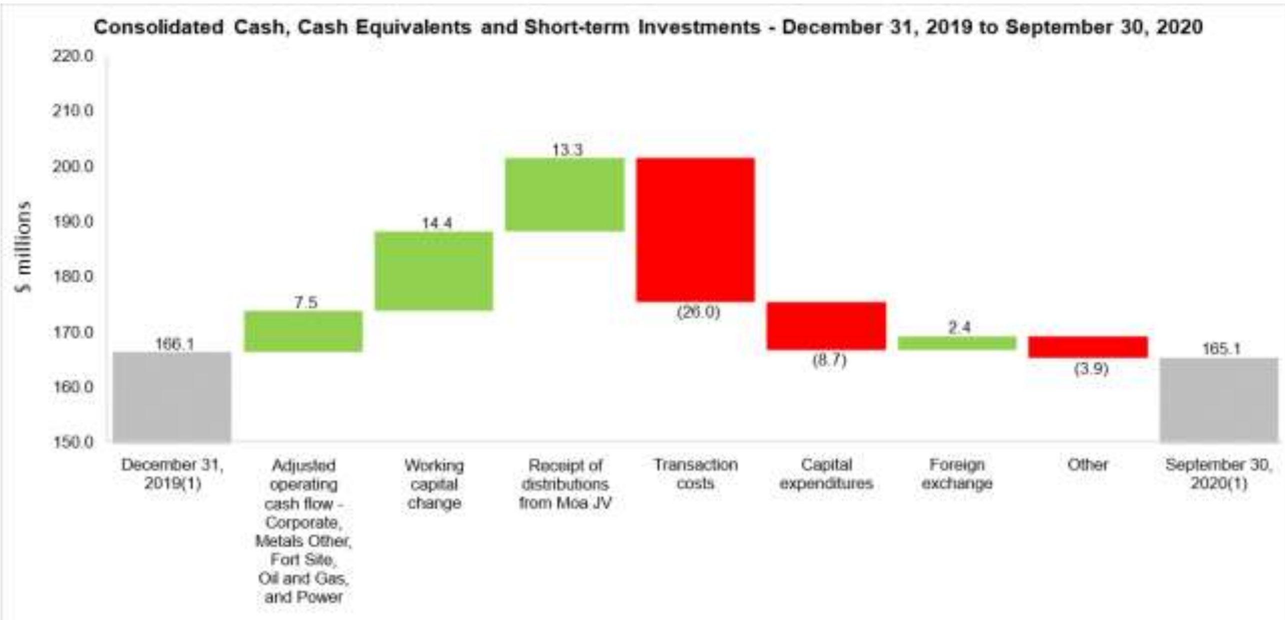
The following table summarizes the significant items as derived from the condensed consolidated statements of financial position:

\$ millions, except as noted, as at	2020 September 30	2019 December 31	Change
Financial condition			
Cash, cash equivalents and short-term investments	**\$ 165.1**	\$ 166.1	(1%)
Working capital	**209.6**	47.0	346%
Current ratio	**2.06:1**	1.14:1	45%
Total assets	**\$ 1,454.8**	\$ 1,738.1	(16%)
Loans and borrowings	**440.7**	713.6	(38%)
Total liabilities	**768.3**	1,016.0	(24%)
Shareholders' equity	**686.5**	722.1	(5%)

LIQUIDITY

As at September 30, 2020, total available liquidity was $226.9 million which is composed of cash, cash equivalents, short-term investments and $61.8 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 discussion with its operating partners to replace the letter of credit with a potential alternative arrangement. The total liquidity excludes restricted cash of $5.3 million.

Cash, cash equivalents and short-term investments at September 30, 2020 decreased by $1.0 million from December 31, 2019. The components of this change are shown below:



(1) As at September 30, 2020, $82.1 million of the Corporation's cash, cash equivalents and short-term investments was held by Energas (December 31, 2019 - $79.8 million).

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

- negative adjusted operating cash flow at Oil and Gas and Corporate;
- $26.0 million of transaction costs related to the Balance Sheet Initiative; and
- $8.7 million in capital expenditures; partially offset by,
- positive adjusted operating cash flow at Power, including $20.8 million in interest received on the Energas conditional sales agreement, as well as positive adjusted operating cash flow at Fort Site and Metals Other;
- $13.3 million in distributions received from the Moa Joint Venture;
- positive working capital changes primarily due to the timing of working capital payments and deferred revenue, partially offset by lower receipts of Cuban energy payments at Oil and Gas; and
- $2.4 million effect of exchange rate changes on cash and cash equivalents.

Outlook

2020 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	Guidance for 2020 - Total	Year-to-date actuals - Total	Updated 2020 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 33,000 (1)	23,466	No change
Cobalt, finished	3,300 - 3,400 (1)	2,468	No change
Oil – Cuba (gross working-interest, bopd)	3,000 - 3,300	3,063	No change
Oil and Gas – All operations (net working-interest, boepd)	1,800 - 2,000 (1)	1,744	No change
Electricity (GWh, 33⅓% basis)	500 - 550	458	No change
Unit operating costs			
Moa Joint Venture - NDCC (US$ per pound)	$4.00 - $4.50	$4.09	No change
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$28.00 - $29.50	$28.32	No change
Electricity (unit operating cost, $ per MWh)	$24.50 - $26.00 (1)	$14.44	$20.00 - $21.50
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	US$22 (CDN$30) (1)	US$17 (CDN$23)	No change
Oil and Gas	US$4 (CDN$6) (1)	US$1 (CDN$1)	US$1.5 (CDN$2)
Power (33⅓% basis)	US$1 (CDN$1.3)	US$1 (CDN$1)	No change
Spending on capital (excluding Corporate)	US$27 (CDN$37) (1)	US$19 (CDN$25)	US$24.5 (CDN$33)

(1) Guidance updated June 30, 2020.

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

Significant factors influencing operations

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

Nickel

Nickel market conditions continued to improve in the third quarter of 2020, sustaining the trend started in Q2 with the easing of lock-down restrictions related to the COVID-19 pandemic and the restart of economic and manufacturing activities, particularly in China.

Nickel prices on the London Metals Exchange (LME) opened at US$5.69/lb on July 1 and closed on September 30 at US$6.52/lb, representing a growth of 15%.

While nickel prices climbed during Q3, nickel inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE) remained relatively flat. Combined inventory levels at September 30 totaled approximately 263,000 tonnes, up from approximately 262,000 tonnes at June 30. Nickel inventories on the LME and SHFE have stayed relatively flat despite the reduced production of stainless steel globally on a year to date basis largely because a number of nickel mines around the world have either significantly reduced production or have gone into care and maintenance as a result of the spread of COVID-19. Production at the Moa JV has largely been unaffected by the spread of COVID-19 through September 30.

Renewed interest in electric vehicles and bullish forecasts for accelerated demand growth in the coming years have triggered speculative purchasing from commodity investors, sustaining the nickel price momentum into the fourth quarter. A number of carmakers, in particular, have indicated that high purity nickel will be the primary metal in their battery chemistries. At October 20, nickel prices had risen to US$7.16/lb, the highest price since the start of 2020. This renewed interest in nickel is expected to contribute to higher prices into 2021.

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

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

Added to this uncertainty is the substantial increase in nickel pig iron production, leading some industry analysts to predict an oversupplied nickel market in the near term. This development is putting additional pressure on producers of lower-grade material such as ferronickel, which is currently selling at significant discount. As a result, it remains unclear how nickel prices will fare in the near term.

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

Cobalt

Cobalt prices experienced a turnaround in Q3 following an extended period of softness through much of the first half of the year as a result of the impact COVID-19 on consumer demand. Standard grade cobalt prices, in fact, rose 9% ending the quarter at US$15.65/lb according to data collected by Fastmarkets MB. Standard grade cobalt prices on July 1 closed at US$14.30/lb, widely believed by industry watchers and traders to be a floor-level price.

It is speculated that market conditions have improved for a number of factors, including growing demand from battery manufacturers as a result of higher demand for electronics and computer equipment due to the growing trend of working from home accelerated since the start of the COVID-19 pandemic.

Increasing cobalt demand from battery makers has helped to offset demand softness from other industries, such as the aerospace sector, that make extensive use of cobalt as a key component to manufacturing activities as a super alloy. With recovery of these sectors expected to be slow or delayed, it is anticipated that cobalt market conditions will experience some volatility.

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

Review of operations

MOA JOINT VENTURE AND FORT SITE

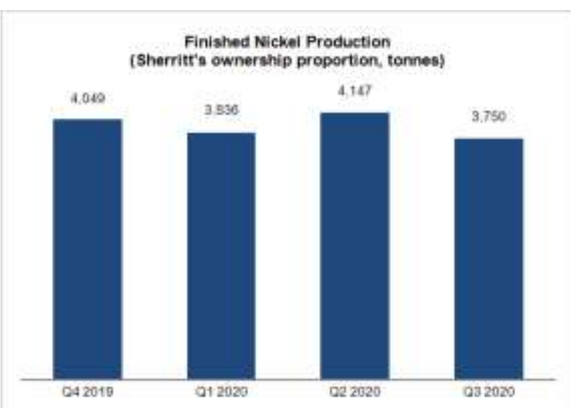
	For the three months ended			For the nine months ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**September 30**	September 30	Change	**September 30**	September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 97.7**	$ 112.2	(13%)	**$ 306.7**	$ 337.6	(9%)
Earnings (loss) from operations	**3.0**	12.2	(75%)	**(0.5)**	2.3	(122%)
Adjusted EBITDA(1)	**17.4**	25.5	(32%)	**43.9**	43.9	-
CASH FLOW						
Cash provided by operations	**$ 23.1**	$ 4.4	425%	**$ 40.3**	$ 8.0	404%
Adjusted operating cash flow(1)	**17.0**	24.7	(31%)	**39.8**	42.3	(6%)
Free cash flow(1)	**16.3**	(0.6)	nm(4)	**20.4**	(11.1)	284%
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,671**	4,165	12%	**13,008**	12,807	2%
Finished Nickel	**3,750**	4,139	(9%)	**11,733**	12,505	(6%)
Finished Cobalt	**409**	436	(6%)	**1,234**	1,277	(3%)
Fertilizer	**53,743**	66,296	(19%)	**179,609**	192,923	(7%)
NICKEL RECOVERY (%)	**90%**	85%	6%	**86%**	85%	1%
SALES VOLUMES (tonnes)						
Finished Nickel	**3,568**	4,145	(14%)	**11,510**	12,609	(9%)
Finished Cobalt	**501**	440	14%	**1,235**	1,329	(7%)
Fertilizer	**36,169**	25,186	44%	**139,380**	118,695	17%
AVERAGE REFERENCE PRICES (US$ per pound)						
Nickel	**$ 6.45**	$ 7.08	(9%)	**$ 5.93**	$ 6.09	(3%)
Cobalt(2)	**14.87**	15.20	(2%)	**15.52**	16.46	(6%)
AVERAGE-REALIZED PRICE(1)						
Nickel ($ per pound)	**$ 8.36**	$ 9.11	(8%)	**$ 7.80**	$ 8.04	(3%)
Cobalt ($ per pound)	**16.71**	17.54	(5%)	**17.95**	17.18	4%
Fertilizer ($ per tonne)	**289**	345	(16%)	**359**	444	(19%)
UNIT OPERATING COST(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 4.04**	$ 4.37	(8%)	**$ 4.09**	$ 4.25	(4%)
SPENDING ON CAPITAL(3)						
Sustaining	**$ 6.8**	$ 4.9	39%	**$ 22.9**	$ 26.7	(14%)
	$ 6.8	$ 4.9	39%	**$ 22.9**	$ 26.7	(14%)

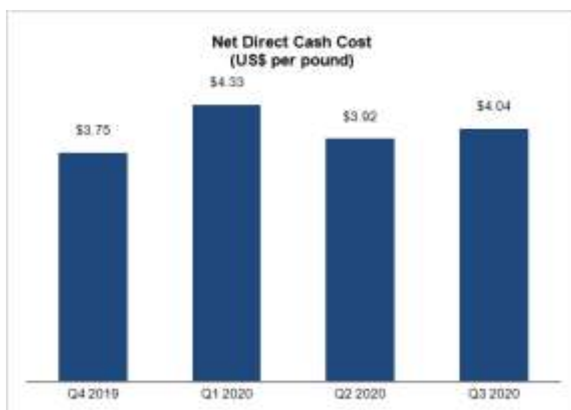
(1) For additional information see the Non-GAAP measures section.

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

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

(4) Not meaningful (nm).





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

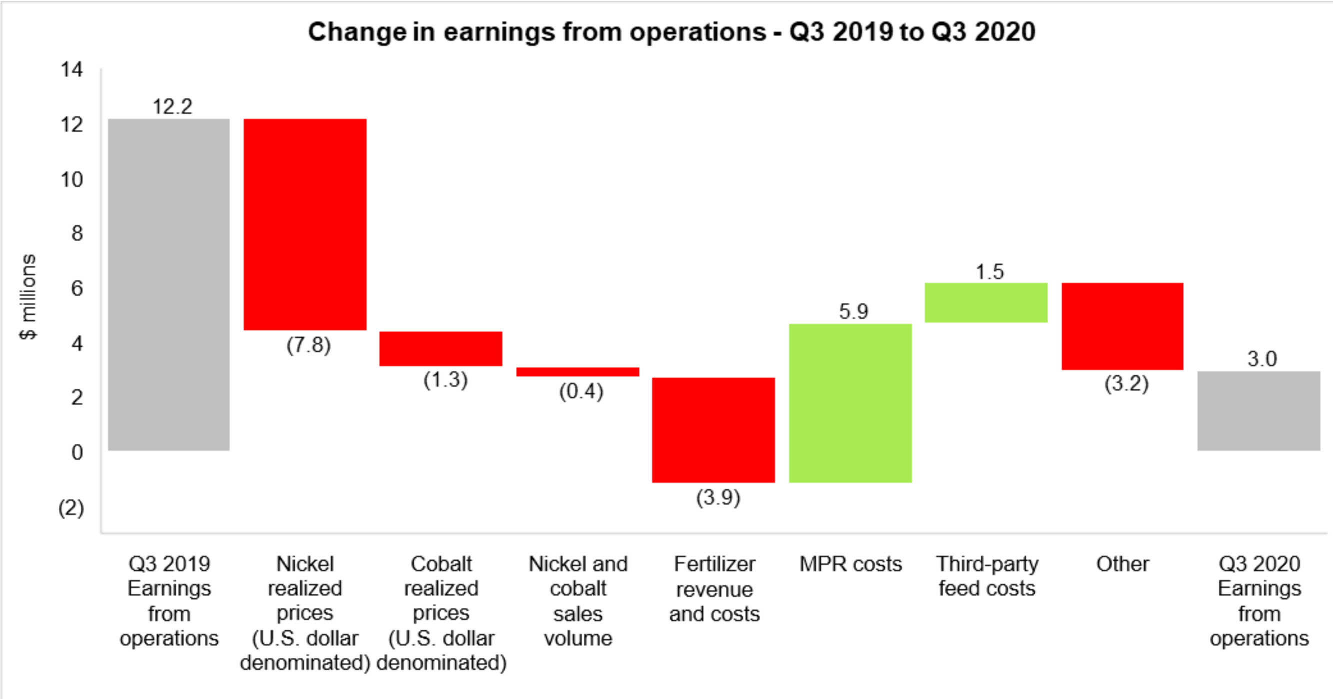
$ millions, except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
REVENUE						
Nickel	**$ 65.8**	$ 83.2	(21%)	**$ 198.0**	$ 223.4	(11%)
Cobalt	**18.4**	17.0	8%	**48.8**	50.3	(3%)
Fertilizers	**10.5**	8.7	21%	**50.1**	52.7	(5%)
Other	**3.0**	3.3	(9%)	**9.8**	11.2	(13%)
	$ 97.7	$ 112.2	(13%)	**$ 306.7**	$ 337.6	(9%)
COST OF SALES(1)						
Mining, processing and refining (MPR)	**$ 50.6**	$ 62.9	(20%)	**$ 170.3**	$ 205.6	(17%)
Third-party feed costs	**3.7**	5.5	(33%)	**11.3**	14.0	(19%)
Fertilizers	**12.9**	7.2	79%	**45.5**	37.8	20%
Selling costs	**3.7**	3.4	9%	**13.1**	11.8	11%
Other	**7.5**	5.3	42%	**15.8**	17.5	(10%)
	$ 78.4	$ 84.3	(7%)	**$ 256.0**	$ 286.7	(11%)
NET DIRECT CASH COST(2) (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 4.90**	$ 5.22	(6%)	**$ 5.00**	$ 5.51	(9%)
Third-party feed costs	**0.36**	0.44	(18%)	**0.33**	0.38	(13%)
Cobalt by-product credits	**(1.76)**	(1.41)	(25%)	**(1.43)**	(1.36)	(5%)
Other(3)	**0.54**	0.12	350%	**0.19**	(0.28)	168%
	$ 4.04	$ 4.37	(8%)	**$ 4.09**	$ 4.25	(4%)

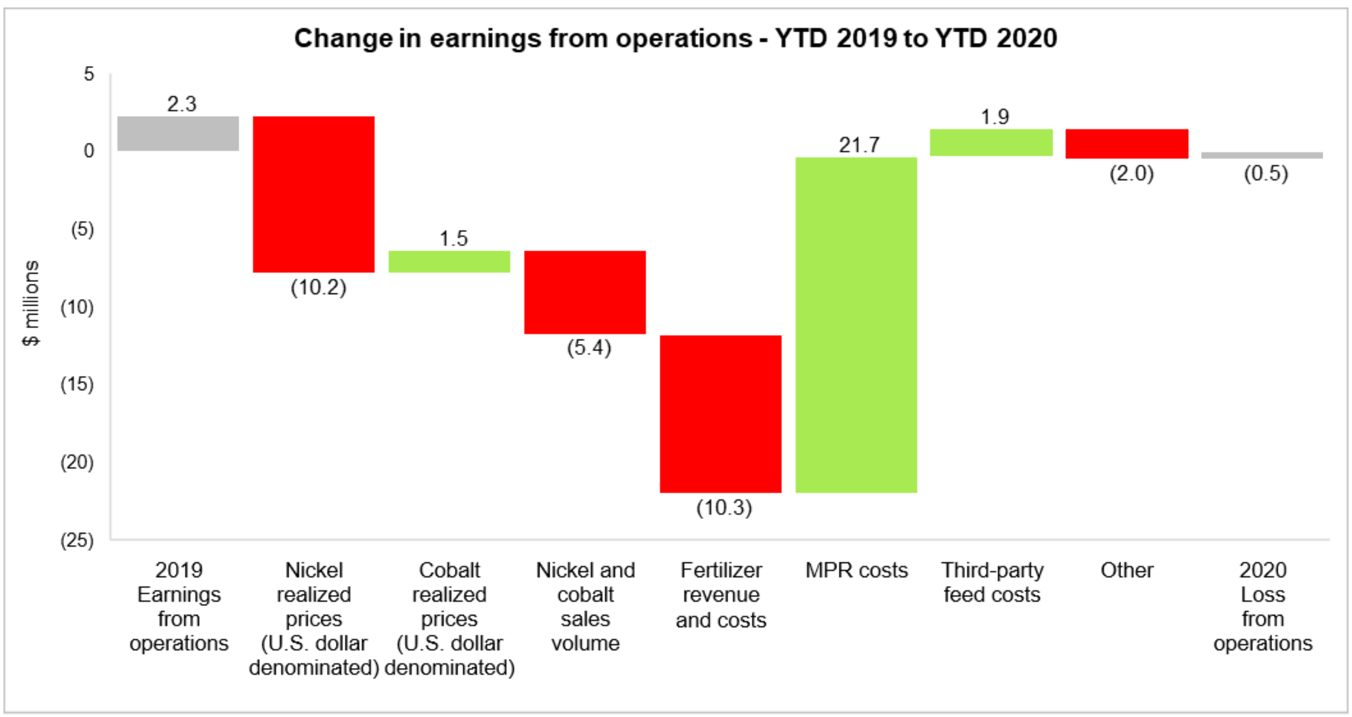
(1) Excludes depletion, depreciation and amortization

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

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

The change in earnings from operations is detailed below:





Average U.S. dollar reference prices for nickel were 9% and 3% lower for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year, while average U.S. dollar reference prices for cobalt were 2% and 6% lower than in the comparable prior year periods. Average-realized prices for nickel were 8% and 3% lower for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year. Average-realized prices for cobalt were 5% lower and 4% higher for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year. Realized prices for the three and nine months ended September 30, 2020, respectively, were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same periods in the prior year.

Mixed sulphides production was 12% and 2% higher for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year, primarily due to normalized diesel availability in the current year periods. In the prior year, Cuba, and in turn the Moa Joint Venture, experienced diesel shortages due to economic and trade sanctions imposed on Venezuela, Cuba's largest oil supplier. Subsequent to Q3 2019, the Moa Joint Venture was able to secure its diesel requirements and as a result, there have been no diesel availability issues in 2020.

Nickel recovery rates were 6% and 1% higher for the three and nine months ended September 30, 2020, respectively, compared to the same periods in the prior year, due to better quality ore in the current year periods and the commissioning of the fifth sulphide precipitation autoclave in Moa during July. Furthermore, for the three months ended September 30, 2019, nickel recovery rates were negatively impacted by reduced diesel availability, which limited access to planned mining areas.

For the three months ended September 30, 2020, finished nickel and cobalt production was lower than the same period in the prior year primarily due to the deferral of the annual maintenance shutdown of the refinery in Fort Saskatchewan for planned maintenance from June to July. The duration of the shutdown was extended by four days when compared to plan and the shutdown of the prior year due to limited local contractor availability and additional repair scope identified. Shutdown costs for 2020 were consistent with plan and costs incurred in 2019. For the nine months ended September 30, 2020, finished production was lower than the same period in the prior year due to the extension of the shutdown and lower mixed sulphides availability in Fort Saskatchewan earlier in the year, primarily due to transportation delays in shipping mixed sulphides from Moa to the refinery caused by poor weather and congestion at the port of Moa, as well as Canadian rail transportation issues, all of which have since ended. Year-to-date finished production has not been significantly affected by COVID-19.

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

Fertilizer production was 19% lower for the three months ended September 30, 2020 compared to the same period in the prior year due to the planned annual ammonia plant shutdown at Fort Site, which occurred in Q2 2019 in the prior year. Fertilizer production was 7% lower for the nine months ended September 30, 2020 compared to the same period in the prior year as poor weather in Q4 2019 resulted in lower than anticipated sales and higher opening 2020 inventory, resulting in less production due to customer demand and on-site storage capacity. Fertilizer's earnings from operations for the three and nine months ended September 30, 2020 were lower compared to the same periods in the prior year primarily due to lower average-realized fertilizer prices, partially offset by higher sales volume.

Mining, processing and refining (MPR) unit costs for the three and nine months ended September 30, 2020 were 6% and 9% lower, respectively, compared to the same periods in the prior year primarily due to lower sulphur and fuel oil prices.

NDCC for the three months ended September 30, 2020 was lower compared to the same period in the prior year primarily as a result of lower MPR costs, as discussed above, higher cobalt by-product credits due to higher cobalt sales volume and lower third-party feed costs, partially offset by lower fertilizer by-product credits primarily due to lower average-realized fertilizer prices. NDCC for the nine months ended September 30, 2020 was lower compared to the same periods in the prior year primarily as a result of lower MPR costs, as discussed above, higher cobalt by-product credits primarily due to higher average-realized cobalt prices and lower third-party feed costs, partially offset by lower fertilizer by-product credits primarily due to lower average-realized fertilizer prices.

Sustaining capital spending for the three months ended September 30, 2020 was higher than the same period in the prior year primarily due to the timing of planned capital expenditures. Sustaining capital was lower for the nine months ended September 30, 2020 than the same period in the prior year primarily due to austerity measures in response to volatile commodity prices and uncertainties related to the impact of COVID-19.

Sherritt's share of planned capital spend for 2020 at the Moa JV (50% basis) and Fort Site (100%) is expected to be US$22 million, down from US$34 million initially forecasted at the start of the year. The reduction in planned capital spend is due to austerity measures implemented earlier in 2020, including the decision to defer a number of capital spend projects.

Based on performance through September 30, 2020, the Moa Joint Venture expects to achieve its 2020 guidance for production, unit costs and planned capital spend.

During the three months ended September 30, 2020, the Corporation and General Nickel Company S.A. (GNC) (together, the Moa Joint Venture partners) considered amendments to the Moa Joint Venture expansion loans and mutually agreed to covert US$402.1 million ($548.0 million) of its loans receivable with the Moa Joint Venture to equity which, at the Corporation's 50% share, resulted in a US$201.0 million ($274.0 million) decrease in the Corporation's expansion loans receivable and a US$201.0 million ($274.0 million) increase in the investment in a joint venture. The conversion of the expansion loans into equity, which did not result in any change to the ownership interest percentage of either Moa JV shareholder, results in a simpler capital structure for the Moa JV and results in all future distributions to shareholders being in the form of dividends.

Subsequent to period-end, the Moa Joint Venture paid a US$15.0 million distribution to its shareholders. Sherritt received its 50% share of this distribution, or US$7.5 million, directly. In addition, GNC, Sherritt's joint venture partner, re-directed its US$7.5 million share of this distribution to the Corporation to be applied against amounts owing to Sherritt from Energas. The re-direction was secured through negotiations between Sherritt and its Cuban partners, and was made in accordance with the 2019 Cuban overdue receivables agreement.

Subsequent to period-end, Sherritt employee members of Unifor at the refinery in Fort Saskatchewan ratified a new collective agreement through March 31, 2022. The new agreement extends Sherritt's track record of no labour disruptions at the refinery since it began operations in 1954.

OIL AND GAS

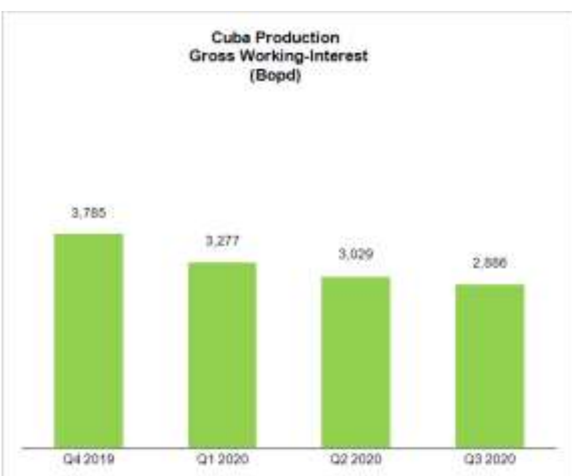
	For the three months ended			For the nine months ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**September 30**	September 30	Change	**September 30**	September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 5.6**	$ 6.9	(19%)	**$ 18.7**	$ 23.4	(20%)
Loss from operations	**(120.4)**	(6.5)	nm(4)	**(130.5)**	(17.6)	nm(4)
Adjusted EBITDA(1)	**(3.2)**	(3.8)	16%	**(9.9)**	(9.2)	(8%)
CASH FLOW						
Cash (used) provided by operations	**$ (5.2)**	$ (9.2)	43%	**$ (21.2)**	$ 4.3	(593%)
Adjusted operating cash flow(1)	**(2.7)**	(4.8)	44%	**(10.1)**	(11.6)	13%
Free cash flow(1)	**(5.8)**	(13.7)	58%	**(25.4)**	(17.4)	(46%)
PRODUCTION AND SALES(2)						
Gross working-interest (GWI) - Cuba	**2,886**	4,060	(29%)	**3,063**	4,306	(29%)
Total net working-interest (NWI)	**1,554**	1,199	30%	**1,744**	1,496	17%
AVERAGE REFERENCE PRICES (US$ per barrel)						
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**37.95**	51.49	(26%)	**33.35**	57.90	(42%)
AVERAGE-REALIZED PRICES(1) (per NWI)						
Cuba ($ per barrel)	**$ 34.38**	$ 50.38	(32%)	**$ 32.92**	$ 57.22	(42%)
UNIT OPERATING COSTS(1)(2) (per GWI)						
Cuba ($ per barrel)	**$ 30.93**	$ 21.40	45%	**$ 28.32**	$ 20.83	36%
SPENDING ON CAPITAL(3)						
Development, facilities and other	**$ (2.1)**	$ (0.2)	nm(4)	**$ (2.1)**	$ 0.8	nm(4)
Exploration	**0.3**	5.1	(94%)	**3.1**	21.1	(85%)
	$ (1.8)	$ 4.9	(137%)	**$ 1.0**	$ 21.9	(95%)

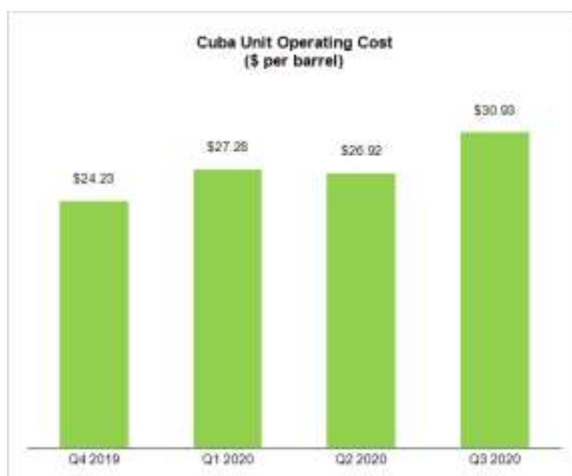
(1) For additional information see the Non-GAAP measures section.

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

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

(4) Not meaningful (nm).





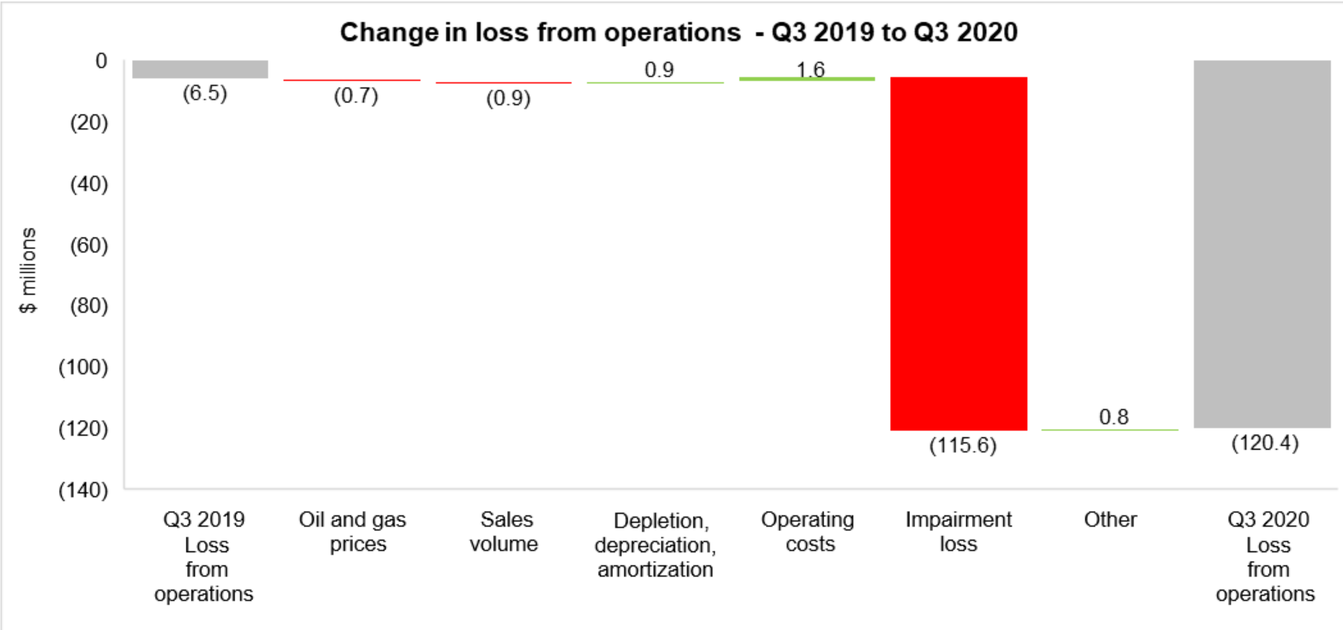
$ millions, except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
REVENUE						
Cuba	**$ 4.8**	$ 4.9	(2%)	**$ 14.8**	$ 17.3	(14%)
Other[3]	**0.2**	1.0	(80%)	**1.6**	2.6	(38%)
Processing	**0.6**	1.0	(40%)	**2.3**	3.5	(34%)
	$ 5.6	$ 6.9	(19%)	**$ 18.7**	$ 23.4	(20%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[1][2]						
Gross working-interest (GWI) oil production in Cuba	**2,886**	4,060	(29%)	**3,063**	4,306	(29%)
Net working-interest (NWI) oil production						
Cuba (heavy oil)						
Cost recovery	**1,380**	843	64%	**1,515**	875	73%
Profit oil	**111**	218	(49%)	**114**	233	(51%)
Total	**1,491**	1,061	41%	**1,629**	1,108	47%
Other[3]	**63**	138	(54%)	**115**	388	(70%)
	1,554	1,199	30%	**1,744**	1,496	17%

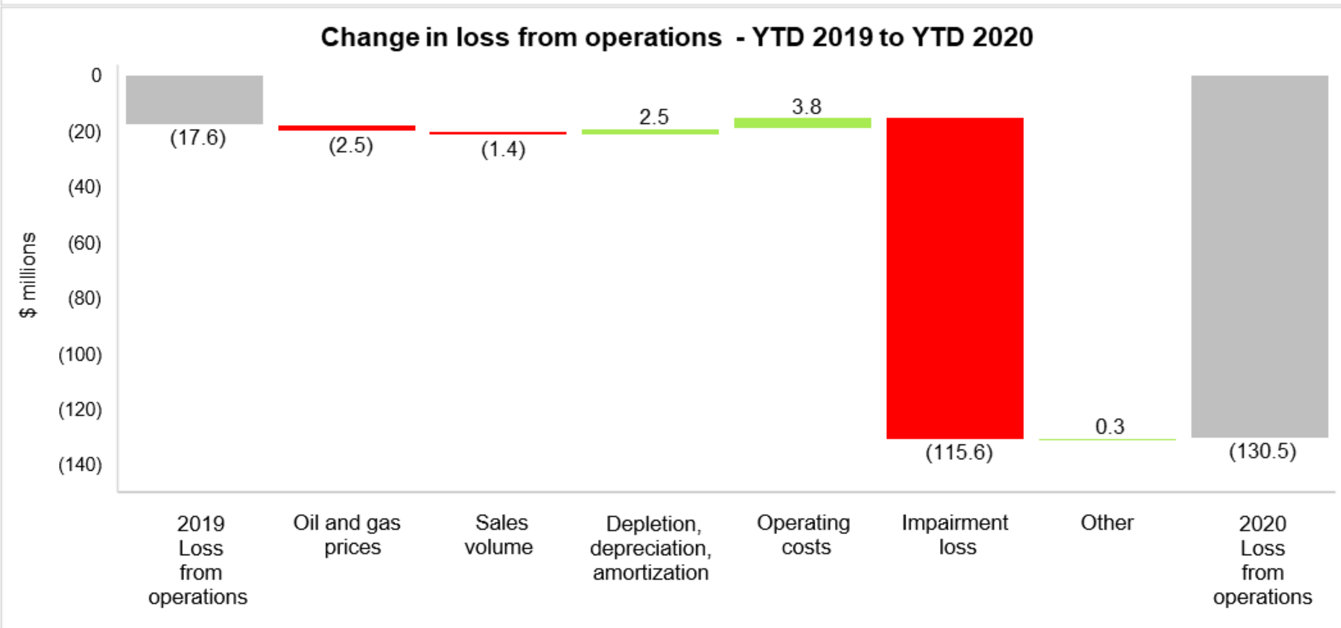
(1) In Cuba, Oil and Gas delivers all of its gross working-interest oil production to CUPET at the time of production.

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

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

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





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

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

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

Based on performance through September 30, 2020, Oil and Gas remains on track to achieve its 2020 guidance for production and unit costs. As a result of the analysis completed at Block 10 in Q3 2020, planned capital spend for 2020 has been lowered to US$1.5 million ($2.0 million) from US$4.0 million ($6.0 million) at the start of the year.

Development, facilities and other capital spending was lower for the three and nine months ended September 30, 2020 compared to the same periods in the prior year due to the reversal of an accrual. Exploration spending was lower for the three and nine months ended September 30, 2020 compared to the same periods in the prior year due to limited spending on drilling activities on Block 10.

During the three months ended September 30, 2020, the Corporation completed its analysis and testing of samples obtained from the Block 10 well. Testing confirmed that water is present and entering the well from the loss circulation zone, which is located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. As a result, the Corporation has decided to suspend the well and recognized a non-cash impairment loss of $95.0 million for capitalized well costs. The impairment loss consists of all exploration and evaluation assets related to the well asset, including drilling materials and equipment, as well as geological and engineering expenses. The Corporation also recognized a non-cash impairment loss of $20.6 million on capital spare parts due to the well suspension and uncertainty on the timing of future exploration activities in Cuba. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. Sherritt has committed to making no further investments in Block 10 without first securing an earn-in partner.

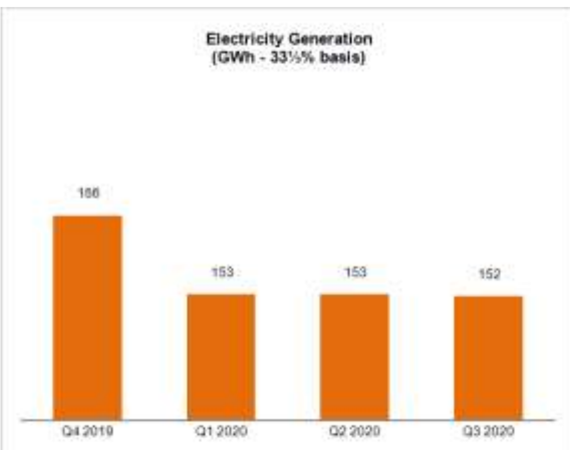
POWER

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 9.4**	$ 12.1	(22%)	**$ 28.4**	$ 33.9	(16%)
Earnings from operations	**1.6**	1.8	(11%)	**4.5**	3.5	29%
Adjusted EBITDA(1)	**6.8**	8.6	(21%)	**20.3**	22.9	(11%)
CASH FLOW						
Cash provided by operations	**$ 20.9**	$ 15.9	31%	**$ 47.6**	$ 31.1	53%
Adjusted operating cash flow(1)	**10.9**	11.2	(3%)	**39.8**	24.5	62%
Free cash flow(1)	**20.2**	15.7	29%	**46.9**	30.3	55%
PRODUCTION AND SALES						
Electricity (GWh(2))	**152**	197	(23%)	**458**	550	(17%)
AVERAGE-REALIZED PRICES(1)						
Electricity (per MWh(2))	**$ 57.55**	$ 55.50	4%	**$ 57.67**	$ 55.80	3%
UNIT OPERATING COSTS						
Electricity (per MWh(1)(2))	**14.63**	14.42	1%	**14.44**	16.89	(15%)
SPENDING ON CAPITAL(3)						
Sustaining	**$ 0.8**	$ 0.2	300%	**$ 0.8**	$ 0.8	-
	$ 0.8	$ 0.2	300%	**$ 0.8**	$ 0.8	-

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

(2) Gigawatt hours (GWh), Megawatt hours (MWh).

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



Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended **2020** **September 30**	2019 September 30	Change	For the nine months ended **2020** **September 30**	2019 September 30	Change
Electricity sales	**$ 8.7**	$ 11.0	(21%)	**$ 26.4**	$ 30.7	(14%)
By-products and other	**0.7**	1.1	(36%)	**2.0**	3.2	(38%)
	$ 9.4	$ 12.1	(22%)	**$ 28.4**	$ 33.9	(16%)

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

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

Power had negligible capital spending for the three and nine months ended September 30, 2020.

Based on performance through September 30, 2020, Power is on track to achieve its 2020 guidance for production and planned capital spend. Unit costs targets have been lowered to $20.00 to $21.50 per MWh based on performance year-to-date and anticipated power production in Q4 2020.

Liquidity and capital resources

Total available liquidity as at September 30, 2020 was $226.9 million, which is composed of available cash, cash equivalents, short term investments and $61.8 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 discussion with its operating partners to replace the letter of credit with a potential alternative arrangement. Total available liquidity excludes restricted cash of $5.3 million.

CASH AND SHORT-TERM INVESTMENTS

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

$ millions, as at September 30, 2020	Cash	Cash equivalents and short-term investments	Total
Canada	$ 58.3	$ 16.0	$ 74.3
Cuba	86.2	-	86.2
Other	4.6	-	4.6
	$ 149.1	$ 16.0	$ 165.1
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			$ 33.6

SOURCES AND USES OF CASH

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

$ millions	For the three months ended 2020 September 30	2019 September 30	Change	For the nine months ended 2020 September 30	2019 September 30	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	**$ (5.2)**	$ (9.2)	43%	**$ (21.2)**	$ 4.3	(593%)
Power operating cash flow	**20.9**	15.9	31%	**47.6**	31.1	53%
Fort Site operating cash flow	**13.2**	(3.2)	513%	**7.9**	(28.0)	128%
Distributions received from the Moa Joint Venture	**-**	11.6	(100%)	**13.3**	28.4	(53%)
Interest paid on debentures	**-**	(7.8)	100%	**-**	(30.7)	100%
Corporate, Metals Other, and other operating cash flow	**(3.6)**	(5.8)	38%	**(12.3)**	(23.3)	47%
Cash provided (used) by continuing operations	**25.3**	1.5	1587%	**35.3**	(18.2)	294%
Cash (used) provided by discontinued operations(1)	**(4.6)**	(3.2)	(44%)	**(5.7)**	10.8	(153%)
	$ 20.7	$ (1.7)	1318%	**$ 29.6**	$ (7.4)	500%
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible expenditures	**$ (2.5)**	$ (5.7)	56%	**$ (8.7)**	$ (25.4)	66%
Receipts of advances, loans receivable and other financial assets	**0.2**	0.2	-	**0.5**	0.5	-
Repayment of other financial liabilities	**(0.4)**	(0.9)	56%	**(1.5)**	(2.3)	35%
Fees paid on debenture exchange	**(23.3)**	-	-	**(23.3)**	-	-
Effect of exchange rates and other	**(2.0)**	0.6	nm(2)	**2.4**	(3.1)	177%
	$ (28.0)	$ (5.8)	(383%)	**$ (30.6)**	$ (30.3)	(1%)
	(7.3)	(7.5)	nm(2)	**(1.0)**	(37.7)	97%
Cash, cash equivalents and short-term investments:						
Beginning of the period	**172.4**	176.8	(2%)	**166.1**	207.0	(20%)
End of the period	**$ 165.1**	$ 169.3	(2%)	**$ 165.1**	$ 169.3	(2%)

(1) Cash (used) provided by discontinued operations includes $2.7 million in Balance Sheet Initiative transaction costs related to the Ambatovy Joint Venture Interests exchange, in addition to payments made, or insurance proceeds received, in respect of a provision retained by the Corporation following the sale of its Coal operations in 2014.

(2) Not meaningful (nm).

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

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

- higher cash provided by operating activities at Fort Site for the three and nine months ended September 30, 2020 primarily due to timing of working capital receipts and payments, as well as timing of fertilizer pre-sale receipts;
- higher cash provided by operating activities at Power for the three and nine months ended September 30, 2020 primarily due to higher Cuban energy receipts;
- no interest paid on debentures for the three and nine months ended September 30, 2020 as a result of the Balance Sheet Initiative completed on August 31, 2020 discussed in the Highlights section of this MD&A;
- lower cash used by operating activities at Oil and Gas for the three months ended September 30, 2020 primarily due to the timing of working capital payments. Cash provided by operating activities at Oil and Gas for the nine months ended September 30, 2020 was lower primarily due to lower Cuban energy receipts.
- lower distributions received from the Moa Joint Venture for the three and nine months ended September 30, 2020; and
- lower cash used by operating activities at Corporate, Metals Other and other for the three months ended September 30, 2020 primarily due to the receipt of CEWS wage subsidies. Cash used by operating activities at Corporate, Metals Other and other for the nine months ended September 30, 2020 was lower primarily due to the receipt of a $16.0 million prepayment against nickel deliveries in 2020.

Cash used by discontinued operations for the three and nine months ended September 30, 2020 includes transaction costs related to the Ambatovy Joint Venture Interests exchange, in addition to payments made, or insurance proceeds received, in respect of a provision retained by the Corporation following the sale of its Coal operations in 2014.

Included in investing and financing activities are expenditures on property, plant and equipment, which decreased due to austerity measures, and expenditures on intangibles related to Block 10, which decreased as the Corporation completed drilling in December 2019. Cash also decreased and increased in the three and nine months ended September 30, 2020, respectively, due to the effect of exchange rate changes on cash and cash equivalents as a result of the appreciation and depreciation of the Canadian dollar since June 30, 2020 and December 31, 2019, respectively.

The Corporation's Adjusted EBITDA(1) reconciles to the increase in cash, cash equivalents and short-term investments as follows for the nine months ended September 30, 2020:

$ millions, for the nine months ended September 30		2020
Adjusted EBITDA(1)	$	28.2
Add (deduct):		
Moa Joint Venture Adjusted EBITDA		(42.9)
Distributions from the Moa Joint Venture		13.3
Interest received on Energas CSA		20.8
Net change in non-cash working capital		14.4
Other		1.5
Cash provided by continuing operations per financial statements		35.3
Add (deduct):		
Cash used by discontinued operations		(5.7)
Capital expenditures		(8.7)
Fees paid on debenture exchange		(23.3)
Effect of exchange rate changes on cash and cash equivalents		2.4
Other		(1.0)
Change in cash, cash equivalents and short-term investments	$	(1.0)

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

Canadian $ millions, as at September 30, 2020	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 159.8	$ 159.8	$ -	$ -	$ -	$ -	$ -
Income taxes payable	12.4	12.4	-	-	-	-	-
8.50% second lien secured notes due 2026	566.2	20.2	30.4	30.4	30.7	54.4	400.1
10.75% unsecured PIK option notes due 2029	194.2	-	-	-	-	-	194.2
Syndicated revolving-term credit facility	8.0	8.0	-	-	-	-	-
Provisions	133.9	2.6	-	0.5	0.5	49.9	80.4
Lease liabilities	21.2	2.4	2.6	2.5	2.4	2.4	8.9
Capital commitments	6.5	6.5	-	-	-	-	-
Other	0.3	-	-	0.3	-	-	-
Total	$ 1,102.5	$ 211.9	$ 33.0	$ 33.7	$ 33.6	$ 106.7	$ 683.6

DEBT RESTRUCTURING

In February 2020, the Corporation announced the Transaction to be implemented pursuant to a plan of arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act (the "CBCA"), and in June and July 2020, it announced amended terms to the Transaction. The Plan of Arrangement received approval by debtholders on July 23, 2020 and by the Ontario Superior Court of Justice (Commercial List) ("the Court") on August 6, 2020, and the Transaction was completed on August 31, 2020.

As a result of the Transaction, the Corporation issued 8.50% second lien secured notes with a principal amount of $357.5 million maturing on November 30, 2026. Interest is payable semi-annually in cash. The indenture governing the New Second Lien Notes Indenture (the "New Second Lien Notes Indenture") requires mandatory redemptions from excess cash (subject to the minimum liquidity condition noted below and the other terms and conditions set forth in the New Second Lien Notes Indenture). The mandatory excess cash flow redemption provision is in effect beginning with the two-quarter period ending June 30, 2021 and mandatory redemptions are based on excess cash flow (a measure calculated based on cash provided by (used in) operating activities, less property, plant and equipment expenditures, plus all cash distributed by Energas S.A. to the Corporation), which mandatory redemption shall be required to be made only if the Corporation has minimum liquidity of $75.0 million calculated in accordance with the New Second Lien Notes Indenture. Mandatory redemptions have been presented as falling due between 4-5 years and falling due in more than 5 years based on the expected timing of excess cash flow requiring redemption.

The New Second Lien Notes Indenture provides for a 7% premium on (i) any optional early redemptions made at the election of the Corporation prior to maturity as mentioned above and (ii) on repayment on the maturity date, provided that the aggregate amount of all premium payments paid by Sherritt with respect to the foregoing shall collectively not be less than $25.0 million. This premium has been presented as falling due in more than 5 years based on its expected timing of payment at maturity. Mandatory redemptions do not incur a premium and ultimately do not affect the timing of when this 7% premium is paid.

As a result of the Transaction, the Corporation also issued 10.75% unsecured PIK option notes with a principal amount of $75.0 million maturing on August 31, 2029. Interest is payable semi-annually in cash or in-kind, at Sherritt's election. All interest has been presented as falling due in more than 5 years based on the expected timing of cash payment at maturity.

SYNDICATED REVOLVING-TERM CREDIT FACILITY

During the three months ended September 30, 2020, the maturity of the Corporation's $70.0 million syndicated revolving-term credit facility was extended from September 30, 2020 to October 31, 2020. On October 27, 2020, the maturity of the syndicated revolving-term credit facility was further extended to December 31, 2020. The maximum credit available, covenants, collateral and interest rates remained unchanged.

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

The facility is subject to the following financial covenants and restrictions as of April 15, 2020 through to December 31, 2020 maturity:

- EBITDA, as defined in the agreement, equal to or greater than $60.0 million;

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

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

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $89.0 million, with no significant payments due in the next five years;
- Lease commitments of $4.9 million; and
- Loans and borrowings of $18.9 million. This is a reduction from prior quarters as a result of the conversion of the Moa Joint Venture expansion loans to equity during the three months ended September 30, 2020. Previously, the Corporation included its proportionate share of this commitment to the Moa Joint Venture partners.

Ambatovy Joint Venture

As a result of the completion of the Transaction on August 31, 2020, the Corporation no longer has an interest in the Ambatovy Joint Venture, nor any share of commitments of the joint venture, as at September 30, 2020.

COMMON SHARES

As at November 4, 2020, the Corporation had 397,284,652 common shares outstanding. An additional 9,009,039 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan, a maximum of 47,232,200 on the issue of cobalt-linked warrants and 10,376,388 common shares issuable on the exercise of other common share warrants.

Managing risk

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

LIQUIDITY AND ACCESS TO CAPITAL

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

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

Accounting pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

The condensed consolidated financial statements referenced in this MD&A have been prepared in accordance with IAS 34, Interim Financial Reporting, using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2019, unless otherwise indicated in the notes to the condensed consolidated financial statements for the three and nine months ended September 30, 2020. The Corporation discloses further information regarding discontinued operations in note 6, government grants in note 10 and COVID-19 and other pandemic risk in note 22 in its condensed consolidated financial statements for the three and nine months ended September 30, 2020.

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

CRITICAL ACCOUNTING JUDGMENTS

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

Going concern

The condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities and cash-settled share-based payments, which have been measured at fair value. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position and these factors have been further compounded by the ongoing impacts of COVID-19, the full effects of which continue to evolve at this time. After considering the future impacts of these factors and the initiatives the Corporation has taken and will continue to undertake to mitigate them, the Corporation believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: the future impact of COVID-19 on the Corporation's business and operations, future commodity prices, the timing of collections of Cuban receivables, and continued access to short-term financing. Management has therefore concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern.

Impairment of non-financial assets

The Corporation assesses the carrying amount of non-financial assets including property, plant and equipment and intangible assets subject to depreciation and amortization at each reporting date to determine whether there are any indicators that the carrying amount of the assets may be impaired or require a reversal of impairment. Impairment is assessed at the cash-generating unit (CGU) level and the determination of CGUs is an area of judgment.

For purposes of determining the recoverable amount, management assesses the recoverable amount of the asset using the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the asset and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and the recoverable amount of these assets. Where necessary, management engages qualified third-party professionals to assist in the determination of the recoverable amount.

Summary of quarterly results[1]

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

$ millions, except per share amounts, for the three months ended		**2020 Sep 30**		2020 June 30		2020 Mar 31		2019 Dec 31		2019 Sep 30		2019 Jun 30		2019 Mar 31		2018 Dec 31
Revenue per financial statements	**$**	**24.9**	$	40.4	$	26.3	$	31.0	$	27.5	$	46.2	$	31.6	$	37.1
Share of earnings (loss) of a joint venture, net of tax		**4.2**		(3.2)		(3.9)		3.5		7.0		(1.3)		(8.9)		6.2
Share of loss of an associate, net of tax		**-**														(32.1)
Net earnings (loss) from continuing operations		**11.4**		(13.3)		(34.5)		(65.6)		(15.5)		(26.2)		(35.1)		(69.1)
Earnings (loss) from discontinued operations, net of tax[2]		**217.1**		(101.2)		(7.7)		(119.9)		(14.5)		(64.2)		(26.7)		16.0
Net earnings (loss) for the period	**$**	**228.5**	$	(114.5)	$	(42.2)	$	(185.5)	$	(30.0)	$	(90.4)	$	(61.8)	$	(53.1)
Net earnings (loss) per share, basic ($ per share)																
Net earnings (loss) from continuing operations	**$**	**0.03**	**$**	(0.03)	$	(0.09)	$	(0.17)	$	(0.04)	$	(0.07)	$	(0.09)	$	(0.17)
Net earnings (loss) for the period		**0.58**		(0.29)		(0.11)		(0.47)		(0.08)		(0.23)		(0.16)		(0.13)

(1) The amounts for periods ended after December 31, 2018 have been prepared in accordance with IFRS 16 and restated to account for the Ambatovy Joint Venture as a discontinued operation; amounts for the period ended December 31, 2018 have not been restated. Refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2019 for additional information on IFRS 16 and the Highlights section of this MD&A for additional information regarding the Ambatovy Joint Venture classification as a discontinued operation.

(2) Earnings (loss) 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 $1.32 (Q4 2018) to $1.39 (Q2 2020) and period-end rates ranged between $1.30 (Q4 2019) 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) in continuing and discontinued operations:

- The third quarter of 2020 includes the recognition of $3.6 million of unrealized foreign exchange gains in continuing operations, in addition to a $1.2 million realized foreign exchange loss included within earnings from discontinued 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;
- The second quarter of 2020 includes the recognition of $13.1 million of unrealized foreign exchange losses, $74.4 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable and subordinated loans receivable (post-financial completion) and $23.6 million of gains on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable;
- The first quarter of 2020 includes the recognition of $23.5 million of unrealized foreign exchange gains and $17.2 million of losses on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable;
- The fourth quarter of 2019 includes $81.5 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated and post-financial completion loans receivable, a $6.8 million loss on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable, impairment losses of $31.0 million and $20.3 million on the investment in an associate and intangible assets, respectively, the recognition of $8.4 million of unrealized foreign exchange losses;
- The third quarter of 2019 includes the recognition of $7.7 million of unrealized foreign exchange gains;
- the second quarter of 2019 includes a $53.6 million loss on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable; the recognition of $8.0 million of unrealized foreign exchange losses and a $9.6 million gain recognized within the share of loss of an associate on the revaluation of financial assets measured at fair value through profit or loss;
- the first quarter of 2019 includes the recognition of $5.8 million of unrealized foreign exchange losses; and

- the fourth quarter of 2018 includes an unrealized foreign exchange gain of $20.7 million, a $44.1 million loss on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable and $15.7 million in losses on write-down of long-lived assets in the Ambatovy Joint Venture.

Off-balance sheet arrangements

As at September 30, 2020, the Corporation had no foreign exchange or commodity options, futures or forward contracts.

Subsequent to period-end, Sherritt took advantage of the recent strength in nickel prices and purchased put options on 25% of its share of attributable finished nickel production from the Moa Joint Venture for 2021 at a strike price of US$6.50/lb. Any cash settlements will be completed on a monthly basis against the average monthly nickel price on the London Metals Exchange and will involve no physical delivery. The hedging strategy, which will be in effect for a 12-month period starting January 1, 2021, is designed to provide Sherritt with cash flow security in 2021 against major downward changes in nickel prices by providing a floor but no cap on 25% of Sherritt's share of 2021 nickel production. The put options will be recognized in the Corporation's condensed consolidated statements of financial position as at December 31, 2020.

Transactions with related parties

The Corporation enters into transactions related to its joint arrangements. For further detail, refer to notes 11 and 23 of the Corporation's condensed consolidated financial statements for the three and nine months ended September 30, 2020. Transactions between related parties are generally based on standard commercial terms. As a result of Transaction, the Ambatovy Joint Venture ceased to be a related party of the Corporation on August 31, 2020.

All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

Supplementary information

SENSITIVITY ANALYSIS

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

Factor		Increase	Approximate change in quarterly net earnings (CDN$ millions) Increase/ (decrease)	Approximate change in quarterly basic EPS Increase/ (decrease)
Prices				
Nickel - LME price per pound(1)	US$	1.00	$ 9	$ 0.02
Cobalt - Metal Bulletin price per pound(1)	US$	5.00	6	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(4)	(0.01)
Operating costs(1)				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture)	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

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

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

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

As discussed in the Business we manage section, in 2019, the Ambatovy Joint Venture was excluded from combined results, Adjusted EBITDA and combined cash flow metrics as a result of Sherritt becoming a defaulting shareholder and the Ambatovy Joint Venture therefore no longer being a reportable segment. As a result of the completion of the Transaction, the Ambatovy Joint Venture continues to be excluded in the current and comparative periods.

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

Combined results

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

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

	For the three months ended			For the nine months ended		
	2020	2019		**2020**	2019	
$ millions	**September 30**	September 30	Change	**September 30**	September 30	Change
Revenue by operations						
Moa Joint Venture and Fort Site	**$ 97.7**	$ 112.2	(13%)	**$ 306.7**	$ 337.6	(9%)
Oil and Gas	**5.6**	6.9	(19%)	**18.7**	23.4	(20%)
Power	**9.4**	12.1	(22%)	**28.4**	33.9	(16%)
Other(1)(2)	**2.6**	2.5	4%	**7.3**	7.0	4%
Combined revenue	**$ 115.3**	$ 133.7	(14%)	**$ 361.1**	$ 401.9	(10%)
Adjust joint venture	**(90.4)**	(106.1)		**(269.5)**	(296.6)	
Financial statement revenue	**$ 24.9**	$ 27.6	(10%)	**$ 91.6**	$ 105.3	(13%)

(1) Other Q3 2020 revenue includes - Other Metals - $3.3 million and Corporate and other - $ (0.7) million. (Other Q3 2019 revenue includes - Other Metals - $2.8 million and Corporate and other - $ (0.3) million).

(2) Other YTD 2020 revenue includes - Other Metals - $9.2 million and Corporate and other - $ (1.9) million. (Other YTD 2019 revenue includes - Other Metals - $8.5 million and Corporate and other - $ (1.5) million).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations and joint venture 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 joint venture; gains or losses on disposition of an interest in an investment in joint venture of the Corporation; and gain or loss on debt restructuring. 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 September 30							**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture	Total
(Loss) earnings from operations and joint venture per financial statements	**$ 3.0**	**$ 0.3**	**$ (120.4)**	**$ 1.6**	**$ (6.1)**	**$ (3.1)**	**$ (124.7)**
Add (deduct):							
Depletion, depreciation and amortization	**2.7**	**0.1**	**1.6**	**5.2**	**0.2**	**-**	**9.8**
Impairment of assets	**-**	**-**	**115.6**	**-**	**-**	**-**	**115.6**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**11.7**	**-**	**-**	**-**	**-**	**-**	**11.7**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**3.6**	**3.6**
Adjusted EBITDA	**$ 17.4**	**$ 0.4**	**$ (3.2)**	**$ 6.8**	**$ (5.9)**	**$ -**	**$ 15.5**
Loss from operations and joint venture							$ **(124.7)**
Net finance income							**136.2**
Income tax expense							**(0.1)**
Net earnings from continuing operations							$ **11.4**

$ millions, for the three months ended September 30							2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture	Total
(Loss) earnings from operations and joint venture per financial statements	$ 12.2	$ 0.3	$ (6.5)	$ 1.8	$ (10.0)	$ (6.5)	$ (8.7)
Add (deduct):							
Depletion, depreciation and amortization	2.1	-	2.7	6.8	0.3	-	11.9
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	11.2	-	-	-	-	-	11.2
Net finance expense	-	-	-	-	-	2.0	2.0
Income tax expense	-	-	-	-	-	4.5	4.5
Adjusted EBITDA	$ 25.5	$ 0.3	$ (3.8)	$ 8.6	$ (9.7)	$ -	$ 20.9
Loss from operations, joint venture and associate							$ (8.7)
Net finance expense							(4.7)
Income tax expense							(2.0)
Net loss from continuing operations							$ (15.4)

$ millions, for the nine months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture	Total 2020
(Loss) earnings from operations and joint venture per financial statements	**$ (0.5)**	**$ 1.0**	**$ (130.5)**	**$ 4.5**	**$ (28.1)**	**$ (9.6)**	**$ (163.2)**
Add (deduct):							
Depletion, depreciation and amortization	**8.1**	**0.2**	**5.0**	**15.8**	**0.8**	**-**	**29.9**
Impairment of assets	**-**	**-**	**115.6**	**-**	**-**	**-**	**115.6**
Share of loss of an associate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**36.3**	**-**	**-**	**-**	**-**	**-**	**36.3**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**4.5**	**4.5**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**5.1**	**5.1**
Adjusted EBITDA	**$ 43.9**	**$ 1.2**	**$ (9.9)**	**$ 20.3**	**$ (27.3)**	**$ -**	**$ 28.2**
Loss from operations and joint venture							$ **(163.2)**
Net finance income							**127.1**
Income tax expense							**(0.3)**
Net loss from continuing operations							$ **(36.4)**

$ millions, for the nine months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture	Total 2019
(Loss) earnings from operations and joint venture per financial statements	$ 2.3	$ 0.5	$ (17.6)	$ 3.5	$ (30.6)	$ (6.9)	$ (48.8)
Add (deduct):							
Depletion, depreciation and amortization	7.1	-	8.4	19.4	1.0	-	35.9
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	34.5	-	-	-	-	-	34.5
Net finance expense	-	-	-	-	-	6.3	6.3
Income tax expense	-	-	-	-	-	0.6	0.6
Adjusted EBITDA	$ 43.9	$ 0.5	$ (9.2)	$ 22.9	$ (29.6)	$ -	$ 28.5
Loss from operations, joint venture and associate							$ (48.8)
Net finance expense							(25.1)
Income tax expense							(2.9)
Net loss from continuing operations							$ (76.8)

Average-realized price

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

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

$ millions, except average-realized price and sales volume, for the three months ended September 30							**2020**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 65.8**	**$ 18.4**	**$ 10.5**	**$ 3.0**	**$ 97.7**	**$ 5.6**	**$ 9.4**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(0.7)**
Processing revenue	**-**	**-**	**-**			**(0.6)**	**-**
Revenue for purposes of average-realized price calculation	**65.8**	**18.4**	**10.5**			**5.0**	**8.7**
Sales volume for the period	**7.9**	**1.1**	**36.2**			**0.14**	**152**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	**$ 8.36**	**$ 16.71**	**$ 289**			**$ 34.38**	**$ 57.55**

$ millions, except average-realized price and sales volume, for the three months ended September 30							2019
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 83.2	$ 17.0	$ 8.7	$ 3.3	$ 112.2	$ 6.9	$ 12.1
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.1)
Processing revenue	-	-	-			(1.0)	-
Revenue for purposes of average-realized price calculation	83.2	17.0	8.7			5.9	11.0
Sales volume for the period	9.1	0.9	25.2			0.10	197
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ 9.11	$ 17.54	$ 345			$ 50.38	$ 55.50

$ millions, except average-realized price and sales volume, for the nine months ended September 30							**2020**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	**$ 198.0**	**$ 48.8**	**$ 50.1**	**$ 9.8**	**$ 306.7**	**$ 18.7**	**$ 28.4**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(2.0)**
Processing revenue	**-**	**-**	**-**			**(2.3)**	**-**
Revenue for purposes of average-realized price calculation	**198.0**	**48.8**	**50.1**			**16.4**	**26.4**
Sales volume for the period	**25.4**	**2.7**	**139.4**			**0.45**	**458**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	**$ 7.80**	**$ 17.95**	**$ 359**			**$ 32.92**	**$ 57.67**

$ millions, except average-realized price and sales volume, for the nine months ended September 30							2019
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 223.4	$ 50.3	$ 52.7	$ 11.2	$ 337.6	$ 23.4	$ 33.9
Adjustments to revenue:							
By-product revenue	-	-	-			-	(3.2)
Processing revenue	-	-	-			(3.5)	-
Revenue for purposes of average-realized price calculation	223.4	50.3	52.7			19.9	30.7
Sales volume for the period	27.8	2.9	118.7			0.30	550
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels(1)	Gigawatt hours
Average-realized price(2)(3)	$ 8.04	$ 17.18	$ 444			$ 57.22	$ 55.80

(1) Net working-interest oil production in Cuba.
(2) Average-realized price may not calculate exactly based on amounts presented due to foreign exchange and rounding.
(3) Power, average-realized price per MWh.

Unit operating cost/NDCC

With the exception of the Moa Joint Venture, which uses NDCC, unit operating cost is generally calculated by dividing cost of sales as reported in the financial statements, less depreciation, depletion and amortization in cost of sales, the impact of impairment 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.

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

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

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

$ millions, except unit cost and sales volume, for the three months ended September 30			**2020**			2019
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 92.8**	**$ 9.0**	**$ 7.4**	$ 97.6	$ 11.2	$ 9.6
Less:						
Depletion, depreciation and amortization in cost of sales	**(14.4)**	**(1.5)**	**(5.2)**	(13.3)	(2.2)	(6.8)
	78.4	**7.5**	**2.2**	84.3	9.0	2.8
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(31.9)**	**-**	**-**	(29.0)	-	-
Impact of opening/closing inventory and other	**(3.2)**	**-**	**-**	(5.4)	-	-
Impairment on assets	**(1.3)**	**-**	**-**	-		-
Other	**-**	**1.4**	**-**	-	-	-
Cost of sales for purposes of unit cost calculation	**42.0**	**8.9**	**2.2**	49.9	9.0	2.8
Sales volume for the period	**7.9**	**0.28**	**152**	9.1	0.37	197
Volume units	**Millions of pounds**	**Millions of barrels(1)**	**Gigawatt hours**	Millions of pounds	Millions of barrels(1)	Gigawatt hours
Unit operating cost(2)(3)	**$ 5.34**	**$ 30.93**	**$ 14.63**	$ 5.46	$ 21.40	$ 14.42
Unit operating cost (U.S. dollars) (NDCC)	**$ 4.04**			$ 4.37		

$ millions, except unit cost and sales volume, for the nine months ended September 30			2020			2019
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 300.4**	**$ 29.4**	**$ 22.4**	$ 328.3	$ 35.1	$ 28.6
Less:						
Depletion, depreciation and amortization in cost of sales	**(44.4)**	**(4.4)**	**(15.8)**	(41.6)	(6.9)	(19.4)
	256.0	**25.0**	**6.6**	286.7	28.2	9.2
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(108.7)**	**-**	**-**	(114.2)	-	-
Impact of opening/closing inventory and other	**(5.6)**	**-**	**-**	(13.0)	-	-
Impairment on assets	**(1.3)**	**-**	**-**	-	-	-
Cost of sales for purposes of unit cost calculation	**140.4**	**25.0**	**6.6**	159.5	28.2	9.2
Sales volume for the period	**25.4**	**0.84**	**458**	27.8	1.18	550
Volume units	**Millions of pounds**	**Millions of barrels[1]**	**Gigawatt hours**	Millions of pounds	Millions of barrels[1]	Gigawatt hours
Unit operating cost[2][3]	**$ 5.53**	**$ 28.32**	**$ 14.44**	$ 5.74	$ 20.83	$ 16.89
Unit operating cost (U.S. dollars) (NDCC)	**$ 4.09**			$ 4.25		

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

(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.

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), 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 nine months ended	
	2020	2019	**2020**	2019
$ millions	**September 30**	September 30	**September 30**	September 30
Net earnings (loss) from continuing operations	**$ 11.4**	$ (15.4)	**$ (36.4)**	$ (76.8)
Adjusting items:				
Sherritt - Unrealized foreign exchange loss (gain) - continuing operations	**(3.6)**	(5.5)	**(8.7)**	(0.8)
Corporate - Gain on debenture exchange	**(143.4)**	-	**(143.4)**	-
Corporate - Cobalt-linked warrants fair value revaluation	**0.3**	0.2	**(0.2)**	(1.7)
Corporate - Moa JV expansion loans receivable ACL revaluation	**-**	-	**(6.4)**	-
Oil and Gas - Impairment	**115.6**	-	**115.6**	-
Oil and Gas - Inventory obsolescence	**2.0**	-	**2.0**	-
Oil and Gas and Power - ACL revaluation	**0.6**	0.1	**2.3**	0.5
Other	**1.6**	-	**2.8**	-
Total adjustments, before tax	**$ (26.9)**	$ (5.2)	**$ (36.0)**	$ (2.0)
Tax adjustments	**(0.6)**	-	**(0.6)**	-
Adjusted net loss from continuing operations	**$ (16.1)**	$ (20.6)	**$ (73.0)**	$ (78.8)
Adjusted net loss per share ($ per share)	**$ (0.04)**	$ (0.05)	**$ (0.18)**	$ (0.20)

Combined adjusted operating cash flow

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

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

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

$ millions, for the three months ended September 30								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 23.1**	**$ 0.1**	**$ (5.2)**	**$ 20.9**	**$ (3.7)**	**$ 35.2**	**$ (9.9)**	**$ 25.3**
Adjust: net change in non-cash working capital	**(6.1)**	**0.4**	**2.5**	**(10.0)**	**(0.5)**	**(13.7)**	**(8.0)**	**(21.7)**
Adjusted operating cash flow	**$ 17.0**	**$ 0.5**	**$ (2.7)**	**$ 10.9**	**$ (4.2)**	**$ 21.5**	**$ (17.9)**	**$ 3.6**

$ millions, for the three months ended September 30								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	$ 4.4	$ (1.0)	$ (9.2)	$ 15.9	$ (12.7)	$ (2.6)	$ 4.1	$ 1.5
Adjust: net change in non-cash working capital	20.3	1.3	4.4	(4.7)	(3.3)	18.0	(16.1)	1.9
Adjusted operating cash flow	$ 24.7	$ 0.3	$ (4.8)	$ 11.2	$ (16.0)	$ 15.4	$ (12.0)	$ 3.4

$ millions, for the nine months ended September 30								**2020**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 40.3**	**$ 7.0**	**$ (21.2)**	**$ 47.6**	**$ (19.2)**	**$ 54.5**	**$ (19.2)**	**$ 35.3**
Adjust: net change in non-cash working capital	**(0.5)**	**(5.4)**	**11.1**	**(7.8)**	**(6.0)**	**(8.6)**	**(5.8)**	**(14.4)**
Adjusted operating cash flow	**$ 39.8**	**$ 1.6**	**$ (10.1)**	**$ 39.8**	**$ (25.2)**	**$ 45.9**	**$ (25.0)**	**$ 20.9**

$ millions, for the nine months ended September 30								2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	$ 8.0	$ 2.1	$ 4.3	$ 31.1	$ (56.2)	$ (10.7)	$ (7.5)	$ (18.2)
Adjust: net change in non-cash working capital	34.3	(1.4)	(15.9)	(6.6)	(2.4)	8.0	1.6	9.6
Adjusted operating cash flow	$ 42.3	$ 0.7	$ (11.6)	$ 24.5	$ (58.6)	$ (2.7)	$ (5.9)	$ (8.6)

Combined free cash flow

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

Free cash flow is used by management, and management believes this information is used by investors 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 (used) provided by continuing operations per the financial statements to combined free cash flow:

$ millions, for the three months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements** (**2020**)
Cash provided (used) by continuing operations	**$ 23.1**	**$ 0.1**	**$ (5.2)**	**$ 20.9**	**$ (3.7)**	**$ 35.2**	**$ (9.9)**	**$ 25.3**
Less:								
Property, plant and equipment expenditures	**(6.8)**	**-**	**(0.6)**	**(0.7)**	**-**	**(8.1)**	**5.6**	**(2.5)**
Intangible expenditures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Free cash flow	**$ 16.3**	**$ 0.1**	**$ (5.8)**	**$ 20.2**	**$ (3.7)**	**$ 27.1**	**$ (4.3)**	**$ 22.8**

$ millions, for the three months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements** (2019)
Cash provided (used) by continuing operations	$ 4.4	$ (1.0)	$ (9.2)	$ 15.9	$ (12.7)	$ (2.6)	$ 4.1	$ 1.5
Less:								
Property, plant and equipment expenditures	(5.0)	-	(3.0)	(0.2)	-	(8.2)	4.0	(4.2)
Intangible expenditures	-	-	(1.5)	-	-	(1.5)	-	(1.5)
Free cash flow	$ (0.6)	$ (1.0)	$ (13.7)	$ 15.7	$ (12.7)	$ (12.3)	$ 8.1	$ (4.2)

$ millions, for the nine months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements** (**2020**)
Cash (used) provided by continuing operations	**$ 40.3**	**$ 7.0**	**$ (21.2)**	**$ 47.6**	**$ (19.2)**	**$ 54.5**	**$ (19.2)**	**$ 35.3**
Less:								
Property, plant and equipment expenditures	**(19.9)**	**-**	**(3.4)**	**(0.7)**	**(0.2)**	**(24.2)**	**16.3**	**(7.9)**
Intangible expenditures	**-**	**-**	**(0.8)**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Free cash flow	**$ 20.4**	**$ 7.0**	**$ (25.4)**	**$ 46.9**	**$ (19.4)**	**$ 29.5**	**$ (2.9)**	**$ 26.6**

$ millions, for the nine months ended September 30	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements** (2019)
Cash (used) provided by continuing operations	$ 8.0	$ 2.1	$ 4.3	$ 31.1	$ (56.2)	$ (10.7)	$ (7.5)	$ (18.2)
Less:								
Property, plant and equipment expenditures	(19.1)	-	(8.3)	(0.8)	-	(28.2)	16.2	(12.0)
Intangible expenditures	-	-	(13.4)	-	-	(13.4)	-	(13.4)
Free cash flow	$ (11.1)	$ 2.1	$ (17.4)	$ 30.3	$ (56.2)	$ (52.3)	$ 8.7	$ (43.6)

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; 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; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, which is available on SEDAR at www.sedar.com.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2020 and 2019

Condensed consolidated statements of comprehensive income (loss)

		For the three months ended		For the nine months ended	
		2020	2019	**2020**	2019
Unaudited, Canadian $ millions, except per share amounts	Note	**September 30**	September 30	**September 30**	September 30
Revenue	8	**$ 24.9**	$ 27.6	**$ 91.6**	$ 105.3
Cost of sales	9, 10	**(32.4)**	(32.3)	**(109.5)**	(118.8)
Administrative expenses	9, 10	**(5.8)**	(11.0)	**(26.8)**	(32.1)
Impairment of Oil assets	17	**(115.6)**	-	**(115.6)**	-
Share of earnings (loss) of a joint venture, net of tax	11	**4.2**	7.0	**(2.9)**	(3.2)
Loss from operations and joint venture		**(124.7)**	(8.7)	**(163.2)**	(48.8)
Gain on debenture exchange	12	**143.4**	-	**143.4**	-
Interest income on financial assets measured at amortized cost	12	**3.8**	6.4	**15.8**	18.8
Revaluation of allowances for expected credit losses	12	**(0.6)**	(0.1)	**4.1**	(0.5)
Other financing items	12	**(0.3)**	0.1	**(0.8)**	3.2
Financing expense	12	**(10.1)**	(11.1)	**(35.4)**	(46.6)
Net finance income (expense)		**136.2**	(4.7)	**127.1**	(25.1)
Earnings (loss) before tax		**11.5**	(13.4)	**(36.1)**	(73.9)
Income tax expense	13	**(0.1)**	(2.0)	**(0.3)**	(2.9)
Net earnings (loss) from continuing operations		**11.4**	(15.4)	**(36.4)**	(76.8)
Earnings (loss) from discontinued operations, net of tax	6	**217.1**	(14.6)	**108.2**	(105.4)
Net earnings (loss) for the period		**$ 228.5**	$ (30.0)	**$ 71.8**	$ (182.2)
Other comprehensive (loss) income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	20	**(16.7)**	8.5	**22.3**	(26.7)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains on pension plans, net of tax	20	**0.1**	-	**-**	0.6
Other comprehensive (loss) income		**(16.6)**	8.5	**22.3**	(26.1)
Total comprehensive income (loss)		**$ 211.9**	$ (21.5)	**$ 94.1**	$ (208.3)
Net earnings (loss) from continuing operations per common share:					
Basic and diluted	14	**$ 0.03**	$ (0.04)	**$ (0.09)**	$ (0.19)
Net earnings (loss) per common share:					
Basic and diluted	14	**$ 0.58**	$ (0.08)	**$ 0.18**	$ (0.46)

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

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note		2020 September 30		2019 December 31
ASSETS					
Current assets					
Cash and cash equivalents	15	**$**	**165.1**	$	166.1
Restricted cash			**5.3**		5.5
Advances, loans receivable and other financial assets	16		**41.5**		13.0
Trade accounts receivable, net, and unbilled revenue	15		**153.9**		154.9
Inventories			**35.7**		35.3
Prepaid expenses			**5.5**		2.9
			407.0		377.7
Non-current assets					
Advances, loans receivable and other financial assets	16		**189.8**		588.0
Property, plant and equipment	17		**188.4**		208.6
Investment in a joint venture	11		**627.1**		382.9
Investment in an associate	6		**-**		39.3
Intangible assets	17		**42.5**		141.6
			1,047.8		1,360.4
Total assets		**$**	**1,454.8**	$	1,738.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Loans and borrowings	18	**$**	**8.0**	$	159.5
Trade accounts payable and accrued liabilities			**159.8**		148.1
Income taxes payable	13		**12.4**		1.3
Other financial liabilities	18		**3.2**		9.3
Deferred revenue			**11.8**		7.5
Provisions	19		**2.2**		5.0
			197.4		330.7
Non-current liabilities					
Loans and borrowings	18		**432.7**		554.1
Other financial liabilities	18		**18.2**		13.5
Other non-financial liabilities			**4.1**		2.8
Provisions	19		**112.1**		99.4
Deferred income taxes	13		**3.8**		15.5
			570.9		685.3
Total liabilities			**768.3**		1,016.0
Shareholders' equity					
Capital stock	20		**2,894.9**		2,894.9
Deficit			**(2,830.5)**		(2,902.3)
Reserves	20		**233.7**		233.7
Accumulated other comprehensive income	20		**388.4**		495.8
			686.5		722.1
Total liabilities and shareholders' equity		**$**	**1,454.8**	$	1,738.1

Commitments for expenditures (note 24)

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

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions	Note	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Operating activities					
Net earnings (loss) from continuing operations		**$ 11.4**	$ (15.4)	**$ (36.4)**	$ (76.8)
Add (deduct):					
Depletion, depreciation and amortization	8, 9	**9.8**	11.9	**29.9**	35.9
Share of (earnings) loss of a joint venture, net of tax	11	**(4.2)**	(7.0)	**2.9**	3.2
Impairment of Oil assets	17	**115.6**	-	**115.6**	-
Net finance (income) expense (less accretion expense)	12	**(136.3)**	4.6	**(127.3)**	24.8
Income tax expense	13	**0.1**	2.0	**0.3**	2.9
Net change in non-cash working capital	21	**21.7**	(1.9)	**14.4**	(9.6)
Interest received		**4.5**	3.4	**21.8**	4.8
Interest paid		**(0.6)**	(8.2)	**(1.9)**	(31.8)
Income tax paid		**(0.2)**	(0.6)	**(1.3)**	(1.7)
Distributions received from joint venture	11	**-**	11.6	**13.3**	28.4
Other operating items		**3.5**	1.1	**4.0**	1.7
Cash provided (used) by continuing operations		**25.3**	1.5	**35.3**	(18.2)
Cash (used) provided by discontinued operations	6	**(4.6)**	(3.2)	**(5.7)**	10.8
Cash provided (used) by operating activities		**20.7**	(1.7)	**29.6**	(7.4)
Investing activities					
Property, plant and equipment expenditures	8	**(2.5)**	(4.2)	**(7.9)**	(12.0)
Intangible asset expenditures	8	**-**	(1.5)	**(0.8)**	(13.4)
Receipts of advances, loans receivable and other financial assets		**0.2**	0.2	**0.5**	0.5
Proceeds from short-term investments		**-**	20.0	**-**	0.1
Cash provided (used) by continuing operations		**(2.3)**	14.5	**(8.2)**	(24.8)
Cash provided (used) by investing activities		**(2.3)**	14.5	**(8.2)**	(24.8)
Financing activities					
Repayment of other financial liabilities		**(0.4)**	(0.9)	**(1.5)**	(2.3)
Fees paid on debenture exchange	12	**(23.3)**	-	**(23.3)**	-
Cash used by continuing operations		**(23.7)**	(0.9)	**(24.8)**	(2.3)
Cash used by financing activities		**(23.7)**	(0.9)	**(24.8)**	(2.3)
Effect of exchange rate changes on cash and cash equivalents		**(2.0)**	0.6	**2.4**	(3.1)
(Decrease) increase in cash and cash equivalents		**(7.3)**	12.5	**(1.0)**	(37.6)
Cash and cash equivalents at beginning of the period		**172.4**	156.8	**166.1**	206.9
Cash and cash equivalents at end of the period	15	**$ 165.1**	$ 169.3	**$ 165.1**	$ 169.3

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

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2018		**$ 2,894.9**	**$ (2,534.6)**	**$ 233.4**	**$ 537.2**	**$ 1,130.9**
Total comprehensive loss:						
Net loss for the period		-	(182.2)	-	-	(182.2)
Foreign currency translation differences on foreign operations		-	-	-	(26.7)	(26.7)
Actuarial gains on pension plans, net of tax		-	-	-	0.6	0.6
		-	(182.2)	-	(26.1)	(208.3)
Stock option plan expense		-	-	0.4	-	0.4
Balance as at September 30, 2019		**$ 2,894.9**	**$ (2,716.8)**	**$ 233.8**	**$ 511.1**	**$ 923.0**
Total comprehensive loss:						
Net loss for the period		-	(185.5)	-	-	(185.5)
Foreign currency translation differences on foreign operations		-	-	-	(14.2)	(14.2)
Actuarial losses on pension plans, net of tax		-	-	-	(1.1)	(1.1)
		-	(185.5)	-	(15.3)	(200.8)
Stock option plan expense		-	-	(0.1)	-	(0.1)
Balance as at December 31, 2019		**$ 2,894.9**	**$ (2,902.3)**	**$ 233.7**	**$ 495.8**	**$ 722.1**
Total comprehensive income:						
Net earnings for the period		-	71.8	-	-	71.8
Foreign currency translation differences on foreign operations	20	-	-	-	22.3	22.3
Actuarial gains on pension plans, net of tax	20	-	-	-	-	-
		-	71.8	-	22.3	94.1
Reclassification of accumulated other comprehensive income on disposal of foreign operation	6, 20	-	-	-	(129.7)	(129.7)
Balance as at September 30, 2020		**$ 2,894.9**	**$ (2,830.5)**	**$ 233.7**	**$ 388.4**	**$ 686.5**

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

Notes to the condensed consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

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

2. BASIS OF PRESENTATION AND GOING CONCERN

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

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position and these factors have been further compounded by the ongoing impacts of COVID-19 (note 7), the full effects of which continue to evolve at this time. After considering the future impacts of these factors and the initiatives the Corporation has taken and will continue to undertake to mitigate them, the Corporation believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: the future impact of COVID-19 on the Corporation's business and operations, future commodity prices, the timing of collections of Cuban receivables, and continued access to short-term financing. Management has therefore concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2019, unless otherwise indicated in the notes to the condensed consolidated financial statements for the three and nine months ended September 30, 2020. The Corporation discloses further information regarding discontinued operations in note 6, government grants in note 10 and COVID-19 and other pandemic risk in note 22.

4. ACCOUNTING PRONOUNCEMENTS

Accounting pronouncements issued but not yet effective

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

5. BALANCE SHEET INITIATIVE

Exchange of senior unsecured debentures and Ambatovy Joint Venture partner loans

In February 2020, the Corporation announced a transaction (the "Transaction" or "Balance Sheet Initiative") to be implemented pursuant to a plan of arrangement (the "Plan of Arrangement") under the Canada Business Corporations Act (the "CBCA"), and in June and July 2020, it announced amended terms to the Transaction. The Plan of Arrangement received approval by debtholders on July 23, 2020 and by the Ontario Superior Court of Justice (Commercial List) ("the Court") on August 6, 2020, and the Transaction was completed on August 31, 2020.

The Transaction resulted in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Old Notes") in the aggregate principal amount of $588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) new 8.50% second lien secured notes due in 2026 (the "New Second Lien Notes") in an aggregate principal amount of $357.5 million (note 18), (ii) new 10.75% unsecured payment-in-kind ("PIK") option notes due in 2029 (the "New Junior Notes") in an aggregate principal amount of $75.0 million (note 18) and (iii) early consent cash consideration of $15.5 million. The Transaction resulted in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by $155.6 million and an extension of the 2021, 2023 and 2025 maturities under the Old Notes to a maturity of 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. Refer to note 12 for the calculation of the gain on debenture exchange within net finance income (expense).

The Transaction also resulted 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"). This resulted in a further reduction of recourse loans and borrowings of $145.2 million. As of August 31, 2020, as a result of the implementation of the Transaction the Corporation no longer had an interest in the Ambatovy Joint Venture. Refer to note 6 for the calculation of the gain on disposal of the Ambatovy Joint Venture Interests, net of tax, included in the earnings (loss) from discontinued operations, net of tax.

In aggregate, the Transaction reduced total debt by $300.8 million.

The Ambatovy Joint Venture Interests met the criteria to be classified and presented as discontinued operations during the three months ended September 30, 2020. As a result of the classification as discontinued operations, equity accounting was discontinued and the share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax, in the current and comparative periods. Refer to note 6 for the calculation of the loss from discontinued operations, net of tax included in the earnings (loss) from discontinued operations, net of tax.

Subject to execution of certain documentation with the Ambatovy Joint Venture, Sherritt will cease being the operator of the Ambatovy Joint Venture.

6. DISCONTINUED OPERATIONS

Accounting policy

Individual non-current assets or disposal groups are classified, and presented, as discontinued operations if the assets or disposal groups are disposed of and if the following criteria are met:

- The assets or disposal groups represent a separate major line of business or geographical area of operations;
- The assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- The assets or disposal groups are a subsidiary acquired exclusively with a view to resale.

Earnings (loss) from discontinued operations is shown separately in the condensed consolidated statements of comprehensive income (loss) and condensed consolidated statements of cash flow, and comparative figures are restated.

Supporting information

On August 31, 2020, the Corporation completed the Transaction (note 5), resulting in the extinguishment of the Ambatovy Joint Venture partner loans in exchange for the Ambatovy Joint Venture Interests and resulted in a gain on disposal of $259.0 million.

The gain on disposal of the Ambatovy Joint Venture Interests, net of tax is composed of the following gain (loss) components:

	For the three months ended		For the nine months ended	
	2020	2019	**2020**	2019
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Investment in an associate(1)	**$ -**	$ -	**$ -**	$ -
Ambatovy Joint Venture subordinated loans receivable(2)	**-**	-	**-**	-
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(3)	**(0.4)**	-	**(0.4)**	-
Ambatovy Joint Venture operator fee receivable	**(15.8)**	-	**(15.8)**	-
Reclassification of accumulated other comprehensive income on disposal of foreign operation(4)	**129.7**	-	**129.7**	-
Ambatovy Joint Venture partner loans and accrued interest(5)	**145.6**	-	**145.6**	-
Other non-cash items	**10.3**	-	**10.3**	-
Transaction and other closing costs	**(10.4)**	-	**(10.4)**	-
Income tax expense on disposal	**-**	-	**-**	-
Gain on disposal of the Ambatovy Joint Venture Interests, net of tax	**$ 259.0**	$ -	**$ 259.0**	$ -

(1) The carrying value of the investment in an associate was reduced to nil as at June 30, 2020 (December 31, 2019 - $39.3 million) due to losses incurred by the associate during the six months ended June 30, 2020. As a result, the de-recognition of the investment in an associate upon completion of the Transaction on August 31, 2020 did not contribute to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax.

(2) The carrying value of the Ambatovy Joint Venture subordinated loans receivable was reduced to nil as at June 30, 2020 (December 31, 2019 - $61.0 million) due to conversions recognized by the Ambatovy Joint Venture of its subordinated loans payable to equity during the six months ended June 30, 2020. As a result, the de-recognition of the Ambatovy Joint Venture subordinated loans receivable upon completion of the Transaction on August 31, 2020 did not contribute to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax.

(3) The carrying value of the Ambatovy Joint Venture subordinated loans receivable – post-financial completion was reduced to $0.4 million immediately preceding the close of the Transaction on August 31, 2020 (December 31, 2019 - $41.3 million) due to conversions recognized by the Ambatovy Joint Venture of its subordinated loans payable – post-financial completion to equity during the eight months ended August 31, 2020. As a result, the de-recognition of the Ambatovy Joint Venture subordinated loans receivable – post-financial completion upon completion of the Transaction on August 31, 2020 contributed a loss of $0.4 million to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax.

(4) As a result of the Corporation's exchange of its 12% ownership interest in the Ambatovy Joint Venture, $129.7 million of accumulated other comprehensive income relating to the Ambatovy Joint Venture was reclassified to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax. All accumulated other comprehensive income related to the Ambatovy Joint Venture was reclassified to net earnings (loss) for the period in the condensed consolidated statements of comprehensive income (loss). This amount was previously recognized in other comprehensive (loss) income and accumulated within shareholders' equity prior to the reclassification.

(5) Included in the Ambatovy Joint Venture partner loans and accrued interest of $145.6 million is $145.2 million of previously outstanding principal and $0.4 million of accrued interest.

During the three months ended September 30, 2020, the Ambatovy Joint Venture Interests met the criteria to be classified as discontinued operations and as a result, the share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax in the current and comparative periods.

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

Canadian $ millions	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Share of loss of an associate, net of tax	**$ -**	$ (17.5)	**$ (49.9)**	$ (56.4)
Impairment of investment in an associate	**-**	-	**-**	-
Interest income on Ambatovy Joint Venture subordinated loans receivable	**-**	2.8	**4.4**	9.9
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable	**-**	(2.4)	**(68.7)**	(57.0)
Interest income on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	**0.4**	1.6	**3.6**	4.8
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	**(41.7)**	-	**(47.4)**	-
Revenue on Ambatovy Joint Venture operator fee receivable	**0.3**	0.2	**1.2**	0.9
Revaluation of Ambatovy Joint Venture operator fee receivable	**0.3**	(1.5)	**1.8**	(0.7)
Realized foreign exchange (loss) gain on monetary assets	**(1.2)**	2.2	**4.2**	(6.9)
Loss from discontinued operations, net of tax	**$ (41.9)**	$ (14.6)	**$ (150.8)**	$ (105.4)

The aforementioned gain on disposal of the Ambatovy Joint Venture Interests, net of tax and loss from discontinued operations, net of tax are presented net in the condensed consolidated statements of comprehensive income (loss) within earnings (loss) from discontinued operations, net of tax as follows:

Canadian $ millions	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Gain on disposal of the Ambatovy Joint Venture Interests, net of tax	**$ 259.0**	$ -	**$ 259.0**	$ -
Loss from discontinued operations, net of tax	**(41.9)**	(14.6)	**(150.8)**	(105.4)
Earnings (loss) from discontinued operations, net of tax	**$ 217.1**	$ (14.6)	**$ 108.2**	$ (105.4)

The Corporation's condensed consolidated statements of cash flow includes cash (used) provided by discontinued operations. Included in cash (used) provided by discontinued operations are cash transaction costs related to the exchange of the Ambatovy Joint Venture Interests of $2.7 million for the three and nine months ended September 30, 2020. An additional $7.7 million of transaction costs has been accrued in the condensed consolidated statements of financial position as at September 30, 2020, which will be paid after that date. Also included in cash (used) provided by discontinued operations are payments made, or insurance proceeds received, in respect of a provision retained by the Corporation following the sale of its Coal operations in 2014.

7. COVID-19

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

Nickel and cobalt production at the Moa Joint Venture and Fort Site during the three and nine months ended September 30, 2020 were not materially impacted by the onset and spread of COVID-19 aside from deferring the annual maintenance shutdown of the Corporation's refinery from June to July 2020 so proper COVID-19 safety measures could be followed. Global demand for cobalt continues to be impacted by COVID-19, as certain sectors are slow or delayed in their recovery (e.g. aerospace sector); recently, however, increased demand from battery manufacturers has helped to offset demand softness from other industries. It is anticipated that cobalt market conditions will continue to experience volatility in the near-term.

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

As a result of the COVID-19 pandemic, the Corporation's financial position, performance and cash flows could be further impacted by COVID-19, the full extent of the impact cannot be reasonably estimated at this time. The Corporation discloses further information regarding the conclusion that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern in note 2 and further information regarding the risks caused by COVID-19 are discussed in note 22.

8. SEGMENTED INFORMATION

Canadian $ millions, for the three months ended September 30	Moa JV and Fort Site[1]	Metals Other[2]	Oil and Gas	Power	Corporate and Other[3]	Adjustments for Joint Venture[4]	Total 2020
Revenue[5]	$ 97.7	$ 3.3	$ 5.6	$ 9.4	$ (0.7)	$ (90.4)	$ 24.9
Cost of sales	(92.8)	(3.1)	(9.0)	(7.4)	(2.1)	82.0	(32.4)
Administrative expenses	(1.9)	0.1	(1.4)	(0.4)	(3.3)	1.1	(5.8)
Impairment of Oil assets	-	-	(115.6)	-	-	-	(115.6)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	4.2	4.2
Earnings (loss) from operations and joint venture	3.0	0.3	(120.4)	1.6	(6.1)	(3.1)	(124.7)
Gain on debenture exchange							143.4
Interest income on financial assets measured at amortized cost							3.8
Revaluation of allowances for expected credit losses							(0.6)
Other financing items							(0.3)
Financing expense							(10.1)
Net finance income							136.2
Earnings before tax							11.5
Income tax expense							(0.1)
Net earnings from continuing operations							11.4
Earnings from discontinued operations, net of tax (note 6)							217.1
Net earnings for the period							$ 228.5
Supplementary information							
Depletion, depreciation and amortization	$ 14.4	$ 0.1	$ 1.6	$ 5.2	$ 0.2	$ (11.7)	$ 9.8
Property, plant and equipment expenditures	6.8	-	0.6	0.7	-	(5.6)	2.5
Intangible asset expenditures	-	-	-	-	-	-	-
Canadian $ millions, as at September 30							2020
Non-current assets[6]	$ 687.1	$ 0.6	$ 20.4	$ 51.9	$ 8.4	$ (537.5)	$ 230.9
Total assets	955.1	89.6	72.7	376.5	91.8	(130.9)	1,454.8

Canadian $ millions, for the three months ended September 30	Moa JV and Fort Site(1)	Metals Other(2)	Oil and Gas	Power	Corporate and Other(3)	Adjustments for Joint Venture and Associate(4)	Total 2019
Revenue(5)	$ 112.2	$ 2.8	$ 6.9	$ 12.1	$ (0.3)	$ (106.1)	$ 27.6
Cost of sales	(97.6)	(2.5)	(11.2)	(9.6)	(2.7)	91.3	(32.3)
Administrative expenses	(2.4)	-	(2.2)	(0.7)	(7.0)	1.3	(11.0)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	7.0	7.0
Earnings (loss) from operations and joint venture	12.2	0.3	(6.5)	1.8	(10.0)	(6.5)	(8.7)
Interest income on financial assets measured at amortized cost							6.4
Revaluation of allowances for expected credit losses							(0.1)
Other financing items							0.1
Financing expense							(11.1)
Net finance expense							(4.7)
Loss before tax							(13.4)
Income tax expense							(2.0)
Net loss from continuing operations							(15.4)
Loss from discontinued operations, net of tax (note 6)							(14.6)
Net loss for the period							$ (30.0)
Supplementary information							
Depletion, depreciation and amortization	$ 13.3	$ -	$ 2.7	$ 6.8	$ 0.3	$ (11.2)	$ 11.9
Property, plant and equipment expenditures	5.0	-	3.0	0.2	-	(4.0)	4.2
Intangible asset expenditures	-	-	1.5	-	-	-	1.5

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

Canadian $ millions, for the nine months ended September 30	**Moa JV and Fort Site(1)**	**Metals Other(2)**	**Oil and Gas**	**Power**	**Corporate and Other(3)**	**Adjustments for Joint Venture(4)**	**Total 2020**
Revenue(5)	**$ 306.7**	**$ 9.2**	**$ 18.7**	**$ 28.4**	**$ (1.9)**	**$ (269.5)**	**$ 91.6**
Cost of sales	**(300.4)**	**(8.4)**	**(29.4)**	**(22.4)**	**(7.6)**	**258.7**	**(109.5)**
Administrative expenses	**(6.8)**	**0.2**	**(4.2)**	**(1.5)**	**(18.6)**	**4.1**	**(26.8)**
Impairment of Oil assets	**-**	**-**	**(115.6)**	**-**	**-**	**-**	**(115.6)**
Share of loss of a joint venture, net of tax	**-**	**-**	**-**	**-**	**-**	**(2.9)**	**(2.9)**
(Loss) earnings from operations and joint venture	**(0.5)**	**1.0**	**(130.5)**	**4.5**	**(28.1)**	**(9.6)**	**(163.2)**
Gain on debenture exchange							**143.4**
Interest income on financial assets measured at amortized cost							**15.8**
Revaluation of allowances for expected credit losses							**4.1**
Other financing items							**(0.8)**
Financing expense							**(35.4)**
Net finance income							**127.1**
Loss before tax							**(36.1)**
Income tax expense							**(0.3)**
Net loss from continuing operations							**(36.4)**
Earnings from discontinued operations, net of tax (note 6)							**108.2**
Net earnings for the period							**$ 71.8**
Supplementary information							
Depletion, depreciation and amortization	**$ 44.4**	**$ 0.2**	**$ 5.0**	**$ 15.8**	**$ 0.8**	**$ (36.3)**	**$ 29.9**
Property, plant and equipment expenditures	**19.9**	**-**	**3.4**	**0.7**	**0.2**	**(16.3)**	**7.9**
Intangible asset expenditures	**-**	**-**	**0.8**	**-**	**-**	**-**	**0.8**

Canadian $ millions, as at September 30							**2020**
Non-current assets(6)	**$ 687.1**	**$ 0.6**	**$ 20.4**	**$ 51.9**	**$ 8.4**	**$ (537.5)**	**$ 230.9**
Total assets	**955.1**	**89.6**	**72.7**	**376.5**	**91.8**	**(130.9)**	**1,454.8**

Canadian $ millions, for the nine months ended September 30	Moa JV and Fort Site[(1)]	Metals Other[(2)]	Oil and Gas	Power	Corporate and Other[(3)]	Adjustments for Joint Venture and Associate[(4)]	2019 Total
Revenue[(5)]	$ 337.6	$ 8.5	$ 23.4	$ 33.9	$ (1.5)	$ (296.6)	$ 105.3
Cost of sales	(328.3)	(8.0)	(35.1)	(28.6)	(8.1)	289.3	(118.8)
Administrative expenses	(7.0)	-	(5.9)	(1.8)	(21.0)	3.6	(32.1)
Share of loss of a joint venture, net of tax	-	-	-	-	-	(3.2)	(3.2)
Earnings (loss) from operations and joint venture	2.3	0.5	(17.6)	3.5	(30.6)	(6.9)	(48.8)
Interest income on financial assets measured at amortized cost							18.8
Revaluation of allowances for expected credit losses							(0.5)
Other financing items							3.2
Financing expense							(46.6)
Net finance expense							(25.1)
Loss before tax							(73.9)
Income tax expense							(2.9)
Net loss from continuing operations							(76.8)
Loss from discontinued operations, net of tax (note 6)							(105.4)
Net loss for the period							$ (182.2)
Supplementary information							
Depletion, depreciation and amortization	$ 41.6	$ -	$ 8.4	$ 19.4	$ 1.0	$ (34.5)	$ 35.9
Property, plant and equipment expenditures	19.1	-	8.3	0.8	-	(16.2)	12.0
Intangible asset expenditures	-	-	13.4	-	-	-	13.4

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

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

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

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

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

(5) Revenue in the Metals Other segment includes $1.8 million and $5.1 million of intersegment revenue with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the three and nine months ended September 30, 2020, respectively ($1.7 million and $5.2 million for the three and nine months ended September 30, 2019, respectively).

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

Disaggregation of revenue by product type

Revenue in the below table excludes the revenue of equity-accounted investment in the Moa Joint Venture:

	For the three months ended		For the nine months ended	
	2020	2019	**2020**	2019
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
	Total revenue	Total revenue	**Total revenue**	Total revenue
Fertilizer[(1)]	**$ 8.3**	$ 6.7	**$ 39.5**	$ 42.2
Oil and gas	**4.9**	5.9	**16.3**	19.9
Power generation[(2)]	**8.7**	11.0	**26.4**	30.7
Other	**3.0**	4.0	**9.4**	12.5
	$ 24.9	$ 27.6	**$ 91.6**	$ 105.3

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

(2) Included in power generation revenue for the three and nine months ended September 30, 2020 is $7.1 million and $19.5 million, respectively, of revenue from service concession arrangements ($7.8 million and $21.3 million for the three and nine months ended September 30, 2019, respectively).

9. EXPENSES

Cost of sales includes the following:

Canadian $ millions	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Employee costs[1]	**$ 10.7**	$ 14.2	**$ 40.6**	$ 45.9
Severance	**0.9**	0.7	**2.5**	1.3
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**9.4**	11.1	**28.5**	33.5
Raw materials and consumables	**8.0**	8.3	**25.4**	30.5
Repairs and maintenance	**16.2**	10.8	**33.3**	33.3
Shipping and treatment costs	**0.8**	0.9	**2.3**	3.5
Share-based compensation expense	**0.3**	0.2	**0.3**	0.5
Changes in inventories and other	**(13.9)**	(13.9)	**(23.4)**	(29.7)
	$ 32.4	$ 32.3	**$ 109.5**	$ 118.8

Administrative expenses[2] include the following:

Canadian $ millions	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Employee costs[1]	**$ 4.9**	$ 6.6	**$ 18.5**	$ 21.1
Severance	**0.1**	0.2	**1.1**	1.4
Depreciation	**0.4**	0.8	**1.4**	2.4
Share-based compensation expense	**1.6**	1.5	**1.7**	1.1
Consulting services and audit fees	**0.3**	1.2	**2.2**	4.3
Other	**(1.5)**	0.7	**1.9**	1.8
	$ 5.8	$ 11.0	**$ 26.8**	$ 32.1

(1) Included in employee costs for the three and nine months ended September 30, 2020 is the Canada Emergency Wage Subsidy (note 10) within cost of sales of $3.8 million and $4.2 million, respectively, and within administrative expenses of $0.9 million and $1.5 million, respectively (nil for the three and nine months ended September 30, 2019).

(2) Included in administrative expenses is $3.3 million and $18.6 million related to the Corporate and Other segment for the three and nine months ended September 30, 2020, respectively ($7.0 million and $21.0 million for the three and nine months ended September 30, 2019, respectively).

10. GOVERNMENT GRANTS

Accounting policy

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

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

Supporting information

In response to the COVID-19 pandemic, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program effective for the period of March 15 to August 29, 2020, which was extended until December 19, 2020 as of July 17, 2020 and further extended to June 2021 as of October 14, 2020. The CEWS covers up to 75% of eligible employee remuneration, subject to limits per employee, during the effective period. During the three and nine months ended September 30, 2020, the Corporation qualified for and received $4.7 million and $5.7 million, respectively, in subsidies, covering qualifying periods from March 15 to August 29, 2020. These amounts are included in cost of sales and administrative expenses as a reduction in employee costs (note 9) and within the consolidated statements of cash flow as cash provided by operating activities. Subsequent to September 30, 2020, the Corporation received an additional $1.2 million in subsidies, covering the qualifying period from August 2 to August 29, 2020. In addition, the Moa Joint Venture qualified for and received $7.2 million and $7.3 million in subsidies (100% basis) during the three and nine months ended September 30, 2020, respectively, (note 11) and an additional $1.1 million (100% basis) subsequent to September 30, 2020, covering qualifying periods as described above. These amounts are included within the Corporation's share of earnings (loss) of a joint venture, net of tax and within the consolidated statements of cash flow as distributions received from joint venture, as received. There are no unfulfilled conditions or other contingencies attached to the CEWS and additional grants will be recognized when received.

11. JOINT ARRANGEMENTS

Investment in a joint venture

During the three and nine months ended September 30, 2020, the Moa Joint Venture paid distributions of nil and $26.6 million, respectively, of which nil and $13.3 million, respectively, were paid to the Corporation representing its 50% ownership interest ($23.1 million and $56.7 million, and, $11.6 million and $28.4 million, respectively, for the three and nine months ended September 30, 2019, respectively). All distributions were in the form of dividends. During the three months ended September 30, 2020, the Moa Joint Venture declared dividends of US$15.0 million, of which US$7.5 million is payable to the Corporation representing its 50% ownership interest (for the three months ended September 30, 2019 - nil) (note 16). Subsequent to period-end, the Moa Joint Venture paid the US$15.0 million distribution to its shareholders. Sherritt received its 50% share of this distribution, or US$7.5 million, directly. In addition, General Nickel Company S.A., Sherritt's joint venture partner re-directed its US$7.5 million share of this distribution to the Corporation to be applied against amounts owing to Sherritt from Energas. The re-direction was secured through negotiations between Sherritt and its Cuban partners.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	**2020 September 30**	2019 December 31
Current assets(1)	**$ 434.8**	$ 441.8
Non-current assets	**1,171.8**	1,169.3
Current liabilities(2)	**104.5**	81.9
Non-current liabilities(3)	**157.9**	674.6
Net assets of Moa Joint Venture	**$ 1,344.2**	$ 854.6
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**672.1**	427.3
Intercompany capitalized interest elimination	**(45.0)**	(44.4)
Investment in a joint venture	**$ 627.1**	$ 382.9

(1) Included in current assets is $67.1 million of cash and cash equivalents (December 31, 2019 - $80.9 million).

(2) Included in current liabilities is $46.0 million of financial liabilities (December 31, 2019 - $21.6 million).

(3) Included in non-current liabilities is $23.2 million of financial liabilities (December 31, 2019 - $551.9 million). During the three months ended September 30, 2020, US$402.1 million ($548.0 million) of the Moa Joint Venture expansion loans payable was converted to equity. The Corporation has recognized its share of the related expansion loans receivable conversion within advances, loans receivable and other financial assets (note 16). There was no change to the Corporation's ownership interest as a result of the conversion.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Earnings from operations(1)(2)(3)	**$ 14.6**	$ 27.1	**$ 13.4**	$ 7.7
Financing income	**-**	0.1	**0.4**	0.5
Financing expense	**(1.3)**	(10.9)	**(24.4)**	(33.1)
Net finance expense	**(1.3)**	(10.8)	**(24.0)**	(32.6)
Earnings (loss) before tax	**13.3**	16.3	**(10.6)**	(24.9)
Income tax expense(4)	**(7.3)**	(9.1)	**(10.2)**	(1.4)
Net earnings (loss) and comprehensive income (loss) of Moa Joint Venture	**$ 6.0**	$ 7.2	**$ (20.8)**	$ (26.3)
Proportion of Sherritt's ownership interest	**50%**	50%	**50%**	50%
Total	**3.0**	3.6	**(10.4)**	(13.2)
Intercompany elimination	**1.2**	3.4	**7.5**	10.0
Share of earnings (loss) of a joint venture, net of tax	**$ 4.2**	$ 7.0	**$ (2.9)**	$ (3.2)

(1) Included in earnings from operations for the three and nine months ended September 30, 2020 is revenue of $180.8 million and $539.0 million, respectively ($212.2 million and $593.3 million for the three and nine months ended September 30, 2019, respectively).

(2) Included in earnings from operations for the three and nine months ended September 30, 2020 is a recovery for the Canada Emergency Wage Subsidy (note 10) within cost of sales of $6.9 million and $7.0 million, respectively, and within administrative expenses of $0.3 million and $0.3 million, respectively (nil for the three and nine months ended September 30, 2019).

(3) Included in earnings from operations for the three and nine months ended September 30, 2020 is depreciation and amortization within cost of sales of $23.4 million and $72.6 million, respectively ($22.4 million and $69.0 million for the three and nine months ended September 30, 2019, respectively).

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

Joint operations

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

Canadian $ millions, 33⅓% basis, as at	2020 September 30	2019 December 31
Current assets(1)	**$ 100.9**	$ 99.0
Non-current assets	**46.6**	58.2
Current liabilities	**15.8**	10.4
Non-current liabilities	**97.6**	112.0
Net assets	**$ 34.1**	$ 34.8

(1) Included in current assets is $82.1 million of cash and cash equivalents (December 31, 2019 - $79.8 million).

Canadian $ millions, 33⅓% basis	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Revenue	**$ 9.4**	$ 12.1	**$ 28.4**	$ 33.9
Expenses	**(11.1)**	(10.0)	**(23.5)**	(37.0)
Net (loss) earnings	**$ (1.7)**	$ 2.1	**$ 4.9**	$ (3.1)

12. NET FINANCE INCOME (EXPENSE)

On August 31, 2020, the Corporation completed the Transaction (note 5) resulting in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 in the aggregate principal amount of $588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) New Second Lien Notes in an aggregate principal amount of $357.5 million (note 18), (ii) New Junior Notes in an aggregate principal amount of $75.0 million (note 18) and (iii) early consent cash consideration of $15.5 million. The Corporation incurred an aggregate $18.6 million of transaction costs related to the Transaction, of which $8.2 million has been apportioned to the debenture exchange and $10.4 million has been apportioned to the disposal of the Ambatovy Joint Venture Interests (note 6). Included in fees paid on debenture exchange within the Corporation's condensed consolidated statements of cash flow are cash transaction costs related to the debenture exchange of $23.3 million for the three and nine months ended September 30, 2020. An additional $0.4 million of transaction costs has been accrued in the condensed consolidated statements of financial position as at September 30, 2020, which will be paid after that date.

Net finance income (expense) is composed of the following gain (loss) components, inclusive of the gain on debenture exchange:

Canadian $ millions	Note	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Extinguishment of 8.00% senior unsecured debentures due 2021		**$ 166.2**	$ -	**$ 166.2**	$ -
Extinguishment of 7.50% senior unsecured debentures due 2023		**189.5**	-	**189.5**	-
Extinguishment of 7.875% senior unsecured debentures due 2025		**203.6**	-	**203.6**	-
Extinguishment of accrued, unpaid interest included in new notes		**40.3**	-	**40.3**	-
Issuance of new 8.50% second lien secured notes due 2026		**(357.5)**	-	**(357.5)**	-
Issuance of new 10.75% unsecured PIK option notes due 2029		**(75.0)**	-	**(75.0)**	-
Payment of early consent cash consideration		**(15.5)**	-	**(15.5)**	-
Transaction costs		**(8.2)**	-	**(8.2)**	-
Gain on debenture exchange		**143.4**	-	**143.4**	-
Interest income on trade accounts receivable, net		**0.2**	0.6	**0.7**	1.6
Interest income on advances and loans receivable		**3.6**	3.7	**12.1**	10.8
Interest income on accretion of advances and loans receivable		**-**	2.1	**3.0**	6.4
Interest income on financial assets measured at amortized cost		**3.8**	6.4	**15.8**	18.8
Revaluation of allowance for expected credit losses:					
Trade accounts receivable, net	15	**(0.6)**	(0.1)	**(2.3)**	(0.5)
Moa Joint Venture expansion loans receivable	15	**-**	-	**6.4**	-
Revaluation of allowances for expected credit losses		**(0.6)**	(0.1)	**4.1**	(0.5)
Revaluation of cobalt-linked warrants	15, 18	**(0.3)**	(0.2)	**0.2**	1.7
Other interest income and unrealized gains (losses) on financial instruments		**-**	0.3	**(1.0)**	1.5
Other financing items		**(0.3)**	0.1	**(0.8)**	3.2
Interest expense and accretion on loans and borrowings		**(13.8)**	(14.8)	**(43.4)**	(43.8)
Unrealized foreign exchange gain		**3.6**	5.5	**8.7**	0.8
Realized foreign exchange gain (loss)		**0.4**	(1.0)	**1.5**	(1.1)
Other interest expense and finance charges		**(0.2)**	(0.7)	**(2.0)**	(2.2)
Accretion expense on environmental rehabilitation provisions	19	**(0.1)**	(0.1)	**(0.2)**	(0.3)
Financing expense		**(10.1)**	(11.1)	**(35.4)**	(46.6)
Net finance income (expense)		**$ 136.2**	$ (4.7)	**$ 127.1**	$ (25.1)

13. INCOME TAXES

Canadian $ millions	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Current income tax expense(1)	**$ 0.3**	$ 1.4	**$ 13.0**	$ 2.6
Deferred income tax (recovery) expense(1)	**(0.2)**	0.6	**(12.7)**	0.3
Income tax expense	**$ 0.1**	$ 2.0	**$ 0.3**	$ 2.9

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

14. EARNINGS (LOSS) PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2020 September 30	2019 September 30	For the nine months ended 2020 September 30	2019 September 30
Net earnings (loss) from continuing operations	**$ 11.4**	$ (15.4)	**$ (36.4)**	$ (76.8)
Earnings (loss) from discontinued operations, net of tax	**217.1**	(14.6)	**108.2**	(105.4)
Net earnings (loss) for the period - basic and diluted	**$ 228.5**	$ (30.0)	**$ 71.8**	$ (182.2)
Weighted-average number of common shares - basic and diluted(1)	**397.3**	397.3	**397.3**	397.3
Net earnings (loss) from continuing operations per common share:				
Basic and diluted	**$ 0.03**	$ (0.04)	**$ (0.09)**	$ (0.19)
Earnings (loss) from discontinued operations, net of tax, per common share:				
Basic and diluted	**$ 0.55**	$ (0.04)	**$ 0.27**	$ (0.27)
Net earnings (loss) per common share:				
Basic and diluted	**$ 0.58**	$ (0.08)	**$ 0.18**	$ (0.46)

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

15. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at	2020 September 30	2019 December 31
Cash equivalents	**$ 16.0**	$ 15.8
Cash held in banks	**149.1**	150.3
	$ 165.1	$ 166.1

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $86.2 million as at September 30, 2020 (December 31, 2019 - $85.3 million).

As at September 30, 2020, $82.1 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2019 - $79.8 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

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

Canadian $ millions, as at	Note	Hierarchy level	2020 September 30	2019 December 31
Fair value through profit or loss				
Assets:				
Ambatovy Joint Venture operator fee receivable(1)	16	3	$ -	$ 12.7
Liabilities:				
Cobalt-linked warrant liability(2)(3)	18	1	**0.5**	0.7
Fair value through other comprehensive income (loss)				
Cash equivalents		1	**16.0**	15.8

(1) The fair value of the Ambatovy Joint Venture operator fee receivable is calculated by discounting future cash flows using a rate that is based on a market rate adjusted for the borrowers' credit quality. During the nine months ended September 30, 2020, the Corporation completed the Transaction and the Ambatovy Joint Venture Interests met the criteria to be classified and presented as discontinued operations (note 5). As a result of the Transaction, the Corporation's operator fee receivable was extinguished reducing the receivable to nil (note 16) and statement of comprehensive income (loss) items related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax (note 6).

(2) Changes in fair value are recognized within other financing items within net finance income (expense) (note 12).

(3) The cobalt-linked warrants are measured at fair value using the closing market price as at each reporting date. As at September 30, 2020, the closing price of the cobalt-linked warrants was $0.01 per warrant (note 18) (December 31, 2019 - $0.015 per warrant).

Trade accounts receivable, net, and unbilled revenue

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

Canadian $ millions, as at	2020 September 30	2019 December 31
Trade accounts receivable, net	$ **153.0**	$ 154.9
Unbilled revenue	**0.9**	-
	$ **153.9**	$ 154.9

Trade accounts receivable, net

Canadian $ millions, as at	2020 September 30	2019 December 31
Trade accounts receivable	$ **141.1**	$ 128.4
Allowance for expected credit losses	**(21.1)**	(19.1)
Accounts receivable from joint operations	**0.1**	0.1
Accounts receivable from joint venture	**11.2**	15.8
Other(1)	**21.7**	29.7
	$ **153.0**	$ 154.9

(1) Other receivables includes $3.0 million in accounts receivable from the Ambatovy Joint Venture (December 31, 2019 - $11.8 million).

Aging of trade accounts receivable, net

Canadian $ millions, as at	2020 September 30	2019 December 31
Not past due	$ **119.8**	$ 125.7
Past due no more than 30 days	**4.1**	7.9
Past due for more than 30 days but no more than 60 days	**2.7**	0.8
Past due for more than 60 days	**26.4**	20.5
	$ **153.0**	$ 154.9

Allowance for expected credit losses

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

Canadian $ millions	As at 2019 December 31	Revaluation	Debt-to-equity conversion	Foreign exchange and other non-cash items	As at 2020 September 30
		For the nine months ended September 30, 2020			
Lifetime expected credit losses					
Trade accounts receivable, net(1)	$ (19.1)	**$ (2.3)**	**$ -**	**$ 0.3**	**$ (21.1)**
Ambatovy Joint Venture subordinated loans receivable(2)(4)	(71.2)	**(68.7)**	**144.7**	**(4.8)**	**-**
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(3)(4)	(33.2)	**(47.4)**	**81.7**	**(1.1)**	**-**
Moa Joint Venture expansion loans receivable(1)(5)	(6.8)	**6.4**	**-**	**0.4**	**-**

(1) Revaluation of allowances for expected credit losses are recognized within net finance income (expense) (note 12).

(2) During the six months ended June 30, 2020, the Ambatovy Joint Venture converted the balance of its subordinated loans payable to equity, which resulted in a decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for expected credit losses. As a result of the conversion, the Corporation's subordinated loans receivable was fully converted to equity reducing the loans receivable and the allowance for expected credit losses to nil (note 16).

(3) During the eight months ended August 31, 2020, the Ambatovy Joint Venture converted the majority of the balance of its subordinated loans payable – post-financial completion to equity, which resulted in a decrease in the Corporation's subordinated loans receivable – post-financial completion and corresponding decrease in the Corporation's allowance for expected credit losses. As a result of the conversion, the Corporation's subordinated loans receivable – post-financial completion and the allowance for expected losses was reduced to $0.4 million and nil, respectively, as at August 31, 2020. As a result of the completion of the Transaction on August 31, 2020 (note 5), the Ambatovy Joint Venture subordinated loans receivable – post-financial completion contributed a loss of $0.4 million to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax (note 6).

(4) During the nine months ended September 30, 2020, the Corporation completed the Transaction (note 5). As a result of the Transaction, the revaluation of allowances for expected credit losses on the Corporation's subordinated loans receivable and subordinated loans receivable – post-financial completion were reclassified to the loss from discontinued operations, net of tax, in the current and comparative periods (note 6).

(5) During the nine months ended September 30, 2020, the Moa Joint Venture converted US$402.1 million ($548.0 million) of its expansion loans payable to equity (note 11) which, at the Corporation's 50% share, resulted in a US$201.1 million ($274.0 million) decrease in the Corporation's expansion loans receivable. As a result of the conversion, the Corporation's expansion loans receivable was fully converted to equity reducing the loans receivable and the allowance for expected credit losses to nil (note 16).

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

16. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	**2020 September 30**	2019 December 31
Advances and loans receivable			
Ambatovy Joint Venture subordinated loans receivable(1)	6	**$ -**	$ 61.0
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(2)	6	**-**	41.3
Ambatovy Joint Venture operator fee receivable	15	**-**	12.7
Energas conditional sales agreement		**216.6**	228.4
Moa Joint Venture expansion loans receivable(3)		**-**	252.2
Other financial assets(4)		**14.7**	5.4
		231.3	601.0
Current portion of advances, loans receivable and other financial assets(5)		**(41.5)**	(13.0)
Non-current portion of advances, loans receivable and other financial assets		**$ 189.8**	$ 588.0

(1) During the six months ended June 30, 2020, the Ambatovy Joint Venture converted the balance of its subordinated loans payable to equity, which resulted in a decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's allowance for expected credit losses. As a result of the conversion, the Corporation's subordinated loans receivable was fully converted to equity reducing the loans receivable and the allowance for expected credit losses to nil (note 15).

(2) During the nine months ended September 30, 2020, the Corporation completed the Transaction (note 5). As a result of the Transaction, the Corporation's subordinated loans receivable – post-financial completion, along with other Ambatovy Joint Venture Interests, were exchanged for the Ambatovy Joint Venture Partner loans, reducing this loans receivable to nil (note 15).

(3) During the nine months ended September 30, 2020, the Moa Joint Venture converted US$402.1 million ($548.0 million) of its expansion loans payable to equity (note 11) which, at the Corporation's 50% share, resulted in a US$201.1 million ($274.0 million) decrease in the Corporation's expansion loans receivable. As a result of the conversion, the Corporation's expansion loans receivable was fully converted to equity reducing the loans receivable to nil.

(4) Included in other financial assets are finance lease receivables of $4.6 million (December 31, 2019 - $5.1 million) and $9.9 million of dividends declared by the Moa Joint Venture (December 31, 2019 - nil), which were received by the Corporation subsequent to period-end (note 11).

(5) Included in the current portion of advances, loans receivable and other financial assets is the Energas conditional sales agreement of $30.7 million (December 31, 2019 - $12.4 million). During the nine months ended September 30, 2020, the current portion of the Energas conditional sales agreement increased by $18.3 million and the non-current portion decreased by a corresponding $18.3 million, as a result of payments expected from the Corporation's Cuban partners within twelve months of September 30, 2020.

17. IMPAIRMENT OF OIL ASSETS

During the three and nine months ended September 30, 2020, the Corporation recognized a total impairment loss of $115.6 million in the Oil and Gas segment, consisting of a $95.0 million impairment loss on exploration and evaluation assets included within intangible assets and a $20.6 million impairment loss on capital spare parts included within property, plant and equipment.

During the three months ended September 30, 2020, the Corporation completed its analysis and testing of samples obtained from the Block 10 well. Testing confirmed that water is present and entering the well from the loss circulation zone, which is located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. As a result, the Corporation has decided to suspend the well and recognized a non-cash impairment loss of $95.0 million for capitalized well costs. The recoverable amount was measured based on value in use using the present value of the well's expected future cash flows, which resulted in a recoverable amount of nil. The impairment loss consists of all exploration and evaluation assets related to the well asset, including drilling materials and equipment, as well as geological and engineering expenses.

During the three and nine months ended September 30, 2020, the Corporation recognized an impairment loss of $20.6 million on capital spare parts included within property, plant and equipment due to the well suspension noted above and uncertainty on the timing of future exploration activities in Cuba. The recoverable amount was measured based on value in use using the present value of expected future cash flows of the capital spare parts, which resulted in a recoverable amount of nil.

Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. Sherritt has committed to making no further investments in Block 10 without first securing an earn-in partner.

18. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

			For the nine months ended September 30, 2020			
			Non-cash changes			
Canadian $ millions	Note	As at 2019 December 31	**Recognition/ (Extinguish -ment)**	**Effect of movement in exchange rates**	**Other**	**As at 2020 September 30**
8.00% senior unsecured debentures due 2021[1], [2]	5, 12	$ 164.4	**$ (166.2)**	**$ -**	**$ 1.8**	**$ -**
7.50% senior unsecured debentures due 2023[1], [2]	5, 12	187.8	**(189.5)**	**-**	**1.7**	**-**
7.875% senior unsecured debentures due 2025[1], [2]	5, 12	201.9	**(203.6)**	**-**	**1.7**	**-**
Ambatovy Joint Venture partner loans[2], [3]	5, 6	151.5	**(155.5)**	**0.4**	**3.6**	**-**
8.50% second lien secured notes due 2026[4], [5]	15	-	**357.5**	**-**	**0.2**	**357.7**
10.75% unsecured PIK option notes due 2029[4]	15	-	**75.0**	**-**	**-**	**75.0**
Syndicated revolving-term credit facility		8.0	**-**	**-**	**-**	**8.0**
		$ 713.6	**$ (282.3)**	**$ 0.4**	**$ 9.0**	**$ 440.7**
Current portion of loans and borrowings		(159.5)				**(8.0)**
Non-current portion of loans and borrowings		$ 554.1				**$ 432.7**

(1) Other non-cash changes consists of accretion.

(2) During the nine months ended September 30, 2020, the Corporation completed the Transaction (note 5). As a result of the Transaction, the Corporation's previously existing senior unsecured debentures due 2021, 2023 and 2025, as well as the Ambatovy Joint Venture partner loans were extinguished (note 6 and 12).

(3) Other non-cash changes on the Ambatovy Joint Venture partner loans consists of accretion and accrued interest.

(4) As at September 30, 2020, the outstanding principal amounts of the 8.50% second lien secured notes due 2026 and 10.75% unsecured PIK option notes due 2029 are $357.5 million and $75.0 million, respectively.

(5) Other non-cash changes consists of the accretion of a 7% premium on the outstanding principal of the second lien secured notes. This premium is due upon the earlier of optional redemption and maturity of the second lien secured notes. This premium is accreted over the life of the instrument.

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

Senior unsecured debentures

As at June 30, 2020, the Old Notes were classified as current liabilities due to events of default as a result of non-payment of certain interest payments thereon and the expiry of the applicable cure periods pursuant to the indenture governing the Old Notes (the “Old Notes Indenture”), and the Ambatovy Joint Venture partner loans were classified as current liabilities due to events of default as a result of the commencement of the CBCA proceedings and Sherritt being a non-funding shareholder of the Ambatovy Joint Venture. During the CBCA proceedings, these events of defaults were stayed pursuant to the Interim Order granted by the Court in the CBCA proceedings. As a result of the Transaction being completed on August 31, 2020, pursuant to the Plan of Arrangement and the Final Order granted by the Court approving the Plan of Arrangement, the Old Notes and the Ambatovy Joint Venture partner loans were terminated, and all claims in respect thereof were fully and finally extinguished and released. As of this date, the holders of the previously existing Old Notes and the Ambatovy Joint Venture partners have no further rights or remedies with respect to any previously triggered events of default under the Old Notes Indenture and the Ambatovy Joint Venture partner loans, respectively.

8.50% second lien secured notes due 2026

As a result of the Transaction (note 5), the Corporation issued 8.50% second lien secured notes with a principal amount of $357.5 million maturing on November 30, 2026. Interest is payable semi-annually in cash. The indenture governing the New Second Lien Notes (the “New Second Lien Notes Indenture”) requires mandatory redemptions from excess cash (subject to the minimum liquidity condition noted below and the other terms and conditions set forth in the New Second Lien Notes Indenture). The mandatory excess cash flow redemption provision is in effect beginning with the two-quarter period ending June 30, 2021 and mandatory redemptions are based on excess cash flow (a measure calculated based on cash provided by (used in) operating activities, less property, plant and equipment expenditures, plus all cash distributed by Energas S.A. to the Corporation), which mandatory redemption shall be required to be made only if the Corporation has minimum liquidity of $75.0 million calculated in accordance with the New Second Lien Notes Indenture. Refer to note 22 for a maturity analysis of the Corporation’s contractual obligations and commitments, which includes expected mandatory excess cash flow redemptions. Expected mandatory excess cash flow redemptions have been included in the calculation of the effective interest rate of the New Second Lien Notes.

The 8.50% second lien secured notes due 2026 also includes an option for the Corporation to redeem all or part of the notes outstanding prior to maturity at a price equal to 107% of the principal amount so redeemed, which was determined to be an embedded derivative. The fair value of this embedded derivative was nominal at inception and has not been presented separately from the New Second Lien Notes within the Corporation’s condensed consolidated statements of financial position.

The New Second Lien Notes Indenture provides for a 7% premium on (i) any optional early redemptions made at the election of the Corporation prior to maturity as mentioned above, and (ii) on repayment on the maturity date, provided that the aggregate amount of all premium payments paid by Sherritt with respect to the foregoing shall collectively not be less than $25.0 million. Mandatory redemptions do not incur a premium and ultimately do not affect the timing of when this 7% premium is paid.

Under the New Second Lien Notes Indenture, the Corporation is subject to various restrictions, which limit, among other things, the incurrence of indebtedness, liens, asset sales and payment of distributions and other restricted payments, unless certain financial ratios are met and subject to certain customary carve-outs and permissions, often referred to as “baskets”. If the ratio of earnings before interest, taxes, depreciation and amortization (“EBITDA”)-to-interest expense, both as defined in the agreement, is above 2.5:1, debt can be incurred without the use of a basket and additional restricted payments can be made to the extent the Corporation has sufficient room in the restricted payment “builder basket” as calculated under the New Second Lien Notes Indenture.

As at September 30, 2020, the New Second Lien Notes are classified as non-current liabilities within the Corporation’s condensed consolidated statements of financial position as a result of its maturity in 2026.

10.75% unsecured PIK option notes due 2029

As a result of the Transaction (note 5), the Corporation issued 10.75% unsecured PIK option notes with a principal amount of $75.0 million maturing on August 31, 2029. Interest is payable semi-annually in cash or in-kind, at Sherritt’s election.

As at September 30, 2020, the New Junior Notes are classified as non-current liabilities within the Corporation’s condensed consolidated statements of financial position as a result of its maturity in 2029.

Syndicated revolving-term credit facility

During the three months ended September 30, 2020, the maturity of the Corporation's $70.0 million syndicated revolving-term credit facility was extended from September 30, 2020 to October 31, 2020. On October 27, 2020, the maturity of the syndicated revolving-term credit facility was further extended to December 31, 2020. The maximum credit available, covenants, collateral and interest rates remained unchanged.

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

The facility is subject to the following financial covenants and restrictions as of April 15, 2020 through to December 31, 2020 maturity:

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

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 its discussions with its operating partners to replace the letter of credit with a potential alternative arrangement.

Covenants

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

Other financial liabilities

Canadian $ millions, as at	Note	**2020 September 30**	2019 December 31
Lease liabilities		**$ 16.1**	$ 14.8
Cobalt-linked warrant liability(1)	15	**0.5**	0.7
Share-based compensation liability		**3.8**	2.2
Other financial liabilities		**1.0**	5.1
		21.4	22.8
Current portion of other financial liabilities		**(3.2)**	(9.3)
Non-current portion of other financial liabilities		**$ 18.2**	$ 13.5

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

19. PROVISIONS AND CONTINGENCIES

Provisions

Canadian $ millions, as at	2020 September 30	2019 December 31
Environmental rehabilitation provisions	**$ 110.8**	$ 97.9
Other provisions[(1)]	**3.5**	6.5
	114.3	104.4
Current portion of provisions	**(2.2)**	(5.0)
Non-current portion of provisions	**$ 112.1**	$ 99.4

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

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the nine months ended 2020 September 30	For the year ended 2019 December 31
Balance, beginning of the period		**$ 97.9**	$ 107.7
Change in estimates[(1)]		**9.1**	(2.5)
Gain on settlement of environmental rehabilitation provision		**-**	(0.7)
Accretion	12	**0.2**	0.3
Effect of movement in exchange rates		**3.6**	(6.9)
Balance, end of the period		**$ 110.8**	$ 97.9

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

Contingencies

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

20. 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:

Notes to the condensed consolidated financial statements

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

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

Reserves

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

Accumulated other comprehensive income

Canadian $ millions	Note	For the nine months ended 2020 September 30	For the year ended 2019 December 31
Foreign currency translation reserve			
Balance, beginning of the period		**$ 500.9**	$ 541.8
Foreign currency translation differences on foreign operations		**22.3**	(40.9)
Reclassification of accumulated other comprehensive income on disposal of foreign operation(1)	6	**(129.7)**	-
Balance, end of the period		**393.5**	500.9
Actuarial losses on pension plans			
Balance, beginning of the period		**$ (5.1)**	$ (4.6)
Actuarial losses on pension plans, net of tax		**-**	(0.5)
Balance, end of the period		**(5.1)**	(5.1)
Total accumulated other comprehensive income		**$ 388.4**	$ 495.8

(1) During the nine months ended September 30, 2020, the Corporation completed the Transaction (note 5). As a result of the Transaction, $129.7 million of accumulated other comprehensive income relating to the Ambatovy Joint Venture was reclassified to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax within earnings (loss) from discontinued operations, net of tax (note 6).

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

	For the three months ended		For the nine months ended	
	2020	2019	**2020**	2019
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Trade accounts receivable, net, and unbilled revenue	**$ 2.5**	$ (27.5)	**$ 4.9**	$ 29.2
Inventories	**(5.4)**	(5.5)	**(0.7)**	(3.6)
Prepaid expenses	**(0.4)**	(0.5)	**(2.5)**	(0.9)
Trade accounts payable and accrued liabilities	**21.7**	28.1	**7.5**	(15.1)
Deferred revenue	**3.3**	3.5	**5.2**	(19.2)
	$ 21.7	$ (1.9)	**$ 14.4**	$ (9.6)

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

COVID-19 and other pandemic risk

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

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

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

Liquidity risk

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

The main factors that affect liquidity include realized sales prices, collection of receivables, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of non-current loans and borrowing obligations, credit capacity and debt and equity capital market conditions.

The Corporation's liquidity requirements are met through a variety of sources, including cash and cash equivalents, cash generated from operations, existing credit facilities, leases, and debt and equity capital markets.

Based on management's assessment of its financial position and liquidity profile as at September 30, 2020, the Corporation will be able to satisfy its current and non-current obligations as they come due. The Corporation discloses further information regarding the conclusion that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern in note 2.

The agreements establishing certain jointly controlled entities require the unanimous consent of shareholders to pay dividends. It is not expected that this restriction will have a material impact on the ability of the Corporation to meet its obligations.

Subsequent to period-end, Sherritt took advantage of the recent strength in nickel prices and purchased put options on 25% of its share of attributable finished nickel production from the Moa Joint Venture for 2021 at a strike price of US$6.50/lb. Any cash settlements will be completed on a monthly basis against the average monthly nickel price on the London Metals Exchange and will involve no physical delivery. The hedging strategy, which will be in effect for a 12-month period starting January 1, 2021, is designed to provide Sherritt with cash flow security in 2021 against major downward changes in nickel prices by providing a floor but no cap on 25% of Sherritt's share of 2021 nickel production.

Financial obligation maturity analysis

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

Canadian $ millions, as at September 30, 2020	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 159.8	$ 159.8	$ -	$ -	$ -	$ -	$ -
Income taxes payable	12.4	12.4	-	-	-	-	-
8.50% second lien secured notes due 2026	566.2	20.2	30.4	30.4	30.7	54.4	400.1
10.75% unsecured PIK option notes due 2029	194.2	-	-	-	-	-	194.2
Syndicated revolving-term credit facility	8.0	8.0	-	-	-	-	-
Provisions	133.9	2.6	-	0.5	0.5	49.9	80.4
Lease liabilities	21.2	2.4	2.6	2.5	2.4	2.4	8.9
Other	0.3	-	-	0.3	-	-	-
Total	$ 1,096.0	$ 205.4	$ 33.0	$ 33.7	$ 33.6	$ 106.7	$ 683.6

23. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its joint arrangements (note 11). Transactions between related parties are generally based on standard commercial terms. As a result of Transaction (note 5), the Ambatovy Joint Venture ceased to be a related party of the Corporation on August 31, 2020.

All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

24. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at September 30	2020
Property, plant and equipment commitments	$ 6.5
Joint venture:	
Property, plant and equipment commitments	15.4

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