2019

FINANCIAL RESULTS

Sherritt International Corporation

Nickel market outlook is strong

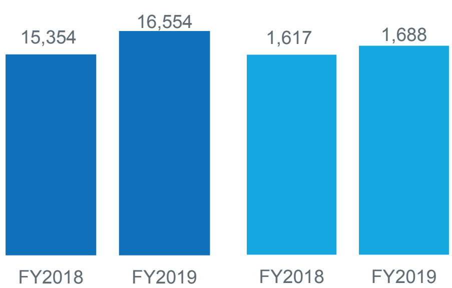
Nickel, like most commodities, experienced large fluctuations in price, supply and demand in 2019. Geopolitical factors have had a significant impact on nickel price, including China-U.S. trade relations, large global inventory swings, an ore export ban in Indonesia and, most recently, coronavirus. Despite these external influences, the fundaments of the nickel (and cobalt) market continues to be positive. With projected continued long-term growth in stainless steel, exponential growth in the number of electric vehicles produced, and a continued supply deficit, the future of nickel has rarely looked brighter.

As a low-cost, high purity producer of Class 1 nickel, Sherritt is poised to take advantage of growing demand as it continues to capitalize on its operational excellence initiatives and produce nickel and cobalt to feed the expanding stainless steel and EV battery markets.

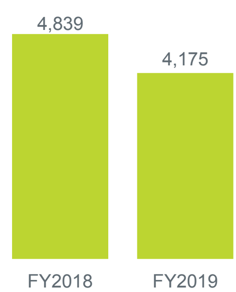
2019 Operational Highlights

Sherritt's focus is nickel and cobalt, and we also have a long history of oil production in Cuba. In 2019, our production results for nickel at the Moa Joint Venture, oil production in Cuba, and power production either exceeded or were within guidance.

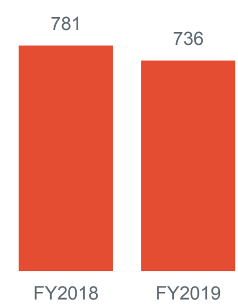
Nickel and Cobalt[1]
(tonnes)



Oil
(NWI, boepd[2])

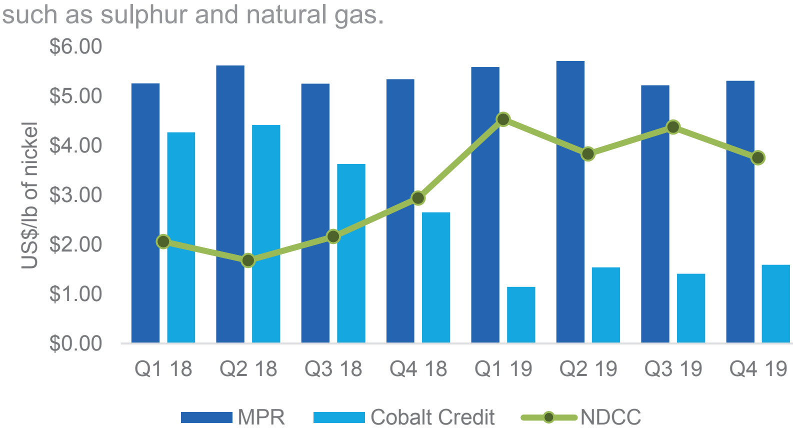


Power
(Gigawatt hours)



Nickel operating costs

Sherritt continuously strives to keep its operating costs low and is among the world's lowest cost nickel producers. As the table below shows, changes in the Moa Joint Venture's net direct cash cost are, in large part, a function of the impact of the price of cobalt which, as by-product of the refining process, reduces NDCC. Mining, refining and processing costs (MPR) are relatively constant. They fluctuate, in part, with input commodity prices such as sulphur and natural gas.



1. Moa Joint Venture, Sherritt's share = 50% basis.
2. NWI = Net working-interest; barrels of oil equivalent per day.

Strong Operational Performance Drives Sherritt's Q4 2019 Results

CEO COMMENTARY

"Sherritt ended 2019 meeting or exceeding our production guidance for operations in Cuba despite a number of challenges we faced during the year, including the adverse effects of increased U.S. sanctions against Cuba, reduced availability of diesel fuel supply at Moa, rail service disruption in Canada, and increased volatility of input commodity prices," said David Pathe, President and CEO of Sherritt International. "Our ability to reach our guidance targets is indicative of the effectiveness that operational excellence initiatives implemented over the past 18 months as well as targeted mitigation strategies had on our results."

Mr. Pathe added, "We have been advised by our Cuban partners that we will receive an incremental US$5.0 million per month to fund Energas operations and apply to overdue receivables in addition to the approximate US$2.5 million per month payment under last year's receivables agreement, which will continue. With greater visibility on expected cash flow from Cuba, today we are launching a balance sheet initiative that benefits all stakeholders by strengthening our capital structure, reducing annual cash interest expenses by approximately $19 million, and providing a resolution to the legacy of debt from Ambatovy."

SUMMARY OF KEY Q4 DEVELOPMENTS

- Sherritt's share of finished nickel and cobalt production at the Moa Venture (Moa JV) in Q4 2019 were 4,049 tonnes and 411 tonnes, respectively. The totals, which enabled Sherritt to meet or exceed its finished nickel and cobalt production guidance for the year at the Moa JV, reflect the success of strategies implemented during the quarter to offset the negative impact that the CN rail strike had on the transportation of mixed sulphides in Canada and the reduced availability of diesel fuel supply in Cuba had on Moa operations.
- Excluding $79.8 million of cash and cash equivalents held by Energas, Sherritt ended Q4 2019 with cash and cash equivalents of $86.3 million. Sherritt's consolidated cash position of $166.1 million at the end of Q4 was down from $169.3 million at the end of Q3 2019. The change in Sherritt's liquidity was due to a combination of factors, including interest paid on outstanding debentures and the lower receipt of Cuban energy payments.
- Received $14.9 million in dividend distributions from the Moa JV despite softening nickel and cobalt prices in the quarter.
- Received US$13.4 million in Cuban energy payments, including US$5.9 million related to the overdue receivables agreement ratified in June and US$7.5 million attributable to Sherritt's Oil and Gas operations.
- Adjusted EBITDA(1) was $17.9 million, up 67% from $12.4 million in Q4 2018. The year-over-year improvement was driven primarily by stronger realized nickel prices but offset by lower cobalt prices.
- Net loss included $132.8 million of non-cash impairment losses related to investments in the Ambatovy Joint Venture and the Power business assets in addition to revaluations of allowances for expected credit losses on the Ambatovy Joint Venture loans receivable.
- Sherritt and the General Nickel Company S.A. celebrated the 25-year anniversary of the formation of the Moa Joint Venture on December 1, 2019.

SUMMARY OF KEY 2019 DEVELOPMENTS

- Sherritt's share of dividend distributions from the Moa JV totaled $43.3 million (US$32.5 million), indicative of higher nickel prices and operational performance for 2019. Sherritt's share of dividends in 2018 totaled $11.9 million.
- Excluding the impact of stock-based compensation and depreciation, administrative expenses in 2019 declined by 5% to $39.0 million, down from $41.2 million in 2018. Since 2014, Sherritt has reduced its administration expenses by 30%.
- Sherritt's Cuban partners ratified an overdue receivables agreement for the repayment of US$150 million from Energas S.A., and made US$21.1 million in payments under the plan through December 31, 2019.
- Filed a National Instrument 43-101 technical report on SEDAR that confirmed the Moa JV's current Mineral Reserves and outlined increased Mineral Resources with the potential to extend Moa's mine life beyond its current 15 years.
- Implemented a number of austerity measures, including the elimination of discretionary expenditures, the deferral of non-critical projects and limiting the number of new hires, aimed at preserving liquidity.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Announced a transaction aimed at improving the Corporation's liquidity, reducing debt levels and building balance sheet strength. Pending approval by the requisite debtholders, court approval and the satisfaction or waiver of the other conditions to the transaction, the transaction will reduce Sherritt's total debt by approximately $414 million and reduce annual cash interest payments by approximately by $19 million by, among other things, exchanging the Corporation's existing note obligations in the aggregate principal amount of approximately $588 million, plus all accrued and unpaid interest thereon until the closing of the transaction, for new second lien notes of approximately $319 million (assuming completion of the transaction at the end of April 2020), and exchanging Sherritt's partner loans relating to the Ambatovy Joint Venture for its 12% interest in the Ambatovy Joint Venture and related subordinated obligations owing to Sherritt by the Ambatovy Joint Venture or amended loans with no recourse against Sherritt. The transaction will also result in an extension of the maturity of the Corporation's note obligations from 2021, 2023 and 2025, respectively, under its existing notes to April 2027 under the new second lien notes.
- In addition to the payments of US$2.5 million per month Sherritt is receiving following ratification of the overdue receivables agreement with its Cuban partners in June 2019, Sherritt received a commitment from its Cuban partners, subsequent to the end of Q4 2019, for an incremental US$5 million per month, which will be used to fund Energas operations and reduce overdue amounts owed to Sherritt.
- Sherritt completed drilling on Block 10 in December 2019, reaching the target depth of approximately 5,700 meters. Preliminary testing, which began late in 2019, is expected to resume in the coming days now that additional work on the well and recertification of specific pieces of equipment have been completed. Sherritt will provide an update on progress as material developments occur.
- Sherritt's operations and partners in Cuba continue to be negatively affected by the increasing number of sanctions and restrictions that the U.S. government has imposed against the country since May 2019. These sanctions have included enforcement of Title III of the Helms-Burton Act, restrictions on travel to Cuba by U.S. citizens, bans on cruise ships from porting in Cuba, restrictions on commercial vessels entering Cuba, bans on U.S. flights to Cuba except Havana, limits on the amount of U.S. content in supplies that can enter the country, restrictions on certain types of financial transactions, limits on family remittances to Cuba to US$1,000 per quarter, and sanctions against Cuban medical missions abroad.

(1) For additional information see the Non-GAAP measures section of the MD&A.

Q4 2019 FINANCIAL HIGHLIGHTS[(1)]

$ millions, except per share amount	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
Revenue	**31.4**	37.1	(15%)	$ **137.6**	$ 152.9	(10%)
Combined revenue[(2)]	**143.4**	142.6	1%	**546.2**	600.7	(9%)
Net earnings (loss) for the period	**(185.5)**	(53.1)	(249%)	**(367.7)**	(64.2)	(473%)
Adjusted EBITDA[(2)]	**17.9**	12.4	44%	**47.3**	126.2	(63%)
Cash provided (used) by continuing operations	**7.3**	12.6	(42%)	**(10.9)**	7.4	(247%)
Combined adjusted operating cash flow[(2)]	**(3.4)**	(9.8)	65%	**(6.1)**	29.9	(120%)
Combined free cash flow[(2)]	**28.1**	12.4	127%	**(24.2)**	6.6	(467%)
Average exchange rate (CAD/US$)	**1.320**	1.320	-	**1.327**	1.296	-
Net earnings (loss) from continuing operations per share	**(0.46)**	(0.17)	(171%)	**(0.92)**	(0.21)	(338%)

(1) The financial results for the Ambatovy JV are only discussed as part of share of earnings in associate based on financial statement amounts. Prior period non-GAAP measures have been revised to exclude the Ambatovy JV performance.

(2) For additional information see the Non-GAAP measures section of the MD&A.

$ millions, as at December 31	2019	2018	Change
Cash, cash equivalents and short-term investments	**166.1**	207.0	(20%)
Loans and borrowings	**713.6**	705.7	1%

Adjusted net earnings (loss)[(1)]

For the three months ended December 31	2019 $ millions	2019 $/share	2018 $ millions	2018 $/share
Net earnings (loss) from continuing operations	**(182.5)**	**(0.46)**	(69.1)	(0.17)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**8.4**	**0.02**	(20.7)	(0.05)
Ambatovy impairment and ACL revaluation	**112.5**	**0.28**	44.1	0.11
Power impairment of intangible assets	**20.3**	**0.05**	-	-
Other	**10.4**	**0.03**	24.9	0.06
Adjusted net loss from continuing operations	**(30.9)**	**(0.08)**	(20.8)	(0.05)

For the years ended December 31	2019 $ millions	2019 $/share	2018 $ millions	2018 $/share
Net earnings (loss) from continuing operations	**(364.7)**	**(0.92)**	(80.2)	(0.21)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**14.5**	**0.05**	(33.3)	(0.09)
Ambatovy impairment and ACL revaluation	**169.5**	**0.43**	47.4	0.12
Power impairment of intangible assets	**20.3**	**0.05**	-	-
Other	**1.3**	**(0.01)**	15.6	0.05
Adjusted net loss from continuing operations	**(159.1)**	**(0.40)**	(50.5)	(0.13)

(1) For additional information see the Non-GAAP measures section of the MD&A.

Adjusted net loss from continuing operations was $30.9 million, or $0.08 per share, for the three months ended December 31, 2019 compared to an adjusted net loss from continuing operations of $20.8 million, or $0.05 per share, for Q4 2018. For FY2019. Adjusted net loss from continuing operations for FY2019 was $159.1 million, or $0.40 per share, compared to an adjusted net loss from continuing operations of $50.5 million, or $0.13 per share for the prior year. Significant adjustments to net loss in Q4 2019 and FY2019 include non-cash adjustments of $112.5 million and $169.5 million, respectively, related to revaluation of allowances for expected credit loss ("ACL") on Ambatovy Joint Venture loans receivable under IFRS 9 and impairment on Ambatovy. In addition, Sherritt recognized an impairment of $20.3 million on Power intangible assets in the three- and 12-month periods ended December 31, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2019

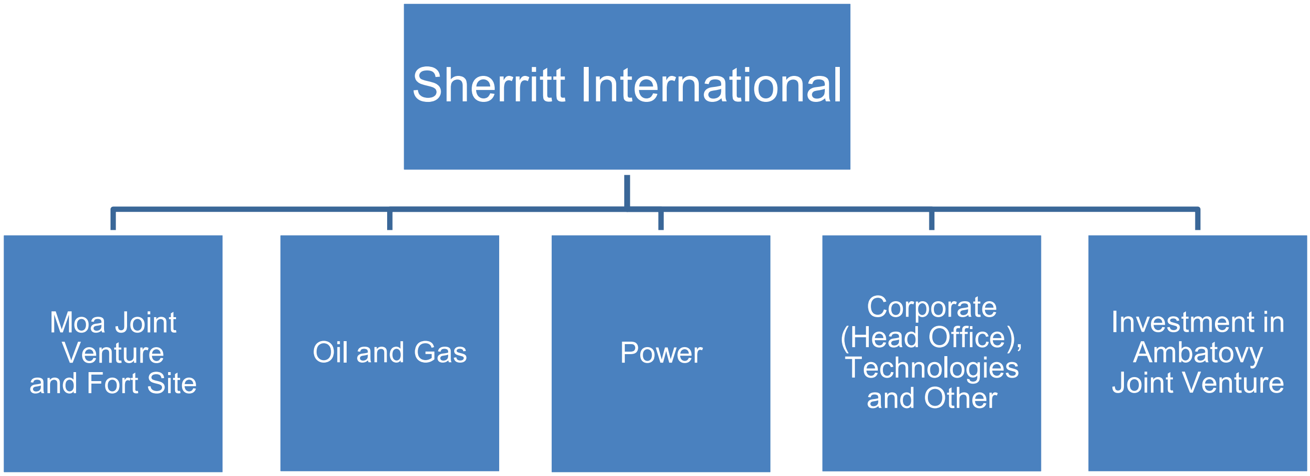
This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of February 25, 2020, should be read in conjunction with Sherritt's audited consolidated financial statements 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 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.

Overview of the business

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



MOA JOINT VENTURE AND FORT SITE

Sherritt has a 50/50 partnership with General Nickel Company S.A. (GNC) of Cuba (the Moa Joint Venture) and a wholly-owned fertilizer business and sulphuric acid, utilities and fertilizer storage facilities in Fort Saskatchewan, Alberta, Canada (Fort Site) that provides additional sources of income.

The Moa Joint Venture mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The Moa Joint Venture is a vertically-integrated joint venture that mines lateritic ore by open pit methods and processes them at its facilities at Moa, Cuba into mixed sulphides containing nickel and cobalt. The mixed sulphides are transported to the refining facilities in Fort Saskatchewan, Alberta. The resulting nickel and cobalt products are sold to various markets, primarily in Europe, Japan and China. At current depletion rates, the concessions of the Moa Joint Venture are planned to be mined until at least 2034. In Q2 2019, the Moa Joint Venture filed an updated National Instrument 43-101 technical report on SEDAR that confirmed the current mineral reserves and outlined increased mineral resources with the potential to extend Moa’s mine life.

The Fort Site facilities provides inputs (ammonia, sulphuric acid and utilities) for the Moa Joint Venture metals refinery, produces agriculture fertilizer for sale in Western Canada and provides additional fertilizer storage and administrative facilities. The metals refinery facilities in Fort Saskatchewan have an annual production capacity of approximately 35,000 (100% basis) tonnes of nickel and approximately 3,800 (100% basis) tonnes of cobalt.

OIL AND GAS

Sherritt’s Oil and Gas division explores for and produces oil and gas primarily from reservoirs located offshore, but in close proximity to the coastline along the north coast of Cuba. Specialized long reach directional drilling methods are being used to economically exploit these reserves from land-based drilling locations.

Under the terms of its production-sharing contracts (PSCs), Sherritt’s net production is made up of an allocation from gross working-interest production (cost-recovery oil) to allow recovery of all approved costs in addition to a negotiated percentage of the remaining production (profit oil). The pricing for oil produced by Sherritt in Cuba is based on a discount to U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices.

Sherritt currently has an interest in four PSCs, one PSC which is developed and at the production stage and the remaining three PSCs in the exploration phase.

In addition, Sherritt holds working-interests in several oil fields and the related production platform located in the Gulf of Valencia in Spain.

During Q3 2019, Sherritt sold its working interest in a natural gas field in Pakistan for cash proceeds of $0.7M, which did not differ materially from the carrying value of the assets sold. The sale was consistent with the Corporation's strategy to focus its Oil and Gas business on Cuban operations.

POWER

Sherritt's primary power generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by Sherritt through its one-third interest in Energas S.A. (Energas), which is a Cuban joint arrangement established to process raw natural gas and generate electricity for sale to the Cuban national electrical grid. Cuban government agencies Unión Eléctrica (UNE) and Unión Cubapetróleo (CUPET) hold the remaining two-thirds interest in Energas.

Raw natural gas is supplied to Energas by CUPET free of charge. The processing of raw natural gas produces clean natural gas, used to generate electricity, as well as by-products such as condensate and liquefied petroleum gas. All of Energas' electrical generation is purchased by UNE under long-term fixed-price contracts while the by-products are purchased by CUPET or a Cuban entity providing natural gas to the City of Havana at market based prices. Sherritt provided the financing for the construction of the Energas facilities and is being repaid from the cash flows generated by the facilities.

The Energas facilities, which are comprised of the two combined cycle plants at Varadero and Boca de Jaruco, produce electricity using natural gas and steam generated from the waste heat captured from the gas turbines. Energas' electrical generating capacity is 506 MW.

CORPORATE, TECHNOLOGIES AND OTHER

Sherritt's Technologies group 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. Its activities include the internally focused development of technologies that provide strategic advantages to the Corporation; evaluating, developing and commercializing process technologies for natural resource based industries, in particular for the hydrometallurgical recovery of non-ferrous metals; and providing technical support for Sherritt's operations, marketing and business development arms.

INVESTMENT IN AMBATOVY JOINT VENTURE

Sherritt has a 12% interest in Ambatovy Minerals S.A. (AMSA) and Dynatec Madagascar S.A. (DMSA). Together AMSA and DMSA form the Ambatovy Joint Venture which owns a significant nickel operation in Madagascar. The Ambatovy Joint Venture is one of the world's largest, vertically integrated, nickel mining, processing and refining operations utilizing lateritic ore. Subject to the terms of the Ambatovy Operating Agreement and the direction of the Ambatovy Executive Committee, Sherritt is the operator of the mine and refining facilities and has as its principal partners Sumitomo Corporation (Sumitomo) and Korea Resources Corporation (KORES) (collectively, the Ambatovy Partners). The Ambatovy Joint Venture has two nickel deposits located near Moramanga (eastern-central Madagascar) which is expected to operate until at least 2043.

ACCOUNTING PRESENTATION

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

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

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

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

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

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

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

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

Operating and financial results presented in this MD&A for reporting segments can be reconciled to note 5 of the consolidated financial statements for the year ended December 31, 2019.

INVESTMENT IN AMBATOVY JOINT VENTURE

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

As a result of this change, the Ambatovy Joint venture is excluded from combined results, Adjusted EBITDA and combined cash flow metrics. For comparative purposes, the Ambatovy Joint Venture's results have been excluded from comparative periods.

Net direct cash costs (NDCC) which is presented in this MD&A for the Ambatovy Joint Venture can be reconciled to note 8 of the consolidated financial statements for the year ended December 31, 2019.

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 62.

Strategic priorities

The table below summarizes how the Corporation performed against its strategic priorities for 2019.

Strategic Priorities	2019 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt's efforts to preserve liquidity were reflected by a number of austerity measures implemented throughout 2019, including the elimination of discretionary expenditures, the deferral of non-critical projects and limiting the number of new hires, in response to volatile commodity prices and increased U.S. sanctions against Cuba. These austerity measures contributed to a 5% reduction administration expenses in 2019 from last year (excluding stock-based compensation).
	Optimize working capital and receivables collection	In Q2 2019, Sherritt's Cuban partners ratified an agreement on US$150 million of Energas receivables comprising monthly payments and a 100% share of Moa JV dividends once a minimum threshold amount is exceeded (US$68 million for 2019). Sherritt received US$21.1 million (average of US$2.6 million per month) of Cuban energy payments as a result of the agreement in 2019. Total overdue receivables at the end of 2019 were US$158.4 million, indicative of the negative impact that U.S. sanctions against Cuba had on the country's access to foreign currency and Sherritt's inability to repatriate cash held in Cuba. Subsequent to quarter end, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month, which will be used to fund Energas operations and apply to overdue amounts. The US$2.5 million per month payment from last year will continue.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV and Fort Site met or exceeded its production and unit cost guidance for 2019 generated $66.3 million of adjusted operating cash flow year-to-date in 2019, despite the 61% decline in realized cobalt prices from last year and the impact of the CN rail strike and diesel fuel supply shortages in Cuba.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	Despite the positive effects that operational excellence initiatives had on driving increasing production in FY2019, NDCC rose in the year to US$4.14/lb, reflecting the dramatic 61% year-over-year decline in cobalt prices.
	Maximize production of finished nickel and cobalt and improve predictability over 2018 results	Finished nickel production at the Moa JV in 2019 was 33,108 tonnes (100% basis), exceeding guidance for the year. Finished cobalt production at the Moa JV in 2019 was 3,376 tonnes (100% basis) in line with guidance for the year. Higher production has been driven by initiatives aimed at improving operational effectiveness, ore access and mining equipment reliability.
	Achieve peer leading performance in environmental, health, safety and sustainability	Sherritt's operations at Moa, Fort Site, Oil & Gas and Power had zero work-related fatalities in 2019. In Q4 there were zero lost time incidents across all of Sherritt's operations. In Q4 2019, Moa/Fort Site had a recordable injury frequency rate of 0.45 and a lost time injury frequency rate of 0.09; the Oil and Gas business had a recordable injury frequency rate of 0.47 and a lost time injury rate of 0.00; and the Power business had a recordable injury frequency rate of 0.74 and a lost time injury frequency rate of 0.00. Overall Sherritt had a recordable injury frequency rate of 0.47 and a lost time injury frequency 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 approximately 5,700 meters to reach the target drilling depth. Preliminary testing is on hold pending re-certification of specific pieces of equipment and completion of additional work on the well. Preliminary testing is expected to re-start in February.

Highlights

MOA JOINT VENTURE OPERATIONS UPDATE

For the year ended December 31, 2019, finished nickel and cobalt production increased by 8% and 4%, respectively, when compared to the same period in the prior year reflecting higher mixed sulphide feed availability at the refinery. Finished nickel production at the Moa Joint Venture exceeded guidance for the year while finished cobalt production was in line with guidance.

Sherritt's share of finished nickel production at the Moa Joint Venture for the three months ended December 31, 2019 was 4,049 tonnes, down 6% from last year, while finished cobalt production of 411 tonnes was down 4% from last year. The decrease in finished production was primarily due to Canadian rail transportation issues. The Moa Joint Venture implemented a mitigation plan in advance of the Canadian rail transportation issues which partly offset the impact it had on production. This plan included arranging for ground transportation from the Halifax port to the refinery.

Net direct cash cost of nickel (NDCC) for the three months and year ended December 31, 2019 was higher compared to the same period in the prior year primarily as a result of lower cobalt credits due to lower cobalt prices, partially offset by lower sulphur and fuel oil prices. NDCC for the three months ended December 31, 2019 was also negatively impacted by lower sales volume compared to the same period in the prior year. NDCC for the year ended December 31, 2019 was also positively impacted by lower third party feed costs compared to the same period in the prior year.

Strong operational performance in 2019 has contributed to the Moa Joint Venture's ability to increase distributions in the current year over the prior year. During the three months and year ended December 31, 2019, the Moa Joint Venture paid distributions to Sherritt of $14.9 million and $43.3 million, respectively, compared to $6.7 million and $11.9 million in the prior year periods.

Sherritt and the General Nickel Company S.A. celebrated the 25-year anniversary of the formation of the Moa Joint Venture on December 1, 2019.

U.S. GOVERNMENT POLICY TOWARDS CUBA

As previously disclosed in the Corporation's MD&A for the three months ended March 31, 2019, the U.S. State Department, effective May 2, 2019, implemented Title III of the Helms-Burton Act, allowing U.S. citizens to bring lawsuits against foreign companies for using property that was nationalized by the Cuban government beginning in 1959.

At the same time, the U.S. administration continues to increase its sanctions against Cuba and its trading partners. These sanctions have included restrictions on commercial vessels entering Cuba, restrictions on travel to Cuba by U.S. citizens, bans on cruise ships from porting in Cuba, bans on U.S. flights to Cuba except Havana, limits on the amount of U.S. content in supplies that can enter the country, restrictions on certain types of financial transactions, limits on family remittances to Cuba to US$1,000 per quarter, and sanctions against Cuban medical missions abroad. These sanctions continue to adversely affect Cuba's economy, its ability to access U.S. currency to repay overdue receivables and its ability to conduct international trade, including the sourcing of key diesel supplies in the prior quarter which impacted mixed sulphide production for the Moa Joint Venture as discussed in the Review of operations section of this MD&A.

More details on Title III and its potential risks and uncertainties can be found in the Managing risk section of this MD&A. See "Risk Factors- Risks Related to U.S. Government Policy Towards Cuba" for additional information.

OIL AND GAS BLOCK 10 UPDATE

Sherritt completed drilling on Block 10 in December 2019, reaching the target depth of approximately 5,700 meters. Preliminary testing, which began late in 2019, is expected to resume in the coming days now that additional work on the well and recertification of specific pieces of equipment have been completed. Sherritt will provide an update on progress as material developments occur.

CUBAN OVERDUE RECEIVABLES AGREEMENT

During 2019, Sherritt's Cuban partners ratified an overdue receivables agreement (the Agreement) under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. For the three and twelve months ended December 31, 2019, Sherritt received Cuban energy payments of US$5.9 million and US$21.1 million under this agreement, respectively.

Subsequent to year end, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month, which will be used to fund Energas operations and reduce amounts owed to Sherritt.

WORKING CAPITAL UPDATE

Cash, cash equivalents and short-term investments at December 31, 2019 were $166.1 million, down from $169.3 million at September 30, 2019 and down from $207.0 million at the end of 2018. As at December 31, 2019, $79.8 million of Sherritt's cash and cash equivalents were held by Energas in Cuba, up from $77.3 million at September 30, 2019. Excluding the cash and cash equivalents held by Energas in Cuba, Sherritt's cash, cash equivalents and short-term investments were $86.3 million and $92.0 million as at December 31, 2019 and September 30, 2019, respectively.

There were a number of factors impacting cash during the quarter, including lower cash generated from consolidated operations, $15.1 million in interest payments on outstanding debentures and $6.6 million in capital expenditures primarily related to drilling on Block 10. These uses of cash were partly offset by the receipt of $14.9 million in distributions from the Moa Joint Venture and $17.9 million in positive working capital changes primarily due to the receipt of Cuban energy payments.

During the quarter, US$13.4 million of Cuban energy payments were received compared to US$18.8 million in Q3 2019. Cuban energy payments received during the quarter included US$5.9 million received in accordance with the Agreement, which is cited in the Cuban overdue receivables agreement section above, and US$7.5 million from Oil and Gas. At December 31, 2019, total overdue scheduled receivables were US$158.4 million, up from US$154.8 million at September 30, 2019 and US$152.5 million at December 31, 2018.

PRESERVING LIQUIDITY AND MANAGING COSTS

During the year, the terms of Sherritt's syndicated revolving-term credit facility were amended to lower the minimum cash balance requirement from $100.0 million, less undrawn credit, to $60.0 million, less undrawn credit, for the period of September 30, 2019 up to but excluding December 31, 2019. The minimum cash balance requirement increased to $70.0 million, less undrawn credit, on December 31, 2019 and remains in effect through the end of the credit facility's maturity on April 30, 2020. More details can be found in the Liquidity and capital resources section of this MD&A.

Given the challenging commodity price environment and uncertainty on the timing of collections on our Cuban energy receivables, the Corporation implemented a number of austerity measures in 2019, including the elimination of discretionary expenditures and limiting the number of new hires. Excluding the non-cash impacts of share-based compensation and depreciation, administrative expenses for the year ended December 31, 2019 were $39.0 million, which is 5% lower than the prior year. Total administrative expenses for 2019 were $42.5 million and include savings of $1.8 million in employee costs when compared to the prior year. These savings are largely a result of the austerity measures mentioned above coupled with additional cost saving initiatives that were implemented in 2018.

These measures support the Corporation's efforts to preserve liquidity and manage costs.

DEBT EXCHANGE

In February 2020, the Corporation announced a transaction (the Transaction) that proposes exchanging the Corporation's existing senior unsecured debentures due in 2021, 2023 and 2025 (the Existing Notes) in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon up to but excluding the implementation date of the Transaction (the Effective Date), for new secured debentures due in 2027 (the New Secured Notes) in an aggregate principal amount equal to 50% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, and certain early cash consent considerations. Assuming an anticipated Effective Date of April 30, 2020, the aggregate principal amount of the New Secured Notes would be approximately $319 million. If completed, the Transaction would result in a reduction of loans and borrowings in respect of the Existing Notes of approximately $269 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes.

The Transaction also proposes exchanging the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the Debtholders) in the aggregate principal amount of approximately $145 million, plus all accrued and unpaid interest, for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the Ambatovy Joint Venture assets) or (ii) amended loans with no further recourse against the Corporation. This would result in a further reduction of recourse loans and borrowings of approximately $145 million using the January 31, 2020 foreign exchange rates.

A meeting of Debtholders to vote on the Transaction is scheduled for April 9, 2020 (the Debtholders' Meeting). The Transaction is subject to, among other conditions precedent, approval by an affirmative vote of at least 66⅔% of the votes cast by the Corporation's Debtholders present in person or by proxy at the Debtholders' Meeting, and subject to approval by the Ontario Superior Court of Justice (Commercial List).

Upon implementation, the Transaction would result in a total reduction of loans and borrowings of approximately $414 million.

IMPAIRMENT

As at December 31, 2019, the Corporation tested its investment in an associate for impairment and determined its recoverable amount to be $39.3 million, resulting in a non-cash impairment loss of $31.0 million for the three months and year ended December 31, 2019. In arriving at the recoverable amount, the Corporation consider all available information that provides evidence of the fair value of the investment in an associate including the effects of the Transaction cited in the debt exchange section above. The Corporation also assessed the allowance for expected credit losses (ACL) on the Ambatovy Joint Venture subordinated and post financial completion loans receivable, based on probability-weighted scenarios which included the impact of the Transaction, resulting in non-cash revaluation losses of $81.5 million and $138.5 million for the three months and year ended December 31, 2019, respectively. In recognizing the impairment losses, the carrying value of the Ambatovy Joint Venture assets held by the Corporation are fairly consistent with the principal amount and accrued interest of the Ambatovy Joint Venture partner loans.

As at December 31, 2019, the Corporation tested the Boca de Jaruco power generation facility, within the Power segment, for impairment and recognized a non-cash impairment loss of $20.3 million for the three months and year ended December 31, 2019. The impairment was the result of a forecasted decline in gas supply.

Financial results(1)

$ millions, except as otherwise noted	For the three months ended **2019** **December 31**	2018 December 31	Change	For the years ended **2019** **December 31**	2018 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 31.4**	$ 37.1	(15%)	**$ 137.6**	$ 152.9	(10%)
Combined revenue(2)	**143.4**	142.6	1%	**546.2**	600.7	(9%)
Loss from operations, joint venture and associate	**(76.3)**	(43.9)	(74%)	**(180.6)**	(60.6)	(198%)
Net loss from continuing operations	**(182.5)**	(69.1)	(164%)	**(364.7)**	(80.2)	(355%)
Net loss for the period	**(185.5)**	(53.1)	(249%)	**(367.7)**	(64.2)	(473%)
Adjusted net loss(2)	**(30.9)**	(20.8)	(49%)	**(159.1)**	(50.5)	(215%)
Adjusted EBITDA(2)	**17.9**	12.4	44%	**47.3**	126.2	(63%)
Net loss per share from continuing operations (basic and diluted) ($ per share)	**$ (0.46)**	$ (0.17)	(171%)	**$ (0.92)**	$ (0.21)	(338%)
Net loss per share for the period (basic and diluted) ($ per share)	**(0.47)**	(0.13)	(262%)	**(0.93)**	(0.16)	(481%)
CASH						
Cash, cash equivalents and short-term investments	**$ 166.1**	$ 207.0	(20%)	**$ 166.1**	$ 207.0	(20%)
Cash (used) provided by continuing operating activities	**7.3**	12.6	(42%)	**(10.9)**	7.4	(247%)
Combined adjusted operating cash flow(2)	**(3.4)**	(9.8)	65%	**(6.1)**	29.9	(120%)
Combined free cash flow(2)	**28.1**	12.4	127%	**(24.2)**	6.6	(467%)
Distributions and repayments to Sherritt from the Moa JV	**14.9**	6.7	122%	**43.3**	47.7	(9%)
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS(4)	**14.3**	$ 20.3	(30%)	**$ 63.8**	$ 66.0	(3%)
PRODUCTION VOLUMES						
Moa JV finished nickel (50% basis, tonnes)	**4,049**	4,294	(6%)	**16,554**	15,354	8%
Moa JV finished cobalt (50% basis, tonnes)	**411**	428	(4%)	**1,688**	1,617	4%
Oil (boepd, net working-interest production)(3)	**1,182**	1,597	(26%)	**1,417**	2,209	(36%)
Electricity (gigawatt hours) (33⅓% basis)	**186**	184	1%	**736**	781	(6%)
AVERAGE EXCHANGE RATE (CAD/US$)	**1.320**	1.320	-	**1.327**	1.296	2%
AVERAGE-REALIZED PRICES(2)						
Moa JV nickel ($ per pound)	**$ 9.38**	$ 6.84	37%	**$ 8.37**	$ 7.75	8%
Moa JV cobalt ($ per pound)	**19.69**	38.43	(49%)	**17.80**	46.23	(61%)
Oil ($ per boe, NWI)(3)	**49.14**	50.47	(3%)	**48.77**	50.74	(4%)
Electricity ($ per megawatt hour)	**55.73**	55.34	1%	**55.78**	54.31	3%
UNIT OPERATING COSTS(2)						
Moa JV - Nickel (US$ per pound)(NDCC)	**$ 3.75**	$ 2.94	28%	**$ 4.14**	$ 2.24	85%
Oil ($ per boe, GWI)(3)	**34.58**	31.32	10%	**24.87**	22.54	10%
Electricity ($ per megawatt hour)	**22.15**	21.09	5%	**18.22**	20.28	(10%)

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

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

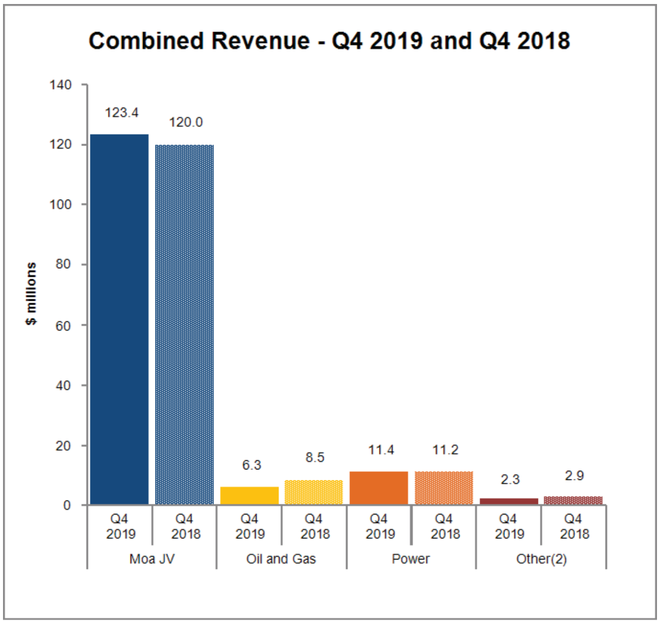
(3) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd); barrels of oil equivalent (boe).

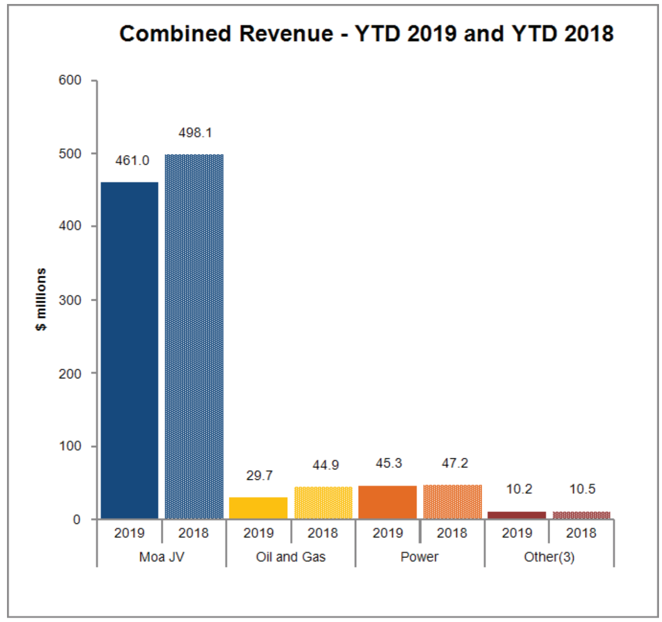
(4) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Revenue for accounting purposes, which excludes revenue from the Moa and Ambatovy joint ventures as they are accounted for under the equity method, was lower for the three months and year ended December 31, 2019, respectively, compared to the same periods in the prior year primarily due to lower oil production and sales volume and lower realized oil prices. Revenue for the three months ended December 31, 2019 was also negatively impacted by lower realized fertilizer prices compared to the same period in the prior year. Revenue for the year ended December 31, 2019 was also positively impacted by higher realized fertilizer prices compared to the same period in the prior year.

Total combined revenue(1) was $143.4 million and $546.2 million, respectively, for the three months and year ended December 31, 2019 compared to $142.6 million and $600.7 million for the same periods in the prior year. Higher total combined revenue for the three months ended December 31, 2019 was primarily due to higher nickel revenue, partially offset by lower cobalt revenue compared to the same period in the prior year. Lower total combined revenue for the year ended December 31, 2019 was primarily due to lower cobalt revenue and lower oil and gas revenue, partially offset by higher nickel 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) Q4 2019 Other includes - Other Metals - $2.8 million and Corporate and other - $ (0.5) million. (Q4 2018 Other includes - Other Metals - $2.9 million and Corporate and other - $ - million).

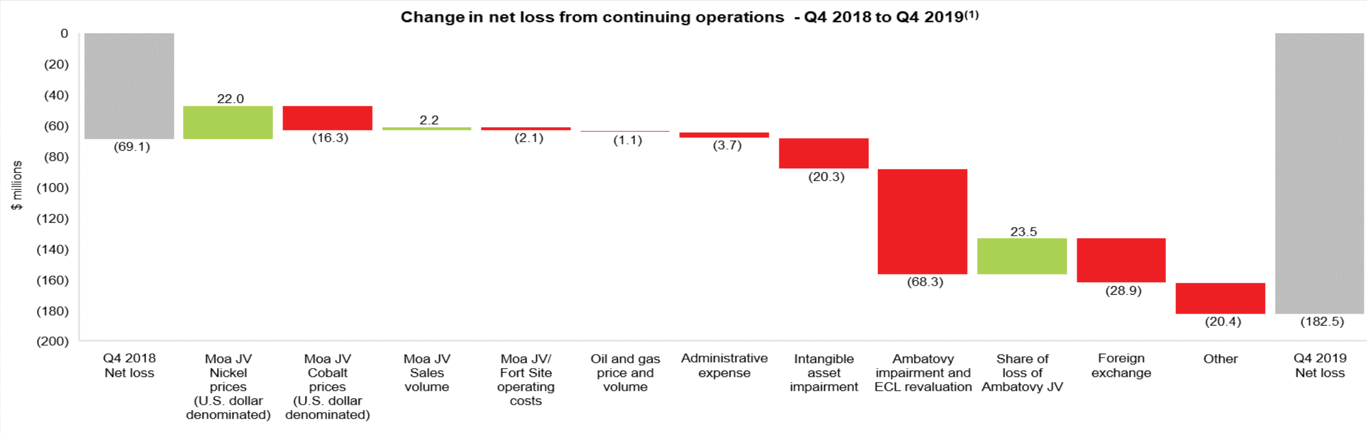
(3) YTD 2019 Other includes - Other Metals - $11.3 million and Corporate and other - $ (1.1) million. (YTD 2018 Other includes - Other Metals - $11.0 million and Corporate and other - $ (0.5) million).

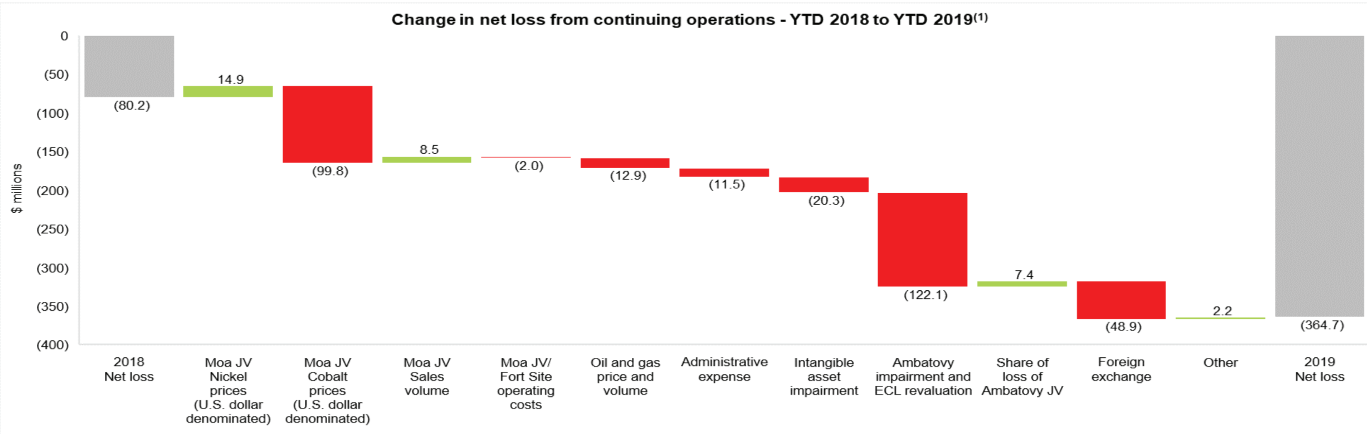
For the three months ended December 31, 2019, the net loss from continuing operations was $182.5 million, or $0.46 per share, compared to losses of $69.1 million, or $0.17 per share in the same period in the prior year. For the year ended December 31, 2019, the net loss from continuing operations was $364.7 million, or $0.92 per share, compared to losses of $80.2 million, or $0.21 per share in the prior year.

Adjusted net loss from continuing operations(1)(2) of $30.9 million, or $0.08 per share, and $159.1 million, or $0.40 per share for the three months and year ended December 31, 2019, respectively, compared to an adjusted net loss from continuing operations of $20.8 million, or $0.05 per share, and $50.5 million, or $0.13 per share for the same periods in the prior year, respectively.

For the three months ended December 31, 2019, the net loss of $185.5 million, or $0.47 per share, compared to net loss of $53.1 million, or $0.13 per share in the same period in the prior year. For the year ended December 31, 2019, net loss was $367.7 million, or $0.93 per share, compared to net loss of $64.2 million, or $0.16 per share in the prior year. The net loss in the prior year periods includes earnings from discontinued operations of $16.0 million related to insurance proceeds received in respect to the Corporation's previous Coal operations.

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





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

Reference prices for nickel were 35% and 6% higher, respectively, for the three months and year ended December 31, 2019, compared to the same periods in the prior year. Reference cobalt prices were 48% and 56% lower, respectively, for the three months and year ended December 31, 2019, compared to the same periods in the prior year. The average reference prices for U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) were 35% and 13% lower, respectively, for the three months and year ended December 31, 2019.

At the Moa Joint Venture, revenue for the three months and year ended December 31, 2019 was 3% higher and 7% lower, respectively, than the same periods in the prior year. For the three months ended December 31, 2019, the positive impact of higher realized nickel prices and higher cobalt sales volume offset the impacted lower nickel sales volume and lower realized cobalt and fertilizer prices. Lower nickel sales volume for the three months ended December 31, 2019 was primarily due to a Canadian rail transportation issue. For the year ended December 31, 2019, the negative impact of lower realized cobalt prices offset the positive impact of higher realized nickel and fertilizer prices and higher nickel and cobalt sales volume. Higher sales volume for the year ended December 31, 2019 was primarily due to higher mixed sulphide feed available at the refinery compared to the same period in the prior year.

At Oil and Gas, revenue for the three months and year ended December 31, 2019 was 26% and 34% lower, respectively, than the same periods in the prior year primarily due to lower NWI production volume and lower realized prices. For the three months ended December 31, 2019, lower NWI production was primarily due to natural reservoir declines and the sale of a natural gas field in Pakistan in Q3 2019. For the year ended December 31, 2019, lower NWI production was also due to a reduction in profit oil percentage starting in Q2 2018 per the terms of the renewal of the Puerto Escondido/Yumuri profit sharing contract (PSC). In addition, one of the Spain wells has been off-line since Q2 2018, which negatively impacted NWI production for the year ended December 31, 2019 compared to the same period in the prior year; a workover plan is being developed and the well is expected to be back on-line in early 2022.

Administrative expenses in the three months and year ended December 31, 2019 were higher, compared to the same periods in the prior year primarily due to share-based compensation revaluations, which experienced a large recovery in the prior year, and the increase of depreciation expense within Administrative expenses as a result of the adoption of IFRS 16 at the beginning of the year. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019 for more information on IFRS 16 and its impact. Administrative expenses for the year ended December 31, 2019 were positively impacted by lower employee costs as a result of austerity measures implemented by the Corporation in Q2 2019 and the impact of various other cost saving initiatives which included the relocation of the Toronto corporate office in 2018. Excluding the impact of share-based compensation revaluations and depreciation, administrative expenses for the three months and year ended December 31, 2019 were both 5% lower compared to the same periods in the prior year.

During the three months ended December 31, 2019, the Corporation recognized an impairment loss of $20.3 million for the write-down of the Boca de Jaruco power generation facility, within the Power segment, to its recoverable amount. The impairment was the result of a forecasted decline in gas supply. The recoverable amount of the power generating facility was based on the present value of expected future cash flows.

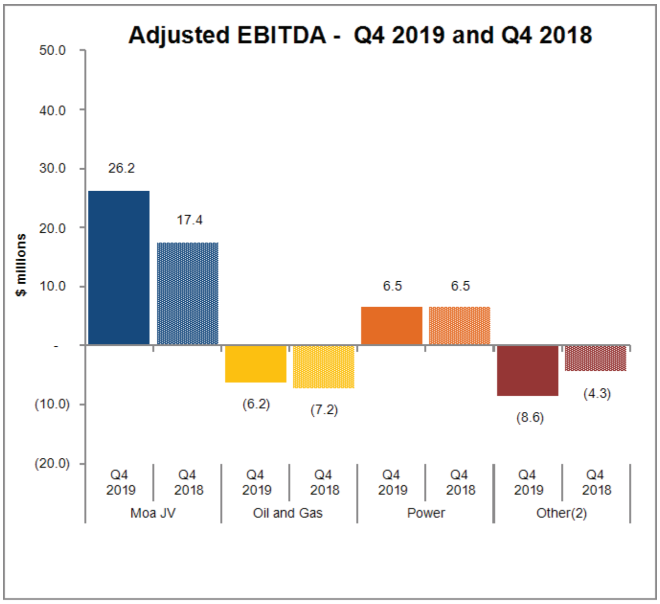
As discussed in the Highlights section of this MD&A, subsequent to year end, the Corporation announced a Transaction which, if approved, could result in the Ambatovy Joint Venture assets being exchanged for the Ambatovy Joint Venture partner loans or an amended loan with no further recourse against the Corporation. As a result, the Corporation tested its investment in an associate for impairment and determined its recoverable amount to be $39.3 million, resulting in an impairment loss of $31.0 million for the three months and year ended December 31, 2019. Furthermore, the Corporation assessed the allowance for expected credit losses (ACL) on the Ambatovy Joint Venture subordinated and post financial completion loans receivable. The Corporation calculated probability-weighted scenarios of expected credit losses, which included the impact of the Transaction, for the Ambatovy Joint Venture subordinated loans receivable and Ambatovy Joint Venture subordinated loans receivable – post financial completion, resulting in non-cash revaluation losses of $81.5 million and $138.5 million for the three months and year ended December 31, 2019. For the year ended December 31, 2019 the revaluation of the ACL also includes the impact of changes in expected debt to equity conversions at the Ambatovy Joint Venture throughout 2019. In recognizing the impairment losses, the carrying value of the Ambatovy Joint Venture assets held by the Corporation are fairly consistent with the principal amount and accrued interest of the Ambatovy Joint Venture partner loans.

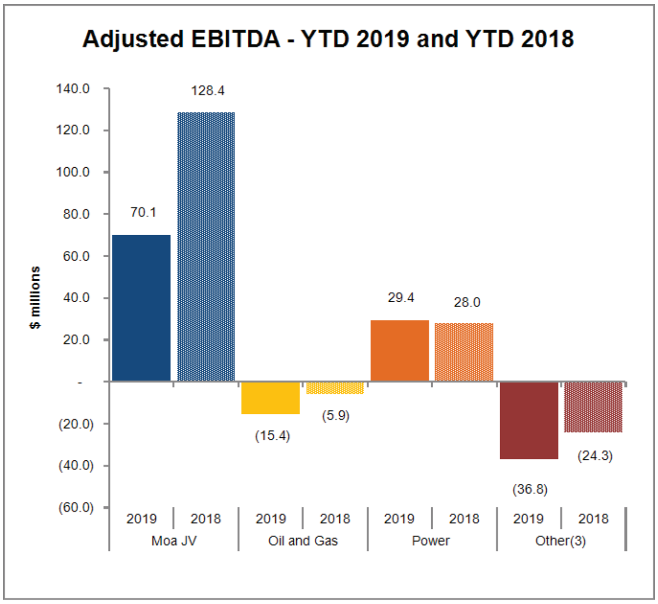
Lower share of loss of the Ambatovy Joint Venture for the three months and year ended December 31, 2019 compared to the same periods in the prior year is primarily due to $15.7 million of losses recorded in Q4 2018 following a fixed asset physical verification, useful life review and long-term ore stockpile re-valuation. Share of loss of the Ambatovy Joint Venture for the three months and year ended December 31, 2019 were positively impacted by higher realized nickel prices and negatively impacted by lower realized cobalt prices compared to the prior year periods.

Other includes a net income tax expense of $3.9 million and $7.5 million for the three months and year ended December 31, 2019, respectively, compared to a net income tax recovery of $1.4 million and an expense of $19.9 million for the same periods in the prior year. This was primarily due to one of the Moa Joint Venture entities having higher and lower taxable income for the three months and year ended December 31, 2019, respectively, compared to the same periods in the prior year. Other also includes a loss on revaluation of the Moa Joint Venture expected credit loss allowance of $6.8 million for the three months and year ended December 31, 2019, which resulted from a change in the estimated future cash flows of the loan due to the consideration of potential future interest suspensions or changes to loan documentation. In addition, Other also includes transaction costs of $2.0 million and $2.4 million for the three months and year ended December 31, 2019 related to the Transaction discussed in the Highlights section of this MD&A.

ADJUSTED EBITDA

Total Adjusted EBITDA[1] for the three months and year ended December 31, 2019 was $17.9 million and $47.3 million, respectively, compared to $12.4 million and $126.2 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) Q4 2019 Other includes - Other Metals - $0.7 million and Corporate and other - $(9.3) million. (Q4 2018 Other includes - Other Metals - $0.1 million and Corporate and other - $(4.4) million).

(3) YTD 2019 Other includes - Other Metals - $1.2 million and Corporate and other - $(38.0) million. (YTD 2018 Other includes - Other Metals - $0.8 million and Corporate and other - $(25.1) million).

CONSOLIDATED FINANCIAL POSITION

The following table summarizes the significant items as derived from the consolidated statements of financial position[1]:

$ millions, except as otherwise noted, as at December 31		**2019**		2018	Change
Current assets	**$**	**377.7**	$	498.2	(24%)
Current liabilities		**330.7**		232.3	42%
Working capital		**47.0**		265.9	(82%)
Current ratio		**1.14:1**		2.14:1	(47%)
Cash, cash equivalents and short-term investments	**$**	**166.1**	$	207.0	(20%)
Non-current advances, loans receivable and other financial assets[2]		**588.0**		720.5	(18%)
Investment in a joint venture		**382.9**		438.0	(13%)
Investment in an associate[2]		**39.3**		148.1	(73%)
Property, plant and equipment		**208.6**		227.9	(8%)
Total assets		**1,738.1**		2,194.4	(21%)
Loans and borrowings[2]		**713.6**		705.7	1%
Provisions		**104.4**		117.2	(11%)
Total liabilities		**1,016.0**		1,063.5	(4%)
Deficit		**(2,902.3)**		(2,534.6)	(15%)
Shareholders' equity		**722.1**		1,130.9	(36%)

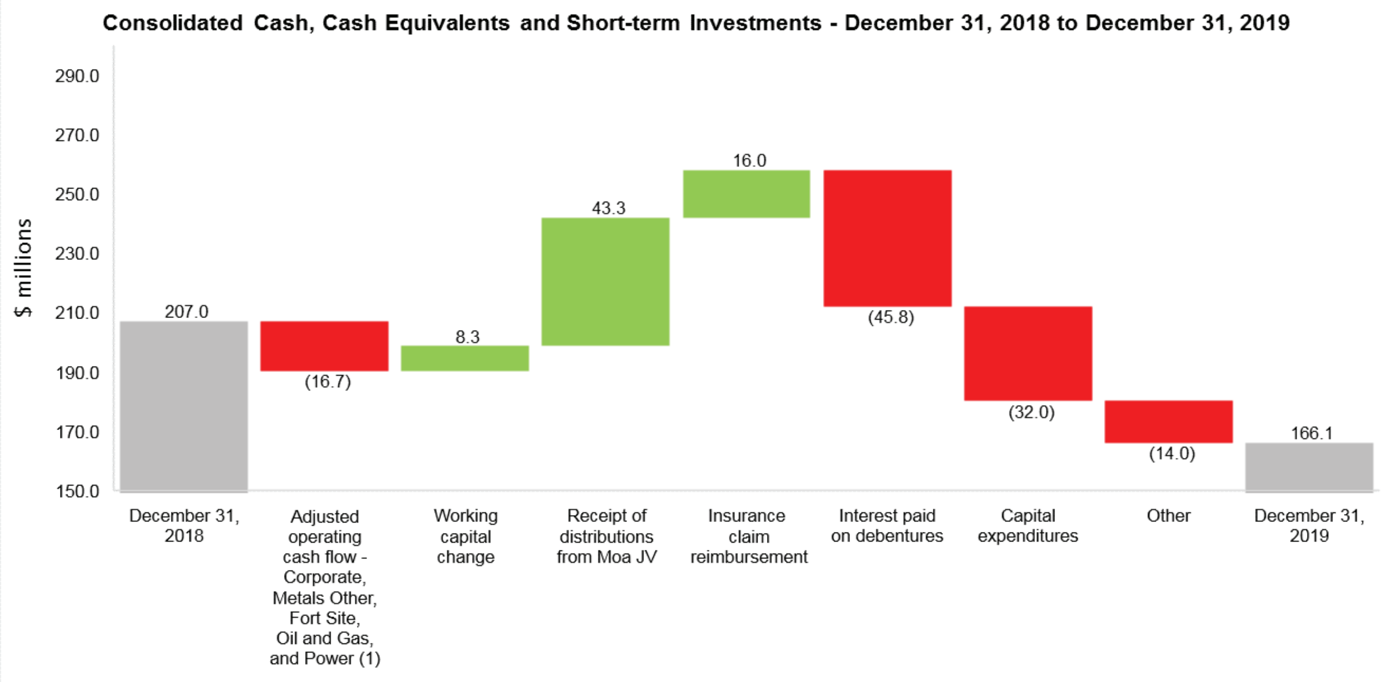
(1) The amounts for the periods ended December 31, 2019 have been prepared in accordance with IFRS 16; prior period amounts have not been restated. Refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

(2) The Corporation announced a Transaction subsequent to year end which, if approved, will reduce Sherritt's total recourse debt by approximately $414 million by exchanging the Corporation's Existing Notes in the aggregate principal amount of approximately $588 million, together with accrued and unpaid interest, for New Secured Notes of approximately $319 million and exchanging the Ambatovy Joint Venture partner loans for either the Ambatovy Joint Venture assets, or for amended partner loans with the same principal but without recourse to Sherritt. The Transaction will also result in an extension of the maturity of the Corporation's note obligations from 2021, 2023 and 2025, respectively, under its Existing Notes to 2027 under the New Secured Notes.

LIQUIDITY

At December 31, 2019, total available liquidity was $182.8 million which is composed of cash, cash equivalents, short-term investments and $16.7 million of available credit facilities. The total liquidity excludes restricted cash of $5.5 million.

Cash, cash equivalents and short-term investments at December 31, 2019 decreased by $40.9 million from December 31, 2018. The components of this change are shown below:



(1) Excludes debenture interest.

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

- negative adjusted operating cash flow at Corporate and Oil and Gas, partially offset by positive adjusted operating cash flow at Power and Fort Site;
- positive working capital change primarily due to collections of Cuban energy receivables, partially offset by the timing of fertilizer pre-sale deliveries and payments and the timing of working capital payments;
- $43.3 million in distributions received from the Moa Joint Venture;
- insurance proceeds of $16.0 million on obligations retained by the Corporation after the disposition of the Coal operations in 2014;
- capital expenditures which primarily relate to drilling activities on Block 10; and
- $2.1 million of transaction costs related to the Transaction are included in Other.

Outlook

2019 PRODUCTION, OPERATING COST AND CAPITAL SPENDING GUIDANCE

Production volumes, unit operating costs and spending on capital	2019 Guidance	Year-to-date actual to December 31, 2019	2020 Guidance
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,000 - 33,000	33,108	32,000 - 34,000
Cobalt, finished	3,300 - 3,600	3,376	3,300 - 3,600
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	34,000 - 36,000(1)	33,733	n/a
Cobalt, finished	2,800 - 3,000(1)	2,900	n/a
Oil – Cuba (gross working-interest, bopd)	3,800 - 4,100	4,175	3,000 - 3,300
Oil and Gas – All operations (net working-interest, boepd)	1,600 - 1,800(2)	1,417	1,900 - 2,100
Electricity (GWh, 33⅓% basis)	650 - 700	736	500 - 550
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$4.00 - $4.50(2)	$4.14	$4.00 - $4.50
Ambatovy Joint Venture	$4.80 - $5.30(2)	$5.30	n/a
Oil and Gas - Cuba (unit operating costs, $ per barrel)	$23.00 - $24.50(2)	$21.60	$28.00 - $29.50
Electricity (unit operating cost, $ per MWh)	$20.00 - $23.75(2)	$18.22	$28.00 - $29.50
Spending on capital (US$ millions)(3)			
Moa Joint Venture (50% basis), Fort Site (100% basis)(4)	US$30 (CDN$39)(2)	US$26 (CDN$34)	US$34 (CDN$45)
Ambatovy Joint Venture (12% basis)	US$10 (CDN$14)	US$10 (CDN$13)	n/a
Oil and Gas	US$21 (CDN$28)	US$23 (CDN$30)	US$6 (CDN$8)
Power (33⅓% basis)	US$1 (CDN$1)	US$0 (CDN$0)	US$1 (CDN$1.3)
Spending on capital (excluding Corporate)	US$62 (CDN$82)	US$59 (CDN$77)	US$41 (CDN$54)

(1) 2019 guidance was updated September 30, 2019.

(2) 2019 guidance was updated June 30, 2019.

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

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

Significant factors influencing operations

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

Nickel

The nickel market was marked by considerable volatility in the fourth quarter. A combination of geopolitical developments, including renewed concerns about the impact of a global trade war on China's economy and its prospects for lower stainless steel production and a re-assessment of the potential effects of Indonesia's ore export ban on supply conditions, contributed to a softening of prices and increased inventory levels by the end of the period.

Nickel prices on the London Metals Exchange (LME) whipsawed for much of Q4 as a result of changing market sentiment. Nickel prices started at US$7.97/lb, climbed to a peak of US$8.16/lb on October 11 and then dropped to a low of US$5.93 on December 10 before closing up at US$6.35/lb on December 31. By the end of the fourth quarter, nickel prices had declined by 20%, reversing the positive momentum enjoyed for much of 2019. Despite the price decrease in Q4, nickel remained the best performing metal in 2019, climbing 34% from US$4.74/lb on January 1, 2019.

The price volatility experienced in Q4 was matched by swings in inventory levels on the London Metals Exchange (LME) and the Shanghai Future Exchange (SHFE). News that Indonesia would implement a nickel ore ban effective with the start of 2020 triggered a considerable de-stocking of inventory, dropping inventories in October to their lowest levels since the start of the financial crisis in 2007. Inventory levels declined almost 50% from 174,000 tonnes to 91,000 tonnes during the month largely because Chinese stainless steel suppliers looked to lock in supply and traders hoped to take advantage of anticipated price increases. But as market conditions weakened and carrying costs rose, inventory began to flow back to the LME and SHFE through much of December. Combined inventory levels on December 31 totaled approximately 190,000 tonnes, up almost 8% from the start of the quarter.

The price volatility and significant shifts in inventory levels experienced in Q4 2019 are expected to be short lived as underlying nickel market fundamentals remain strong. Demand for nickel through 2025 is expected to grow by approximately 3% per year to 2.8 million tonnes, driven largely by the continued growth of the stainless steel sector according to market research by Wood Mackenzie. Over the longer term, demand for nickel is expected to accelerate with the increased adoption of electric vehicles since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries.

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

Cobalt

Cobalt prices decreased by approximately 13% in Q4, reversing the upward trend experienced in the third quarter of 2019 when news emerged that Mutanda, a large, cobalt-producing mine in the Democratic Republic Congo, was to be placed on care and maintenance. News of the mine shutdown triggered an immediate lift in cobalt prices by more than US$4 per pound in August.

Standard grade cobalt prices on December 31 closed at US$15.53/lb, down from $17.85/lb at the start of the quarter according to data collected by Fastmarkets MB. Prices at the beginning of 2019 were $US27.25/lb.

Cobalt prices in 2019 were significantly lower than the highs reached in 2018. The average reference price for standard grade cobalt in Q4 2019 was US$16.90/lb, down 48% from US$32.23/lb in Q4 2018 according to Fastmarkets MB.

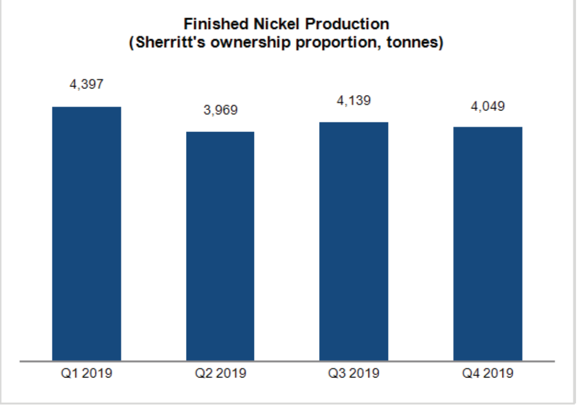
The year-over-year decline was driven by a combination of factors that has resulted in increased available supply and decreased demand. Contributing factors included increased supply of intermediate product from the Democratic Republic of Congo, increased available supply of processed cobalt from China, continued de-stocking of inventory by Chinese consumers and the deferral of purchases by consumers waiting for prices to reach floor levels. Just as significant, China's reduction of electric vehicle purchase subsidies has curbed sales and slowed penetration of the world's fastest growth market.

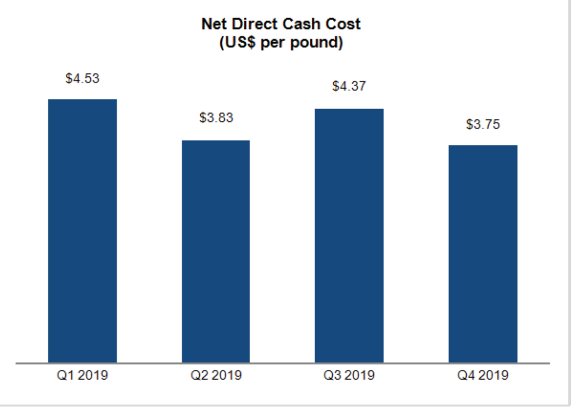
Review of operations

MOA JOINT VENTURE AND FORT SITE

$ millions, except as otherwise noted	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 123.4**	$ 120.0	3%	**$ 461.0**	$ 498.1	(7%)
Earnings from operations	**8.7**	5.4	61%	**11.0**	78.9	(86%)
Adjusted EBITDA(1)	**26.2**	17.4	51%	**70.1**	128.4	(45%)
CASH FLOW						
Cash provided by operations	**$ 51.6**	$ 50.2	3%	**$ 59.6**	$ 90.7	(34%)
Adjusted operating cash flow(1)	**24.0**	13.4	79%	**66.3**	106.3	(38%)
Free cash flow(1)	**44.7**	39.3	14%	**33.7**	57.8	(42%)
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,203**	4,594	(9%)	**17,010**	17,563	(3%)
Finished Nickel	**4,049**	4,294	(6%)	**16,554**	15,354	8%
Finished Cobalt	**411**	428	(4%)	**1,688**	1,617	4%
Fertilizer	**56,284**	64,573	(13%)	**249,207**	226,989	10%
NICKEL RECOVERY (%)	**80%**	84%	(5%)	**84%**	83%	1%
SALES VOLUMES (tonnes)						
Finished Nickel	**4,089**	4,291	(5%)	**16,698**	15,273	9%
Finished Cobalt	**437**	392	11%	**1,766**	1,572	12%
Fertilizer	**46,467**	46,924	(1%)	**165,162**	163,698	1%
AVERAGE REFERENCE PRICES (US$ per pound)						
Nickel	**$ 7.01**	$ 5.20	35%	**$ 6.32**	$ 5.95	6%
Cobalt(2)	**16.90**	32.23	(48%)	**16.57**	37.35	(56%)
AVERAGE REALIZED PRICE(1)						
Nickel ($ per pound)	**$ 9.38**	$ 6.84	37%	**$ 8.37**	$ 7.75	8%
Cobalt ($ per pound)	**19.69**	38.43	(49%)	**17.80**	46.23	(61%)
Fertilizer ($ per tonne)	**351**	384	(9%)	**417**	388	8%
UNIT OPERATING COST(1) (US$ per pound)						
Nickel - net direct cash cost	**$ 3.75**	$ 2.94	28%	**$ 4.14**	$ 2.24	85%
SPENDING ON CAPITAL(3)						
Sustaining	**$ 6.9**	$ 10.5	(34%)	**$ 33.6**	$ 37.0	(9%)
	$ 6.9	$ 10.5	(34%)	**$ 33.6**	$ 37.0	(9%)

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



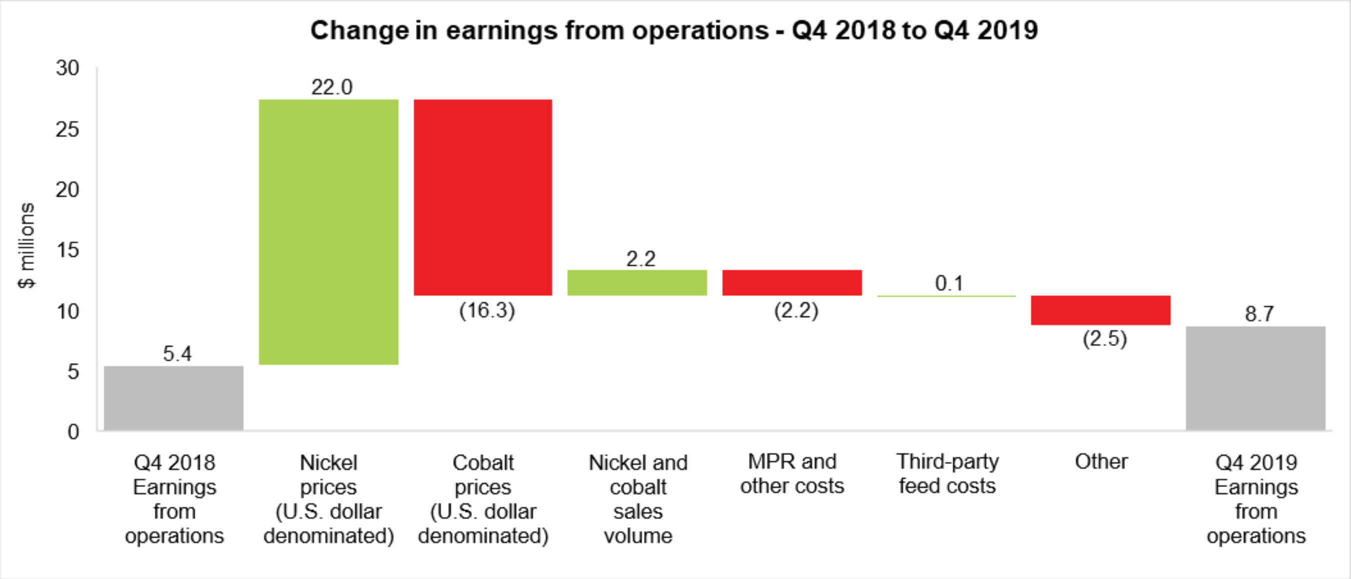


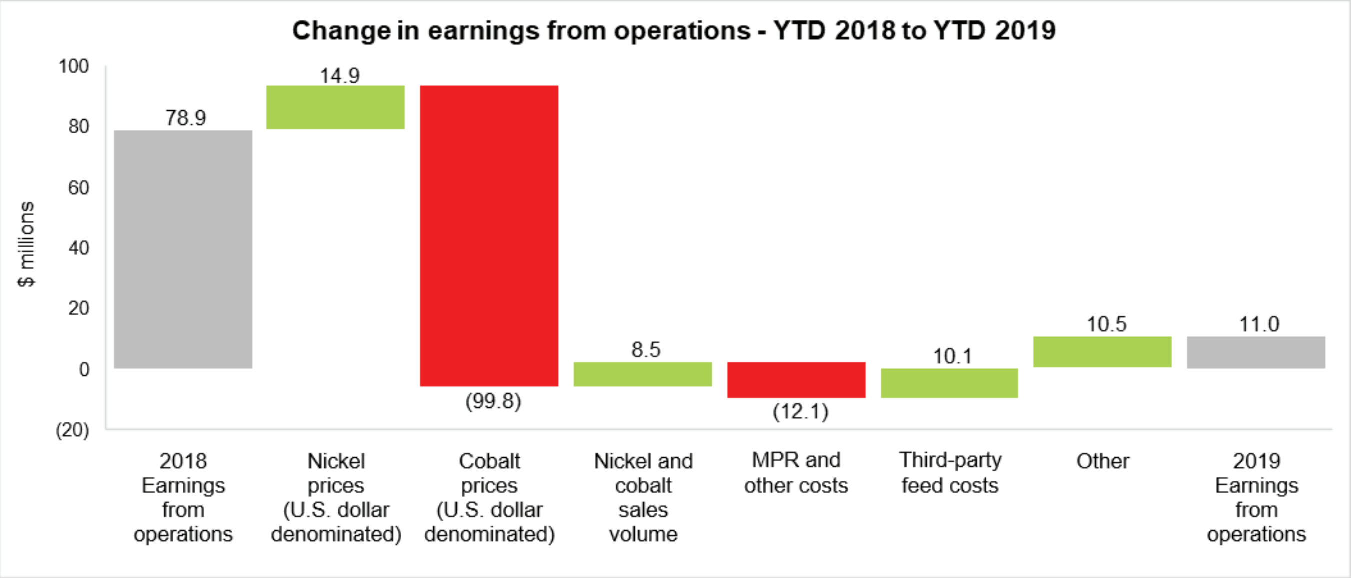
Revenue, cost of sales and NDCC are composed of the following:

	For the three months ended			For the years ended		
	2019	2018		**2019**	2018	
$ millions, except as otherwise noted	**December 31**	December 31	Change	**December 31**	December 31	Change
REVENUE						
Nickel	**$ 84.6**	$ 64.7	31%	**$ 308.0**	$ 260.8	18%
Cobalt	**19.0**	33.2	(43%)	**69.3**	160.2	(57%)
Fertilizers	**16.2**	18.1	(10%)	**68.9**	63.6	8%
Other	**3.6**	4.0	(10%)	**14.8**	13.5	10%
	$ 123.4	$ 120.0	3%	**$ 461.0**	$ 498.1	(7%)
COST OF SALES(1)						
Mining, processing and refining (MPR)	**$ 66.0**	$ 66.3	-	**$ 271.6**	$ 231.8	17%
Third-party feed costs	**5.5**	5.7	(4%)	**19.5**	27.6	(29%)
Fertilizers	**12.8**	13.4	(4%)	**50.6**	52.5	(4%)
Selling costs	**4.7**	4.4	7%	**16.5**	16.4	1%
Other	**8.5**	9.7	(12%)	**26.0**	33.4	(22%)
	$ 97.5	$ 99.5	(2%)	**$ 384.2**	$ 361.7	6%
NET DIRECT CASH COST(2) (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 5.31**	$ 5.34	(1%)	**$ 5.46**	$ 5.37	2%
Third-party feed costs	**0.45**	0.43	5%	**0.40**	0.63	(37%)
Cobalt by-product credits	**(1.59)**	(2.65)	40%	**(1.42)**	(3.67)	61%
Other(3)	**(0.42)**	(0.18)	(133%)	**(0.30)**	(0.09)	(233%)
	$ 3.75	$ 2.94	28%	**$ 4.14**	$ 2.24	85%

(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:





Reference prices for nickel were 35% and 6% higher for the three months and year ended December 31, 2019, respectively, compared to the same periods in the prior year while cobalt reference prices were 48% and 56% lower than in the comparable prior year periods. Realized prices for the year ended December 31, 2019 were positively impacted by a weaker Canadian dollar relative to the U.S. dollar compared to the same period in the prior year. Realized cobalt prices for the year ended December 31, 2019 were impacted by mark-to-mark adjustments in Q1 2019 on Q4 2018 provisionally priced sales due to a significant decline in cobalt reference prices.

Mixed sulphide production was lower for the three months and year ended December 31, 2019 compared to the same periods in the prior year as a result of reduced diesel availability during the third and fourth quarters, caused by economic and trade sanctions imposed on Venezuela, Cuba’s largest oil supplier. The impact of this on mixed sulphide production was partly offset by the draw down of ore stockpiles at Moa. The impact of limited diesel availability on mixed sulphide production for the year ended December 31, 2019 was partly offset by the deployment of new mining equipment in 2018 and Q1 2019, which significantly improved mining activities and increased ore stockpile capacity. The same period in the prior year was also impacted by the highest level of rainfall at Moa in more than 20 years which limited access to planned mining areas in the first half of 2018.

Nickel recovery rates were lower and higher for the three months and year ended December 31, 2019, respectively, compared to the same periods in the prior year. Nickel recovery rates were also negatively impacted by reduced diesel availability in Q3 2019. Nickel recovery rates for the prior year were negatively impacted by poor mining fleet availability and weather-related ore access issues in the first half of 2018.

Finished nickel and cobalt production was lower for the three months ended December 31, 2019 due to Canadian rail transportation issues. The Moa Joint Venture implemented a mitigation plan in advance of the Canadian rail transportation issues which partly offset the impact it had on production. This plan included increasing stockpiles of mixed sulphides inventory and arranging for ground transportation from the Halifax port to the refinery. The ratio of finished nickel to cobalt production was relatively unchanged in the three months ended December 31, 2019 compared to the same period in the prior year.

Finished nickel and cobalt production was higher for the year ended December 31, 2019 reflecting higher mixed sulphide feed available at the refinery compared to the same period in the prior year. The ratio of finished nickel production to cobalt production was higher for the year ended December 31, 2019 compared to the same period in the prior year as a result of a higher nickel to cobalt ratio in mixed sulphides produced at Moa.

Mining, processing and refining (MPR) costs for the three months and year ended December 31, 2019 were 1% lower and 2% higher compared to the same periods in the prior year, respectively. While MPR costs for the year ended December 31, 2019 benefitted from operational efficiencies implemented over the past 18 months, the prior year period was positively impacted by lower opening inventory costs, primarily resulting from lower sulphur and fuel oil prices in 2017 as well as lower 2017 maintenance spending.

NDCC for the three months and year ended December 31, 2019 was higher compared to the same periods in the prior year primarily as a result of lower cobalt credits due to lower cobalt realized prices, partially offset by lower sulphur and fuel oil prices. NDCC for the three months ended December 31, 2019 was also negatively impacted by lower sales volume compared to the same period in the prior year. NDCC for the year ended December 31, 2019 was also negatively impacted by higher MPR costs, as discussed above, and positively impacted by higher fertilizer by-product contributions and lower third party feed costs.

Fertilizer's contribution to operating earnings for the three months ended December 31, 2019 was lower compared to the same periods in the prior year primarily as a result of lower realized prices. Fertilizer's contribution to operating earnings for the year ended December 31, 2019 was higher compared to the same periods in the prior year primarily as a result of higher realized prices. Other costs for the year ended December 31, 2019 includes lower royalties primarily as a result of lower cobalt reference prices.

Sustaining capital spending for the three months and year ended December 31, 2019 was lower than the same periods in the prior year, reflecting austerity measures that were implemented during Q2 2019 in response to volatile commodity prices, which reduced planned spending for the balance of the year.

OIL AND GAS

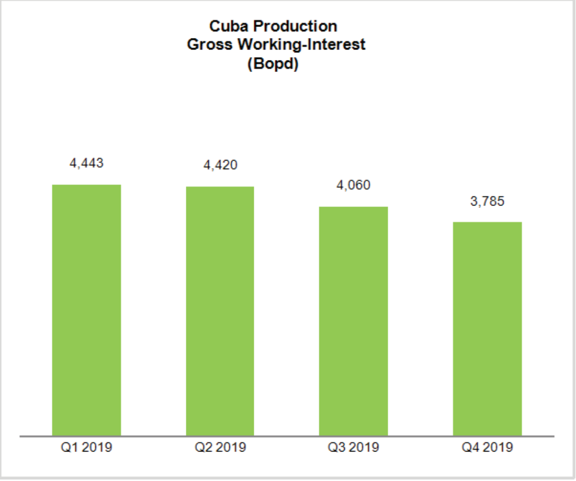
$ millions, except as otherwise noted	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 6.3**	$ 8.5	(26%)	**$ 29.7**	$ 44.9	(34%)
Loss from operations	**(8.1)**	(10.4)	22%	**(25.7)**	(17.0)	(51%)
Adjusted EBITDA[1]	**(6.2)**	(7.2)	14%	**(15.4)**	(5.9)	(161%)
CASH FLOW						
Cash provided by operations	**$ 5.2**	$ 13.1	(60%)	**$ 9.5**	$ 31.7	(70%)
Adjusted operating cash flow[1]	**(8.0)**	(5.4)	(48%)	**(19.6)**	(19.9)	2%
Free cash flow[1]	**(1.2)**	3.1	(139%)	**(18.6)**	3.7	(603%)
PRODUCTION AND SALES[2]						
Gross working-interest (GWI) - Cuba	**3,785**	4,443	(15%)	**4,175**	4,839	(14%)
Total net working-interest (NWI)	**1,182**	1,597	(26%)	**1,417**	2,209	(36%)
AVERAGE REFERENCE PRICES (US$ per barrel)						
West Texas Intermediate (WTI)	**$ 56.82**	$ 59.98	(5%)	**$ 56.97**	$ 65.20	(13%)
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**40.76**	62.33	(35%)	**53.58**	61.45	(13%)
Brent	**64.29**	68.13	(6%)	**64.70**	71.16	(9%)
AVERAGE-REALIZED PRICES[1][2] (per NWI)						
Cuba ($ per barrel)	**$ 42.07**	$ 62.72	(33%)	**$ 53.67**	$ 56.47	(5%)
Spain ($ per barrel)	**89.66**	94.47	(5%)	**80.67**	92.25	(13%)
Pakistan ($ per boe)[3]	**-**	10.90	(100%)	**10.64**	10.59	-
Weighted-average ($ per boe)	**49.14**	50.47	(3%)	**48.77**	50.74	(4%)
UNIT OPERATING COSTS[1][2] (per GWI)						
Cuba ($ per barrel)	**$ 24.23**	$ 25.16	(4%)	**$ 21.60**	$ 20.21	7%
Spain ($ per barrel)	**264.54**	251.53	5%	**218.40**	96.43	126%
Pakistan ($ per boe)[3]	**-**	8.80	(100%)	**3.62**	7.11	(49%)
Weighted-average ($ per boe)	**34.58**	31.32	10%	**24.87**	22.54	10%
SPENDING ON CAPITAL[4]						
Development, facilities and other	**$ (0.8)**	$ -	-	**$ -**	$ 1.4	(100%)
Exploration	**8.6**	8.4	2%	**29.7**	25.0	19%
	$ 7.8	$ 8.4	(7%)	**$ 29.7**	$ 26.4	13%

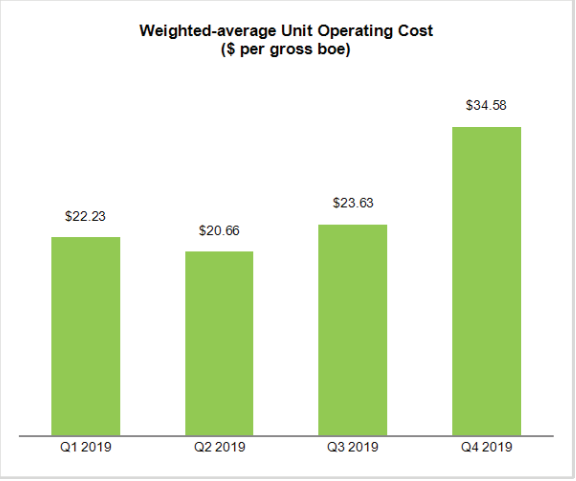
(1) For additional information see the Non-GAAP measures section.

(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) During Q3 2019, Sherritt sold its working interest in a natural gas field in Pakistan.

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





$ millions, except as otherwise noted	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
REVENUE						
Cuba	**$ 3.9**	$ 5.8	(33%)	**$ 21.2**	$ 31.9	(34%)
Spain	**1.4**	1.2	17%	**3.1**	7.3	(58%)
Pakistan[5]	**-**	0.4	(100%)	**0.9**	1.7	(47%)
Processing	**1.0**	1.1	(9%)	**4.5**	4.0	13%
	$ 6.3	$ 8.5	(26%)	**$ 29.7**	$ 44.9	(34%)
DAILY PRODUCTION AND SALES VOLUMES (boepd)[1][2]						
Gross working-interest (GWI) oil production in Cuba [3]	**3,785**	4,443	(15%)	**4,175**	4,839	(14%)
Net working-interest (NWI) oil production [4]						
Cuba (heavy oil)						
Cost recovery	**800**	743	8%	**856**	947	(10%)
Profit oil	**206**	256	(20%)	**226**	598	(62%)
Total	**1,006**	999	1%	**1,082**	1,545	(30%)
Spain (light oil)	**176**	137	28%	**107**	218	(51%)
Pakistan (natural gas)[5]	**-**	461	(100%)	**228**	446	(49%)
	1,182	1,597	(26%)	**1,417**	2,209	(36%)

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

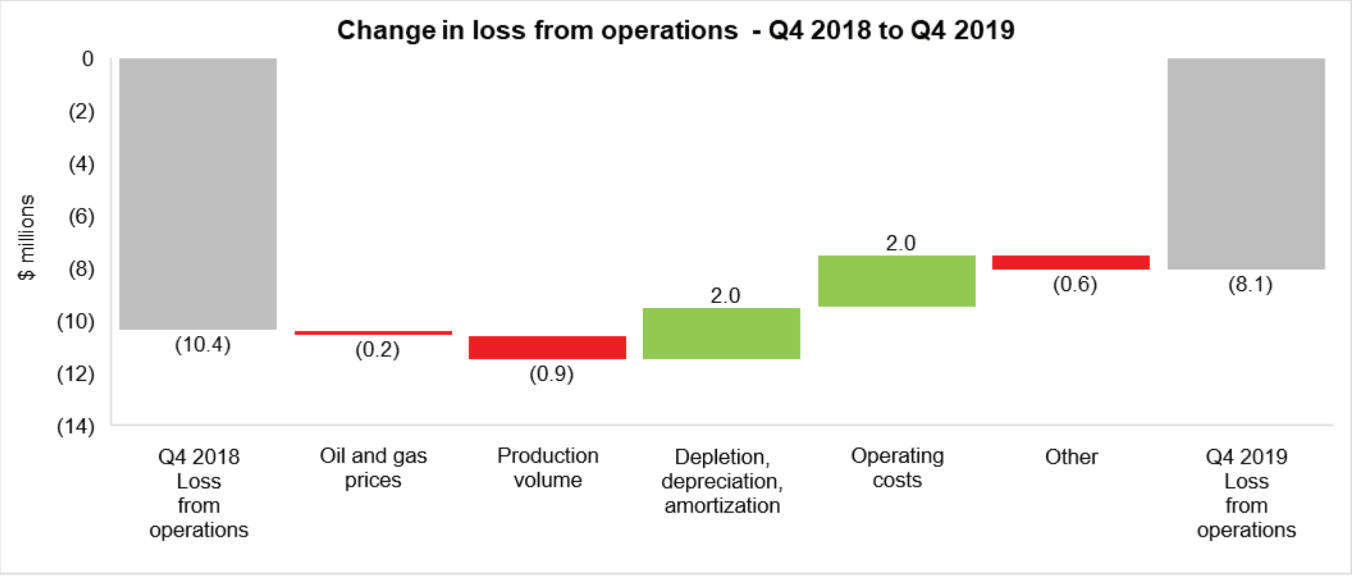
(2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production.

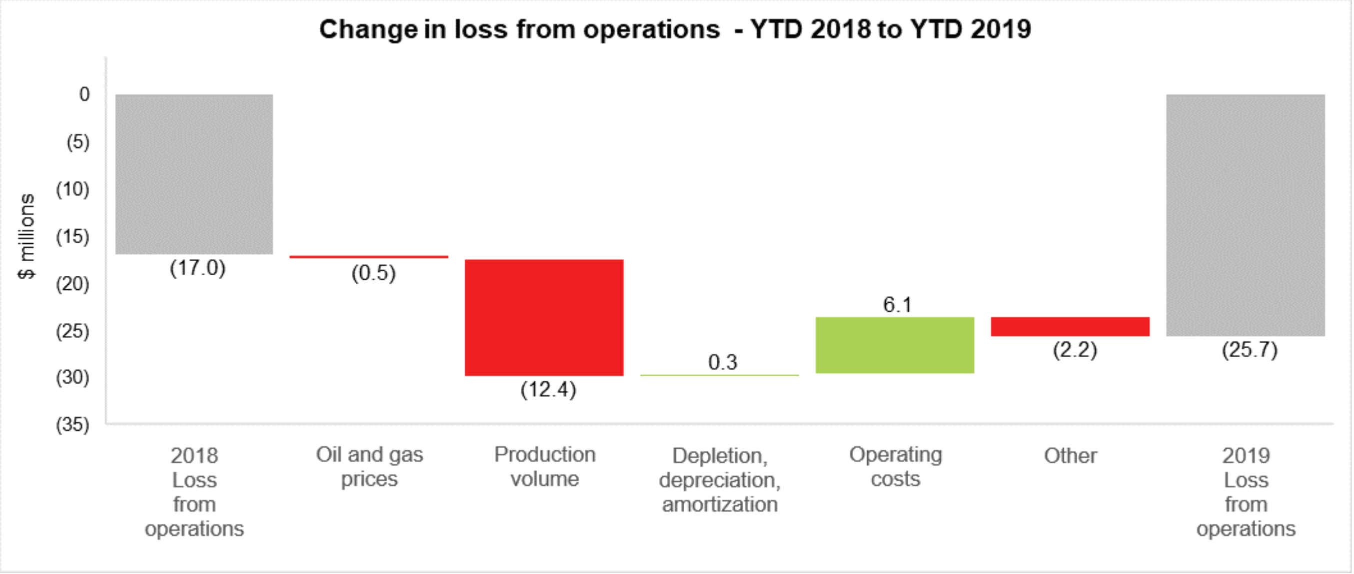
(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as net working-interest production, includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred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

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

(5) During Q3 2019, Sherritt sold its working interest in a natural gas field in Pakistan.

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





Realized prices in Cuba for the three months ended December 31, 2019 were lower than the same period in the prior year reflecting lower USGC HSFO reference prices. Realized prices in Cuba for the year ended December 31, 2019 were lower than the same period in the prior year reflecting lower USGC HSFO reference prices, partially offset by a weaker Canadian dollar relative to the U.S. dollar for the same period.

GWI production in Cuba was lower for the three months and year ended December 31, 2019 primarily due to natural reservoir declines and the absence of new development drilling. Cuba cost recovery oil production for the three months ended December 31, 2019 was higher than the same period in the prior year as the impact of lower oil prices offset the impact of lower GWI production and lower recoverable costs. Cuba cost recovery oil production for the year ended December 31, 2019 was lower than the same period in the prior year reflecting lower GWI production and lower recoverable costs. Profit oil production, which represents Sherritt's share of production after cost recovery volume is deducted from GWI volume, was lower in Q4 2019 compared to Q4 2018 reflecting the higher cost recovery oil production allocation as discussed above. Profit oil production was lower for the year ended December 31, 2019 compared to the same period in the prior year as Sherritt's profit oil percentage was reduced to 6% from 45% starting in Q2 2018 per the terms of the renewal of the Puerto Escondido/Yumuri (PE/YU) PSC. Renewal of this PSC allowed Sherritt to retain access to equipment and personnel, some of which is being used to support drilling in Block 10.

Overall operating costs were lower for the three months and year ended December 31, 2019; however, unit operating costs for the year ended December 31, 2019 in Cuba were higher primarily as a result of the impact of lower production compared to the same periods in the prior year. Unit operating costs in Spain were higher for the three months ended December 31, 2019 compared to the same period in the prior year due to higher workover costs, partially offset by higher production. Unit operating costs in Spain were higher for the year ended December 31, 2019 compared to the same period in the prior year due to lower production and higher workover costs. One of the Spain wells has been off-line since Q2 2018; a workover plan is being developed and the well is expected to be back on-line in early 2022. Overall costs were negatively impacted by a weaker Canadian dollar relative to the U.S. dollar in the year ended December 31, 2019 compared to the same period in the prior year.

Exploration spending was higher for the three months and year ended December 31, 2019 compared to the same periods in the prior year due to the timing of expenditures on drilling activities on Block 10. Negative capital spending for development, facilities and other reflects the reversal of accruals.

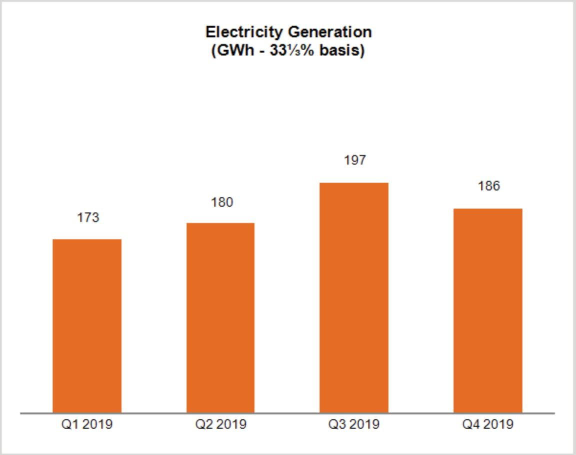
Sherritt completed drilling on Block 10 in December 2019, reaching the target depth of approximately 5,700 meters. Preliminary testing, which began late in 2019, is expected to resume in the coming days now that additional work on the well and recertification of specific pieces of equipment have been completed. Sherritt will provide an update on progress as material developments occur.

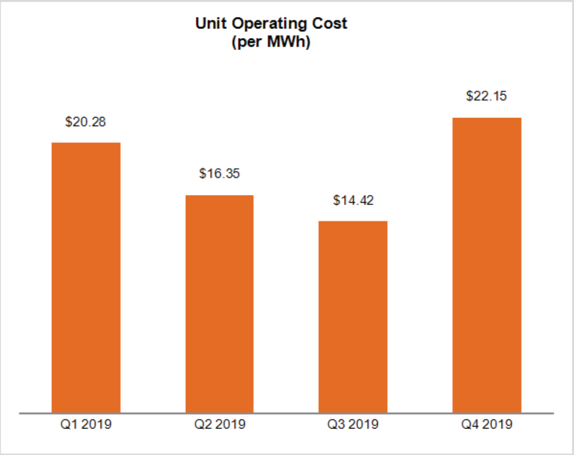
During Q3 2019, Sherritt sold its working interest in a natural gas field in Pakistan for cash proceeds of $0.7M, which did not differ materially from the carrying value of the assets sold. The sale was consistent with the Corporation’s strategy to focus its Oil and Gas business on Cuban operations.

POWER

$ millions (33⅓% basis), except as otherwise noted	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 11.4**	$ 11.2	2%	**$ 45.3**	$ 47.2	(4%)
(Loss) earnings from operations	**(22.0)**	(0.3)	nm[5]	**(18.5)**	2.8	(761%)
Adjusted EBITDA[1]	**6.5**	6.5	-	**29.4**	28.0	5%
CASH FLOW						
Cash provided by operations	**$ 8.3**	$ 5.0	66%	**$ 39.4**	$ 34.3	15%
Adjusted operating cash flow[1]	**6.3**	6.4	(2%)	**30.8**	26.9	14%
Free cash flow[1]	**8.7**	4.6	89%	**39.0**	33.4	17%
PRODUCTION AND SALES						
Electricity (GWh[2])	**186**	184	1%	**736**	781	(6%)
AVERAGE-REALIZED PRICES[1]						
Electricity (per MWh[2])	**$ 55.73**	$ 55.34	1%	**$ 55.78**	$ 54.31	3%
UNIT OPERATING COSTS[1](per MWh)						
Base	**$ 18.02**	$ 19.19	(6%)	**$ 16.89**	$ 16.59	2%
Non-base[3]	**4.13**	1.90	117%	**1.33**	3.69	(64%)
	22.15	21.09	5%	**18.22**	20.28	(10%)
SPENDING ON CAPITAL[4]						
Sustaining	**$ (0.4)**	$ 0.4	(200%)	**$ 0.4**	$ 0.9	(56%)
	$ (0.4)	$ 0.4	(200%)	**$ 0.4**	$ 0.9	(56%)

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).
(3) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.
(4) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.
(5) Not meaningful (nm).





Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2019 December 31	2018 December 31	Change	For the years ended 2019 December 31	2018 December 31	Change
Electricity sales	**$ 10.4**	$ 10.2	2%	**$ 41.1**	$ 42.4	(3%)
By-products and other	**1.0**	1.0	-	**4.2**	4.8	(13%)
	$ 11.4	$ 11.2	2%	**$ 45.3**	$ 47.2	(4%)

Electricity production and sales volume were comparable for the three months ended December 31, 2019. Electricity production and sales volume were lower for the year ended December 31, 2019 compared to the same period in the prior year primarily as a result of lower gas supply. The average-realized price of electricity was relatively unchanged for the three months ended December 31, 2019 compared to the same period in the prior year. The change in average-realized price of electricity for the year ended December 31, 2019 compared to the same period in the prior year was due to the weaker Canadian dollar relative to the U.S. dollar.

Unit operating costs for the three months ended December 31, 2019 were higher than the same period in the prior year primarily due to the timing of maintenance activities. Unit operating costs for the year ended December 31, 2019 were lower than the same period in the prior year primarily due to the Corporation limiting operational spending to levels required to maintain certain plant operations as the Corporation continues to work with its Cuban partners to collect on Cuban energy receivables. Unit operating costs for the year ended December 31, 2019 were also negatively impacted by lower sales volume.

Capital spending decreased for the three months and year ended December 31, 2019 compared to the same periods in the prior year. Negative capital spending for sustaining reflects the reversal of accruals.

During the three months ended December 31, 2019, the Corporation recognized an impairment loss of $20.3 million on the Boca de Jaruco power generation facility, within the Power segment, to its recoverable amount. The impairment was the result of a forecasted decline in gas supply. The recoverable amount of the power generating facility was based on the present value of expected future cash flows.

Investment in the Ambatovy Joint Venture

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

The following operational information is presented for information purposes. For additional information on Sherritt's investment in the Ambatovy Joint Venture, see note 8 of the consolidated financial statements for the year ended December 31, 2019.

	For the three months ended			For the years ended		
	2019	2018		**2019**	2018	
	December 31	December 31	Change	**December 31**	December 31	Change
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**970**	1,316	(26%)	**4,420**	4,331	2%
Finished Nickel	**1,018**	1,253	(19%)	**4,048**	3,982	2%
Finished Cobalt	**89**	106	(16%)	**348**	342	2%
Fertilizer	**2,402**	3,187	(25%)	**11,027**	11,321	(3%)
NET DIRECT CASH COST[1] (US$ per pound of nickel)						
Mining, processing and refining (MPR) costs	**$ 6.44**	$ 5.76	12%	**$ 6.06**	$ 6.79	(11%)
Cobalt by-product credits	**(0.93)**	(2.00)	54%	**(1.02)**	(2.98)	66%
Other[2]	**(0.32)**	(0.10)	(220%)	**0.26**	0.10	160%
	$ 5.19	$ 3.66	42%	**$ 5.30**	$ 3.91	36%
SPENDING ON CAPITAL[3] ($ millions)						
Sustaining	**$ 4.9**	$ 5.1	(4%)	**$ 12.5**	$ 15.3	(18%)
	$ 4.9	$ 5.1	(4%)	**$ 12.5**	$ 15.3	(18%)

(1) For additional information see the Non-GAAP measures section.
(2) Includes selling costs, discounts and other by-product credits.
(3) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Finished nickel and cobalt production were lower for the three months ended December 31, 2019 compared to the same period in the prior year. For Q4 2019, production was primarily impacted by a major shutdown and a delay in re-starting operations due to several operational failures. For the year ended December 31, 2019, production was also impacted by an incident in the hydrogen plant in Q1 2019, which was followed by an unplanned 10-day shutdown of the plant, limited acid availability due to unplanned maintenance on the acid plant, replacement of a critical process line and reliability issues in the lime and limestone plants. Production for the same periods in the prior year was impacted by equipment reliability issues during the year and Cyclone Ava, in Q1 2018, which necessitated a plant shutdown of approximately one month due to damage to equipment and facilities.

Net direct cash cost of nickel (NDCC) was higher for the three months and year ended December 31, 2019 compared to the same periods in the prior year primarily due to lower cobalt credits resulting from lower cobalt prices. For the year ended December 31, 2019, the impact of lower cobalt credits on NDCC offset the impact of higher nickel and cobalt sales volumes compared to the same period in the prior year.

Spending on sustaining capital was lower for the three months and year ended December 31, 2019 compared to the same periods in the prior year. Capital spending in the current year periods is primarily related to replacing rubber lined pipes, addressing corrosion issues, replacement of critical plant equipment and general improvement initiatives.

During the year ended December 31, 2019, Sherritt did not fund cash calls received from the Ambatovy Joint Venture totalling US$27.0 million based on its 12% share of total cash calls to the Ambatovy Joint Venture partners. As a result, Sherritt is a defaulting shareholder and does not hold Ambatovy Joint Venture voting rights.

In September 2019, the Ambatovy Joint Venture financing lenders agreed to a three-year principal deferral and an extension to June 2027. In conjunction with this deferral, Sumitomo and KORES have committed up to US$335.0 million of funding to the Ambatovy Joint Venture during the deferral period.

As discussed in the Highlights section of this MD&A, subsequent to year end, the Corporation announced a Transaction that would, among other things, exchange the Ambatovy Joint Venture assets for the Ambatovy Joint Venture partner loans, or exchange the partner loans for amended loans with the same principal but without recourse to Sherritt. If approved, and Sherritt exchanges its Ambatovy Joint Venture assets, Sherritt would no longer have an ownership interest in the Ambatovy Joint Venture. Refer to the Highlights section for further details.

Liquidity and capital resources

Total available liquidity at December 31, 2019 was $182.8 million, which is composed of available cash, cash equivalents, short term investments and $16.7 million available on the syndicated revolving-term credit facility. The total liquidity excludes restricted cash of $5.5 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 December 31, 2019	Cash	Cash equivalents and short-term investments	Total
Canada	$ 60.1	$ 15.8	$ 75.9
Cuba	85.3	-	85.3
Other	4.9	-	4.9
	$ 150.3	$ 15.8	$ 166.1
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			$ 40.5

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.

	For the three months ended			For the years ended		
	2019	2018		**2019**	2018	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	**$ 5.2**	$ 13.1	(60%)	**$ 9.5**	$ 31.7	(70%)
Power operating cash flow	**8.3**	5.0	66%	**39.4**	34.3	15%
Fort Site operating cash flow	**3.0**	21.4	(86%)	**(24.9)**	16.1	(255%)
Distributions received from the Moa Joint Venture	**14.9**	6.7	122%	**43.3**	11.9	264%
Interest paid on debentures	**(15.1)**	(15.5)	3%	**(45.8)**	(49.4)	7%
Corporate, Metals Other, and other operating cash flow	**(9.0)**	(18.1)	50%	**(32.4)**	(37.2)	13%
Cash (used) provided by operations	**7.3**	12.6	(42%)	**(10.9)**	7.4	(247%)
Cash provided (used) by discontinued operations[1]	**(1.4)**	(0.7)	(100%)	**9.4**	(8.5)	211%
	$ 5.9	$ 11.9	(50%)	**$ (1.5)**	$ (1.1)	(36%)
Cash provided (used) by investing and financing activities						
Property, plant, equipment and intangible expenditures	**$ (6.6)**	$ (13.9)	53%	**$ (32.0)**	$ (39.5)	19%
Receipts of advances, loans receivable and other financial assets	**0.1**	-	-	**0.6**	35.8	(98%)
(Repayment of) Increase in loans, borrowings and other financial liabilities	**(1.0)**	(2.0)	50%	**(3.3)**	-	-
Repurchase of senior unsecured debentures	**-**	-	-	**-**	(120.3)	100%
Issuance of Units	**-**	-	-	**-**	132.3	(100%)
Fees paid on debenture repurchase and Unit offer	**-**	-	-	**-**	(9.5)	100%
Issuance of common shares	**-**	-	-	**-**	0.8	(100%)
Other	**(1.6)**	3.9	(141%)	**(4.7)**	5.5	(185%)
	$ (9.1)	$ (12.0)	24%	**$ (39.4)**	$ 5.1	(873%)
	(3.2)	(0.1)	nm[2]	**(40.9)**	4.0	nm[2]
Cash, cash equivalents and short-term investments:						
Beginning of the period	**169.3**	207.1	(18%)	**207.0**	203.0	2%
End of the period	**$ 166.1**	$ 207.0	(20%)	**$ 166.1**	$ 207.0	(20%)

(1) Cash provided (used) by discontinued operations relates to insurance proceeds received, or payments made, 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:

- the receipt of distributions from the Moa Joint Venture of $14.9 million and $43.3 million for the three months and year ended December 31, 2019;
- lower interest payments on the secured debentures for the year ended December 31, 2019 as a result of the partial repurchase of debentures in the first half of 2018;
- cash from operating activities at Power was higher for the three months ended December 31, 2019 compared to the prior year periods primarily due to higher Cuban energy receipts;
- cash from operating activities at Power was higher for the year ended December 31, 2019 compared to the prior year periods primarily due to the timing of working capital payments, partially offset by lower Cuban energy receipts and higher taxes paid;
- cash from operating activities at Oil and Gas was lower for the three months and year ended December 31, 2019 compared to the prior year periods primarily due to lower Cuban energy receipts, partially offset by lower taxes paid;
- cash from operating activities at Fort Site was lower for the three months and year ended December 31, 2019 compared to the prior year periods primarily due to lower fertilizer customer prepayments and the timing of working capital payments;
- cash used by Corporate, Metals Other and other operating activities were primarily due to the timing of working capital payments;
- cash used by Corporate also includes transaction costs of $1.7 million and $2.1 million, respectively, for the three months and year ended December 31, 2019, which are related to the Transaction discussed in the Highlights section of this MD&A; and

- cash from discontinued operations includes insurance proceeds of $16.0 million received in Q1 2019 on obligations retained by the Corporation after the disposition of its Coal operations.

Included in investing and financing activities are expenditures on property, plant and equipment and intangibles primarily related to Block 10 and sustaining activities.

The Corporation's Adjusted EBITDA(1) reconciles to the decrease in cash, cash equivalents and short-term investments as follows for the year ended December 31, 2019:

$ millions, for the year ended December 31		2019
Adjusted EBITDA(1)	$	47.3
Add (deduct):		
Moa Joint Venture Adjusted EBITDA		(62.2)
Distributions from the Moa Joint Venture		43.3
Interest paid on debentures		(45.8)
Net change in non-cash working capital		8.3
Other		(1.8)
Cash used by continuing operations per financial statements		(10.9)
Add (deduct):		
Capital expenditures		(32.0)
Other		2.0
Change in cash, cash equivalents and short-term investments	$	(40.9)

(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 December 31, 2019	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	$ 148.1	$ 148.1	$ -	$ -	$ -	$ -	$ -
Income taxes payable	1.3	1.3	-	-	-	-	-
Senior unsecured debentures	778.9	45.8	215.4	32.2	230.0	17.4	238.1
Ambatovy Joint Venture Partner loans	158.3	-	-	-	158.3	-	-
Syndicated revolving-term credit facility	8.2	8.2	-	-	-	-	-
Provisions	145.3	5.0	3.5	-	-	50.1	86.7
Deferred income taxes	10.7	-	10.7	-	-	-	-
Lease liabilities	19.2	4.2	2.3	2.2	2.1	1.8	6.6
Capital commitments	5.8	5.8	-	-	-	-	-
Other	1.3	0.1	0.1	0.1	0.4	0.1	0.5
Total	$ 1,277.1	$ 218.5	$ 232.0	$ 34.5	$ 390.8	$ 69.4	$ 331.9

DEBT EXCHANGE

Subsequent to year end, the Corporation announced a Transaction aimed at improving the Corporation's liquidity, reducing debt levels and building balance sheet strength. Pending approval by the requisite Debtholders, court approval and the satisfaction or waiver of the other conditions to the Transaction, the Transaction will reduce Sherritt's total debt by approximately $414 million and reduce annual cash interest payments by approximately $19 million by, among other things, exchanging the Corporation's Existing Notes in the aggregate principal amount of approximately $588 million, plus all accrued and unpaid interest thereon up to but excluding the Effective Date, for New Secured Notes of approximately $319 million, and exchanging Sherritt's Ambatovy Joint Venture partner loans for its Ambatovy Joint Venture assets or amended loans with no recourse against Sherritt. The transaction will also result in an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes.

COVENANTS

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

As at December 31, 2019, there are no events of default on the Corporation's debentures or syndicated revolving-term credit facility. The Corporation did not meet the financial ratios required to remove limitations on the incurrence of debt or certain distributions under the senior unsecured debentures indenture agreement.

Syndicated revolving-term credit facility

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

The facility is subject to the following financial covenants and restrictions as of December 31, 2019:

- EBITDA, as defined in the agreement, equal to or greater than $70.0 million, a decrease from $100.0 million as at December 31, 2018;
- EBITDA-to-interest expense covenant of not less than 1.35:1, a decrease from 1.75:1 as at December 31, 2018;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture, which remained unchanged during the year; and

- Minimum cash covenant balance, as defined in the agreement, of $70.0 million, less undrawn credit, a decrease from $100.0 million, less undrawn credit, as at December 31, 2018. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada. The required minimum cash covenant balance as at December 31, 2019 is calculated to be $53.3 million (December 31, 2018 - $84.9 million).

As at December 31, 2019, the Corporation has $45.3 million of letters of credit outstanding pursuant to this facility (December 31, 2018 - $46.9 million). As at December 31, 2019, $8.0 million has been drawn on this facility (December 31, 2018 - $8.0 million).

Ambatovy Joint Venture partner loans

As at December 31, 2019, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture (note 8), which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. Despite being in default on the Ambatovy Joint Venture partner loans, the Ambatovy Joint Venture partners' recourse against the Corporation is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture. These loans accrue interest at six-month LIBOR plus 1.125%. Given the limited recourse nature of these loans, the Corporation will not make cash payments on these loans prior to their 2023 maturity date. At maturity, Sherritt can elect to: (i) repay the loans in cash, (ii) repay the loans in shares or a combination of cash and shares at 105% of the amount then due, or (iii) repay in 10 equal semi-annual principal installments (plus interest) commencing in December 2024, at an interest rate of LIBOR + 5% applied from the original August 2023 maturity date.

The default of the Ambatovy Joint Venture partner loans would have also resulted in an event of default on the syndicated revolving-term credit facility; however, this potential default was waived prior to its occurrence through to the maturity of this facility on April 30, 2020.

The principal amount outstanding under this facility at December 31, 2019 was $142.5 million, including accrued interest (December 31, 2018 - $144.0 million). The Corporation's ability to draw additional amounts on the facility expired on August 22, 2014.

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

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

- Environmental rehabilitation commitments of $91.3 million, with no significant payments due in the next five years;
- Other contractual commitments of $8.1 million; and
- Advances and loans payable of $232.4 million. Included within this advances and loans payable balance is a $213.3 million loan payable to the entity holding the remaining 50% interest in the Moa Joint Venture.

Ambatovy Joint Venture

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

- Environmental rehabilitation commitments of $116.1 million, with no significant payments due in the next five years;
- Other contractual commitments of $17.5 million;
- Ambatovy revolving credit facilities of $10.6 million;
- The Ambatovy Joint Venture senior debt financing of US$192.1 million ($249.5 million) which is non-recourse to the Joint Venture partners. In September 2019, the Ambatovy Joint Venture financing lenders agreed to defer principal repayments until June 2022 and extend maturity to June 2027; and
- If the Transaction is approved subsequent to year end, and the Ambatovy Joint Venture assets are exchanged for the Ambatovy Joint Venture partner loans, the Corporation would no longer have a proportionate share of the above commitments.

CAPITAL STRUCTURE

$ millions, except as otherwise noted		2019 December 31		2018 December 31	Change
Loans and borrowings	$	713.6	$	705.7	1%
Other financial liabilities		22.8		13.1	74%
Total debt	$	736.4	$	718.8	2%
Shareholders' equity		722.1		1,130.9	(36%)
Total debt-to-capital (1)		**50%**		39%	30%
Common shares outstanding		**397,282,785**		397,281,686	-
Stock options outstanding		**9,432,219**		9,897,219	(5%)
Common Share Warrants outstanding		**57,610,455**		57,611,554	-

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

Debt Exchange

Subsequent to year end, the Corporation announced a Transaction that would, pending approval by the requisite debtholders, court approval and the satisfaction or waiver of the other conditions of the transaction, reduce Sherritt's total debt by approximately $414 million. The impact of this reduction in total debt would have decreased Sherritt's total debt-to-capital ratio as at December 31, 2019 from 50% to 31%, which would bring this ratio closer to Sherritt's peers.

Common Share Warrants

Common Share Warrants were issued as part of the debenture extension in 2016 when 19.1 million warrants with a fair value of $0.43 were granted to the Noteholders that elected to accept warrants. Warrants are exercisable at any time at an exercise price of $0.74 per share and had an original term of 5 years. They are not listed on any exchange. During 2019, nil warrants were exercised for total proceeds of nil (2018 – 0.9 million warrants were exercised for total proceeds of $0.6 million).

Issue of Units

In January 2018, the Corporation completed an equity offering and issued units consisting of 94.5 million common shares and 47.2 million cobalt-linked warrants at $1.40 per unit, for gross proceeds of $132.3 million, less transaction costs of $7.2 million.

The cobalt-linked warrants have an exercise price of $1.95. Each cobalt-linked warrant is exercisable to acquire between 1.00 and 1.25 common shares, determined based on a prescribed cobalt reference price. No cobalt-linked warrants were exercised during the three months and year ended December 31, 2019 or during the same periods in the prior year.

COMMON SHARES

As at February 25, 2020, the Corporation had 397,284,433 common shares outstanding. An additional 9,432,219 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan, a maximum of 47,232,200 on the issue of Cobalt-Linked Warrants and 10,376,607 common shares issuable on the exercise of other common share warrants.

Managing risk

For the purposes of this section, all capitalized terms that are not specifically defined herein, have the meaning ascribed to them in the 2018 AIF.

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. Significant risks include, amongst others:

- Commodity Risk
- Securities Market Fluctuations and Price Volatility
- Liquidity and Access to Capital
- Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments
- Risks Related to Sherritt's Investment in the Ambatovy Joint Venture
- Risks Related to Sherritt's Operations in Cuba
- Risks Related to U.S. Government Policy Towards Cuba
- Identification and Management of Growth Opportunities
- Depletion of Reserves
- Reliance on Partners
- Mining, Processing and Refining Risks
- Operating Risks

COMMODITY RISK

Sherritt's principal businesses include the sale of several commodities. Revenues, earnings and cash flows from the sale of nickel, cobalt, oil and gas, and fertilizers are sensitive to changes in market prices, over which the Corporation has no control. The Corporation's earnings and financial condition depend largely upon the market prices for nickel, cobalt, oil, gas, fertilizer and other commodities, which are volatile. Significant reductions in commodity prices or sustained low commodity prices could have a material adverse effect on the Corporation's business, results of operations and financial performance. The prices for commodities produced by the Corporation can be affected by numerous factors beyond the Corporation's control, including expectations for inflation, speculative activities, relative exchange rates to the U.S. dollar, production activities of mining and oil and gas companies, global and regional supply and demand, supply and market prices for substitute commodities, international trade dynamics and disputes, political and economic conditions, global health emergencies (such as the recent outbreak of the corona virus) and production costs in major producing regions. The prices for these commodities have fluctuated widely in recent years. Forecasts of commodity prices can prove to be inaccurate as factors such as supply and demand fundamentals (including the potential growth in the electric vehicle market), speculative market participation by financial entities, and structural and economic changes may not behave as predicted.

Sherritt's current businesses are dependent upon commodity inputs such as natural gas, sulphur, sulphuric acid, coal, electricity, fuel oil, diesel, limestone and related products, and materials that are subject to prevailing commodity prices. Costs and earnings from the use of these products are sensitive to changes in market prices over which Sherritt has no control.

SECURITIES MARKET FLUCTUATIONS AND PRICE VOLATILITY

The securities markets in Canada and elsewhere can experience significant price and volume volatility which can affect the prices of Sherritt's securities. The prices of Sherritt's securities have been, and may continue to be, affected by this market volatility, as well as varying in response to a number of other events and factors. These factors may include, but are not limited to: the price of commodities; political and macro-economic factors; Sherritt's operating performance; the public's reaction to the Corporation's press releases, other public announcements and the Corporation's filings with the various securities regulatory authorities; and changes in earnings estimates or recommendations by research analysts who trade the Shares or the shares of other companies in the resource sector.

Securities of the Corporation listed on these markets or traded over the counter can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of the Corporation. Such securities can be affected by a number of factors outside the Corporation's control and which affect the price and value of securities more generally, these factors may include, but are not limited to: changes in interest rates, tax policy, international trade dynamics and disputes, political and macro-economic factors and economic growth rates. As such, the Corporation's securities have been, and could continue to be, subject to significant volatility in trading volumes and market prices. There can be no assurance that the market price of the Corporation's securities will accurately reflect the value of the Corporation's underlying assets and future business prospects at any time (including the value of its interests in commodities and their current and forecasted market prices).

LIQUIDITY AND ACCESS TO CAPITAL

Sherritt's ability to fund its capital and operating expenses and to meet its financial obligations depends on being able to generate sufficient cash flow from its operations and its ability to obtain additional financing and/or refinance its existing credit facilities and loans on terms that are acceptable to the Corporation. As noted in the risk factor entitled "Commodity Risk" above, Sherritt's earnings and financial condition are highly dependent upon the market prices for nickel, cobalt, oil, gas and other commodities, which are highly volatile in nature. Depending upon commodity prices in particular, Sherritt may find itself unable to access sufficient capital to fund its operations in the manner required for the long term viability of the business and/or remain in compliance with its debt covenants. There can be no assurance that Sherritt will have sufficient funds to repay its Debentures at maturity, nor can there be any assurance that Sherritt will be able to refinance its Debentures or raise funds in the equity capital markets on terms and conditions that would be acceptable. Failure to provide adequate funds to its operations, execute growth strategies, replace depleted reserves or meet or refinance its financial obligations could have a material adverse effect on Sherritt's business, results of operations and financial performance.

Sherritt's current financing includes, among other things, the Syndicated Facility. The total available draw under the Syndicated Facility is based on eligible receivables and inventory. If prices for nickel and cobalt decline, this could result in a material reduction in the amount of funding available under the Syndicated Facility. Certain debt covenants under the Syndicated Facility are based on ratios involving the Corporation's EBITDA and/or interest expense and other covenants require the maintenance of minimum cash balances. The Corporation's ability to satisfy these covenants could also be negatively affected by decreases in commodity prices. As a result, there can be no assurance that this Syndicated Facility can be extended or renewed at any time, or otherwise replaced with a different credit facility on similar terms, or that required consent or waivers under the Syndicated Facility will be provided without concessions on the part of the Corporation or at all.

Agencies of the Cuban government have significant payment obligations to the Corporation in connection with the Corporation's Oil and Gas, Moa Joint Venture and Power operations in Cuba. This exposure to the Cuban government and its potential inability to timely or fully pay such amounts could have a material adverse effect on the Corporation's financial condition and results of operations. Please see the risk factor entitled "Risks Related to Sherritt's Operations in Cuba" for additional information.

Please see the risk factor entitled "Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments" for more information on Sherritt's loans and borrowings and on the effect of non-compliance with certain debt covenants.

RISKS RELATED TO NON-IMPLEMENTATION OF THE TRANSACTION

As disclosed in the Highlights section of this MD&A, subsequent to year end, the Corporation announced a Transaction aimed at improving the Corporation's liquidity, reducing debt levels and building balance sheet strength. The Corporation cautions that it can make no assurances as to whether the Transaction will be completed and if not, whether an agreement with respect to an alternative transaction may be reached, or the terms or timing of any such potential transaction.

Future liquidity and operations of the Corporation are dependent on the ability of the Corporation to repay its debt obligations and to generate sufficient operating cash flows to fund its on-going operations. If the Corporation does not complete the reduction of debt contemplated by the Transaction, it may be necessary to pursue other options or alternatives that could have a negative effect on the Corporation. Certain risk factors relating to the non-implementation of the Transaction include: (a) the Corporation may have limited ability to raise additional capital on market terms with its current capital structure, (b) the Corporation's existing capital structure with existing maturities may limit the options and alternatives for the Corporation to maximize value to all stakeholders or to pursue various operational improvements or other strategic initiatives, and (c) the Corporation may incur a number of significant costs related to the Transaction, including professional fees, regardless of whether or not the Transaction is consummated.

In the event that the Transaction is not implemented, the Corporation's total debt would not be reduced by approximately $414 million, the associated reduction in debt service costs would not be achieved and the Corporation would need to evaluate all of its options related to any future court proceedings or other alternatives to address liquidity and leverage issues which exist today. In the event the Transaction is not completed, the value available to stakeholders may be significantly reduced.

Additional details of risks associated with non-implementation of the Transaction will be included in a management information circular in relation to the Transaction to be filed by the Corporation on SEDAR.

RESTRICTIONS IN DEBT INSTRUMENTS, DEBT COVENANTS AND MANDATORY REPAYMENTS

Sherritt is a party to certain agreements in connection with the Syndicated Facility, as well as the trust indenture governing the Debentures (collectively, the "Indenture"). Sherritt is also a party to various agreements with the Ambatovy Senior Lenders relating to the Ambatovy Financing Agreements. In addition, Sherritt is a debtor under the Initial Partner Loans that were used to fund part of Sherritt's contributions to the Ambatovy Joint Venture. These agreements and loans contain covenants which could have the effect of restricting Sherritt's ability to react to changes in Sherritt's business or to local and global economic conditions. In addition, Sherritt's ability to comply with these covenants and other terms of its indebtedness may be affected by changes in the Corporation's business, local or global economic conditions or other events beyond the Corporation's control. Failure by Sherritt to comply with any of the covenants contained in the Indenture, the Syndicated Facility, the Ambatovy Financing Agreements, the Initial Partner Loans or any future debt instruments or credit agreements, could materially adversely affect the Corporation's business, results of operations, and financial performance.

The Initial Partner Loans ($142.5 million, in principal, as at December 31, 2019) are generally repayable by Sherritt at maturity in August 2023 and are secured by Sherritt's interest in the Ambatovy Joint Venture, which is subordinate to the security interests therein held by the Ambatovy Senior Lenders. Certain events under the Initial Partner Loans trigger a mandatory prepayment of the loans within 30 trading days of such event, including an enforcement by the Ambatovy Senior Lenders of their security interests over the Ambatovy Joint Venture shares following a default under the Ambatovy Financing Agreement. In such cases, Sherritt has the option to prepay in cash or in Shares, provided its Shares are trading on the TSX at the time of payment and subject to applicable TSX rules (including applicable shareholder approval requirements) or with a mix of cash and Shares. The Initial Partner Loans can be repaid in cash at any time through to maturity. At maturity, Sherritt can elect to: (i) repay the loans in cash, (ii) repay the loans in shares or a combination of cash and shares at 105% of the amount then due, or (iii) repay in 10 equal semi-annual principal installments (plus interest) commencing in December 2024, at an interest rate of LIBOR +5% applied from the original August 2023 maturity date.

Should the Ambatovy Joint Venture not be able to make the required interest or principal payments under, or is otherwise in default of, the Ambatovy Financing Agreements and the Ambatovy Senior Lenders elect to enforce any of their security interests over the Ambatovy Joint Venture shares, this would trigger the mandatory pre-payment of the Initial Partner Loans and otherwise potentially give rise to an event of default under the Initial Partner Loans with the resulting obligation to repay any outstanding Initial Partner Loans. In such a circumstance, Sherritt has the option to repay in cash or, provided its Shares are trading on the TSX at the time of payment and subject to applicable TSX rules, including shareholder approval requirements, in Shares. Unless the lenders otherwise agree, the Initial Partner Loans also require repayment in cash within five business days in the event of the sale of all or substantially all of the assets of Sherritt, the acquisition of more than 50% of the Shares or a corporate restructuring of Sherritt. Repayment of the Initial Partner Loans in cash could have significant consequences for Sherritt's liquidity and would materially adversely affect the Corporation's business, results of operations and financial performance. In those cases where it has the option, if Sherritt repays all or any portion of the Initial Partner Loans in Shares this could result in significant dilution to existing shareholders depending on the prevailing Share price at the time of payment.

The Ambatovy Senior Lenders' recourse under the Ambatovy Joint Venture Financing Agreements, including for repayment of semi-annual principal and interest, is limited to the Ambatovy Joint Venture and Sherritt's and the other Ambatovy Partners' interests therein.

Under the terms of the Initial Partner Loans, if Sherritt becomes a defaulting shareholder under the terms of the Ambatovy Joint Venture Shareholders Agreement (the "Shareholders Agreement"), for example, by failing to fund a cash call, a cross default to the Initial Partner Loans would be triggered and the lenders under such loans could, among other things, elect to accelerate repayment. In March 2019, as a result of management's decision not to fund a cash call by the Ambatovy Joint Venture, Sherritt became a defaulting shareholder under the Ambatovy Shareholders Agreement and it has remained a defaulting shareholder thereafter. Due to the limited recourse nature of the Initial Partner Loans in such circumstances, any acceleration as a result of this default will not require Sherritt to repay the loans until maturity and the lenders' recourse is effectively limited to their subordinated security interest over Sherritt's interest in, and future distributions from, the Ambatovy Joint Venture until that time. As at the date hereof, the Initial Partner Loan lenders have not accelerated the Initial Partner Loans or indicated any intention to do so. However, there can be no assurance that they will not do so in the future.

Furthermore, if Sherritt is a defaulting shareholder under the terms of the Shareholders Agreement, triggering a cross default to the Initial Partner Loans, this could trigger a cross default under the Syndicated Facility. Similarly, a cross default under the Syndicated Facility could also be triggered if there was an event of default under the Initial Partner Loans or Ambatovy Financing Agreements. As noted above, Sherritt has become a defaulting shareholder under the Shareholders Agreement, triggering a cross-default to the Initial Partner Loans. This could trigger a cross-default under the Syndicated Facility, however, the Corporation has obtained a waiver under the Syndicated Facility, to the maturity thereof, from all cross-defaults under the Initial Partner Loans and the Syndicated Facility that could be triggered by Sherritt having become a defaulting shareholder under the Shareholders Agreement. However, a cross-default under the Syndicated Facility could also be triggered if there was another event of default under the Initial Partner Loans or an event of default under the Ambatovy Financing Agreements.

If a cross default to the Initial Partner Loans is triggered by a breach of the Shareholders' Agreement, and the lenders under those loans were to accelerate repayment, although generally such acceleration would not require repayment by Sherritt until after maturity, it could in turn trigger a cross default under the Indenture. An event of default under the Initial Partner Loans, including the failure to make a mandatory prepayment, would also trigger a cross default under the Indenture. Such a cross default under the Indenture could result in acceleration of the Debentures unless the default is cured by repaying the Initial Partners Loans or is waived in accordance with the Indenture. Sherritt may not have sufficient cash and short term investments to repay all or any portion of the amounts outstanding under any or all series of outstanding Debentures (in the aggregate, $588.1 million principal amount as at December 31, 2019) and there can be no assurance that Sherritt could refinance such amounts. An acceleration of the Debentures would, in turn, trigger an event of default under the Syndicated Facility. Accordingly, acceleration of any one or more series of Debentures could materially adversely affect the Corporation's business, results of operations, and financial performance.

RISKS RELATED TO SHERRITT'S INVESTMENT IN THE AMBATOVY JOINT VENTURE

In March 2019, as a result of management's decision not to fund a cash call by the Ambatovy Joint Venture, Sherritt became a defaulting shareholder under the Ambatovy Shareholders Agreement. As a result of such default, among other things, the following: (a) Sherritt is not receiving any Ambatovy Joint Venture distributions; (b) Sherritt has lost its voting rights at the Ambatovy Joint Venture's Executive Committee, its corporate boards of directors and its shareholder meetings; (c) Sherritt has lost its right to attend and be represented at meetings of the Ambatovy Joint Venture's Executive Committee and its corporate boards of directors (although as a matter of fact, it presently continues to be invited to such meetings); (d) Sherritt may be required to offer its 12% shareholder interest pro rata to the other Ambatovy Partners who have the right to purchase at the lower of fair market value and book value; (e) the other Ambatovy Partners can elect to cure Sherritt's funding deficit by funding on Sherritt's behalf, in which case such funding is deemed to be a loan to Sherritt, payable on demand, which accrues interest at LIBOR +3% and is limited recourse to Sherritt's interest in the Ambatovy Joint Venture and repayable from future distributions; (f) the other Ambatovy Partners can elect to dilute Sherritt's interest by converting such deemed loans or by funding on Sherritt's behalf and electing dilution of Sherritt's interest, without any deemed loan; and (g) the other Ambatovy Partners can elect to fund Preferred Debt. In the event that any of the other Ambatovy Partners elect to purchase the Corporation's interest pursuant to paragraph (d), there can be no assurance that the Corporation will receive any proceeds once such purchase price is offset against amounts outstanding under the Initial Partner Loans. Preferred Debt lenders under paragraph (g) can also elect to exercise an enhanced dilution remedy entitling them to an equivalent amount of subordinated shareholder loans (and to the extent such loans are not available, equity) held by the defaulting shareholder for nil consideration. This enhanced dilution mechanism may not alter the defaulting shareholder's equity interest, but could have a significant adverse effect on other shareholders' future distributions from the Ambatovy Joint Venture and its effective economic interest therein. Although Sherritt remains Operator of the Ambatovy Joint Venture through an operating agreement, its role is subject to the provisions of that agreement and the direction of the Ambatovy Executive Committee, and as a result Sherritt's operational and financial influence at Ambatovy is now limited. Sherritt is not expecting to resume funding of the Ambatovy Joint Venture, and therefore, subject to discussions and agreement to the contrary with the other Ambatovy partners, it is expected that Sherritt will continue to be a defaulting shareholder under the Shareholders Agreement. During the 12 months ended December 31, 2019, Sherritt did not fund cash calls received from the Ambatovy Joint Venture totalling US$27.0 million based on its 12% share of total cash calls to the Ambatovy Joint Venture partners. Please see the risk factor entitled "Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments" for more information about other risks associated with Sherritt's non-funding of the Ambatovy Joint Venture.

The Ambatovy Joint Venture borrowed US$2.1 billion (US$1.6 billion as at December 31, 2019) under the Ambatovy Financing Agreements and all of the Ambatovy Joint Venture's assets and the interests of its shareholders in the Ambatovy Joint Venture have been pledged as security for the financing. In September 2019, the Ambatovy Joint Venture financing lenders agreed to a three-year principal deferral and an extension to June 2027. In conjunction with this deferral, Sumitomo and KORES have committed up to US$335.0 million of funding to the Ambatovy Joint Venture during the deferral period. Nevertheless, there can be no assurance that the Ambatovy Joint Venture will not require additional financing in the future. Although the Ambatovy Joint Venture has successfully secured sufficient financing from its shareholders and third party lenders in the past, there can be no assurance that it will be successful in securing additional financing or creditor concessions when required or on favourable terms. If the Ambatovy Joint Venture is unable to continue operations, this would have a material adverse effect on Sherritt's investment in the Ambatovy Joint Venture, and could have a material adverse effect on the Corporation's business, results of operations and financial performance.

Due to the Ambatovy Joint Venture's current and projected funding requirements, in a persistently low nickel price environment there can be no certainty that Sherritt will receive any distributions from the Ambatovy Joint Venture. Whether as a result of Sherritt not funding future cash calls or otherwise, Sherritt's interest in the Ambatovy Joint Venture and entitlements to future distributions could be at risk and there is no assurance that it will be able to retain all or any portion of its 12% interest or entitlement to future distributions, which could have a materially adverse effect on the Corporation's business, results of operations, and financial performance.

As a result of Sherritt's indirect 12% interest in the Ambatovy Joint Venture Sherritt is indirectly subject to the political, economic and social risks related to Ambatovy's operations in Madagascar.

In 2002, the government of Madagascar passed the LGIM, which is legislation to manage large scale mining projects. The Ambatovy Joint Venture is the first and currently the only project to be developed under the LGIM's terms and provisions, which have been largely untested. Although the Ambatovy Joint Venture has received its eligibility certification under the LGIM, it is possible that the LGIM could be interpreted or amended in a manner that has a material adverse effect on the Ambatovy Joint Venture. In addition, there can be no assurance that the Malagasy Mining Code will not be amended in a manner which could adversely affect the Ambatovy Joint Venture.

Madagascar has a history of political instability and there is no assurance that continuing political stability will be achieved. The Malagasy government may continue to have direct or indirect impact on the Ambatovy Joint Venture and may adversely affect the Corporation's business. Any changes in regulations or shifts in political attitudes are beyond the control of Sherritt and may adversely affect its business. Operations may be affected in varying degrees by the Government of Madagascar's regulations with respect to production, price controls, export controls (including the recent requirement for the registration of imports and exports), income taxes or investment tax credits, tax reimbursements, royalties and fees, expropriation of property, environmental legislation, land use, water use and mine and plant safety or changes to the LGIM.

Madagascar is one of the poorest countries in the world, with low levels of economic activity and high levels of unemployment. These conditions are conducive to social unrest and instability that could, under certain circumstances, have an impact on the Ambatovy Joint Venture's ability to produce and export its products. The Ambatovy Joint Venture continues to foster active working relations with relevant Malagasy authorities and civil society to mitigate social risk, maintain its social license, and facilitate operational activities.

In addition, the operations of the Ambatovy Joint Venture in Madagascar are conducted in environmentally sensitive areas. In particular, the mine footprint is partly on first growth forest and portions of the pipeline traverse environmentally sensitive areas. Although the Ambatovy Joint Venture believes it is currently in material compliance with applicable laws, there can be no guarantee that it will remain in compliance or that applicable laws or regulations will remain the same.

Please see the risk factors entitled "Market Conditions - Commodity Risk", "Depletion of Reserves", "Mining, Processing and Refining Risks", "Operating Risks", "Transportation", "Reliance on Key Personnel and Skilled Workers", Equipment Failure and Other Unexpected Failures", "Uncertainty of Resources and Reserve Estimates", "Environmental Risks and Liabilities", "Project Operations", "Foreign Exchange and Pricing Risks", "Environment, Health and Safety", "Climate Change/Greenhouse Gas Emissions", Community Relations and Social License to Grow and Operate", "Shortage of Equipment and Supplies", "Competition in Product Markets", Future Market Access", "Interest Rate Changes", "Insurable Risk", "Labour Relations", "Legal Rights", "Legal Contingencies", "Accounting Policies", "Government Permits", "Risks to Information Technologies Systems and Cybersecurity", "Government Regulation", which are risks that are also applicable to the Ambatovy Joint Venture, other than as they relate to oil and gas or Cuban operations.

RISKS RELATED TO SHERRITT'S OPERATIONS IN CUBA

The Corporation directly or indirectly holds significant interests in mining, metals processing, exploration for and production of crude oil and the generation of electricity in Cuba. The operations of the Cuban businesses may be affected by economic pressures on Cuba. Risks include, but are not limited to, fluctuations in official or convertible currency exchange rates, access to foreign exchange, and high rates of inflation. In addition, the incumbent U.S. administration has increased its sanctions against Cuba and its trading partners and these measures have had an adverse impact on Cuba and its economy, as well as its ability to conduct international trade. Changes in regulations and political attitudes are beyond the control of Sherritt and may adversely affect its business. Operations may be affected in varying degrees by such factors as Cuban government regulations with respect to currency conversion, production, project approval and execution, price controls, import and export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine and plant safety.

Operations in Cuba may also be affected by the fact that, as a Caribbean nation, Cuba regularly experiences hurricanes and tropical storms of varying intensities. The risk of damage is dependent upon such factors as intensity, footprint, wind direction and the amount of precipitation associated with the storm and tidal surges. While the Corporation, its joint venture partners and agencies of the Government of Cuba maintain comprehensive disaster plans and the Corporation's Cuban facilities have been constructed to the extent reasonably possible to minimize damage, there can be no guarantee against severe property damage and disruptions to operations.

There is increased demand from downstream customers that electronics, automotive and other manufactures demonstrate that their product supply chains are ethical and responsible. Such responsible sourcing requirements are affecting the metals sector broadly. Requests for assurance of a responsible cobalt supply chain from the refinery to the mine site are increasingly being received by downstream customers of the Corporation. The Corporation believes that its supply of minerals is ethical and responsible and in order to demonstrate this the Corporation is engaged in activities to implement policies and due diligence systems to independently verify that its mineral supply chain conforms with internationally accepted best practices. While the corporation is committed to demonstrating a responsible supply of minerals, the Corporation has no control over the purchasing decisions of its customers or the factors on which they are based and there is no guarantee that the Corporation's efforts will mitigate this potential risk. Please see also the Risk Factor entitled "Risks Related to U.S. Government Policy Towards Cuba – The U.S. Embargo".The Cuban government has allowed, for more than two decades, foreign entities to repatriate profits out of Cuba. However, there can be no assurance that allowing foreign investment and profit repatriation will continue or that a change in economic conditions will not result in a change in the policies of the Cuban government or the imposition of more stringent foreign investment or foreign exchange restrictions. Such changes are beyond the control of Sherritt and the effect of any such changes cannot be accurately predicted.

All sales of Sherritt's oil production in Cuba are made to an agency of the Government of Cuba, as are all electricity sales made by Energas. The access of the Cuban government to foreign exchange is severely limited. As a consequence, from time to time, the Cuban agencies have had difficulty in discharging their foreign currency obligations. During such times, Sherritt has worked with these agencies in order to ensure that Sherritt's operations continue to generate positive cash flow to the extent possible. However, there is a risk, beyond the control of Sherritt, that receivables and contractual performance due from Cuban entities will not be paid or performed in a timely manner, or at all. Notwithstanding efforts by Sherritt, overdue receivables owed by Cuban entities to Sherritt increased from US$152.5 million at the beginning of 2019 to US$158.4 million as at December 31, 2019. In addition, if any of these agencies or the Cuban government are unable or unwilling to conduct business with Sherritt, or satisfy their obligations to Sherritt, Sherritt could be forced to close some or all of its Cuban businesses, which could have a material adverse effect upon Sherritt's results of operations and financial performance.

Sherritt is entitled to the benefit of certain assurances received from the Government of Cuba and certain agencies of the Government of Cuba that protect it in many circumstances from adverse changes in law, although such changes remain beyond the control of the Corporation and the effect of any such changes cannot be accurately predicted.

RISKS RELATED TO U.S. GOVERNMENT POLICY TOWARDS CUBA

The United States has maintained a general embargo against Cuba since the early 1960s, and the enactment in 1996 of the Cuban Liberty and Democratic Solidarity (Libertad) Act (commonly known as the "Helms Burton Act") extended the reach of the U.S. embargo.

The U.S. Embargo

In its current form, apart from the Helms Burton Act, the embargo applies to most transactions involving Cuba, Cuban enterprises, and Cuban nationals and it bars all persons "subject to the jurisdiction of the United States" from participating in such transactions unless such persons have general or specific licenses from the U.S. Department of the Treasury ("U.S. Treasury") authorizing their participation in the transactions. Persons "subject to the jurisdiction of the United States" include U.S. citizens, U.S. residents, individuals or enterprises located in the United States, enterprises organized under U.S. laws and enterprises owned or controlled by any of the foregoing. Subsidiaries of U.S. enterprises are subject to the embargo's prohibitions. The embargo also targets dealings directly or indirectly involving entities deemed to be owned or controlled by Cuba and listed as specially designated nationals ("SDNs"). The three entities constituting the Moa Joint Venture in which Sherritt holds an indirect 50% interest have been deemed SDNs by U.S. Treasury. Sherritt, however, is not an SDN. The U.S. embargo generally prohibits persons subject to the jurisdiction of the United States from engaging in transactions involving the Cuban related businesses of the Corporation. Furthermore, generally U.S. origin technology, U.S. origin goods, and many goods produced from U.S. origin components or with U.S. origin technology cannot under U.S. law be transferred to Cuba or used in the Corporation's operations in Cuba. Additionally, the embargo also prohibits imports into the United States of Cuban origin goods, or of foreign goods made or derived, in whole or in part, of Cuban origin goods, including Cuban nickel. In 1992, Canada issued an order pursuant to the Foreign Extraterritorial Measures Act (Canada) to block the application of the U.S. embargo under Canadian law to Canadian subsidiaries of U.S. enterprises. However, the general embargo limits Sherritt's access to U.S. capital, financing sources, customers, and suppliers.

The Helms Burton Act

Separately from the general provisions of the embargo summarized above, the Helms Burton Act authorizes sanctions on non U.S. individuals or entities that "traffic" in Cuban property that was confiscated from U.S. nationals or from persons who have become U.S. nationals. The term "traffic" includes various forms of use of Cuban property as well as "profiting from" or "participating in" the trafficking of others.

The Helms Burton Act authorizes damage lawsuits to be brought in U.S. courts by U.S. claimants against those "trafficking" in the claimants' confiscated property. All Presidents of the United States in office since the enactment of the Helms Burton Act have suspended the right of claimants for successive six month periods until the incumbent U.S. administration ceased such suspensions and allowed Title III to come into effect on May 2, 2019. Since that time a number of lawsuits have been filed pursuant to Title III in the United States against companies in the U.S., Canada and elsewhere. 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, including in relation to claims certified by the U.S. Foreign Claims Settlement Commission. 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. Management believes it unlikely that a court in Canada or in any country in which Sherritt has material assets would enforce a Helms Burton Act judgment against it.

The Foreign Extraterritorial Measures Act (Canada) was amended as of January 1, 1997 to provide that any judgment given under the Helms Burton Act will not be recognized or enforceable in any manner in Canada and certain other countries implemented "blocking statutes" at that time. The amendments to the Canadian statute permit the Attorney General of Canada to declare, by order, that a Canadian corporation may sue for and recover in Canada any loss or damage it may have suffered by reason of the enforcement of a Helms Burton Act judgment abroad. In such a proceeding, the Canadian court could order the seizure and sale of any property in which the defendant (i.e., a claimant under the Helms Burton Act) has a direct or indirect beneficial interest, or the property of any person who controls or is a member of a group of persons that controls, in law or in fact, the defendant. The property seized and sold could include shares of any company incorporated under the laws of Canada or a province.

The Government of Canada also responded to the Helms Burton Act through diplomatic channels. Other countries, such as the members of the European Union and the Organization of American States, have expressed their strong opposition to the Helms Burton Act as well.

Nevertheless, the threat of potential litigation creates a distraction from constructive business operations and may discourage some potential investors, lenders, suppliers and customers from doing business with Sherritt and there can be no assurance that any litigation against Sherritt pursuant to the Helms Burton Act would not ultimately be successful or have a material adverse effect on Sherritt's business, results of operations or financial performance.

In addition to authorizing private lawsuits, the Helms Burton Act also authorizes the U.S. Secretary of State and the U.S. Attorney General to exclude from the United States those aliens who engage in certain "trafficking" activities, as well as those aliens who are corporate officers, principals, or controlling shareholders of "traffickers" or who are spouses, minor children, or agents of such excludable persons. The U.S. Department of State has deemed Sherritt's indirect 50% interest in Moa Nickel S.A. to be a form of "trafficking" under the Helms Burton Act. In their capacities as officers of the Corporation, certain individuals have been excluded from entry into the U.S. under this provision. Management does not believe the exclusion from entry into the U.S. of such individuals will have any material effect on the conduct of the Corporation's business.

The U.S. Department of State has issued guidelines for the implementation of the immigration provision, which state that it is "not sufficient in itself for a determination" of exclusion that a person "has merely had business dealings with a person" deemed to be "trafficking". Also, the statutory definition of "traffics" relevant to the Helms Burton Act's immigration provision explicitly excludes "the trading or holding of securities publicly traded or held, unless the trading is with or by a person determined by the Secretary of the Treasury to be a specially designated national".

The embargo has been, and may be, amended from time to time, including the Helms Burton Act, and therefore the U.S. sanctions applicable to transactions with Cuba may become more or less stringent. The stringency and longevity of the U.S. laws relating to Cuba are likely to continue to be functions of political developments in the United States and Cuba, over which Sherritt has no control. The incumbent U.S. administration has increased its sanctions against Cuba and its trading partners and these measures have had an adverse impact on Cuba and its economy, as well as its ability to conduct international trade. The pace and extent of any future changes are uncertain and beyond Sherritt's control. There can be no assurance that the general embargo and the Helms Burton Act will not have a material adverse effect on the Corporation's business, results of operations or financial performance.

IDENTIFICATION AND MANAGEMENT OF GROWTH OPPORTUNITIES

In order to manage its current operations and any future growth effectively, Sherritt must examine opportunities to replace and expand its reserves through the exploration of its existing properties and through acquisitions of interests in new properties or of interests in companies which own such properties. The development of Sherritt's business will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Sherritt may also not be able to identify suitable partners with whom it could make such acquisitions. Acquisitions involve a number of risks, including: (i) the possibility that the Corporation, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that the Corporation may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and personnel of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (vii) the potential disruption of the Corporation's ongoing business and the distraction of management from its day to day operations.

Additionally, the future viability of the Corporation will also depend on its ability to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. If and when any such growth occurs, there can be no assurance that the Corporation will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Corporation's operations or that the Corporation will be able to achieve the increased levels of revenue commensurate with increased levels of operating expenses associated with this growth, and failure to do so could have a material adverse effect on the Corporation's business, financial condition and results of operations.

DEPLETION OF RESERVES

Subject to any future expansion or other development, production from existing operations at the Corporation’s mines and wells will typically decline over the life of the mine or well. As a result, Sherritt’s ability to maintain or increase its current production of nickel, cobalt and oil and gas and generate revenues therefrom will depend significantly upon the Corporation’s ability to discover or acquire and to successfully bring new mines and wells into production and to expand mineral and oil and gas reserves at existing or new operations. Exploration and development of mineral and oil and gas properties involves significant financial risk. Very few exploratory properties are developed into operating mines or wells. Whether a deposit will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; commodity prices, which are highly cyclical; political and social stability; and government regulation, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of natural resources and supplies and environmental protection. Even if the Corporation identifies and acquires an economically viable deposit, several years may elapse from the initial stages of development. Significant expenses could be incurred to locate and establish reserves, to develop the required extractive processes and to construct mining facilities, drill wells and construct oil and gas processing facilities.

In November 2017 the PSC for Block II (Varadero West) reverted to the Cuban Government. Furthermore, the PSC for the PE-Yumuri Block will revert to the Cuban Government on March 20, 2021 and there is no assurance that this PSC can be further extended or replaced. The majority of future oil and gas production will depend on new reserves in Blocks 10, 8A and 6A and/or the ability to obtain and develop additional PSCs. Sherritt cannot provide assurance that its exploration or development efforts will result in any new commercial operations or yield new mineral or oil and gas reserves to replace or increase current reserves. Failure to obtain significant oil production on Blocks 10, 8A and 6A to replace Sherritt’s currently declining and expiring production volumes could have a material adverse effect on Sherritt’s financial condition and operations.

RELIANCE ON PARTNERS

The Corporation holds its interest in certain projects and operations through joint ventures or partnerships. A failure by a partner to comply with its obligations under applicable partnership or similar joint venture arrangements, to continue to fund such projects or operations, a breakdown in relations with its partners or the decision of a partner to adopt a competing strategy could have a material adverse effect on the Corporation’s business, results of operations and financial performance.

MINING, PROCESSING AND REFINING RISKS

The business of mining, processing and refining involves many risks and hazards, including environmental hazards, industrial accidents, labour force disruptions, supply problems and delays, unusual or unexpected geological or operating conditions, geology related failures, change in the regulatory and geo-political environment, weather conditions, floods, earthquakes and water conditions. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, Sherritt may incur significant liabilities and costs that could have a material adverse effect upon its business, results of operations and financial performance. In addition, failure to maintain high levels of safety, health and security could adversely affect the Corporation’s operations, financial performance, reputation and social license to operate.

Other risks and uncertainties which could impact the performance of mining projects include factors such as the ore characteristics; adverse impacts from construction or commissioning activities on ongoing operations; and difficulties with commissioning, changing geological conditions and integrating the operations of newly constructed mines and processing facilities.

The Corporation’s business is also inherently subject to the risk of disruptive successful technological change in nickel and cobalt processing or otherwise and to market shifts to substitute products.

OPERATING RISKS

Variability in production at Sherritt's operations in Cuba is most likely to arise from the following categories of potential risk: (i) Parts and Equipment – the inherent risk that parts and equipment may fail or fail to perform in accordance with design due to mechanical or engineering issues (given the location and associated logistics, replacement components may not be immediately available); (ii) Operational Risk – production is directly affected by the performance of core operators and maintenance teams; (iii) Weather and Natural Disasters – risks related to increased frequency of severe weather events, including hurricanes in Cuba, and other natural disasters that can impede operations before, during and after such events; and (iv) Supply of Critical Commodities – production may be impacted by the availability of critical commodities to operate the facility.

Please see the Risk Factors entitled "Risks Related to Sherritt's Operations in Cuba" and "Climate Change/Greenhouse Gas Emissions" for additional information.

OTHER RISKS

Below is a list of the other significant business risks as presented in the Corporation's 2018 AIF. Further detail of these and other risks and the strategies designed to manage them can be found in the Corporation's 2018 AIF to the extent not included herein.

- Transportation
- Uncertainty of gas supply to Energas
- Reliance on key personnel and skilled workers
- Equipment failure and other unexpected failures
- Uncertainty of resources and reserves estimates
- Environmental risks and liabilities
- Risks related to Sherritt's corporate structure
- Political, economic, and other risks of foreign operations
- Project operations
    - Generally
    - Capital and operating cost estimates
- Foreign exchange and pricing risks
- Environment, health and safety
- Climate change/greenhouse gas emissions
- Community relations and social license to grow and operate
- Credit risk
- Shortage of equipment and supplies
- Competition in product markets
- Future market access
- Interest rate changes
- Insurable risk
- Labour relations
- Legal rights
- Legal contingencies
- Accounting policies
- Government permits
- Risks to information technologies systems and cybersecurity
- Government regulations
- Anti-corruption and bribery
- Controls Relating to Corporate Structure Risk

Critical accounting estimates and judgments

For the purposes of this section, all capitalized terms that are not specifically defined herein, have the meaning ascribed to them in the December 31, 2019 consolidated financial statements.

The preparation of financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Corporation's reported financial results. Estimates are deemed critical when the Corporation's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period.

By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the consolidated financial statements of future periods.

CRITICAL ACCOUNTING ESTIMATES

Income taxes

The Corporation operates in a number of industries in several tax jurisdictions and, consequently, its income is subject to various rates and rules of taxation. As a result, the Corporation's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in the different jurisdictions.

The Corporation calculates deferred taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The Corporation records deferred tax assets when it determines that it is probable that such assets will be realized. The future realization of deferred tax assets can be affected by many factors, including current and future economic conditions, net realizable sale prices, production rates and production costs, and can either be increased or decreased where, in the view of management, such change is warranted.

Financial Instruments

Forward-looking information

The measurement of the expected credit loss (ECL) for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Multiple forward-looking scenarios

The Corporation estimates an allowance for credit losses (ACL) using probability-weighted forward-looking scenarios. The Corporation considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Corporation determines an ECL in each scenario and uses external sources and judgment to apply a probability-weighting to each scenario. The ACL is measured as the present value of the probability-weighted ECL in each scenario, discounted using the original effective interest rate of the instrument.

Property, plant and equipment

The capitalization of costs, the determination of estimated recoverable amounts and the depletion and depreciation of these assets have a significant impact on the Corporation's financial results.

Certain assets are depreciated using a unit-of-production basis, which involves the estimation of recoverable reserves in determining the depletion and/or depreciation rates of the specific assets. Each item's life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is located.

For those assets depreciated on a straight-line basis, management estimates the useful life of the assets and their components, which in certain cases may be based on an estimate of the producing life of the property. These assessments require the use of estimates and assumptions including market conditions at the end of the asset's useful life, costs of decommissioning the asset and the amount of recoverable reserves.

Asset useful lives and residual values are re-evaluated at each reporting date.

Reserves for Oil and Gas properties

Reserves are estimates of the amount of product that can be economically and legally extracted from the Corporation's oil and gas properties. Reserve estimates are an integral component in the determination of the commercial viability of a site, depletion amounts charged to cost of sales and any impairment analysis.

In calculating reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, production decline rates, production costs, commodity prices and exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Corporation's rights to exploit the resource imposed over the producing life of the reserves may also significantly impact estimates.

Environmental rehabilitation provisions

The Corporation's environmental rehabilitation provisions are subject to environmental regulations in Canada, Cuba and other countries in which the Corporation operates. Many factors such as future changes to environmental laws and regulations, life of mine estimates, the cost and time it will take to rehabilitate the property and discount rates, all affect the carrying amount of environmental rehabilitation provisions. As a result, the actual cost of environmental rehabilitation could be higher than the amounts the Corporation has estimated. For certain operations, actual costs will ultimately be determined after site closure in agreement with predecessor companies.

The environmental rehabilitation provision is assessed quarterly and measured by discounting the expected cash flows. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rate depends on a number of factors, including the timing of rehabilitation activities that can extend decades into the future and the location of the property.

Leases

Incremental borrowing rate used to determine the present value of the Corporation's lease liabilities

The measurement of the Corporation's lease liabilities depends on the interest rate implicit in the lease used to discount the remaining lease payments. If the interest rate implicit in the lease cannot be readily determined, the lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Significant assumptions are required to be made on the basis for which the rate is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Corporation's financial statements.

CRITICAL ACCOUNTING JUDGMENTS

Going Concern

The 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.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position. While these factors have created liquidity challenges, the Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: future commodity prices, timing of collections of Cuban receivables, continued access to short-term financing and potential cross-defaults arising from the current event of default under the Ambatovy Joint Venture partner loans. The Corporation has and will undertake numerous initiatives available to it to continue to strengthen its financial position and enhance liquidity. Among the initiatives undertaken, subsequent to year-end, the Corporation agreed to a new payment commitment with its Cuban partners which will improve the timing of Cuban receivable collections and increase the Corporation's liquidity.

After considering the factors that have caused the liquidity challenges faced by the Corporation, the judgments made surrounding these factors, and the initiatives the Corporation has taken and will undertake, the Corporation believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. 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.

Interests in other entities

The Corporation applies judgment in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Corporation has determined that Energas S.A. and its Oil and Gas production-sharing contracts represent joint operations while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation has concluded that the Ambatovy Joint Venture represents an investment in an associate as described in IAS 28, "Investments in Associates and Joint Ventures". All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements".

Measuring the recoverable amount of the Corporation's investment in a joint venture and investment in an associate

The Corporation accounts for its investment in a joint venture and investment in an associate using the equity method. The Corporation assesses the carrying amount of its investments at each reporting date to determine whether there are any indicators that the carrying amount of the investments may be impaired.

For purposes of determining the recoverable amount, management calculates the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the investment's operations 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. The determination of the recoverable amount involves a detailed review of the investment's life of mine model and the determination of weighted average cost of capital among other critical factors.

Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and the recoverable amount of these investments. Where necessary, management engages qualified third-party professionals to assist in the determination of recoverable amounts.

Reportable segments

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the senior executive team. The Corporation also considers quantitative thresholds when determining reportable segments, such as if revenue, earnings (loss) or assets are greater than 10% of the total consolidated revenue, net earnings (loss), or assets of all the reportable segments, respectively. Operating segments that share similar economic characteristics are aggregated to form a single reportable segment. Aggregation occurs when the operating segments have similar economic characteristics, and have similar (a) products and services; (b) production processes; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable.

Investment in an associate

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

Income taxes

In determining whether it is probable that a deferred tax asset will be realized, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Significant judgment may be involved in determining the timing of expected reversals of temporary differences.

Financial Instruments

Business model assessment

The Corporation applies judgment in determining whether financial assets are managed in order to generate cash flows from the collection of contractual cash flows, selling financial assets or both. For the assessment of business models, the Corporation takes into consideration whether the financial asset is held for trading purposes and the frequency and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The Corporation applies judgment in assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest (SPPI).

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVPL).

Exploration and evaluation (E&E)

Management must make judgments when determining when to transfer E&E expenditures from intangible asset to property, plant and equipment, which is normally at the time when commercial viability is achieved. Assessing commercial viability requires management to make certain judgments as to future events and circumstances, in particular whether an economically viable operation can be established. Any such judgments may change as new information becomes available. If after having capitalized the expenditure, a decision is made that recovery of the expenditure is unlikely, the amount capitalized is recognized in cost of sales in the consolidated statements of comprehensive income (loss).

Service concession arrangements

The Corporation determined that the contract terms regarding the Boca de Jaruco and Puerto Escondido, Cuba, facilities operated by Energas represent service concession arrangements as described in IFRIC 12, "Service concession arrangements" (IFRIC 12). The Corporation uses judgment to determine whether the grantor sets elements of the services provided by the operator, whether the grantor retains any significant ownership interest in the infrastructure at the end of the agreement, and to determine the classification of the service concession asset as either a financial asset or intangible asset.

Commercial viability

Management uses the best available information to determine when a development project reaches commercial viability which is generally based on management's assessment of when economic quantities of proven and/or probable reserves are determined to exist and the point at which future costs incurred to develop a mine on the property are capitalized. Management also uses the best available information to determine when a project achieves commercial production, the stage at which pre-production costs cease to be capitalized.

For assets under construction, management assesses the stage of each construction project to determine when a project is commercially viable. The criteria used to assess commercial viability are dependent upon the nature of each construction project and include factors such as the asset purpose, complexity of a project and its location, the level of capital expenditure compared to the construction cost estimates, completion of a reasonable period of testing of the mine plant and equipment, ability to produce the commodity in saleable form (within specifications), and ability to sustain ongoing production of the commodity.

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 CGU level and the determination of CGUs is an area of judgment.

For purposes of determining fair value, 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 fair value of these assets. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Accounting Pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases which replaced IAS 17, IFRIC 4, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease effective January 1, 2019.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low-value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Corporation elected to apply the standard on a modified retrospective basis using certain practical expedients and transitional provisions described below. Under this approach, the 2018 comparative period was not restated and no cumulative transitional adjustment to the opening balance of deficit was recognized on January 1, 2019, given that the right-of-use assets were measured at an amount equal to the lease liabilities.

Definition of a lease

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IAS 17/IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Corporation elected to not apply the practical expedient to grandfather the assessment of which transactions are leases. The Corporation applied IFRS 16 to all contracts that may contain a lease. Therefore, the definition of a lease under IFRS 16 was applied to all contracts in effect on or after January 1, 2019.

The Corporation as a lessee

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for substantially all of its leases.

The Corporation, as a lessee, has elected not to apply IFRS 16 to leases of intangible assets.

The Corporation elected to apply recognition exemptions to short-term leases and leases of low-value assets. For leases of other assets, which were classified as operating leases under IAS 17, the Corporation recognized right-of-use assets and lease liabilities.

Leases previously classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, with no impact to the opening balance of deficit.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months as at January 1, 2019; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Leases previously classified as finance leases under IAS 17

For leases previously classified as finance leases, the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application was equal to the carrying amount of the lease assets and lease liabilities immediately before initial application measured applying IAS 17.

The Corporation as a lessor

There was no impact to lessor accounting upon the adoption of IFRS 16, except for sub-leases. Under IFRS 16, the Corporation is required to assess the classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not the underlying asset. On transition, the Corporation reassessed the classification of sub-lease contracts previously classified as operating leases under IAS 17. The Corporation concluded that the sub-lease is a finance lease under IFRS 16.

The Corporation applied IFRS 15 to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

On transition to IFRS 16, the Corporation recognized finance lease receivables, right-of-use assets and lease liabilities in the consolidated statements of financial position as at January 1, 2019, with no impact to shareholders' equity.

When measuring lease liabilities, the Corporation discounted lease payments using the lessee's incremental borrowing rate as at January 1, 2019. The Corporation's weighted-average rate applied was 6.32%.

During the year ended December 31, 2019, the Corporation recognized an increase in depreciation expense and interest expense and a decrease in operating lease expense, with no material impact on net (loss) earnings from continuing operations in the consolidated statements of comprehensive income (loss).

During the year ended December 31, 2019, the change in presentation of operating lease expenses resulted in an increase in cash provided by operating activities and a decrease in cash provided by financing activities within the consolidated statements of cash flow, as the principal repayments on lease liabilities previously included in cash used by operating activities are included in cash used by financing activities in accordance with IAS 7.

Measurement reconciliation table:

The following table reconciles the impact of transitioning from IAS 17 and IFRIC 4 to IFRS 16 on the consolidated statements of financial position at the date of initial application, January 1, 2019. The impact consists of adjustments primarily related to the measurement of finance lease receivables, right-of-use assets and lease liabilities.

Canadian $ millions, as at	2018 December 31 IAS 17/IFRIC 4 Carrying value	**IFRS 16 Initial Application**	**2019 January 1 IFRS 16 Carrying value**
Current assets			
Advances, loans receivable and other financial assets	$ 24.6	**$ 0.6**	**$ 25.2**
Prepaid expenses	2.7	**(0.6)**	**2.1**
Non-current assets			
Advances, loans receivable and other financial assets	720.5	**5.2**	**725.7**
Property, plant and equipment	227.9	**10.7**	**238.6**
Investment in a joint venture(1)	438.0	**-**	**438.0**
Investment in an associate(1)	148.1	**-**	**148.1**
Total assets impacted by transition	$ 1,561.8	**$ 15.9**	**$ 1,577.7**
Current liabilities			
Other financial liabilities	$ 7.4	**$ 3.0**	**$ 10.4**
Non-current liabilities			
Other financial liabilities	5.7	**12.9**	**18.6**
Total liabilities impacted by transition	$ 13.1	**$ 15.9**	**$ 29.0**
Shareholders' equity(2)	$ 1,130.9	**$ -**	**$ 1,130.9**
Total equity impacted by transition	1,130.9	**-**	**1,130.9**
Total liabilities and equity impacted by transition	$ 1,144.0	**$ 15.9**	**$ 1,159.9**

(1) The impact of initial application of IFRS 16 resulted in no change to the investment in a joint venture and the investment in an associate as the Moa Joint Venture and the Ambatovy Joint Venture measured the right-of-use assets at an amount equal to the lease liabilities, respectively, resulting in no change to net assets.

(2) On transition to IFRS 16, no cumulative transitional adjustment to the opening balance of deficit was recognized on January 1, 2019, as the Corporation's right-of-use assets were measured at an amount equal to the lease liabilities.

Commitment reconciliation table:

The following table reconciles the Corporation's operating lease commitment at December 31, 2018 as disclosed in the Corporation's consolidated financial statements and the lease liabilities recognized as at January 1, 2019.

Canadian $ millions, as at		2019 January 1
Operating lease commitment as at December 31, 2018, as disclosed in the Corporation's consolidated financial statements	$	21.9
Discounted using incremental borrowing rates as at January 1, 2019	$	16.9
Recognition exemption for:		
Short-term leases		(0.9)
Leases of low-value assets		(0.1)
Lease liabilities recognized on January 1, 2019	$	15.9
Finance lease liabilities recognized as at December 31, 2018		0.8
Total lease liabilities recognized as at January 1, 2019	**$**	**16.7**

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 and no material impact is expected on the Corporation's consolidated financial statements.

Three-year trend analysis

The following table presents select financial and operational results for the last three years:

$ millions, except per share amounts for the years ended December 31	**2019**	2018	2017
Revenue	**$ 137.6**	$ 152.9	$ 267.3
Adjusted EBITDA[1]	**47.3**	126.2	123.8
(Loss) earnings from operations, joint venture and associate	**(180.6)**	(60.6)	440.8
Net (loss) earnings from continuing operations	**(364.7)**	(80.2)	308.9
Earnings (loss) from discontinued operations, net of tax	**(3.0)**	16.0	(15.1)
Net (loss) earnings for the year	**(367.7)**	(64.2)	293.8
(Loss) earnings per common share (basic)($ per share):			
Net (loss) earnings from continuing operations	**(0.92)**	(0.21)	1.04
Net (loss) earnings for the year	**(0.93)**	(0.16)	0.99
(Loss) earnings per common share (diluted)($ per share):			
Net (loss) earnings from continuing operations	**(0.92)**	(0.21)	1.02
Net (loss) earnings for the year	**(0.93)**	(0.16)	0.97
PRODUCTION VOLUMES			
Moa Joint Venture (50% basis)			
Finished nickel (tonnes)	**16,554**	15,354	15,762
Finished cobalt (tonnes)	**1,688**	1,617	1,801
Ambatovy Joint Venture (12% basis) [2]			
Finished nickel (tonnes)	**4,048**	3,982	4,257
Finished cobalt (tonnes)	**348**	342	366
Oil (boepd, net working-interest production)	**1,417**	2,209	7,856
Electricity (gigawatt hours) (331/3% basis)	**736**	781	848

(1) For additional information see the Non-GAAP measures section.
(2) Sherritt's share of financial results for the Ambatovy Joint Venture reflects its interest of 12%.

In each year, the primary factors affecting on-going operating results are production and sales volumes, commodity prices, primarily nickel, cobalt and oil; changes in input commodity prices; maintenance and operating costs, which are discussed in the Review of operations sections; and the exchange relationship between the Canadian and U.S. dollars. Other impacts such as impairments, gains and losses on sale of assets, among others, are recognized periodically as events occur.

In addition to the impacts of production volumes, commodity prices and input commodity prices, the following factors impacted operating results:

In 2019, the net loss from continuing operations was negatively impacted by $138.5 million of losses on the revaluation of the expected credit loss allowances for the Ambatovy Joint Venture subordinated and post-financial completion loans receivable, a $6.8 million loss on revaluation of the Moa Joint Venture expansion loans receivable expected credit loss allowance, impairment losses of $31.0 million and $20.3 million on the investment in an associate and intangible assets, respectively, and $14.5 million of unrealized foreign exchange losses primarily as a result of the change in U.S. dollar denominated net assets.

In 2018, the loss from continuing operations was negatively impacted by a $47.4 million loss on revaluation of the expected credit loss allowance for the Ambatovy Joint Venture subordinated loans receivable, partially offset by $33.3 million of unrealized foreign exchange gains primarily as a result of the change in U.S. dollar denominated net assets.

In 2017, the net earnings from continuing operations was positively impacted by the gain of $629.0 million on the Ambatovy Joint Venture restructuring and the recognition of $7.7 million of unrealized foreign exchange losses primarily as a result of the change in U.S. dollar denominated net assets.

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	**2019 Dec 31[1]**	2019 Sep 30[1]	2019 Jun 30[1]	2019 Mar 31[1]	2018 Dec 31[1]	2018 Sep 30[1]	2018 Jun 30[1]	2018 Mar 31[1]
Revenue per financial statements	**$ 31.4**	$ 27.8	$ 46.5	$ 31.9	$ 37.1	$ 29.9	$ 46.5	$ 39.4
Share of earnings (loss) of a joint venture, net of tax	**3.5**	7.0	(1.3)	(8.9)	6.2	24.7	21.4	11.9
Share of loss of an associate, net of tax	**(8.6)**	(17.5)	(12.1)	(26.8)	(32.1)	(17.4)	(9.0)	(13.9)
Net (loss) earnings from continuing operations	**(182.5)**	(30.0)	(90.4)	(61.8)	(69.1)	(13.3)	2.8	(0.6)
(Loss) earnings from discontinued operations, net of tax[2]	**(3.0)**	-	-	-	16.0	-	-	-
Net (loss) earnings for the period	**$ (185.5)**	$ (30.0)	$ (90.4)	$ (61.8)	$ (53.1)	$ (13.3)	$ 2.8	$ (0.6)
Net (loss) earnings per share, basic ($ per share)								
Net (loss) earnings from continuing operations	**$ (0.46)**	$ (0.08)	$ (0.23)	$ (0.16)	$ (0.17)	$ (0.03)	$ 0.01	$ 0.00
Net (loss) earnings for the period	**(0.47)**	(0.08)	(0.23)	(0.16)	(0.13)	(0.03)	0.01	0.00

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

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

In general, net loss or earnings for the Corporation are primarily affected by production and sales volumes, commodity prices, maintenance and operating costs, and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters ranged from $1.26 (Q1 2018) to $1.34 (Q2 2019) and period-end rates ranged between $1.29 (Q1 2018) to $1.36 (Q4 2018).

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

- The fourth quarter of 2019 includes $81.5 million of losses on the revaluation of the expected credit loss allowances for the Ambatovy Joint Venture subordinated and post-financial completion loans receivable, a $6.8 million loss on revaluation of the Moa Joint Venture expansion loans receivable expected credit loss allowance, impairment losses of $31.0 million and $20.3 million on the investment in an associate and intangible assets, respectively, the recognition of $8.4 million of unrealized foreign exchange losses;
- The third quarter of 2019 includes the recognition of $7.7 million of unrealized foreign exchange gains;
- the second quarter of 2019 includes a $53.6 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other, the recognition of $8.0 million of unrealized foreign exchange losses and a $9.6 million gain recognized within the share of loss of an associate on the revaluation of financial assets measured at fair value through profit or loss;
- the first quarter of 2019 includes the recognition of $5.8 million of unrealized foreign exchange losses;
- the fourth quarter of 2018 includes an unrealized foreign exchange gain of $20.7 million, a $44.1 million loss on the revaluation of the Ambatovy Joint Venture subordinated loans receivable ECL allowance within Corporate and Other and $15.7 million in losses on write-down of long-lived assets in the Ambatovy Joint Venture;
- the third quarter of 2018 includes an unrealized foreign exchange loss of $6.1 million and $8.1 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC;
- the second quarter of 2018 includes $11.0 million of unrealized foreign exchange gains and approximately $5.8 million lower earnings as a result of the reduced profit oil percentage at Oil and Gas on the Puerto Escondido/Yumuri PSC;
- the first quarter of 2018 includes the recognition of $7.7 million of unrealized foreign exchange gains and the impact on net earnings as a result of the expiry of the Varadero West PSC in Oil and Gas in November 2017;

Off-balance sheet arrangements

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

Transactions with related parties

The Corporation enters into transactions related to its investment in joint arrangements and an associate. For further detail, refer to Notes 7, 8 and 22 of the Corporation's audited consolidated financial statements for the year ended December 31, 2019. Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

Canadian $ millions, for the years ended December 31	**2019**	2018
Total value of goods and services:		
Provided to joint operations	**$ 14.0**	$ 14.9
Provided to joint venture	**240.6**	246.4
Provided to associate	**1.9**	2.4
Purchased from joint venture	**681.0**	800.8
Net financing income from joint operations	**14.4**	14.4
Net financing income from joint venture	**8.7**	8.8
Net financing income from associate	**18.9**	20.9

Canadian $ millions, as at December 31	**2019**	2018
Accounts receivable from joint operations	**$ 0.1**	$ 0.1
Accounts receivable from joint venture	**15.8**	16.4
Accounts receivable from associate	**11.8**	10.2
Accounts payable to joint venture	**68.8**	94.8
Accounts payable to associate	**5.1**	5.5
Advances and loans receivable from joint operations	**228.4**	221.1
Advances and loans receivable from joint venture	**252.2**	269.2
Advances, loans and other receivable from associate	**115.3**	238.7

Goods and services provided to joint venture primarily relates to services provided by Fort Site to the Moa Joint Venture. Net financing income from associate relates to interest income recognized by the Corporation on the Ambatovy loans receivable.

KEY MANAGEMENT PERSONNEL

Key management personnel is composed of the Board of Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Senior Vice Presidents of the Corporation. The following is a summary of key management personnel compensation:

Canadian $ millions, for the years ended December 31	2019	2018
Short-term benefits	**$ 9.1**	$ 6.9
Post-employment benefits[1]	**0.4**	0.4
Share-based payments	**5.2**	5.2
	$ 14.7	$ 12.5

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was $0.3 million for the year ended December 31, 2019 ($0.2 million for the year ended December 31, 2018). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2019 (nil for the year ended December 31, 2018).

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Commission (NI 52-109). 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. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of December 31, 2019, of the Corporation's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information known by others relating to the Corporation and its subsidiaries is provided to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. 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. Management advises that there have been no changes in the Corporation's internal controls over financial reporting during 2019 that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Management, with the participation of the certifying officers, conducted an evaluation of the effectiveness of the Corporation's internal controls over financial reporting, as of December 31, 2019, using the Internal Control-Integrated Framework published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). Based on this evaluation, the CEO and CFO have concluded that the internal controls over financial reporting were effective as of December 31, 2019.

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 year ended December 31, 2019 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 annual net earnings (CDN$ millions) Increase/ (decrease)	Approximate change in annual basic EPS Increase/ (decrease)
Prices				
Nickel - LME price per pound(1)	US$	1.00	$ 53	$ 0.13
Cobalt - Metal Bulletin price per pound(1)	US$	5.00	26	0.07
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(7)	(0.02)
Operating costs(1)				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(3)	(0.01)
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(7)	(0.02)

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

NON-GAAP MEASURES

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

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

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

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

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

Combined results

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

The table below reconciles Combined revenue to financial statement revenue:

	For the three months ended			For the years ended		
	2019	2018		**2019**	2018	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
Revenue by operations						
Moa Joint Venture and Fort Site	**$ 123.4**	$ 120.0	3%	**$ 461.0**	$ 498.1	(7%)
Oil and Gas	**6.3**	8.5	(26%)	**29.7**	44.9	(34%)
Power	**11.4**	11.2	2%	**45.3**	47.2	(4%)
Other(1)(2)	**2.3**	2.9	(21%)	**10.2**	10.5	(3%)
Combined revenue	**$ 143.4**	$ 142.6	1%	**$ 546.2**	$ 600.7	(9%)
Adjust joint venture	**(112.0)**	(105.5)		**(408.6)**	(447.8)	
Financial statement revenue	**$ 31.4**	$ 37.1	(15%)	**$ 137.6**	$ 152.9	(10%)

(1) Other Q4 2019 revenue includes - Other Metals - $2.8 million and Corporate and other - $ (0.5) million. (Other Q4 2018 revenue includes - Other Metals - $2.9 million and Corporate and other - $ - million).

(2) Other YTD 2019 revenue includes - Other Metals - $11.3 million and Corporate and other - $ (1.1) million. (Other YTD 2018 revenue includes - Other Metals - $11.0 million and Corporate and other - $ (0.5) million).

Adjusted EBITDA

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

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

$ millions, for the three months ended December 31 — **2019**

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	**$ 8.7**	**$ 0.5**	**$ (8.1)**	**$ (22.0)**	**$ (40.5)**	**$ (14.9)**	**$ (76.3)**
Add (deduct):							
Depletion, depreciation and amortization	**2.5**	**0.2**	**1.9**	**6.8**	**0.2**	**-**	**11.6**
Impairment of assets	**0.9**	**-**	**-**	**1.4**	**-**	**-**	**2.3**
Impairment of investment in an associate	**-**	**-**	**-**	**-**	**31.0**	**-**	**31.0**
Impairment of intangible assets	**-**	**-**	**-**	**20.3**	**-**	**-**	**20.3**
Share of loss of an associate	**-**	**-**	**-**	**-**	**-**	**8.6**	**8.6**
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	**12.3**	**-**	**-**	**-**	**-**	**-**	**12.3**
Impairment of assets	**1.8**	**-**	**-**	**-**	**-**	**-**	**1.8**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**2.8**	**2.8**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**3.5**	**3.5**
Adjusted EBITDA	**$ 26.2**	**$ 0.7**	**$ (6.2)**	**$ 6.5**	**$ (9.3)**	**$ -**	**$ 17.9**

Loss from operations, joint venture and associate	$ **(76.3)**
Net finance expense	**(105.9)**
Income tax expense	**(0.3)**
Net loss from continuing operations	$ **(182.5)**

$ millions, for the three months ended December 31 — 2018

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	$ 5.4	$ 0.1	$ (10.4)	$ (0.3)	$ (6.3)	$ (32.4)	$ (43.9)
Add (deduct):							
Depletion, depreciation and amortization	2.0	-	3.2	6.8	0.2	-	12.2
Impairment of assets	-	-	-	-	1.7	-	1.7
Share of loss of an associate	-	-	-	-	-	32.1	32.1
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	10.0	-	-	-	-	-	10.0
Net finance expense	-	-	-	-	-	2.3	2.3
Income tax expense	-	-	-	-	-	(2.0)	(2.0)
Adjusted EBITDA	$ 17.4	$ 0.1	$ (7.2)	$ 6.5	$ (4.4)	$ -	$ 12.4

Loss from operations, joint venture and associate	$ (43.9)
Net finance expense	(24.5)
Income tax expense	(0.7)
Net loss from continuing operations	$ (69.1)

$ millions, for the year ended December 31							2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	$ 11.0	$ 1.0	$ (25.7)	$ (18.5)	$ (70.2)	$ (78.2)	$ (180.6)
Add (deduct):							
Depletion, depreciation and amortization	9.6	0.2	10.3	26.2	1.2	-	47.5
Impairment of assets	0.9	-	-	1.4	-	-	2.3
Impairment of investment in an associate	-	-	-	-	31.0	-	31.0
Impairment of intangible assets	-	-	-	20.3	-	-	20.3
Share of loss of an associate	-	-	-	-	-	65.0	65.0
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	46.8	-	-	-	-	-	46.8
Impairment of assets	1.8	-	-	-	-	-	1.8
Net finance expense	-	-	-	-	-	9.0	9.0
Income tax expense	-	-	-	-	-	4.2	4.2
Adjusted EBITDA	$ 70.1	$ 1.2	$ (15.4)	$ 29.4	$ (38.0)	$ -	$ 47.3
Loss from operations, joint venture and associate							$ (180.6)
Net finance expense							(180.9)
Income tax expense							(3.2)
Net loss from continuing operations							$ (364.7)

$ millions, for the year ended December 31							2018
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustment for Joint Venture and Associate	Total
(Loss) earnings from operations and joint venture per financial statements	$ 78.9	$ 0.8	$ (17.0)	$ 2.8	$ (27.7)	$ (98.4)	$ (60.6)
Add (deduct):							
Depletion, depreciation and amortization	9.1	-	11.1	25.2	0.9	-	46.3
Impairment of assets	2.3	-	-	-	1.7	-	4.0
Share of loss of an associate	-	-	-	-	-	72.4	72.4
Adjustments for share of joint venture:							
Depletion, depreciation and amortization	38.1	-	-	-	-	-	38.1
Net finance expense	-	-	-	-	-	9.4	9.4
Income tax expense	-	-	-	-	-	16.6	16.6
Adjusted EBITDA	$ 128.4	$ 0.8	$ (5.9)	$ 28.0	$ (25.1)	$ -	$ 126.2
Loss from operations, joint venture and associate							$ (60.6)
Net finance expense							(16.2)
Income tax expense							(3.4)
Net loss from continuing operations							$ (80.2)

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue. Transactions by the metals marketing company, included in other revenue, are excluded. The average-realized price for oil and gas is based on net working-interest oil 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 average-realized price to revenue as per the financial statements:

$ millions, except average-realized price and sales volume, for the three months ended December 31							**2019**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ **84.6**	$ **19.0**	$ **16.2**	$ **3.6**	$ **123.4**	$ **6.3**	$ **11.4**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(1.0)**
Processing revenue	**-**	**-**	**-**			**(1.0)**	**-**
Revenue for purposes of average-realized price calculation	**84.6**	**19.0**	**16.2**			**5.3**	**10.4**
Sales volume for the period	**9.0**	**1.0**	**46.5**			**0.11**	**186**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ **9.38**	$ **19.69**	$ **351**			$ **49.14**	$ **55.73**

$ millions, except average-realized price and sales volume, for the three months ended December 31							2018
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 64.7	$ 33.2	$ 18.1	$ 4.0	$ 120.0	$ 8.5	$ 11.2
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.0)
Processing revenue	-	-	-			(1.1)	-
Revenue for purposes of average-realized price calculation	64.7	33.2	18.1			7.4	10.2
Sales volume for the period	9.5	0.9	46.9			0.15	184
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ 6.84	$ 38.43	$ 384			$ 50.47	$ 55.34

$ millions, except average-realized price and sales volume, for the year ended December 31							**2019**
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ **308.0**	$ **69.3**	$ **68.9**	$ **14.8**	$ **461.0**	$ **29.7**	$ **45.3**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**			**-**	**(4.2)**
Processing revenue	**-**	**-**	**-**			**(4.5)**	**-**
Revenue for purposes of average-realized price calculation	**308.0**	**69.3**	**68.9**			**25.2**	**41.1**
Sales volume for the period	**36.8**	**3.9**	**165.2**			**0.52**	**736**
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ **8.37**	$ **17.80**	$ **417**			$ **48.77**	$ **55.78**

$ millions, except average-realized price and sales volume, for the year ended December 31							2018
	Moa Joint Venture						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 260.8	$ 160.2	$ 63.6	$ 13.5	$ 498.1	$ 44.9	$ 47.2
Adjustments to revenue:							
By-product revenue	-	-	-			-	(4.8)
Processing revenue	-	-	-			(4.0)	-
Revenue for purposes of average-realized price calculation	260.8	160.2	63.6			40.9	42.4
Sales volume for the period	33.7	3.5	163.7			0.81	781
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatt hours
Average-realized price[2][3]	$ 7.75	$ 46.23	$ 388			$ 50.74	$ 54.31

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

Unit operating cost/NDCC

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

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

For NDCC reconciliation for the Ambatovy Joint Venture, see Ambatovy Joint Venture – NDCC non-GAAP reconciliation.

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

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

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

$ millions, except unit cost and sales volume, for the three months ended December 31			**2019**			2018
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 112.1**	**$ 12.8**	**$ 12.4**	$ 111.5	$ 17.7	$ 10.7
Less:						
Depletion, depreciation and amortization in cost of sales	**(14.6)**	**(1.4)**	**(6.8)**	(12.0)	(3.1)	(6.7)
	97.5	**11.4**	**5.6**	99.5	14.6	4.0
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(38.8)**	**-**	**-**	(55.3)	-	-
Impact of opening/closing inventory and other	**(8.3)**	**-**	**-**	(7.1)	-	-
Impairment on assets	**(5.2)**	**-**	**(1.4)**	-		-
Other	**-**	**1.4**	**-**	-	-	-
Cost of sales for purposes of unit cost calculation	**45.2**	**12.8**	**4.2**	37.1	14.6	4.0
Sales volume for the period	**9.0**	**0.37**	**186**	9.5	0.46	184
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]	**$ 5.01**	**$ 34.58**	**$ 22.15**	$ 3.92	$ 31.32	$ 21.09
Unit operating cost (U.S. dollars) (NDCC)	**$ 3.75**			$ 2.94		

$ millions, except unit cost and sales volume, for the year ended December 31			**2019**			2018
	Moa JV and Fort Site	Oil and Gas	Power	Moa JV and Fort Site	Oil and Gas	Power
Cost of sales per financial statements	**$ 440.4**	**$ 47.9**	**$ 41.0**	$ 408.7	$ 55.8	$ 41.0
Less:						
Depletion, depreciation and amortization in cost of sales	**(56.2)**	**(8.3)**	**(26.2)**	(47.0)	(11.0)	(25.1)
	384.2	**39.6**	**14.8**	361.7	44.8	15.9
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(153.0)**	**-**	**-**	(237.3)	-	-
Impact of opening/closing inventory and other	**(23.8)**	**-**	**-**	(23.8)	-	-
Impairment on assets	**(5.2)**	**-**	**(1.4)**	(2.3)	-	-
Other	**-**	**1.4**	**-**	-	-	-
Cost of sales for purposes of unit cost calculation	**202.2**	**41.0**	**13.4**	98.3	44.8	15.9
Sales volume for the period	**36.8**	**1.65**	**736**	33.7	2.01	781
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]	**$ 5.49**	**$ 24.87**	**$ 18.22**	$ 2.92	$ 22.54	$ 20.28
Unit operating cost (U.S. dollars) (NDCC)	**$ 4.14**			$ 2.24		

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

Adjusted earnings/loss from continuing operations

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

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

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

	For the three months ended		For the years ended	
	2019	2018	**2019**	2018
$ millions	**December 31**	December 31	**December 31**	December 31
Net loss from continuing operations	**$ (182.5)**	$ (69.1)	**$ (364.7)**	$ (80.2)
Adjusting items:				
Sherritt - Unrealized foreign exchange loss (gain) - Continuing	**8.4**	(20.7)	**14.5**	(33.3)
Corporate - Gain on repurchase of debentures, net of transaction costs	**-**	-	**-**	(1.0)
Corporate - Cobalt linked Warrants - Fair value revaluation	**(0.4)**	(2.8)	**(2.1)**	(13.2)
Corporate - Ambatovy impairment and ECL revaluation	**112.5**	44.1	**169.5**	47.4
Corporate - Moa Joint Venture expansion loans ECL revaluation	**6.8**	-	**6.8**	-
Corporate - Fair value of Ambatovy operating fee	**(3.4)**	4.1	**(2.7)**	3.4
Corporate - Revaluation of Ambatovy Joint Venture partner loans	**2.5**	-	**2.5**	-
Moa JV - Inventory obsolescence	**2.5**	1.6	**2.5**	1.6
Moa JV - Impairment of assets	**1.8**	-	**1.8**	-
Fort Site - Impairment of assets	**0.9**	-	**0.9**	2.3
Oil and Gas - Inventory obsolescence	**1.1**	1.8	**1.1**	1.8
Oil and Gas and Power - Revaluation of allowance for expected credit losses	**1.7**	0.5	**2.2**	1.9
Power - Impairment of intangible assets	**20.3**	-	**20.3**	-
Power - Impairment of assets	**1.4**	-	**1.4**	-
Ambatovy adjustments[1]	**(8.6)**	15.7	**(16.9)**	15.7
Other	**4.1**	4.0	**3.8**	3.1
Total adjustments, before tax	**$ 151.6**	$ 48.3	**$ 205.6**	$ 29.7
Tax adjustments	**-**	-	**-**	-
Adjusted net loss from continuing operations	**$ (30.9)**	$ (20.8)	**$ (159.1)**	$ (50.5)
Adjusted net loss per share ($ per share)	**$ (0.08)**	$ (0.05)	**$ (0.40)**	$ (0.13)

(1) Ambatovy adjustments include long-term bond revaluations, senior debt modification losses and asset impairments included within share of loss of an associate.

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 joint venture and associate 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 combined adjusted operating cash flow to the consolidated statement of cash flow:

$ millions, for the three months ended December 31								**2019**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 51.6**	**$ 3.1**	**$ 5.2**	**$ 8.3**	**$ (27.2)**	**$ 41.0**	**$ (33.7)**	**$ 7.3**
Adjust: net change in non-cash working capital	**(27.6)**	**(2.6)**	**(13.2)**	**(2.0)**	**1.0**	**(44.4)**	**26.5**	**(17.9)**
Adjusted operating cash flow	**$ 24.0**	**$ 0.5**	**$ (8.0)**	**$ 6.3**	**$ (26.2)**	**$ (3.4)**	**$ (7.2)**	**$ (10.6)**

$ millions, for the three months ended December 31								2018
	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	$ 50.2	$ (0.5)	$ 13.1	$ 5.0	$ (33.1)	$ 34.7	$ (22.1)	$ 12.6
Adjust: net change in non-cash working capital	(36.8)	1.1	(18.5)	1.4	8.3	(44.5)	14.4	(30.1)
Adjusted operating cash flow	$ 13.4	$ 0.6	$ (5.4)	$ 6.4	$ (24.8)	$ (9.8)	$ (7.7)	$ (17.5)

$ millions, for the year ended December 31								**2019**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 59.6**	**$ 5.2**	**$ 9.5**	**$ 39.4**	**$ (83.4)**	**$ 30.3**	**$ (41.2)**	**$ (10.9)**
Adjust: net change in non-cash working capital	**6.7**	**(4.0)**	**(29.1)**	**(8.6)**	**(1.4)**	**(36.4)**	**28.1**	**(8.3)**
Adjusted operating cash flow	**$ 66.3**	**$ 1.2**	**$ (19.6)**	**$ 30.8**	**$ (84.8)**	**$ (6.1)**	**$ (13.1)**	**$ (19.2)**

$ millions, for the year ended December 31								2018
	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	$ 90.7	$ (0.3)	$ 31.7	$ 34.3	$ (86.3)	$ 70.1	$ (62.7)	$ 7.4
Adjust: net change in non-cash working capital	15.6	1.5	(51.6)	(7.4)	1.7	(40.2)	(33.1)	(73.3)
Adjusted operating cash flow	$ 106.3	$ 1.2	$ (19.9)	$ 26.9	$ (84.6)	$ 29.9	$ (95.8)	$ (65.9)

Combined free cash flow

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

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

The tables below reconcile combined free cash flow to the consolidated statement of cash flow:

$ millions, for the three months ended December 31								**2019**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash provided (used) by continuing operations	**$ 51.6**	**$ 3.1**	**$ 5.2**	**$ 8.3**	**$ (27.2)**	**$ 41.0**	**$ (33.7)**	**$ 7.3**
Less:								
Property, plant and equipment expenditures	**(6.9)**	**-**	**(0.7)**	**0.4**	**-**	**(7.2)**	**6.3**	**(0.9)**
Intangible expenditures	**-**	**-**	**(5.7)**	**-**	**-**	**(5.7)**	**-**	**(5.7)**
Free cash flow	**$ 44.7**	**$ 3.1**	**$ (1.2)**	**$ 8.7**	**$ (27.2)**	**$ 28.1**	**$ (27.4)**	**$ 0.7**

$ millions, for the three months ended December 31								2018
	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	$ 50.2	$ (0.5)	$ 13.1	$ 5.0	$ (33.1)	$ 34.7	$ (22.1)	$ 12.6
Less:								
Property, plant and equipment expenditures	(10.9)	-	(3.6)	(0.4)	(1.0)	(15.9)	8.4	(7.5)
Intangible expenditures	-	-	(6.4)	-	-	(6.4)	-	(6.4)
Free cash flow	$ 39.3	$ (0.5)	$ 3.1	$ 4.6	$ (34.1)	$ 12.4	$ (13.7)	$ (1.3)

$ millions, for the year ended December 31								**2019**
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	**Combined total**	Adjustment for joint venture	**Total derived from financial statements**
Cash (used) provided by continuing operations	**$ 59.6**	**$ 5.2**	**$ 9.5**	**$ 39.4**	**$ (83.4)**	**$ 30.3**	**$ (41.2)**	**$ (10.9)**
Less:								
Property, plant and equipment expenditures	**(25.9)**	**-**	**(9.0)**	**(0.4)**	**(0.1)**	**(35.4)**	**22.5**	**(12.9)**
Intangible expenditures	**-**	**-**	**(19.1)**	**-**	**-**	**(19.1)**	**-**	**(19.1)**
Free cash flow	**$ 33.7**	**$ 5.2**	**$ (18.6)**	**$ 39.0**	**$ (83.5)**	**$ (24.2)**	**$ (18.7)**	**$ (42.9)**

$ millions, for the year ended December 31								2018
	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	$ 90.7	$ (0.3)	$ 31.7	$ 34.3	$ (86.3)	$ 70.1	$ (62.7)	$ 7.4
Less:								
Property, plant and equipment expenditures	(32.9)	-	(11.7)	(0.9)	(1.7)	(47.2)	24.0	(23.2)
Intangible expenditures	-	-	(16.3)	-	-	(16.3)	-	(16.3)
Free cash flow	$ 57.8	$ (0.3)	$ 3.7	$ 33.4	$ (88.0)	$ 6.6	$ (38.7)	$ (32.1)

Ambatovy Joint Venture – NDCC non-GAAP reconciliation

Net Direct Cash Cost

The Ambatovy Joint Venture's NDCC is calculated by dividing cost of sales, as reported in the financial statement Investment in associate note (note 8) adjusted for the following: depreciation, depletion and amortization in cost of sales; cobalt by-product, fertilizer and other revenue; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, and expressed in U.S. dollars.

	For the three months ended		For the years ended	
$ millions, except unit cost and sales volume[1]	**2019 December 31**	2018 December 31	**2019 December 31**	2018 December 31
Cost of sales	**$ 255.3**	$ 252.3	**$ 1,043.4**	$ 1,044.1
Less:				
Depletion, depreciation and amortization in cost of sales	**(102.9)**	(100.8)	**(424.0)**	(358.5)
	152.4	151.5	**619.4**	685.6
Adjustments to cost of sales:				
Cobalt by-product, fertilizer and other revenue	**(35.8)**	(55.0)	**(137.5)**	(282.5)
Impact of opening/closing inventory and other	**4.7**	(10.8)	**39.8**	(35.0)
Cost of sales for purposes of unit cost calculation	**121.3**	85.7	**521.7**	368.1
Sales volume for the period	**17.5**	19.2	**74.2**	72.5
Volume units	**Millions of pounds**	Millions of pounds	**Millions of pounds**	Millions of pounds
Unit operating cost[2]	**$ 6.93**	$ 4.38	**$ 7.03**	$ 5.07
Unit operating cost (U.S. dollars) (NDCC)[2]	**$ 5.19**	$ 3.66	**$ 5.30**	$ 3.91

(1) For purposes of these reconciliations, all amounts and sales volume information is on a 100% basis.

(2) NDCC amount may not calculate based on amounts presented due to foreign exchange and rounding.

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; anticipated payments of outstanding receivables; funding of future Ambatovy Joint Venture cash calls; strengthening the Corporation's capital structure and reducing annual interest expenses; drill plans and results on exploration wells; the impact of Title III of the Helms-Burton Act on operations; and amounts of certain other commitments.

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

The Corporation cautions readers of this MD&A not to place undue reliance on any forward looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward looking statements. These risks, uncertainties and other factors include, but are not limited to, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to Sherritt's investment in the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2020; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated February 13, 2019 for the period ending December 31, 2018, 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.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2019 and 2018

Management's report

The accompanying consolidated financial statements are the responsibility of Sherritt International Corporation's ("Sherritt" or the "Corporation") management. They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management has developed and maintains a system of internal control to provide reasonable assurance that the Corporation's assets are safeguarded, transactions are authorized and the consolidated financial statements are complete and accurate.

The consolidated financial statements are approved by the Board of Directors on the recommendation of the audit committee. The audit committee of the Board of Directors is composed entirely of independent directors. Sherritt's consolidated financial statements are reviewed by the audit committee with management before the consolidated financial statements are approved by the Board of Directors. In addition, the audit committee has the duty to review the accounting principles and practices applied and followed by the Corporation during the fiscal year, including critical accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management. Deloitte LLP ("Deloitte") performs an audit of the consolidated financial statements, the results of which are reflected in their independent auditor's report for 2019 included on the next page. Deloitte has full and independent access to the audit committee to discuss their audit and related matters. In addition, Sherritt has an internal audit function that evaluates and formally reports to management and the audit committee on the adequacy and effectiveness of internal controls specified in the approved annual internal audit plan.

/s/ David V. Pathe

David V. Pathe
President and Chief Executive Officer

/s/ Andrew Snowden

Andrew Snowden
Senior Vice President and Chief Financial Officer

February 25, 2020

Deloitte LLP
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Independent Auditor's Report

To the Shareholders of Sherritt International Corporation

Opinion

We have audited the consolidated financial statements of Sherritt International Corporation (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Eric Leopold.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 25, 2020

Consolidated statements of comprehensive income (loss)

Canadian $ millions, except per share amounts, for the years ended December 31	Note		**2019**		2018
Revenue	5	**$**	**137.6**	$	152.9
Cost of sales	6		**(159.7)**		(174.3)
Administrative expenses	6		**(42.5)**		(31.0)
Impairment of investment in an associate	3		**(31.0)**		-
Impairment of intangible assets	15		**(20.3)**		-
Share of earnings of a joint venture, net of tax	7		**0.3**		64.2
Share of loss of an associate, net of tax	8		**(65.0)**		(72.4)
Loss from operations, joint venture and associate			**(180.6)**		(60.6)
Interest income on financial assets measured at amortized cost	9		**43.9**		45.9
Revaluation of allowances for expected credit losses on Ambatovy Joint Venture loans receivable	3, 9		**(138.5)**		(47.4)
Revaluation of other allowances for expected credit losses	9		**(9.0)**		(1.9)
Other financing items	9		**-**		18.5
Financing expense	9		**(77.3)**		(31.3)
Net finance expense			**(180.9)**		(16.2)
Loss before tax			**(361.5)**		(76.8)
Income tax expense	10		**(3.2)**		(3.4)
Net loss from continuing operations			**(364.7)**		(80.2)
(Loss) earnings from discontinued operations, net of tax	17		**(3.0)**		16.0
Net loss for the year		**$**	**(367.7)**	$	(64.2)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	18		**(40.9)**		70.9
Items that will not be subsequently reclassified to profit or loss:					
Actuarial losses on pension plans, net of tax	18		**(0.5)**		(0.2)
Other comprehensive (loss) income			**(41.4)**		70.7
Total comprehensive (loss) income		**$**	**(409.1)**	$	6.5
Net loss from continuing operations per common share					
Basic and diluted	11	**$**	**(0.92)**	$	(0.21)
Net loss per common share					
Basic and diluted	11	**$**	**(0.93)**	$	(0.16)

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

Consolidated statements of financial position

Canadian $ millions, as at	Note		**2019 December 31**		2018 December 31
ASSETS					
Current assets					
Cash and cash equivalents	12	**$**	**166.1**	$	206.9
Short-term investments	12		**-**		0.1
Restricted cash	8, 12		**5.5**		2.8
Advances, loans receivable and other financial assets	4, 13		**13.0**		24.6
Trade accounts receivable, net, and unbilled revenue	12		**154.9**		227.5
Inventories	14		**35.3**		33.6
Prepaid expenses	4		**2.9**		2.7
			377.7		498.2
Non-current assets					
Advances, loans receivable and other financial assets	3, 4, 13		**588.0**		720.5
Other non-financial assets			**-**		0.3
Property, plant and equipment	4, 15		**208.6**		227.9
Investment in a joint venture	4, 7		**382.9**		438.0
Investment in an associate	3, 4, 8		**39.3**		148.1
Intangible assets	15		**141.6**		160.5
			1,360.4		1,695.3
Assets held for sale			**-**		0.9
Total assets		**$**	**1,738.1**	$	2,194.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Loans and borrowings	16	**$**	**159.5**	$	8.0
Trade accounts payable and accrued liabilities			**148.1**		183.2
Income taxes payable			**1.3**		0.6
Other financial liabilities	4, 16		**9.3**		7.4
Deferred revenue	5		**7.5**		24.5
Provisions	17		**5.0**		8.6
			330.7		232.3
Non-current liabilities					
Loans and borrowings	16		**554.1**		697.7
Other financial liabilities	4, 16		**13.5**		5.7
Other non-financial liabilities			**2.8**		3.0
Provisions	17		**99.4**		108.6
Deferred income taxes	10		**15.5**		16.2
			685.3		831.2
Total liabilities			**1,016.0**		1,063.5
Shareholders' equity					
Capital stock	18		**2,894.9**		2,894.9
Deficit			**(2,902.3)**		(2,534.6)
Reserves	18		**233.7**		233.4
Accumulated other comprehensive income	18		**495.8**		537.2
			722.1		1,130.9
Total liabilities and shareholders' equity		**$**	**1,738.1**	$	2,194.4

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

Approved by the Board of Directors,

/s/ Lisa Pankratz

Lisa Pankratz
Director

/s/ Sir Richard Lapthorne

Sir Richard Lapthorne
Director

Consolidated statements of cash flow

Canadian $ millions, for the years ended December 31	Note	2019	2018
Operating activities			
Net loss from continuing operations		**$ (364.7)**	$ (80.2)
Add (deduct):			
Depletion, depreciation and amortization	6	**47.5**	46.3
Share of earnings of a joint venture, net of tax	7	**(0.3)**	(64.2)
Share of loss of an associate, net of tax	8	**65.0**	72.4
Impairment of investment in an associate	3	**31.0**	-
Impairment of intangible assets	15	**20.3**	-
Net finance expense (net of accretion expense)	9	**180.6**	15.5
Income tax expense	10	**3.2**	3.4
Net change in non-cash working capital	20	**8.3**	73.3
Interest received	20	**5.7**	4.1
Interest paid	20	**(47.5)**	(50.9)
Income tax paid		**(2.3)**	(15.1)
Distributions received from joint venture	7	**43.3**	11.9
Other operating items	20	**(1.0)**	(9.1)
Cash (used) provided by continuing operations		**(10.9)**	7.4
Cash provided (used) by discontinued operations	17	**9.4**	(8.5)
Cash used by operating activities		**(1.5)**	(1.1)
Investing activities			
Property, plant and equipment expenditures	5	**(12.9)**	(23.2)
Intangible asset expenditures	5	**(19.1)**	(16.3)
Receipts of advances, loans receivable and other financial assets		**0.6**	35.8
Proceeds from short-term investments		**0.1**	17.9
Cash (used) provided by continuing operations		**(31.3)**	14.2
Cash (used) provided by investing activities		**(31.3)**	14.2
Financing activities			
Repayment of other financial liabilities	16	**(3.3)**	-
Repurchase of senior unsecured debentures	16	**-**	(120.3)
Issuance of units	18	**-**	132.3
Fees paid on repurchase of senior unsecured debentures and issuance of units		**-**	(9.5)
Issuance of common shares		**-**	0.8
Cash (used) provided by continuing operations		**(3.3)**	3.3
Cash (used) provided by financing activities		**(3.3)**	3.3
Effect of exchange rate changes on cash and cash equivalents		**(4.7)**	5.5
(Decrease) increase in cash and cash equivalents		**(40.8)**	21.9
Cash and cash equivalents at beginning of the year		**206.9**	185.0
Cash and cash equivalents at end of the year	12	**$ 166.1**	$ 206.9

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

Consolidated statements of changes in shareholders' equity

Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2017		**$ 2,784.6**	**$ (2,427.7)**	**$ 232.9**	**$ 466.5**	**$ 1,056.3**
Cumulative transitional adjustment on initial application of IFRS 9		-	(42.7)	-	-	(42.7)
Total comprehensive (loss) income:						
Net loss for the year		-	(64.2)	-	-	(64.2)
Foreign currency translation differences on foreign operations	18	-	-	-	70.9	70.9
Actuarial losses on pension plans, net of tax	18	-	-	-	(0.2)	(0.2)
		-	(64.2)	-	70.7	6.5
Shares issued for:						
Stock options exercised	18	0.2	-	(0.1)	-	0.1
Equity issuance, net of transaction costs - 2018 unit offering	18	109.0	-	-	-	109.0
Warrants exercised - 2016 debenture extension	18	1.1	-	(0.4)	-	0.7
Stock option plan expense	18	-	-	1.0	-	1.0
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 year		-	(367.7)	-	-	(367.7)
Foreign currency translation differences on foreign operations	18	-	-	-	(40.9)	(40.9)
Actuarial losses on pension plans, net of tax	18	-	-	-	(0.5)	(0.5)
		-	(367.7)	-	(41.4)	(409.1)
Stock option plan expense	18	-	-	0.3	-	0.3
Balance as at December 31, 2019		**$ 2,894.9**	**$ (2,902.3)**	**$ 233.7**	**$ 495.8**	**$ 722.1**

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

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

The Corporation is domiciled in Ontario, Canada and its registered office is 22 Adelaide Street West, Toronto, Ontario, M5H 4E3. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on February 25, 2020. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

2.1 Basis of presentation and going concern

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All financial information is presented in Canadian dollars rounded to the nearest hundred thousand, except as otherwise noted.

The 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.

Ongoing volatility in commodity prices and continued geopolitical uncertainties affecting Cuba have adversely impacted the Corporation's financial position. While these factors have created liquidity challenges, the Corporation believes it has adequate liquidity to support its operations and meet its financial obligations for at least twelve months. In making this determination, the Corporation applies judgment around the following factors which directly impact the Corporation's financial position: future commodity prices, timing of collections of Cuban receivables, continued access to short-term financing and potential cross-defaults arising from the current event of default under the Ambatovy Joint Venture partner loans. The Corporation has and will undertake numerous initiatives available to it to continue to strengthen its financial position and enhance liquidity. Among the initiatives undertaken, subsequent to year-end, the Corporation agreed to a new payment commitment with its Cuban partners which will improve the timing of Cuban receivable collections and increase the Corporation's liquidity.

After considering the factors that have caused the liquidity challenges faced by the Corporation, the judgments made surrounding these factors, and the initiatives the Corporation has taken and will undertake, the Corporation believes it will have sufficient liquidity to support its operations and meet its financial obligations for at least twelve months. 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.

The Corporation has consistently applied the same accounting policies and methods of computation to all periods presented, with the exception of the adoption of IFRS 16 Leases (IFRS 16). The Corporation adopted IFRS 16 using a transition method that did not require the comparative periods to be restated and therefore comparative information is presented as previously reported under IAS 17 Leases (IAS 17) and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4).

The adoption of IFRS 16 required the Corporation to adopt new accounting policies, as well as modify methods of computation and presentation of leases. The adoption of IFRS 16 also resulted in the Corporation identifying new critical accounting estimates and judgments related to leases as described in note 23. The Corporation's accounting policies for leases are described in note 23 and the effects of adoption of IFRS 16 are described in note 4.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. These estimates and judgments are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from estimates.

Certain of the Corporation's accounting policies that relate to the financial statements as a whole, as well as estimates and judgments it has made and how they affect the amounts reported in the consolidated financial statements, are incorporated in this section. To facilitate a better understanding of the Corporation's consolidated financial statements, significant accounting policies and critical accounting estimates and judgments (with the exception of those identified in this note 2) are disclosed throughout the following notes:

Note	Topic	Accounting policies	Critical accounting estimates and judgments	Page
5	Reportable segments	x	x	89
5	Revenue recognition	x		89
7	Joint arrangements	x	x	94
8	Investment in an associate	x	x	96
10	Income taxes	x	x	100
12	Financial instruments	x	x	104
14	Inventories	x		111
15	Property, plant and equipment	x	x	111
15	Intangible assets	x	x	111
15	Impairment of non-financial assets	x	x	111
17	Provisions	x	x	120
19	Share-based compensation	x		124
20	Statement of cash flows	x		128
23	Leases	x	x	134

2.2 Principles of consolidation

These consolidated financial statements include the financial position, financial performance and cash flows of the Corporation, its subsidiaries, its interest in a joint venture, its interest in an associate and its share of assets, liabilities, revenues and expenses related to its interests in joint operations. Intercompany balances, transactions, income and expenses, profits and losses, including gains and losses relating to subsidiaries and joint operations have been eliminated on consolidation.

The Corporation's significant subsidiaries, joint arrangements and interest in an associate are as follows:

	Relationship	Economic interest	Basis of accounting
Moa Joint Venture	Joint venture	50%	Equity method
Composed of the following operating companies:			
International Cobalt Company Inc.			
Moa Nickel S.A.			
The Cobalt Refinery Company Inc.			
Ambatovy Joint Venture	Associate	12%	Equity method
Composed of the following operating companies:			
Ambatovy Minerals S.A.			
Dynatec Madagascar S.A.			
Oil and Gas			
Composed of the following operating companies:			
Sherritt International (Cuba) Oil and Gas Ltd.	Subsidiary	100%	Consolidation
Sherritt International Oil and Gas Ltd.	Subsidiary	100%	Consolidation
Power			
Energas S.A. (Energas)	Joint operation	33⅓%	Share of assets, liabilities, revenues and expenses

Subsidiaries

Subsidiaries are entities over which the Corporation has control. Control is defined as when the Corporation is exposed or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Corporation the ability to direct the relevant activities of the subsidiary. Subsidiaries are fully consolidated from the date control is transferred to the Corporation and are de-consolidated from the date control ceases.

Joint arrangements

A joint arrangement is an arrangement whereby two or more parties have joint control. Joint control is considered to be when all parties to the joint arrangement, which share control, are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. The Corporation has two types of joint arrangements: a joint venture and joint operations. See note 7 for details.

Associate

An associate is an entity over which the Corporation has significant influence. Significant influence is the power to participate in operating and financial decisions of the investee, but is not control or joint control over those policies. The Corporation is presumed to have significant influence over an entity if it holds, directly or indirectly, 20 percent or more of the voting power of the entity or if significant influence can be clearly demonstrated. The Corporation has one associate. See note 8 for details.

Impairment of the investment in a joint venture and investment in an associate

At each reporting date, the Corporation assesses whether there is any indication that the carrying amounts of the Corporation's investment in a joint venture and investment in an associate may be impaired.

The investment is impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events and that loss event (or events) has an impact on the estimated future cash flows from the investment that can be reliably estimated.

Objective evidence that the investment is impaired includes observable data that comes to the attention of the entity about the following loss events: (a) significant financial difficulty of the joint venture or associate; (b) a breach of contract, such as a default or delinquency in payments by the joint venture or associate; (c) the entity, for economic or legal reasons relating to its joint venture's or associate's financial difficulty, granting to the joint venture or associate a concession that the entity would not otherwise consider; (d) it becoming probable that the joint venture or associate will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for the investment because of financial difficulties of the joint venture or associate.

If there is an indication of impairment, then the impairment test applied follows the principles of impairment for non-financial assets described in note 15.

Critical accounting judgments

Interests in other entities

The Corporation applies judgment in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Corporation has determined that Energas S.A. and its Oil and Gas production-sharing contracts represent joint operations while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation has concluded that the Ambatovy Joint Venture represents an investment in an associate as described in IAS 28, "Investments in Associates and Joint Ventures". All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements".

Measuring the recoverable amount of the Corporation's investment in a joint venture and investment in an associate

The Corporation accounts for its investment in a joint venture and investment in an associate using the equity method. The Corporation assesses the carrying amount of its investments at each reporting date to determine whether there are any indicators that the carrying amount of the investments may be impaired.

For purposes of determining the recoverable amount, management calculates the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the investment's operations 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. The determination of the recoverable amount involves a detailed review of the investment's life of mine model and the determination of weighted average cost of capital among other critical factors.

Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and the recoverable amount of these investments. Where necessary, management engages qualified third-party professionals to assist in the determination of recoverable amounts.

2.3 Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, the Corporation's functional and presentation currency.

Translation of foreign entities

The functional currency for each of the Corporation's subsidiaries, joint arrangements and associate is the currency of the primary economic environment in which it operates. Operations with foreign functional currencies are translated into the Corporation's presentation currency in the following manner:

- Monetary and non-monetary assets and liabilities are translated at the spot exchange rate in effect at the reporting date;
- Revenue and expense items (including depletion, depreciation and amortization) are translated at average rates of exchange prevailing during the period, which approximate the exchange rates on the transaction dates;
- Impairment of assets are translated at the prevailing rate of exchange on the date of the impairment recognition, and;
- Exchange gains and losses that result from translation are recognized as foreign currency translation differences on foreign operations in accumulated other comprehensive income.

Translation of transactions and balances

Operations with transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction as follows:

- Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recognized within financing expense in the consolidated statements of comprehensive income (loss);
- Non-monetary items are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange, except depletion, depreciation and amortization, which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized within financing expense in the consolidated statements of comprehensive income (loss).

3. SUBSEQUENT EVENTS

Exchange of senior unsecured debentures and Ambatovy Joint Venture partner loans

In February 2020, the Corporation announced a transaction (the "Transaction") that proposes exchanging the Corporation's existing senior unsecured debentures due in 2021, 2023 and 2025 (the "Existing Notes") in the aggregate principal amount of $588 million, together with all accrued and unpaid interest thereon up to but excluding the implementation date of the Transaction (the "Effective Date"), for new secured debentures due in 2027 (the "New Secured Notes") in an aggregate principal amount equal to 50% of the principal amount of the Existing Notes plus all accrued and unpaid interest in respect of the Existing Notes up to but excluding the Effective Date, and certain early cash consent considerations. Assuming an anticipated Effective Date of April 30, 2020, the aggregate principal amount of the New Secured Notes would be approximately $319 million. If completed, the Transaction would result in a reduction of loans and borrowings in respect of the Existing Notes of approximately $269 million and an extension of the 2021, 2023 and 2025 maturities under the Existing Notes to a maturity of 2027 under the New Secured Notes.

The Transaction also proposes exchanging the Corporation's Ambatovy Joint Venture partner loans held by the Ambatovy Joint Venture partners (together with the holders of the Existing Notes, the "Debtholders") in the aggregate principal amount of approximately $145 million, plus all accrued and unpaid interest, for, at the election of each Ambatovy Joint Venture partner, either (i) the Ambatovy Joint Venture partner's pro rata share of the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture assets") or (ii) amended loans with no further recourse against the Corporation. This would result in a further reduction of recourse loans and borrowings of approximately $145 million using the January 31, 2020 foreign exchange rates.

A meeting of Debtholders to vote on the Transaction is scheduled for April 9, 2020 (the "Debtholders' Meeting"). The Transaction is subject to, among other conditions precedent, approval by an affirmative vote of at least 66⅔% of the votes cast by the Corporation's Debtholders present in person or by proxy at the Debtholders' Meeting, and subject to approval by the Ontario Superior Court of Justice (Commercial List).

Upon implementation, the Transaction would result in a total reduction of loans and borrowings of approximately $414 million.

The exchange of the Existing Notes for New Secured Notes and the exchange of the Ambatovy Joint Venture partner loans for the Ambatovy Joint Venture assets, or amended loans with no further recourse against the Corporation, will be recognized in the consolidated financial statements if the Transaction is approved in accordance with IFRS 9 Financial Instruments.

Impairment of Ambatovy Joint Venture assets

As at December 31, 2019, the Corporation tested its investment in an associate for impairment and determined its recoverable amount to be $39.3 million, resulting in an impairment loss of $31.0 million. In arriving at the recoverable amount, the Corporation considered all available information that provides evidence of the fair value of the investment in an associate, inclusive of the effects of the Transaction.

Furthermore, the Corporation assessed the allowance for expected credit losses required for the Ambatovy Joint Venture subordinated loans receivable and Ambatovy Joint Venture subordinated loans receivable – post financial completion. The Corporation calculated probability-weighted scenarios of expected credit losses for these loans, inclusive of the effects of the Transaction, which resulted in a revaluation loss of $81.5 million. This loss is included in the Corporation's revaluation losses of $138.5 million on the Ambatovy Joint Venture loans receivable for the year ended December 31, 2019. In recognizing the impairment losses, the carrying value of the Ambatovy Joint Venture assets held by the Corporation are fairly consistent with the principal amount and accrued interest of the Ambatovy Joint Venture partner loans. A summary of impairment losses recognized on the Ambatovy Joint Venture assets is presented below:

Canadian $ millions, for the year ended December 31	Note		2019
Impairment of investment in an associate	8	$	31.0
Revaluation of allowances for expected credit losses on Ambatovy Joint Venture loans receivable	9		138.5
Impairment of Ambatovy Joint Venture assets		**$**	**169.5**

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

Effective January 1, 2019, the Corporation adopted the requirements of IFRS 16. The effects of adoption of IFRS 16 are described below. There has been no change to the Corporation's accounting policies or critical accounting estimates and judgments related to IFRS 16 subsequent to adoption.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases which replaced IAS 17, IFRIC 4, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease effective January 1, 2019.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low-value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Corporation elected to apply the standard on a modified retrospective basis using certain practical expedients and transitional provisions described below. Under this approach, the 2018 comparative period was not restated and no cumulative transitional adjustment to the opening balance of deficit was recognized on January 1, 2019, given that the right-of-use assets were measured at an amount equal to the lease liabilities.

Definition of a lease

Previously, the Corporation determined at contract inception whether an arrangement is or contains a lease under IAS 17/IFRIC 4. Under IFRS 16, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 23.

On transition to IFRS 16, the Corporation elected to not apply the practical expedient to grandfather the assessment of which transactions are leases. The Corporation applied IFRS 16 to all contracts that may contain a lease. Therefore, the definition of a lease under IFRS 16 was applied to all contracts in effect on or after January 1, 2019.

The Corporation as a lessee

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for substantially all of its leases.

The Corporation, as a lessee, has elected not to apply IFRS 16 to leases of intangible assets (note 23).

The Corporation elected to apply recognition exemptions to short-term leases and leases of low-value assets (note 23). For leases of other assets, which were classified as operating leases under IAS 17, the Corporation recognized right-of-use assets and lease liabilities.

Leases previously classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, with no impact to the opening balance of deficit.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months as at January 1, 2019; and
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Leases previously classified as finance leases under IAS 17

For leases previously classified as finance leases, the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application was equal to the carrying amount of the lease assets and lease liabilities immediately before initial application measured applying IAS 17.

The Corporation as a lessor

There was no impact to lessor accounting upon the adoption of IFRS 16, except for sub-leases. Under IFRS 16, the Corporation is required to assess the classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not the underlying asset. On transition, the Corporation reassessed the classification of sub-lease contracts previously classified as operating leases under IAS 17. The Corporation concluded that the sub-lease is a finance lease under IFRS 16.

The Corporation applied IFRS 15 to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

On transition to IFRS 16, the Corporation recognized finance lease receivables, right-of-use assets and lease liabilities in the consolidated statements of financial position as at January 1, 2019, with no impact to shareholders' equity.

When measuring lease liabilities, the Corporation discounted lease payments using the lessee's incremental borrowing rate as at January 1, 2019. The Corporation's weighted-average rate applied was 6.32%.

During the year ended December 31, 2019, the Corporation recognized an increase in depreciation expense and interest expense and a decrease in operating lease expense, with no material impact on net (loss) earnings from continuing operations in the consolidated statements of comprehensive income (loss).

During the year ended December 31, 2019, the change in presentation of operating lease expenses resulted in an increase in cash provided by operating activities and a decrease in cash provided by financing activities within the consolidated statements of cash flow, as the principal repayments on lease liabilities previously included in cash used by operating activities are included in cash used by financing activities in accordance with IAS 7.

Measurement reconciliation table:

The following table reconciles the impact of transitioning from IAS 17 and IFRIC 4 to IFRS 16 on the consolidated statements of financial position at the date of initial application, January 1, 2019. The impact consists of adjustments primarily related to the measurement of finance lease receivables, right-of-use assets and lease liabilities.

Canadian $ millions, as at	2018 December 31 IAS 17/IFRIC 4 Carrying value	IFRS 16 Initial Application	2019 January 1 IFRS 16 Carrying value
Current assets			
Advances, loans receivable and other financial assets	$ 24.6	$ **0.6**	$ **25.2**
Prepaid expenses	2.7	**(0.6)**	**2.1**
Non-current assets			
Advances, loans receivable and other financial assets	720.5	**5.2**	**725.7**
Property, plant and equipment	227.9	**10.7**	**238.6**
Investment in a joint venture(1)	438.0	**-**	**438.0**
Investment in an associate(1)	148.1	**-**	**148.1**
Total assets impacted by transition	$ 1,561.8	$ **15.9**	$ **1,577.7**
Current liabilities			
Other financial liabilities	$ 7.4	$ **3.0**	$ **10.4**
Non-current liabilities			
Other financial liabilities	5.7	**12.9**	**18.6**
Total liabilities impacted by transition	$ 13.1	$ **15.9**	$ **29.0**
Shareholders' equity(2)	$ 1,130.9	$ **-**	$ **1,130.9**
Total equity impacted by transition	1,130.9	**-**	**1,130.9**
Total liabilities and equity impacted by transition	$ 1,144.0	$ **15.9**	$ **1,159.9**

(1) The impact of initial application of IFRS 16 resulted in no change to the investment in a joint venture and the investment in an associate as the Moa Joint Venture and the Ambatovy Joint Venture measured the right-of-use assets at an amount equal to the lease liabilities, respectively, resulting in no change to net assets.

(2) On transition to IFRS 16, no cumulative transitional adjustment to the opening balance of deficit was recognized on January 1, 2019, as the Corporation's right-of-use assets were measured at an amount equal to the lease liabilities.

Commitment reconciliation table:

The following table reconciles the Corporation's operating lease commitment at December 31, 2018 as disclosed in the Corporation's consolidated financial statements and the lease liabilities recognized as at January 1, 2019.

Canadian $ millions, as at	2019 January 1
Operating lease commitment as at December 31, 2018, as disclosed in the Corporation's consolidated financial statements	$ **21.9**
Discounted using incremental borrowing rates as at January 1, 2019	$ **16.9**
Recognition exemption for:	
Short-term leases	**(0.9)**
Leases of low-value assets	**(0.1)**
Lease liabilities recognized on January 1, 2019	$ **15.9**
Finance lease liabilities recognized as at December 31, 2018	**0.8**
Total lease liabilities recognized as at January 1, 2019	$ **16.7**

The Corporation's accounting policy for leases in accordance with IFRS 16 is described in note 23. In 2019, there have been no other new or amended accounting pronouncements that have had a material impact on the Corporation's consolidated financial statements.

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 and no material impact is expected on the Corporation's consolidated financial statements.

5. SEGMENTED INFORMATION

Accounting policies

The accounting policies of the segments are the same as those described throughout the notes to the financial statements and are measured in a manner consistent with that of the consolidated financial statements.

Reportable segments

The Corporation has determined the following to be reportable segments based on qualitative and quantitative considerations discussed within the critical accounting estimates and judgments sections below:

- The Moa JV and Fort Site segment is comprised of mining, processing and refining activities of nickel and cobalt for the Corporation's 50% interest in the Moa Joint Venture in Cuba and Canada and the production and sale of agricultural fertilizers for its 100% interest in the utility and fertilizer operations in Fort Saskatchewan;
- The Metals Other segment is comprised of the Corporation's two wholly-owned subsidiaries established to buy, market and sell certain of Moa Joint Venture's nickel and cobalt production;
- The Oil and Gas segment is comprised of the oil and gas operations in Cuba, Spain and Pakistan (sold during the year ended December 31, 2019), as well as the exploration and development of oil and gas in Cuba;
- The Power segment represents the power operations in Cuba, which construct and operate power generation facilities that provide electricity in Cuba; and,
- The Corporate and Other segment is comprised of the Corporation's metallurgical technology business, Technologies; management of cash and short-term investments; general corporate activities; and wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture.

Revenue recognition

Revenue from the sale of goods and services is recognized when the Corporation transfers control of the good or service to the customer, reflecting the amount of consideration to which the Corporation expects to be entitled in exchange for those goods or services. Control generally transfers to the customer upon shipment or delivery to the destination, as specified in the sales contract.

Moa JV and Fort Site and Ambatovy JV

Certain product sales at the Moa JV and Ambatovy JV are provisionally priced, with the selling price subject to final adjustment at the end of a quotation period, in accordance with the terms of the sale. The quotation period is normally within 90 days after shipment to the customer, and final pricing is based on a reference price established at the end of the quotation period.

Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is expected to be ultimately received based on forecast reference prices. At each reporting date, all outstanding receivables originating from provisionally priced sales are revalued based on a forecast of reference prices at that time. The adjustment to trade accounts receivable, net, is recorded as an adjustment to revenue. Provisional pricing is only used in the pricing of nickel and cobalt sales for which reference prices are established in a freely traded and active market.

Payment for fertilizer sales at Fort Site is generally received before shipment and recognized as deferred revenue until shipment.

Oil and Gas

Revenue from Oil and Gas is recognized when control transfers at the time of production and the amount of revenue recognized is determined based on the Corporation's working interest. In Cuba, all oil production is sold to an agency of the Government of Cuba and delivery coincides with production. The Corporation is allocated a share of Cuban oil production pursuant to its production-sharing contracts.

Revenue from cost recovery oil, up to the total recoverable costs incurred in connection with oil activities, is recognized when entitlement to the cost recovery oil component of production is established. The production-sharing contracts limit cost recovery oil to a maximum percentage of total production in a calendar quarter, which is 60% of total production for the Puerto Escondido/Yumuri production-sharing contract. Recoverable costs that do not provide cost recovery oil entitlements in the current period are included in the determination of cost recovery oil entitlements, and thus revenue, in future periods.

Revenue from profit oil represents the Corporation's share of oil production after cost recovery oil production is deducted.

Payment terms for oil sales to an agency of the Cuban government are based on U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) reference prices and range from 90 days to 180 days from the date of invoice.

Power

Substantially all of Power's revenue is from agencies of the Government of Cuba.

The facilities located in Boca de Jaruco and Puerto Escondido, Cuba operate under a service concession arrangement. Revenue from Power on operational facilities is recognized at the time electricity is delivered or services are performed. The consideration to be received is subject to variability as the quantity of power to be generated is not fixed and the rate for the power generated declines once construction costs are repaid. Management estimates the transaction price based on expected power generation and the forecasted repayment schedule for construction costs and reassesses this estimate each reporting period.

In the comparative periods, the facilities located in Varadero, Cuba operated under lease arrangements, whereby the Corporation acted as the lessor. All operating lease revenue related to the Varadero facility was contingent on the amount of electricity produced or services provided and were recognized when lease payments become due. Upon the adoption of IFRS 16 (note 4), revenue from the power generation facilities does not meet the definition of a lease and is recognized in accordance with IFRS 15.

Payment terms for electricity and by-product sales to agencies of the Government of Cuba are 60 days from the date of invoice.

Critical accounting judgments

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the senior executive team. The Corporation also considers quantitative thresholds when determining reportable segments, such as if revenue, earnings (loss) or assets are greater than 10% of the total consolidated revenue, net earnings (loss), or assets of all the reportable segments, respectively. Operating segments that share similar economic characteristics are aggregated to form a single reportable segment. Aggregation occurs when the operating segments have similar economic characteristics, and have similar (a) products and services; (b) production processes; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable.

Supporting information

The Corporation revised the presentation of its segments during the year ended December 31, 2019 to exclude the Ambatovy Joint Venture in the current and comparative periods. The Corporation's Share of loss of an associate, net of tax, and Investment in an associate are presented within Adjustments for Joint Venture and Associate. This revision is the result of Sherritt losing its voting rights at the Ambatovy Joint Venture (note 8) subsequent to becoming a defaulting shareholder and the impact this had on information reviewed by the chief operating decision maker.

Canadian $ millions, for the year ended December 31							2019
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustments for Joint Venture and Associate(1)	Total
Revenue(2)	$ 461.0	$ 11.3	$ 29.7	$ 45.3	$ (1.1)	$ (408.6)	$ 137.6
Cost of sales	(440.4)	(10.5)	(47.9)	(41.0)	(9.9)	390.0	(159.7)
Administrative expenses	(9.6)	0.2	(7.5)	(2.5)	(28.2)	5.1	(42.5)
Impairment of investment in an associate (note 3)	-	-	-	-	(31.0)	-	(31.0)
Impairment of intangible assets (note 15)	-	-	-	(20.3)	-	-	(20.3)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	0.3	0.3
Share of loss of an associate, net of tax	-	-	-	-	-	(65.0)	(65.0)
Earnings (loss) from operations, joint venture and associate	11.0	1.0	(25.7)	(18.5)	(70.2)	(78.2)	(180.6)
Interest income on financial assets measured at amortized cost							43.9
Revaluation of allowances for expected credit losses on Ambatovy Joint Venture loans receivable							(138.5)
Revaluation of other allowances for expected credit losses							(9.0)
Other financing items							-
Financing expense							(77.3)
Net finance expense							(180.9)
Loss before tax							(361.5)
Income tax expense							(3.2)
Net loss from continuing operations							(364.7)
Loss from discontinued operations, net of tax (note 17)							(3.0)
Net loss for the year							(367.7)
Supplementary information							
Depletion, depreciation and amortization	$ 56.4	$ 0.2	$ 10.3	$ 26.2	$ 1.2	$ (46.8)	$ 47.5
Property, plant and equipment expenditures	25.9	-	9.0	0.4	0.1	(22.5)	12.9
Intangible asset expenditures	-	-	19.1	-	-	-	19.1

Canadian $ millions, as at December 31							2019
Non-current assets(3)	$ 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 year ended December 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Corporate and Other	Adjustments for Joint Venture and Associate[1]	2018 (Restated) Total
Revenue[2]	$ 498.1	$ 11.0	$ 44.9	$ 47.2	$ (0.5)	$ (447.8)	$ 152.9
Cost of sales	(408.7)	(10.4)	(55.8)	(41.0)	(10.1)	351.7	(174.3)
Administrative expenses	(10.5)	0.2	(6.1)	(3.4)	(17.1)	5.9	(31.0)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	64.2	64.2
Share of loss of an associate, net of tax	-	-	-	-	-	(72.4)	(72.4)
Earnings (loss) from operations, joint venture and associate	78.9	0.8	(17.0)	2.8	(27.7)	(98.4)	(60.6)
Interest income on financial assets measured at amortized cost							45.9
Revaluation of allowances for expected credit losses on Ambatovy Joint Venture loans receivable							(47.4)
Revaluation of other allowances for expected credit losses							(1.9)
Other financing items							18.5
Financing expense							(31.3)
Net finance expense							(16.2)
Loss before tax							(76.8)
Income tax expense							(3.4)
Net loss from continuing operations							(80.2)
Earnings from discontinued operations, net of tax (note 17)							16.0
Net loss for the year							(64.2)
Supplementary information							
Depletion, depreciation and amortization	$ 47.2	$ -	$ 11.1	$ 25.2	$ 0.9	$ (38.1)	$ 46.3
Property, plant and equipment expenditures	32.9	-	11.7	0.9	1.7	(24.0)	23.2
Intangible asset expenditures	-	-	16.3	-	-	-	16.3

Canadian $ millions, as at December 31							2018 (Restated)
Non-current assets[3]	$ 699.7	$ -	$ 126.0	$ 117.2	$ 4.1	$ (558.6)	$ 388.4
Total assets	998.8	98.1	201.1	462.3	659.0	(224.9)	2,194.4

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

Revenue in the Metals Other segment includes $6.9 million of intersegment revenue with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the year ended December 31, 2019 ($6.4 million for the year ended December 31, 2018).

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

Geographic information

Canadian $ millions, as at	**2019 December 31** Non-current assets[1]	**2019 December 31** Total assets[2]	2018 December 31 Non-current assets[1]	2018 December 31 Total assets[2]
North America	**$ 156.3**	**$ 416.8**	$ 148.7	$ 491.1
Cuba	**193.8**	**1,041.3**	227.6	1,162.8
Madagascar	**-**	**173.4**	-	377.6
Europe	**0.1**	**34.5**	11.9	62.1
Asia	**-**	**25.9**	0.2	33.7
Other	**-**	**46.2**	-	67.1
	$ 350.2	**$ 1,738.1**	$ 388.4	$ 2,194.4

(1) Non-current assets are composed of property, plant and equipment and intangible assets and exclude the non-current assets of equity-accounted investments.

(2) For its geographic information, the Corporation has allocated assets based on their physical location or location of the customer/payer.

Canadian $ millions, for the years ended December 31	**2019** Total revenue[1]	**2018** Total revenue[1]
North America	**$ 60.9**	$ 58.6
Cuba	**71.0**	83.2
Madagascar	**1.7**	2.0
Europe	**3.1**	7.2
Asia	**0.9**	1.7
Other	**-**	0.2
	$ 137.6	$ 152.9

(1) For its geographic information, the Corporation has allocated revenue based on the location of the customer. Revenue excludes the revenue of equity-accounted investments.

Disaggregation of revenue by product type

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

Canadian $ millions, for the years ended December 31	2019 Total revenue	2018 Total revenue
Fertilizer	**$ 54.1**	$ 53.0
Oil and gas[1]	**25.2**	40.9
Power generation[2]	**41.1**	42.4
Other	**17.2**	16.6
	$ 137.6	$ 152.9

(1) Oil and gas revenue for the year ended December 31, 2019 decreased compared to the comparative period primarily as a result of the reduction in profit oil percentage from 45% to 6% upon the extension of the Puerto Escondido/Yumuri production-sharing contract during the year ended December 31, 2018.

(2) All of the revenue in the table above is revenue recognized from contracts with customers in accordance with IFRS 15, except for lease revenue related to power generation facilities in 2018, which is recognized in accordance with IAS 17 Leases. Upon the adoption of IFRS 16 (note 4), the power generation facilities do not meet the definition of a lease. For the year ended December 31, 2019, the revenue related to power generation facilities is recognized in accordance with IFRS 15. Included in power generation revenue for the year ended December 31, 2019 is $41.1 million of revenue from service concession arrangements ($28.8 million of revenue from service concession arrangements and $13.6 million of lease revenue related to power generation facilities for the year ended December 31, 2018, respectively).

Deferred revenue relates to payments for fertilizer sales received before shipment in the Moa JV and Fort Site segment. All of the deferred revenue as at December 31, 2018 was recognized during the year ended December 31, 2019.

Significant customers

The Oil and Gas segment derived $25.1 million of its revenue for the year ended December 31, 2019 ($35.9 million for the year ended December 31, 2018) directly and indirectly from agencies of the Government of Cuba.

The Power segment derived $45.3 million of its revenue for the year ended December 31, 2019 ($47.2 million for the year ended December 31, 2018) directly and indirectly from agencies of the Government of Cuba.

The Moa JV and Fort Site segment derived $16.6 million of its revenue for the year ended December 31, 2019 ($14.4 million for the year ended December 31, 2018) from a Fort Site customer that purchases and sells agriculture products.

No other single customer contributed 10% or more to the Corporation's revenue in 2019 or 2018.

6. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the years ended December 31	2019	2018
Employee costs	**$ 60.5**	$ 62.7
Severance	**1.8**	3.3
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**44.3**	45.4
Raw materials and consumables	**39.6**	39.6
Repairs and maintenance	**44.8**	43.2
Shipping and treatment costs	**4.2**	4.6
Inventory obsolescence	**1.4**	3.5
Share-based compensation expense (recovery)	**0.3**	(0.7)
Changes in inventories and other	**(37.2)**	(27.3)
	$ 159.7	$ 174.3

Administrative expenses include the following:

Canadian $ millions, for the years ended December 31	2019	2018
Employee costs	$ 27.2	$ 29.0
Severance	1.4	0.7
Depreciation	3.2	0.9
Share-based compensation expense (recovery)	0.3	(11.1)
Consulting services and audit fees	6.2	5.2
Other	4.2	6.3
	$ 42.5	$ 31.0

During the year ended December 31, 2019, the Corporation revised the presentation of severance to separate amounts included in cost of sales and administrative expense. In the prior year, these amounts were presented entirely within administrative expenses. The Corporation revised its presentation to better allow the users of the financial statements to identify trends within the expenses note disclosure. For consistency with the current period presented, the comparative amounts have been reclassified. For the year ended December 31, 2018, employee costs and severance included within cost of sales have decreased by $3.3 million and increased by $3.3 million, respectively. For the year ended December 31, 2018, employee costs and severance included within administrative expenses have increased by $3.3 million and decreased by $3.3 million, respectively.

7. JOINT ARRANGEMENTS

Investment in a joint venture

Accounting policies

The Moa Joint Venture is recognized as an investment in a joint venture and accounted for using the equity method as follows:

- The Corporation recognizes its share of earnings (loss), net of tax in the consolidated statements of comprehensive income (loss), which is adjusted against the carrying amount of its interest in a joint venture;
- If the Corporation's share of losses equals or exceeds the carrying value of its investment in joint venture in the future, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the entity;
- Gains and losses on transactions between the Corporation and its joint venture are eliminated to the extent of the Corporation's interest in this entity. Losses are eliminated only to the extent that there is no evidence of impairment; and
- Interest revenue on a loan receivable from a joint venture is recognized to the extent of Sherritt's economic interest.

Supporting information

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

During the year ended December 31, 2019, the Moa Joint Venture paid distributions of $86.6 million, of which $43.3 million were paid to the Corporation representing its 50% ownership interest ($23.8 million and $11.9 million, respectively, for the year ended December 31, 2018). Of the $86.6 million in distributions paid by the Moa Joint Venture, $76.7 million were in the form of dividends and $9.9 million were in the form of advances repayable to the Moa Joint Venture until declaration as dividends (for the year ended December 31, 2018 - $17.1 million were in the form of dividends and $6.7 million were in the form of advances repayable to the Moa Joint Venture until declaration as dividends).

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

Statements of financial position

Canadian $ millions, 100% basis, as at		2019 December 31		2018 December 31
Current assets[1]	$	441.8	$	499.5
Non-current assets		1,169.3		1,217.3
Current liabilities[2]		81.9		78.0
Non-current liabilities[3][4]		674.6		668.1
Net assets of Moa Joint Venture	$	**854.6**	$	970.7
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**427.3**		485.4
Intercompany capitalized interest elimination		**(44.4)**		(47.4)
Investment in a joint venture	$	**382.9**	$	438.0

(1) Included in current assets is $80.9 million of cash and cash equivalents (December 31, 2018 - $55.3 million).

(2) Included in current liabilities is $21.6 million of financial liabilities (December 31, 2018 - $8.2 million), including lease liabilities of $8.5 million (December 31, 2018 - $0.3 million) and a $7.9 million loan for the purchase of mining equipment (December 31, 2018 - $3.1 million). For the year ended December 31, 2018, the current portion of financial liabilities included a $2.3 million loan for the construction of the Moa Joint Venture acid plant, which accrued interest at a rate of 10% per annum and was payable monthly. The loan was fully repaid during the year ended December 31, 2019.

(3) Included in non-current liabilities is $551.9 million of financial liabilities (December 31, 2018 - $557.3 million), including lease liabilities of $7.1 million (December 31, 2018 - $0.6 million), a $7.7 million loan for the purchase of mining equipment (December 31, 2018 - $4.7 million) and $518.0 million in expansion loans, of which $259.0 million are with the Corporation (December 31, 2018 - $538.4 million, $269.2 million of which are with the Corporation) (note 13).

(4) During the years ended December 31, 2017 and December 31, 2019, interest was suspended on the expansion loans for two years and an additional 10 months, respectively, which resulted in decreases to the Moa Joint Venture expansion loans payable of $64.8 million and $28.6 million, respectively. During the year ended December 31, 2019, the Moa Joint Venture expansion loans payable increased $34.1 million due to accretion (for the year ended December 31, 2018 - $32.2 million). Subsequent to December 31, 2019, the accrual of interest will resume.

Statements of comprehensive income (loss)

Canadian $ millions, 100% basis, for the years ended December 31		2019		2018
Earnings from operations[1][2]	$	**27.2**	$	180.8
Financing income		**0.8**		0.9
Financing expense[3]		**(45.1)**		(45.3)
Net finance expense		**(44.3)**		(44.4)
(Loss) earnings before tax		**(17.1)**		136.4
Income tax expense[4]		**(8.5)**		(33.1)
Net (loss) earnings and comprehensive (loss) income of Moa Joint Venture	$	**(25.6)**	$	103.3
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**(12.8)**		51.7
Intercompany elimination		**13.1**		12.5
Share of earnings of a joint venture, net of tax	$	**0.3**	$	64.2

(1) Included in earnings from operations for the year ended December 31, 2019 is revenue of $817.3 million (for the year ended December 31, 2018 - $895.8 million).

(2) Included in earnings from operations for the year ended December 31, 2019 is depreciation and amortization within cost of sales of $93.5 million (for the year ended December 31, 2018 - $76.3 million).

(3) Included in financing expense for the year ended December 31, 2019 is accretion of $34.1 million on the Moa Joint Venture expansion loans (for the year ended December 31, 2018 - $32.2 million).

(4) Included in income tax expense for the year ended December 31, 2019 is a recovery of $2.6 million reflecting a remeasurement of deferred tax liabilities as a result of the decrease in Alberta's general corporate income tax rate. Effective July 1, 2019, the corporate tax rate decreased from 12% to 11%, with a further decrease to 10% on January 1, 2020, 9% on January 1, 2021 and 8% on January 1, 2022. Income tax expense for the year ended December 31, 2019 decreased since the comparative period primarily due to lower taxable income at one of the operating companies in the Moa Joint Venture.

Joint operations

Accounting policies

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and obligations for liabilities relating to the arrangement. Interests in joint operations are accounted for by recognizing the Corporation's share of assets, liabilities, revenues and expenses.

Supporting information

Sherritt's primary power generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by Sherritt through its one-third interest in Energas S.A. (Energas), which is a Cuban joint arrangement established to process raw natural gas and generate electricity for sale to the Cuban national electrical grid. Cuban government agencies Union Electrica (UNE) and Unión Cuba Petróleo (CUPET) hold the remaining two-thirds interest in Energas.

The following provides information relating to the Corporation's one-third interest in Energas S.A. (Energas):

Canadian $ millions, 33⅓% basis, as at		**2019 December 31**		2018 December 31
Current assets(1)	$	**99.0**	$	89.4
Non-current assets(2)		**58.2**		108.0
Current liabilities		**10.4**		13.3
Non-current liabilities		**112.0**		108.4
Net assets	$	**34.8**	$	75.7

(1) Included in current assets is $79.8 million of cash and cash equivalents (December 31, 2018 - $68.2 million).

(2) During the year ended December 31, 2019, the Corporation recognized an impairment of $20.3 million on the Boca de Jaruco power generation facility included in non-current assets (note 15).

Canadian $ millions, 33⅓% basis, for the years ended December 31		**2019**		2018
Revenue	**$**	**45.3**	$	47.2
Expenses(1)		**(73.1)**		(38.1)
Net (loss) earnings	**$**	**(27.8)**	$	9.1

(1) During the year ended December 31, 2019, the Corporation recognized an impairment of $20.3 million on the Boca de Jaruco power generation facility (note 15).

8. INVESTMENT IN AN ASSOCIATE

Accounting policies

The Ambatovy Joint Venture is recognized as an investment in an associate and accounted for using the equity method as follows:

- The Corporation recognizes its share of earnings (loss), net of tax in the consolidated statements of comprehensive income (loss), which is adjusted against the carrying amount of its investment in an associate;
- If the Corporation's share of losses equals or exceeds the carrying value of its investment in an associate in the future, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the entity;
- Gains and losses on transactions between the Corporation and its associate are eliminated to the extent of the Corporation's interest in this entity. Losses are eliminated only to the extent that there is no evidence of impairment; and
- Interest revenue on a loan receivable from an associate is recognized to the extent of the Corporation's economic interest.

Critical accounting judgments

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

Supporting information

The Corporation indirectly holds a 12% interest in Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (collectively, the Ambatovy Joint Venture).

Sherritt is the operator of the Ambatovy Joint Venture and has as its partners, Sumitomo Corporation (Sumitomo) and Korea Resources Corporation (KORES). The Ambatovy Joint Venture has two nickel deposits located near Moramanga, Madagascar. The ore from these deposits is delivered via pipeline to a processing plant and refinery located near the Port of Toamasina.

Deferral of principal repayment on Ambatovy Joint Venture financing

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

The principal repayment deferrals resulted in a modification of the financial liability and a loss of US$30.7 million (100% basis) recognized in net financing expense at the Ambatovy Joint Venture. Transaction costs of US$18.7 million (100% basis) were capitalized within non-current liabilities at the Ambatovy Joint Venture during the year ended December 31, 2019.

Total interest payments of US$81.3 million were made to the lenders during the year ended December 31, 2019 (US$76.2 million for the year ended December 31, 2018).

Ambatovy Joint Venture funding

Ambatovy cash calls due during the year ended December 31, 2019 amounted to US$224.7 million (100% basis), with funding of US$197.7 million provided by Ambatovy Joint Venture partners Sumitomo and KORES. Sherritt did not fund its 12% share of cash calls of US$27.0 million during the year ended December 31, 2019. As a result, Sherritt is a defaulting shareholder and does not hold Ambatovy Joint Venture voting rights.

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

For the year ended December 31, 2018, US$9.6 million ($12.2 million), of post-financial completion funding was provided to the Ambatovy Joint Venture at the Corporation's 12% interest. For the year ended December 31, 2018, the Corporation's funding obligations were satisfied through use of the escrow account classified within restricted cash on the Corporation's consolidated statements of financial position and post-financial completion funding was presented within advances, loans receivable and other financial assets (note 13) on the Corporation's consolidated statements of financial position.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	Note	**2019 December 31**	2018 December 31
Current assets(1)		**$ 669.7**	$ 624.9
Non-current assets		**5,781.6**	6,210.9
Current liabilities		**477.8**	743.6
Non-current liabilities(2)		**4,283.6**	4,395.1
Net assets of Ambatovy Joint Venture		**$ 1,689.9**	$ 1,697.1
Proportion of Sherritt's ownership interest		**12%**	12%
Total		**202.8**	203.7
Impairment of investment in associate	3	**(31.0)**	-
Intercompany elimination(2)		**(132.5)**	(55.6)
Investment in an associate		**$ 39.3**	$ 148.1

(1) Included in current assets is $100.2 million of cash and cash equivalents (December 31, 2018 - $56.8 million).

(2) During the year ended December 31, 2019, US$484.7 million ($640.3 million) of the Ambatovy Joint Venture subordinated loans payable was converted to equity. The Corporation has recorded its share of the related subordinated loans receivable within advances, loans receivable and other financial assets (note 13). 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 years ended December 31	**2019**	2018
Loss from operations(1)(2)(3)	**$ (279.5)**	$ (340.5)
Financing income	**2.3**	5.2
Financing expense(4)	**(286.4)**	(284.4)
Net financing expense	**(284.1)**	(279.2)
Loss before tax	**(563.6)**	(619.7)
Income tax expense	**(4.4)**	(5.4)
Net loss and comprehensive loss of Ambatovy Joint Venture	**$ (568.0)**	$ (625.1)
Proportion of Sherritt's ownership interest	**12%**	12%
Total	**(68.2)**	(75.0)
Intercompany elimination	**3.2**	2.6
Share of loss of an associate, net of tax	**$ (65.0)**	$ (72.4)

(1) Included in loss from operations for the year ended December 31, 2019 is revenue of $726.8 million (for the year ended December 31, 2018 - $843.0 million).

(2) Included in loss from operations for the year ended December 31, 2019 is cost of sales of $1,043.4 million (for year ended December 31, 2018 - $1,044.1 million).

(3) Included in loss from operations for the year ended December 31, 2019 is depreciation and amortization within cost of sales of $424.0 million (for the year ended December 31, 2018 - $358.5 million).

(4) Included in financing expense for the year ended December 31, 2019 is a gain on the revaluation of long-term bonds of $83.7 million ($6.9 million gain for the year ended December 31, 2018).

9. NET FINANCE EXPENSE

Canadian $ millions, for the years ended December 31	Note		2019		2018
Interest income on trade accounts receivable, net		$	**1.8**	$	1.7
Interest income on advances and loans receivable			**33.6**		36.1
Interest income on accretion of advances and loans receivable[(1)]			**8.5**		8.1
Interest income on financial assets measured at amortized cost			**43.9**		45.9
Revaluation of allowance for expected credit losses:					
Ambatovy Joint Venture subordinated loans receivable	3, 12		**(105.3)**		(47.4)
Ambatovy Joint Venture subordinated loans receivable - post-financial completion	3, 12		**(33.2)**		-
Revaluation of allowances for expected credit losses on Ambatovy Joint Venture loans receivable			**(138.5)**		(47.4)
Revaluation of allowance for expected credit losses:					
Trade accounts receivable, net	12		**(2.2)**		(1.9)
Moa Joint Venture expansion loans receivable	12, 21		**(6.8)**		-
Revaluation of other allowances for expected credit losses			**(9.0)**		(1.9)
Revaluation of cobalt-linked warrants	16		**2.1**		13.2
Revaluation of financial assets measured at fair value through profit or loss			**2.7**		(3.4)
Revaluation of Ambatovy Joint Venture partner loans			**(2.5)**		-
Other unrealized (losses) gains on financial instruments			**(4.1)**		4.2
Interest income on short-term investments			**1.5**		2.2
Interest income on finance lease receivables			**0.3**		-
Gain on repurchase of debentures	16		**-**		2.3
Other financing items			**-**		18.5
Interest expense and accretion on loans and borrowings			**(58.5)**		(59.9)
Interest expense on other liabilities			**(0.1)**		-
Interest expense on lease liabilities			**(1.0)**		-
Unrealized foreign exchange (loss) gain			**(14.5)**		33.3
Realized foreign exchange gain	20		**(1.0)**		0.1
Other finance charges			**(1.9)**		(4.1)
Accretion expense on environmental rehabilitation provisions	17, 20		**(0.3)**		(0.7)
Financing expense			**(77.3)**		(31.3)
Net finance expense		**$**	**(180.9)**	$	(16.2)

(1) Interest income on accretion of advances and loan receivable relates to the Moa Joint Venture expansion loans receivable, which is recognized to the extent of Sherritt's economic interest (note 13).

10. INCOME TAXES

Accounting policies

The income tax expense or recovery for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credits, with the exception of the following items:

- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the Corporation is able to control the timing of the reversal of temporary differences and such reversals are not probable in the foreseeable future;
- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized. The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the Corporation has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly in equity are also recognized in equity. All other taxes are recognized in income tax expense in the consolidated statements of comprehensive income (loss).

Critical accounting estimates

The Corporation operates in a number of industries in several tax jurisdictions and, consequently, its income is subject to various rates and rules of taxation. As a result, the Corporation's effective tax rate may vary significantly from the Canadian statutory tax rate depending upon the profitability of operations in the different jurisdictions.

The Corporation calculates deferred taxes based upon temporary differences between the assets and liabilities that are reported in its consolidated financial statements and their tax bases as determined under applicable tax legislation. The Corporation records deferred tax assets when it determines that it is probable that such assets will be realized. The future realization of deferred tax assets can be affected by many factors, including current and future economic conditions, net realizable sale prices, production rates and production costs, and can either be increased or decreased where, in the view of management, such change is warranted.

Critical accounting judgments

In determining whether it is probable that a deferred tax asset will be realized, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Significant judgment may be involved in determining the timing of expected reversals of temporary differences.

Supporting information

Canadian $ millions, for the years ended December 31		2019		2018
Current income tax expense				
Current period	**$**	**3.2**	$	3.7
		3.2		3.7
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences		**(23.7)**		(11.0)
Non-recognition of tax assets		**23.7**		10.7
		-		(0.3)
Income tax expense	**$**	**3.2**	$	3.4

The following table reconciles income taxes calculated at a combined Canadian federal/provincial income tax rate with the income tax expense (recovery) in the consolidated statements of comprehensive income (loss):

Canadian $ millions, for the years ended December 31		2019		2018
Loss before tax from continuing operations	**$**	**(361.5)**	$	(76.8)
Add: share of loss of equity accounted investments		**64.7**		8.2
Parent companies and subsidiaries loss before tax		**(296.8)**		(68.6)
Income tax (recovery) expense at the combined basic rate of 26.5% (2018 - 27.0%)		**(78.7)**		(18.5)
Increase (decrease) in taxes resulting from:				
Difference between Canadian and foreign tax rates		**45.7**		(0.1)
Non-deductible expenses and losses		**11.5**		11.1
Non-recognition of tax assets		**23.7**		10.7
Other items		**1.0**		0.2
	$	**3.2**	$	3.4

The change in the basic tax rate to 26.5% from 27% in 2018 is due to the decrease in Alberta's tax rate that was enacted in 2019. 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.

Deferred tax assets (liabilities) relate to the following temporary differences and loss carry forwards:

Canadian $ millions, for the year ended December 31, 2019

	Opening Balance	Recognized in net income	Recognized in total comp-rehensive income	Closing Balance
Deferred tax assets				
Property, plant and equipment	$ 0.1	$ 0.5	$ 0.1	$ 0.7
Other financial reserves	0.6	0.1	-	0.7
Deferred tax assets	0.7	0.6	0.1	1.4
Set off against deferred tax liabilities	(0.7)			(1.4)
	$ -			$ -
Deferred tax liabilities				
Property, plant and equipment and intangible assets	$ (4.7)	$ 1.0	$ 0.1	$ (3.6)
Cuban tax contingency reserve	(12.1)	(0.1)	0.5	(11.7)
Other financial reserves	(0.1)	(1.5)	-	(1.6)
Deferred tax liabilities	(16.9)	(0.6)	0.6	(16.9)
Set off against deferred tax assets	0.7			1.4
Net deferred tax (liabilities) assets	$ (16.2)	$ -	$ 0.7	$ (15.5)

Canadian $ millions, for the year ended December 31, 2018

	Opening Balance	Recognized in deficit[(1)]	Recognized in net income	Recognized in total comp-rehensive income	Closing Balance
Deferred tax assets					
Property, plant and equipment	$ 0.5	$ -	$ (0.4)	$ -	$ 0.1
Other financial reserves	-	0.5	0.1	-	0.6
Deferred tax assets	0.5	0.5	(0.3)	-	0.7
Set off against deferred tax liabilities	(0.5)				(0.7)
	$ -				$ -
Deferred tax liabilities					
Property, plant and equipment and intangible assets	$ (5.2)	$ -	$ 0.8	$ (0.3)	$ (4.7)
Cuban tax contingency reserve	(11.0)	-	(0.2)	(0.9)	(12.1)
Other financial reserves	(0.1)	-	-	-	(0.1)
Deferred tax liabilities	(16.3)	-	0.6	(1.2)	(16.9)
Set off against deferred tax assets	0.5				0.7
Net deferred tax (liabilities) assets	$ (15.8)	$ 0.5	$ 0.3	$ (1.2)	$ (16.2)

(1) The reduction in the net deferred tax liabilities relates to the cumulative tax impact of the initial application of IFRS 9.

As at December 31, 2019, the Corporation had temporary differences of $730.5 million (December 31, 2018 - $843.7 million) associated with investments in subsidiaries, associated entities and interests in joint ventures for which no deferred tax liabilities have been recognized, as the Corporation is able to control the timing of the reversal of these temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

As at December 31, 2019, the Corporation had non-capital losses of $876.2 million (December 31, 2018 - $735.5 million) and capital losses of $1,166.7 million (December 31, 2018 - $1,169.8 million) which may be used to reduce future taxable income. The Corporation has not recognized a deferred income tax asset on $876.2 million of non-capital losses, $1,166.7 million of capital losses and $191.6 million of other deductible temporary differences since the realization of any related tax benefit through future taxable profits is not probable. The capital losses have no expiry dates and the other deductible temporary differences do not expire under current tax legislation. The non-capital losses are located in the following countries and expire as follows:

Canadian $ millions, as at December 31, 2019	**Expiry**		**Non-capital losses**
Canada	2026-2039	**$**	**707.0**
Other jurisdictions	Various		**169.2**

11. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the years ended December 31		**2019**		2018
Net loss from continuing operations	**$**	**(364.7)**	$	(80.2)
(Loss) earnings from discontinued operations, net of tax		**(3.0)**		16.0
Net loss - basic and diluted	**$**	**(367.7)**	$	(64.2)
Weighted-average number of common shares - basic and diluted[(1)]		**397.3**		391.0
Net loss from continuing operations per common share:				
Basic and diluted	**$**	**(0.92)**	$	(0.21)
(Loss) earnings from discontinued operations per common share:				
Basic and diluted	**$**	**(0.01)**	$	0.04
Net loss per common share:				
Basic and diluted	**$**	**(0.93)**	$	(0.16)

(1) The determination of the weighted-average number of common shares - diluted excludes 9.4 million shares related to stock options, 10.4 million shares related to the warrants from the 2016 debenture extension (note 18) and 47.2 million shares related to the cobalt-linked warrants (note 16) that were anti-dilutive for the year ended December 31, 2019 (9.9 million, 10.4 million and 47.2 million, respectively, for the year ended December 31, 2018).

12. FINANCIAL INSTRUMENTS

Accounting policy

Classification and measurement of financial instruments

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in limited circumstances, the classification is not changed subsequent to initial recognition. The classification of financial assets is based on the Corporation’s business models for managing these financial assets and their contractual cash flow characteristics. Transaction costs with respect to financial instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Corporation’s financial assets are classified into one of the following three measurement categories:

- Financial assets held within a business model for the purpose of collecting contractual cash flows (“held to collect”) that represent solely payments of principal and interest (“SPPI”) are measured at amortized cost.
- Financial assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows represent solely payments of principal and interest are measured at fair value through other comprehensive income (loss) (“FVOCI”).
- Financial assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest will be measured at fair value through profit or loss (“FVPL”).

The Corporation’s financial liabilities are measured at amortized cost, except for financial liabilities measured at FVPL.

Financial assets measured at amortized cost:

- Cash held in banks; restricted cash; advances, loans receivable and other financial assets; trade accounts receivable, net, and unbilled revenue

Financial assets measured at FVOCI:

- Cash equivalents; short-term investments

Financial assets measured at FVPL:

- Ambatovy Joint Venture operator fee receivable

Financial liabilities measured at amortized cost:

- Trade accounts payable and accrued liabilities; loans and borrowings

Financial liabilities measured at FVPL:

- Cobalt-linked warrant liability

Financial assets and liabilities, measured at amortized cost

Financial assets and liabilities included in this category are initially recognized at fair value (net of transaction costs, if applicable) and are subsequently measured at amortized cost using the effective interest method less allowances for expected credit losses (“ACL”).

Financial assets measured at fair value through other comprehensive income (loss)

Financial assets included in this category are initially recognized at fair value and transaction costs are recognized in net earnings (loss). Subsequent to initial recognition, unrealized gains and losses on these instruments are recognized in other comprehensive income (loss). Upon derecognition, realized gains and losses are reclassified from other comprehensive income (loss) and recognized in net earnings (loss). Interest income and dividends from these instruments are recognized in net earnings (loss).

Financial assets and liabilities measured at fair value through profit or loss

Financial instruments included in this category are initially recognized at fair value and transaction costs are recognized in net earnings (loss), along with gains and losses arising from changes in fair value.

Derivative instruments are recorded at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recognized in net earnings (loss).

Derecognition of financial assets and liabilities

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within financing income and financing expense, respectively.

Modifications of financial instruments

When the Corporation modifies a financial instrument and that modification does not result in derecognition, the Corporation revises the gross carrying value of the financial instrument and recognizes a modification gain or loss in net earnings (loss).

Impairment of financial assets

The Corporation applies a three-stage approach to measure an ACL, using an expected credit loss ("ECL") approach as required under IFRS 9 for financial assets measured at amortized cost.

The ECL approach reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on the credit deterioration from inception. The ACL reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

- Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months expected credit loss is recorded. The ECL is computed using a probability of default occurring over the next twelve months. For instruments with a remaining maturity of less than twelve months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. The ECL is computed using a probability of default occurring over the remaining life of the financial instrument. When contractual payments are more than 30 days past due, it is presumed that credit risk has increased significantly subsequent to origination unless the Corporation has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since origination.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. Similar to Stage 2, the ACL captures the lifetime ECL. When contractual payments are more than 90 days past due, it is presumed that default has occurred unless the Corporation has reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate.

The Corporation assesses whether there has been a significant increase in credit risk since initial recognition of a financial instrument and its ACL measurement at each reporting date. Increases or decreases in the ACL are recognized as impairment gains or losses within net finance expense (income) in net earnings (loss).

For trade receivables and contract assets that result from transactions that are within the scope of IFRS 15 and finance lease receivables that result from transactions that are within the scope of IFRS 16, IFRS 9 allows the Corporation to take a simplified approach where the ACL is always measured at the lifetime ECL.

The Corporation's financial assets measured at amortized cost are presented net of the ACL in the consolidated statements of financial position.

Financial instrument measurement hierarchy

All financial instruments are required to be measured at fair value on initial recognition. For those financial assets or liabilities measured at fair value at each reporting date, financial instruments and liquidity risk disclosures require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These levels are defined below:

Level 1: Determined by reference to unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;

Level 2: Valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly; and

Level 3: Valuations using inputs that are not based on observable market data.

Critical accounting estimates

Forward-looking information

The measurement of the ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Multiple forward-looking scenarios

The Corporation estimates an ACL using probability-weighted forward-looking scenarios. The Corporation considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Corporation determines an ECL in each scenario and uses external sources and judgment to apply a probability-weighting to each scenario. The ACL is measured as the present value of the probability-weighted ECL in each scenario, discounted using the original effective interest rate of the instrument.

Critical accounting judgments

Business model assessment

The Corporation applies judgment in determining whether financial assets are managed in order to generate cash flows from the collection of contractual cash flows, selling financial assets or both. For the assessment of business models, the Corporation takes into consideration whether the financial asset is held for trading purposes and the frequency and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The Corporation applies judgment in assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Supporting information

Cash, cash equivalents, restricted cash and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at	**2019 December 31**	2018 December 31
Cash equivalents	**$ 15.8**	$ 41.4
Cash held in banks	**150.3**	165.5
	$ 166.1	$ 206.9

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Madagascar and Cuba that are not rated. The total cash held in Madagascan and Cuban bank deposit accounts was $0.2 million and $85.3 million, respectively, as at December 31, 2019 (December 31, 2018 – $0.3 million and $79.1 million, respectively).

As at December 31, 2019, $79.8 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2018 – $68.2 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

The Corporation's cash equivalents consist of Government of Canada treasury bills, term deposits with maturities of 90 days or less and demand deposits redeemable upon 31 days request. The term deposits and demand deposits are with major financial institutions. As at December 31, 2019, the Corporation had nil Government of Canada treasury bills, nil term deposits and $15.8 million in demand deposits (December 31, 2018 - $25.9 million, nil and $15.5 million, respectively) included in cash and cash equivalents and nil Government of Canada treasury bills included in short-term investments (December 31, 2018 - $0.1 million).

Fair value measurement

As at December 31, 2019, the carrying amounts of cash and cash equivalents; short-term investments; restricted cash; trade accounts receivable, net, and unbilled revenue; current portion of advances, loans receivable and other financial assets; current portion of loans and borrowings; current portion of other financial liabilities; and trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other non-current financial assets and liabilities approximate their carrying amount except as indicated in the below table. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

The following table presents financial instruments with carrying amounts different from their fair values(1):

Canadian $ millions, as at	Note			**2019 December 31**		2018 December 31
		Hierarchy level	**Carrying value**	**Fair value**	Carrying value	Fair value
Liabilities:						
8.00% senior unsecured debentures due 2021(2)	16	1	**$ 164.4**	**$ 74.6**	$ 162.1	$ 127.2
7.50% senior unsecured debentures due 2023(2)	16	1	**187.8**	**57.4**	185.8	132.5
7.875% senior unsecured debentures due 2025(2)	16	1	**201.9**	**66.2**	199.6	136.8
Ambatovy Joint Venture partner loans(3)	16	3	**151.5**	**18.6**	150.2	65.4
Assets:						
Ambatovy Joint Venture subordinated loans receivable(4)	3, 13	3	**61.0**	**61.0**	158.2	134.7
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(4)	3, 13	3	**41.3**	**41.3**	71.2	69.4

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

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

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

(4) As at December 31, 2019, the fair value of the Ambatovy subordinated loans receivable and the Ambatovy subordinated loans receivable - post-financial completion are calculated based on their pro-rata value of the Ambatovy Joint Venture partner loans as a result of the Transaction (note 3). In the comparative period, the fair values of the Ambatovy subordinated loans receivable and Ambatovy subordinated loans receivable - post-financial completion were calculated by discounting future cash flows using rates that are based on market rates adjusted for the borrowers' credit quality.

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	Hierarchy level	**2019 December 31**	2018 December 31
Fair value through profit or loss			
Assets:			
Ambatovy Joint Venture operator fee receivable(1)	3	**$ 12.7**	$ 8.6
Liabilities:			
Cobalt-linked warrant liability(1)(2)	1	**0.7**	2.8
Fair value through other comprehensive income (loss)			
Cash equivalents	1	**15.8**	41.4
Short-term investments	1	**-**	0.1

(1) Changes in fair value are recognized within other financing items within net finance expense (note 9).

(2) The cobalt-linked warrants are measured at fair value using the closing market price as at each reporting date. As at December 31, 2019, the closing price of the cobalt-linked warrants was $0.015 per warrant (December 31, 2018 - $0.06 per warrant).

The following is a reconciliation of the beginning to ending balance for the Ambatovy Joint Venture operator fee receivable included in Level 3:

Canadian $ millions	For the year ended December 31 2019	For the year ended December 31 2018
Balance, beginning of the year	$ 8.6	$ 9.7
Additions	1.5	2.0
Revaluation included within revaluation of financial assets measured at fair value through profit or loss within net finance expense(1)	3.0	(3.9)
Effect of movements in exchange rates	(0.4)	0.8
Balance, end of the year	$ 12.7	$ 8.6

(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.

Trade accounts receivable, net, and unbilled revenue

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

Canadian $ millions, as at	2019 December 31	2018 December 31
Trade accounts receivable, net	$ 154.9	$ 226.9
Unbilled revenue	-	0.6
	$ 154.9	$ 227.5

Aging of trade accounts receivable, net

Canadian $ millions, as at	2019 December 31	2018 December 31
Not past due	$ 125.7	$ 171.4
Past due no more than 30 days	7.9	9.0
Past due for more than 30 days but no more than 60 days	0.8	1.0
Past due for more than 60 days	20.5	45.5
	$ 154.9	$ 226.9

Trade accounts receivable, net

Canadian $ millions, as at	2019 December 31	2018 December 31
Trade accounts receivable	$ 128.4	$ 192.5
Allowance for expected credit losses	(19.1)	(17.9)
Accounts receivable from joint operations	0.1	0.1
Accounts receivable from joint venture	15.8	16.4
Accounts receivable from associate	11.8	10.2
Other	17.9	25.6
	$ 154.9	$ 226.9

Allowance for expected credit losses

Financial assets measured at amortized cost are presented net of their ACL within the consolidated statements of financial position.

Canadian $ millions		As at 2018 December 31	For the year ended December 31, 2019 Revaluation (notes 3 and 9)	Debt-to-equity conversion (note 13)	Foreign exchange and other non-cash items	As at 2019 December 31
Lifetime expected credit losses						
Trade accounts receivable, net	$	(17.9)	$ **(2.2)**	$ **-**	$ **1.0**	$ **(19.1)**
Ambatovy Joint Venture subordinated loans receivable[1][2]		(44.9)	**(105.3)**	**76.8**	**2.2**	**(71.2)**
Ambatovy Joint Venture subordinated loans receivable - post-financial completion[2]		-	**(33.2)**	**-**	**-**	**(33.2)**
Moa Joint Venture expansion loans receivable [3]		-	**(6.8)**	**-**	**-**	**(6.8)**

(1) For the year ended December 31, 2019, the Ambatovy Joint Venture converted US$484.7 million of its subordinated loans payable to equity (note 8) which, at the Corporation's 12% share, resulted in a US$58.2 million ($76.8 million) decrease in the Corporation's subordinated loans receivable and corresponding decrease in the Corporation's ACL.

(2) For the year ended December 31, 2019, the Corporation's probability weighted ECL scenarios for the loans receivables from the Ambatovy Joint Venture include the impact of the Transaction (note 3). The net carrying value of these assets, including their ACLs, are fairly consistent with their pro-rata value of the principal amount and accrued interest of the Ambatovy Joint Venture partner loans.

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

Canadian $ millions		As at 2018 January 1	For the year ended December 31, 2018 Revaluation	Debt-to-equity conversion	Foreign exchange and other non-cash items	As at 2018 December 31
Lifetime expected credit losses						
Trade accounts receivable, net	$	(16.3)	$ (1.9)	$ -	$ 0.3	$ (17.9)
Ambatovy Joint Venture subordinated loans receivable		(50.4)	(47.4)	55.6	(2.7)	(44.9)

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	**2019 December 31**	2018 December 31
Advances and loans receivable			
Ambatovy Joint Venture subordinated loans receivable[1]	3, 12	$ **61.0**	$ 158.2
Ambatovy Joint Venture subordinated loans receivable - post-financial completion[1]	3, 12	**41.3**	71.2
Ambatovy Joint Venture operator fee receivable	12	**12.7**	8.6
Energas conditional sales agreement[1]		**228.4**	221.1
Moa Joint Venture expansion loans receivable[1]		**252.2**	269.2
Other financial assets		**5.4**	16.8
		601.0	745.1
Current portion of advances, loans receivable and other financial assets		**(13.0)**	(24.6)
		$ **588.0**	$ 720.5

(1) As at December 31, 2019, the non-current portions of the Ambatovy subordinated loans receivable, Ambatovy subordinated loans receivable – post-financial completion, Energas conditional sales agreement and the Moa Joint Venture expansion loans receivable are $61.0 million, $41.3 million, $216.0 million and $252.2 million, respectively (December 31, 2018 – $158.2 million, $71.2 million, $212.5 million and $269.2 million, respectively).

Ambatovy subordinated loans receivable

A funding agreement was entered into by the Corporation with the Ambatovy Joint Venture to finance the development of the Ambatovy Project. The facility bears interest at six-month LIBOR plus 6.0%. Repayments of principal or interest will not be made prior to certain conditions of the Ambatovy Joint Venture financing agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. During the year ended December 31, 2019, the Ambatovy Joint Venture converted US$484.7 million of its subordinated loans payable to equity (note 8) which, at the Corporation's 12% share, resulted in a US$58.2 million ($76.8 million) decrease in the Corporation's subordinated loans receivable. During the year ended December 31, 2018, the Ambatovy Joint Venture converted US$355.0 million of its subordinated loans payable to equity (note 8) which, at the Corporation's 12% share, resulted in a US$42.6 million ($55.6 million) decrease in the Corporation's subordinated loans receivable. There was no change to the Corporation's ownership interest as a result of the conversions.

The Ambatovy Joint Venture subordinated loans receivable decreased by $50.4 million on January 1, 2018 upon initial application of IFRS 9. As at December 31, 2019, the Ambatovy Joint Venture subordinated loans receivable is presented net of an ACL of $71.2 million within the consolidated statements of financial position (December 31, 2018 - $44.9 million) (notes 3 and 12).

Ambatovy subordinated loans receivable – post-financial completion

The Ambatovy subordinated loans receivable – post-financial completion is comprised of funding from the Corporation to the Ambatovy Joint Venture as part of the Ambatovy Joint Venture restructuring. The facility bears interest at rates from six-month LIBOR plus 4.5% to six-month LIBOR plus 8.0%. Repayments of principal or interest will not be made prior to certain conditions of the Ambatovy Joint Venture senior debt finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. For the year ended December 31, 2019, no post-financial completion cash funding was provided to the Ambatovy Joint Venture (US$9.6 million ($12.2 million) for the year ended December 31, 2018). As at December 31, 2019, the Ambatovy Joint Venture subordinated loans receivable – post-financial completion is presented net of an ACL of $33.2 million within the consolidated statements of financial position (December 31, 2018 - nil) (notes 3 and 12).

Energas conditional sales agreement

A conditional sales agreement was entered into by the Corporation with Energas to finance construction activity on specific power generating assets in Cuba. The agreement directs the Corporation to arrange for the performance of certain construction activity on behalf of Energas, and contains design specifications for each new construction phase. The Corporation retains title to the constructed assets until the loan is fully repaid. The facility bears interest at 8.0%. Income generated by the constructed assets will be used to repay the facilities. Until the loan is fully repaid, all of the income generated by these assets is paid to the Corporation. The amount of advances and loans receivable from Energas are presented net of the elimination of the 33⅓% proportionately consolidated intercompany balances.

Moa Joint Venture expansion loans receivable

The Moa Joint Venture expansion loans receivable is a funding agreement entered into by the Corporation in prior years to finance expansion. This loans receivable has a fixed interest rate of 6.5%. In June 2015, the maturity date of this agreement was extended to December 31, 2026. Repayments are to be made from available distributable cash flows from the Moa Joint Venture. During the year ended December 31, 2017, interest was suspended for two years on the expansion loans, which resulted in a modification and decrease to the Moa Joint Venture expansion loans receivable of $32.4 million. The interest suspension was an equity contribution to the joint venture and is accreted using the effective interest rate method in financing income. During the year ended December 31, 2019, interest was suspended for an additional 10 months on the expansion loans, which resulted in a decrease to the Moa Joint Venture expansion loans receivable of $14.3 million. During the year ended December 31, 2019, the Moa Joint Venture expansion loans receivable increased $17.0 million due to accretion ($16.1 million for the year ended December 31, 2018). As at December 31, 2019, the Moa Joint Venture expansion loans receivable is presented net of an ACL of $6.8 million within the consolidated statements of financial position (December 31, 2018 - nil) (note 12). Subsequent to December 31, 2019, the accrual of interest will resume.

Moa Joint Venture working capital facility

The Moa Joint Venture working capital facility is a working capital facility for use by the Moa Joint Venture. In January 2018, the maturity of the Moa Joint Venture working capital facility was extended to January 30, 2019 and the maximum credit available was increased from $38.6 million to $45.0 million. The interest rates were prime plus 3.50% or bankers' acceptance plus 4.50%.

On December 21, 2018, the maturity of the Moa Joint Venture working capital facility was extended to April 30, 2020 and the maximum credit available remains at $45.0 million. The interest rates decreased to prime plus 3.00% or bankers' acceptance plus 4.00%. As at December 31, 2019 and December 31, 2018, no amounts were drawn on the facility.

Other financial assets

As at December 31, 2019, included in other financial assets is $5.1 million related to finance lease receivables recognized on adoption of IFRS 16 (notes 4 and 23) (December 31, 2018 - nil). As at December 31, 2018, included in other financial assets is $16.0 million related to an insurance claim reimbursement related to the Corporation's previous Coal operations that was received during the year ended December 31, 2019 (note 17).

14. INVENTORIES

Accounting policies

Raw materials, materials in process and finished products are valued at the lower of average production cost and net realizable value, with cost determined on a moving weighted-average basis. Spare parts and operating materials within inventory are valued at the lower of average cost and net realizable value, and recognized as cost of sales when used.

The cost of inventory includes all costs related to bringing the inventory to its current condition, including mining and processing costs, labour costs, supplies, direct and allocated indirect operating overhead and depreciation expense, where applicable, including allocation of fixed and variable costs.

Write-downs to net realizable value may be reversed, up to the amount previously written down, when circumstances support an increased inventory value.

Supporting information

Canadian $ millions, as at	**2019 December 31**	2018 December 31
Raw materials	**$ -**	$ 0.1
Materials in process	**-**	0.1
Finished products	**10.8**	6.3
	10.8	6.5
Spare parts and operating materials	**24.5**	27.1
	$ 35.3	$ 33.6

For the year ended December 31, 2019, the cost of inventories included in cost of sales was $53.1 million ($58.7 million for the year ended December 31, 2018).

15. NON-FINANCIAL ASSETS

Accounting policies

Property, plant and equipment

Property, plant and equipment include acquisition costs, capitalized development costs and pre-production expenditures that are recorded at cost less accumulated depreciation and accumulated impairment losses. Costs of property, plant and equipment are incurred while construction is in progress and before the commencement of commercial production. Once the construction of an asset is substantially complete, and the asset is ready for its intended use, these costs are depreciated.

Plant and equipment

Plant and equipment include assets under construction; equipment; and processing, refining, power generation and other manufacturing facilities.

The Corporation recognizes major long-term spare parts and standby equipment as plant and equipment when the parts and equipment are significant and are expected to be used over a period greater than a year. Major inspections and overhauls required at regular intervals over the useful life of an item of plant and equipment are recognized in the carrying amount of the related item if the inspection or overhaul provides benefit exceeding one year.

Plant and equipment are depreciated using the straight-line method based on estimated useful lives, once the assets are available for use. Plant and equipment may have components with different useful lives. Depreciation is calculated based on each individual component's useful life. New components are capitalized to the extent that they meet the recognition criteria of an asset. The carrying amount of the replaced component is derecognized, and any gain/loss is included in net earnings (loss). If the carrying amount of the replaced component is not known, it is estimated based on the cost of the new component less estimated depreciation. The useful lives of the Corporation's plant and equipment are as follows:

Buildings and refineries	5 to 40 years
Machinery and equipment	3 to 50 years
Office equipment	3 to 35 years
Fixtures and fittings	3 to 35 years
Assets under construction	not depreciated during development period

Right-of-use assets – Plant and equipment

The Corporation recognizes a right-of-use asset if a contract is or contains a lease based on the definition of a lease. Right-of-use assets – plant and equipment include the underlying assets in leases for office space; machinery and equipment; and computer and telecommunications hardware. The Corporation's accounting policy for leases in accordance with IFRS 16 is described in note 23.

Oil and Gas properties

Oil and Gas properties include acquisition costs and development costs related to properties in production, under development and held for future development. Ongoing pre-development costs relating to properties held for future development are capitalized as incurred. Development costs incurred to access reserves at producing properties and properties under development are capitalized and are depreciated on a unit-of-production basis over the life of such reserves. Reserves are measured based on proven and probable reserves.

Capitalization of borrowing costs

Borrowing costs on funds directly attributable to finance the acquisition, construction or production of a qualifying asset are capitalized until such time as substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that takes a substantial period of time to prepare the asset for its intended use. Where money borrowed specifically to finance a project is invested to earn interest income, the income generated is also capitalized to reduce the total capitalized borrowing costs.

Where the funds used to finance a project form part of general borrowings, interest is capitalized based on the weighted-average interest rate applicable to the general borrowings outstanding during the period of construction.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in net earnings (loss) in the period the item is derecognized.

Intangible assets

Intangible assets are developed internally or acquired as part of a business combination. Internally generated assets are recognized at cost and primarily arise as a result of exploration and evaluation activity and service concession arrangements. Intangible assets acquired as part of a business combination are recognized separately from goodwill, if the asset is separable or arises from contractual or legal rights, and are initially recorded at their acquisition date fair value.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with a finite life are amortized over their useful economic lives on a straight-line or units-of-production basis, as appropriate. The amortization expense is included in cost of sales unless otherwise noted. Intangible assets that are not yet ready for use are not amortized until put into use.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The Corporation has no identifiable intangible assets for which the expected useful life is indefinite.

Exploration and evaluation

Exploration and evaluation (E&E) expenditures are measured using the cost model and generally include the costs of licenses, technical services and studies, seismic studies, exploration drilling and testing, and directly attributable overhead and administration expenses including remuneration of operating personnel and supervisory management. These costs do not include general prospecting or evaluation costs incurred prior to having obtained the rights to explore an area, which are expensed as they are incurred.

E&E expenditures related to Oil and Gas properties are capitalized and carried forward until technical feasibility and commercial viability of extracting the resource is established. The technical feasibility and commercial viability is established when economic quantities of proven and/or probable reserves are determined to exist, at which point the E&E assets attributable to those reserves are reviewed for impairment before being transferred to property, plant and equipment.

Service concession arrangements

Service concession arrangements are contracts between private sector and government entities and can involve the construction, operation or upgrading of public infrastructure. Service concession arrangements can be classified as financial assets (where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement) or intangible assets (where the operator's future cash flows are not specified).

Through its interest in Energas, the Corporation has been contracted to design, construct and operate electrical generating facilities at Boca de Jaruco and Puerto Escondido, Cuba, on behalf of the Cuban government. The sale price of electricity is contractually fixed, but decreases after loans provided by the Corporation to fund the construction are fully repaid. Ownership of these facilities will be transferred to the Cuban government for nil consideration at the end of the contract term which ends in 2023. Energas bears the demand risk on revenues related to assets covered under service concession arrangements as receipts are based on usage rather than an unconditional right to receive cash. As a result, the Boca de Jaruco and Puerto Escondido assets have been classified as intangible assets and represent the Corporation's right to charge the Government of Cuba for future electricity and by-products delivered.

During periods of new construction, enhancement or upgrade activities, the Corporation records a new intangible asset and a corresponding construction revenue amount to reflect the right to charge the Cuban government for an incremental future supply of electricity. The construction expenses relating to the new construction activity are expensed as incurred. The net result of the construction activity is a nil impact to net earnings. Once operational, the carrying amount of the new service concession intangible asset, including capitalized interest, is amortized on a straight-line basis over the remaining contract term.

Repair, maintenance and replacement costs incurred in relation to service concession intangible assets are expensed as incurred.

Amortization

The following intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Service concession arrangements	12 years
Exploration and evaluation	not amortized during development period

Impairment of non-financial assets

The Corporation assesses the carrying amount of non-financial assets including property, plant and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as estimated reserves, budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use. To achieve this, the recoverable amount is the higher of value in use (being the net present value of expected pre-tax future cash flows of the relevant asset) and fair value less costs to sell the asset(s).

Impairment is assessed at the cash-generating unit (CGU) level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs.

If, after the Corporation has previously recognized an impairment loss, circumstances indicate that the recoverable amount of the impaired assets is greater than the carrying amount, the Corporation reverses the impairment loss by the amount the revised recoverable amount exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in the consolidated statements of comprehensive income (loss).

Impairment of exploration and evaluation expenditures at Oil and Gas

Upon determination of proven and probable reserves, the related E&E assets attributable to those reserves are tested for impairment prior to being transferred to property, plant and equipment. Capitalized E&E costs are reviewed and evaluated for impairment at each reporting date for events or changes in circumstances that indicate the carrying amount may not be recoverable from future cash flows of the property.

Critical accounting estimates

Property, plant and equipment

The capitalization of costs, the determination of estimated recoverable amounts and the depletion and depreciation of these assets have a significant impact on the Corporation's financial results.

Certain assets are depreciated using a unit-of-production basis, which involves the estimation of recoverable reserves in determining the depletion and/or depreciation rates of the specific assets. Each item's life, which is assessed annually, is assessed for both its physical life limitations and the economic recoverable reserves of the property at which the asset is located.

For those assets depreciated on a straight-line basis, management estimates the useful life of the assets and their components, which in certain cases may be based on an estimate of the producing life of the property. These assessments require the use of estimates and assumptions including market conditions at the end of the asset's useful life, costs of decommissioning the asset and the amount of recoverable reserves.

Asset useful lives and residual values are re-evaluated at each reporting date.

Reserves for Oil and Gas properties

Reserves are estimates of the amount of product that can be economically and legally extracted from the Corporation's oil and gas properties. Reserve estimates are an integral component in the determination of the commercial viability of a site, depletion amounts charged to cost of sales and any impairment analysis.

In calculating reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, production decline rates, production costs, commodity prices and exchange rates. In addition, future changes in regulatory environments, including government levies or changes in the Corporation's rights to exploit the resource imposed over the producing life of the reserves may also significantly impact estimates.

Critical accounting judgments

Exploration and evaluation

Management must make judgments when determining when to transfer E&E expenditures from intangible asset to property, plant and equipment, which is normally at the time when commercial viability is achieved. Assessing commercial viability requires management to make certain judgments as to future events and circumstances, in particular whether an economically viable operation can be established. Any such judgments may change as new information becomes available. If after having capitalized the expenditure, a decision is made that recovery of the expenditure is unlikely, the amount capitalized is recognized in cost of sales in the consolidated statements of comprehensive income (loss).

Service concession arrangements

The Corporation determined that the contract terms regarding the Boca de Jaruco and Puerto Escondido, Cuba, facilities operated by Energas represent service concession arrangements as described in IFRIC 12, "Service concession arrangements" (IFRIC 12). The Corporation uses judgment to determine whether the grantor sets elements of the services provided by the operator, whether the grantor retains any significant ownership interest in the infrastructure at the end of the agreement, and to determine the classification of the service concession asset as either a financial asset or intangible asset.

Commercial viability

Management uses the best available information to determine when a development project reaches commercial viability which is generally based on management's assessment of when economic quantities of proven and/or probable reserves are determined to exist and the point at which future costs incurred to develop a mine on the property are capitalized. Management also uses the best available information to determine when a project achieves commercial production, the stage at which pre-production costs cease to be capitalized.

For assets under construction, management assesses the stage of each construction project to determine when a project is commercially viable. The criteria used to assess commercial viability are dependent upon the nature of each construction project and include factors such as the asset purpose, complexity of a project and its location, the level of capital expenditure compared to the construction cost estimates, completion of a reasonable period of testing of the mine plant and equipment, ability to produce the commodity in saleable form (within specifications), and ability to sustain ongoing production of the commodity.

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 CGU level and the determination of CGUs is an area of judgment.

For purposes of determining fair value, 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 fair value of these assets. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Supporting information

Property, plant and equipment

Canadian $ millions, for the year ended December 31	Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	2019 Total
Cost				
Balance, beginning of the year	$ 192.3	$ 692.4	$ -	$ 884.7
Reclassified from plant, equipment and land to right-of-use assets - plant, equipment and land(1)	-	(1.4)	1.4	-
Additions	8.1	4.4	11.3	23.8
Additions and changes in estimates to environmental rehabilitation provisions	(12.7)	10.2	-	(2.5)
Disposals and derecognition	(14.2)	(8.0)	-	(22.2)
Effect of movements in exchange rates	(8.8)	(19.4)	0.6	(27.6)
Reclassified from assets held for sale	-	4.0	-	4.0
Balance, end of the year	$ 164.7	$ 682.2	$ 13.3	$ 860.2
Depletion, depreciation and impairment losses				
Balance, beginning of the year	$ 180.7	$ 476.1	$ -	$ 656.8
Reclassified from plant, equipment and land to right-of-use assets - plant, equipment and land(1)	-	(0.2)	0.2	-
Depletion and depreciation	1.1	23.7	3.1	27.9
Impairments	-	2.3	-	2.3
Disposals and derecognition	(7.9)	(5.0)	-	(12.9)
Effect of movements in exchange rates	(9.5)	(16.1)	-	(25.6)
Reclassified from assets held for sale	-	3.1	-	3.1
Balance, end of the year	$ 164.4	$ 483.9	$ 3.3	$ 651.6
Net book value	$ 0.3	$ 198.3	$ 10.0	$ 208.6

(1) The reclassification from plant, equipment and land to right-of-use assets - plant, equipment and land relates to the initial application of IFRS 16 (note 4).

Canadian $ millions, for the year ended December 31	Oil and Gas properties	Plant, equipment and land	2018 Total
Cost			
Balance, beginning of the year	$ 176.0	$ 654.5	$ 830.5
Additions	1.0	23.3	24.3
Additions and changes in estimates to environmental rehabilitation provisions	6.0	3.1	9.1
Disposals and derecognition	-	(21.2)	(21.2)
Effect of movements in exchange rates	9.3	32.7	42.0
Balance, end of the year	$ 192.3	$ 692.4	$ 884.7
Depletion, depreciation and impairment losses			
Balance, beginning of the year	$ 169.5	$ 432.5	$ 602.0
Depletion and depreciation	2.5	23.8	26.3
Impairments	-	2.3	2.3
Disposals and derecognition	-	(9.5)	(9.5)
Effect of movements in exchange rates	8.7	27.0	35.7
Balance, end of the year	$ 180.7	$ 476.1	$ 656.8
Net book value	$ 11.6	$ 216.3	$ 227.9

Extension of the Puerto Escondido/Yumuri production-sharing contract

In January 2018, a three-year extension of the Puerto Escondido/Yumuri production-sharing contract to March 2021 was executed with an agency of the Government of Cuba. As a result, the useful life of property, plant and equipment related to the Puerto Escondido/Yumuri production-sharing contract was extended from March 2018 to March 2021 and the environmental rehabilitation provision was reclassified from current to non-current.

Canadian $ millions		Plant, equipment and land
Assets under construction, included in above		
As at December 31, 2019	**$**	**9.6**
As at December 31, 2018		11.0

Intangible assets

Canadian $ millions, for the year ended December 31		Contractual arrange-ments		Exploration and Evaluation		Service concession arrange-ments		Other		Total 2019
Cost										
Balance, beginning of the year	$	**27.0**	$	**82.0**	$	**236.8**	$	**9.1**	$	**354.9**
Additions through internal development		**-**		**29.7**		**-**		**-**		**29.7**
Effects of movements in exchange rates		**-**		**(4.0)**		**(11.1)**		**-**		**(15.1)**
Balance, end of the year	**$**	**27.0**	**$**	**107.7**	**$**	**225.7**	**$**	**9.1**	**$**	**369.5**
Amortization and impairment losses										
Balance, beginning of the year	$	**25.4**	$	**12.3**	$	**147.6**	$	**9.1**	$	**194.4**
Amortization		**0.5**		**-**		**20.4**		**-**		**20.9**
Impairments		**-**		**-**		**20.3**		**-**		**20.3**
Effect of movements in exchange rates		**-**		**-**		**(7.7)**		**-**		**(7.7)**
Balance, end of the year	**$**	**25.9**	**$**	**12.3**	**$**	**180.6**	**$**	**9.1**	**$**	**227.9**
Net book value	**$**	**1.1**	**$**	**95.4**	**$**	**45.1**	**$**	**-**	**$**	**141.6**

Canadian $ millions, for the year ended December 31		Contractual arrange-ments		Exploration and Evaluation		Service concession arrange-ments		Other		Total 2018
Cost										
Balance, beginning of the year	$	27.0	$	52.3	$	218.2	$	9.1	$	306.6
Additions through internal development		-		25.1		-		-		25.1
Effect of movements in exchange rates		-		4.6		18.6		-		23.2
Balance, end of the year	$	27.0	$	82.0	$	236.8	$	9.1	$	354.9
Amortization										
Balance, beginning of the year	$	25.1	$	12.3	$	117.2	$	9.1	$	163.7
Amortization		0.3		-		19.5		-		19.8
Effect of movements in exchange rates		-		-		10.9		-		10.9
Balance, end of the year	$	25.4	$	12.3	$	147.6	$	9.1	$	194.4
Net book value	$	1.6	$	69.7	$	89.2	$	-	$	160.5

Exploration and evaluation

Exploration and evaluation assets include three production-sharing contracts (PSCs) with the Government of Cuba, respectively referred to as Block 6A, Block 8A and Block 10. The three PSCs have terms of 25 years. Exploration and evaluation assets include capitalized expenditures on these three blocks, and primarily consist of exploration drilling performed on Block 10.

Service concession arrangements

Service concession arrangements include the Puerto Escondido/Yumuri pipeline and the Energas Boca de Jaruco power generation facility.

During the year ended December 31, 2019, the Corporation recognized an impairment of $20.3 million on the Boca de Jaruco power generation facility, a cash-generating unit in the Power segment, as a result of a forecasted decline in gas supply. The impairment was determined by calculating the recoverable amount of the cash-generating unit based on value in use using the present value of expected future cash flows. A discount rate of 7.2% was used to discount cash flows in the valuation model and the recoverable amount was calculated to be $48.1 million. Key assumptions in the valuation model included operating cash flows, capital expenditures, available gas supply and discount rate.

16. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

Canadian $ millions	Note	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[1]	12	$ 162.1	$ -	$ **2.3**	$ **164.4**
7.50% senior unsecured debentures due 2023[1]	12	185.8	**-**	**2.0**	**187.8**
7.875% senior unsecured debentures due 2025[1]	12	199.6	**-**	**2.3**	**201.9**
Ambatovy Joint Venture partner loans[2]	12	150.2	**(7.0)**	**8.3**	**151.5**
Syndicated revolving-term credit facility		8.0	**-**	**-**	**8.0**
		$ 705.7	$ **(7.0)**	$ **14.9**	$ **713.6**
Current portion of loans and borrowings		(8.0)			**(159.5)**
		$ 697.7			$ **554.1**

(1) As at December 31, 2019, the outstanding principal amounts of the 8.00% senior unsecured debentures due 2021, 7.50% senior unsecured debentures due 2023 and 7.875% senior unsecured debentures due 2025 are $169.6 million, $197.8 million and $220.7 million, respectively. Other non-cash changes consists of accretion.

(2) As at December 31, 2019, the outstanding principal amount of the Ambatovy Joint Venture partner loans is $142.5 million, including accrued interest. Other non-cash changes on the Ambatovy Joint Venture partner loans consists of accretion, accrued interest and a revaluation loss of $2.5 million (note 9). Accrued and unpaid interest on these loans is capitalized to the loan balance semi-annually in June and December.

Canadian $ millions	As at 2017 December 31	For the year ended December 31, 2018 — Cash flows: Repurchase	Non-cash changes: Effect of movement in exchange rates	Other	As at 2018 December 31
8.00% senior unsecured debentures due 2021	$ 213.2	$ (47.9)	$ -	$ (3.2)	$ 162.1
7.50% senior unsecured debentures due 2023	240.7	(46.9)	-	(8.0)	185.8
7.875% senior unsecured debentures due 2025	234.4	(25.5)	-	(9.3)	199.6
Ambatovy Joint Venture partner loans	127.8	-	11.3	11.1	150.2
Syndicated revolving-term credit facility	8.0	-	-	-	8.0
	$ 824.1	$ (120.3)	$ 11.3	$ (9.4)	$ 705.7
Current portion of loans and borrowings	(8.0)				(8.0)
	$ 816.1				$ 697.7

Senior unsecured debentures

During the year ended December 31, 2018, the Corporation repurchased $131.9 million total principal amount of the senior unsecured debentures at a total cost of $120.3 million. A gain on repurchase of debentures of $2.3 million, net of $9.4 million related to deferred financing costs and the impact of the adoption of IFRS 9, was recognized during the year ended December 31, 2018. The gain was recognized within net finance expense in the consolidated statements of comprehensive income (loss) (note 9). The Corporation also paid accrued interest of $3.2 million on these repurchased debentures during the year ended December 31, 2018.

Transaction costs for the repurchase of the senior unsecured debentures totalled $1.3 million for the year ended December 31, 2018, of which $1.3 million were paid during the year ended December 31, 2018.

Under the Corporation's indenture agreement, the Corporation is subject to restrictions, often referred to as "baskets", which limit the incurrence of indebtedness and the ability to make certain distributions, unless certain financial ratios are met. If earnings before interest, taxes, depreciation and amortization ("EBITDA")-to-interest expense, both as defined in the agreement, is above 2:1, debt can be incurred without the use of a basket and an additional basket for restricted payments becomes available. Similarly, if indebtedness-to-EBITDA is below 3:1, distributions and other restricted payments are no longer limited.

Ambatovy Joint Venture partner loans

In 2008, the Ambatovy Joint Venture partners finalized agreements to provide Sherritt with loans to be used to fund Sherritt's contributions for the project.

As at December 31, 2019, the Corporation is a defaulting shareholder of the Ambatovy Joint Venture (note 8), which results in the Ambatovy Joint Venture partner loans also being in default and being classified as current liabilities. Despite being in default on the Ambatovy Joint Venture partner loans, the Ambatovy Joint Venture partners' current recourse against the Corporation is limited to the Corporation's ownership interest in, and future distributions to be paid by, the Ambatovy Joint Venture. These loans accrue interest at six-month LIBOR plus 1.125%. Given the limited recourse nature of these loans, the Corporation will not make cash payments on these loans prior to their 2023 maturity date. At maturity, Sherritt can elect to: (i) repay the loans in cash, (ii) repay the loans in shares or a combination of cash and shares at 105% of the amount then due, or (iii) repay in 10 equal semi-annual principal installments (plus interest) commencing in December 2024, at an interest rate of LIBOR + 5% applied from the original August 2023 maturity date.

The default of the Ambatovy Joint Venture partner loans would have also resulted in an event of default on the syndicated revolving-term credit facility; however, this potential default of the credit facility was waived prior to its occurrence through to the maturity of the credit facility on April 30, 2020.

The principal amount outstanding of the Ambatovy Joint Venture partner loans as at December 31, 2019 was $142.5 million, including accrued interest (December 31, 2018 - $144.0 million). The Corporation's ability to draw additional amounts on the facility expired on August 22, 2014.

Syndicated revolving-term credit facility

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

The facility is subject to the following financial covenants and restrictions as of December 31, 2019:

- EBITDA, as defined in the agreement, equal to or greater than $70.0 million, a decrease from $100.0 million as at December 31, 2018;
- EBITDA-to-interest expense covenant of not less than 1.35:1, a decrease from 1.75:1 as at December 31, 2018;
- Limits on capital expenditures and funding of the Moa Joint Venture and Ambatovy Joint Venture, which remained unchanged during the year; and
- Minimum cash covenant balance, as defined in the agreement, of $70.0 million, less undrawn credit, a decrease from $100.0 million, less undrawn credit, as at December 31, 2018. This amount is comprised of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada. The required minimum cash covenant balance as at December 31, 2019 is calculated to be $53.3 million (December 31, 2018 - $84.9 million).

As at December 31, 2019, the Corporation has $45.3 million of letters of credit outstanding pursuant to this facility (December 31, 2018 - $46.9 million). As at December 31, 2019, $8.0 million has been drawn on this facility (December 31, 2018 - $8.0 million).

Covenants

As at December 31, 2019, there are no events of default on the Corporation's debentures or syndicated revolving-term credit facility. The Corporation did not meet the financial ratios required to remove limitations on the incurrence of debt or certain distributions under the senior unsecured debentures indenture agreement.

Other financial liabilities

Canadian $ millions, as at	2019 December 31	2018 December 31
Lease liabilities	$ **14.8**	$ 0.8
Cobalt-linked warrant liability	**0.7**	2.8
Share-based compensation liability	**2.2**	5.7
Other financial liabilities	**5.1**	3.8
	22.8	13.1
Current portion of other financial liabilities	**(9.3)**	(7.4)
	$ **13.5**	$ 5.7

Lease liabilities

		For the year ended December 31, 2019				
		Cash flows		Non-cash changes		
Canadian $ millions	As at 2018 December 31	Principal repayments (note 23)	Interest paid (notes 20 and 23)	Effect of movement in exchange rates	Other(1)	As at 2019 December 31
Lease liabilities	$ 0.8	$ (3.3)	$ (1.0)	$ -	$ 18.3	$ 14.8

(1) Other non-cash changes consists of the effect of initial application of IFRS 16 on January 1, 2019 (note 4), initial recognition of lease liabilities during the year and interest expense.

Cobalt-linked warrant liability

In January 2018, the Corporation issued 47.2 million cobalt-linked warrants as part of a unit offering that also included common shares (note 18). 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 December 31, 2019, 47.2 million cobalt-linked warrants related to the 2018 unit offering were outstanding (December 31, 2018 - 47.2 million).

17. PROVISIONS, CONTINGENCIES AND GUARANTEES

Accounting policies

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in cost of sales or administrative expenses, depending on the nature of the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

Environmental rehabilitation

Provisions for environmental rehabilitation include decommissioning and restoration costs when the Corporation has an obligation to dismantle and remove infrastructure and residual materials as well as to restore the disturbed area. Estimated decommissioning and restoration costs are provided for in the accounting period when the obligation arising from the disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The provision for environmental rehabilitation is reviewed and adjusted each period to reflect developments which could include changes in closure dates, legislation, discount rate or estimated future costs.

The amount recognized as a liability for environmental rehabilitation is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of property, plant and equipment and is depreciated over the life of the corresponding asset. The impact of amortization or unwinding of the discount rate applied in establishing the net present value of the provision is recognized in financing expense. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, “Property, Plant and Equipment”. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying amount is taken immediately to cost of sales.

If the change in estimate results in an increase in the rehabilitation provision and therefore an addition to the carrying amount of the asset, the entity is required to consider whether the new carrying amount is recoverable, and whether this is an indication of impairment of the asset as a whole. If indication of impairment of the asset as a whole exists, the Corporation tests for impairment in accordance with IAS 36, “Impairment of Assets”. If the carrying amount of the revised mine assets, net of rehabilitation provisions, exceeds the recoverable value, that portion of the increase is charged directly to cost of sales. For closed sites, changes to estimated costs are recognized immediately in cost of sales. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated cost of outstanding rehabilitation work at each statement of financial position date and any increase in overall cost is expensed.

Critical accounting estimates

The Corporation’s environmental rehabilitation provisions are subject to environmental regulations in Canada, Cuba and other countries in which the Corporation operates. Many factors such as future changes to environmental laws and regulations, life of mine estimates, the cost and time it will take to rehabilitate the property and discount rates, all affect the carrying amount of environmental rehabilitation provisions. As a result, the actual cost of environmental rehabilitation could be higher than the amounts the Corporation has estimated. For certain operations, actual costs will ultimately be determined after site closure in agreement with predecessor companies.

The environmental rehabilitation provision is assessed quarterly and measured by discounting the expected cash flows. The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rate depends on a number of factors, including the timing of rehabilitation activities that can extend decades into the future and the location of the property.

Supporting information

Canadian $ millions, as at	**2019 December 31**	2018 December 31
Environmental rehabilitation provisions	**$ 97.9**	$ 107.7
Other provisions	**6.5**	9.5
	104.4	117.2
Current portion of provisions	**(5.0)**	(8.6)
	$ 99.4	$ 108.6

Environmental rehabilitation provisions

Provisions for environmental rehabilitation obligations are recognized in respect of Oil and Gas, Power and mining operations and include associated infrastructure and buildings, such as oil and gas production facilities, refinery, fertilizer and utilities facilities. The obligations normally take place at the end of the asset's useful life.

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions, for the years ended December 31	Note	**2019**	2018
Balance, beginning of the year		**$ 107.7**	$ 95.3
Change in estimates		**(2.5)**	9.1
Gain on settlement of environmental rehabilitation provision		**(0.7)**	-
Accretion	9	**0.3**	0.7
Effect of movement in exchange rates		**(6.9)**	2.6
Balance, end of the year		**$ 97.9**	$ 107.7

The Corporation has estimated that it will require approximately $138.8 million in undiscounted cash flows to settle these obligations. The payments are expected to be funded by cash generated from operations. Discount rates from 0.97% to 7.09% were applied to expected future cash flows to determine the carrying value of the environmental rehabilitation provisions.

Other provisions

The following is a reconciliation of other provisions:

Canadian $ millions, for the years ended December 31	**2019**	2018
Balance, beginning of the year	**$ 9.5**	$ 15.0
Change in estimates	**3.6**	-
Reclassified to trade accounts payable and accrued liabilities	**-**	(0.3)
Utilized during the year	**(6.6)**	(5.2)
Balance, end of the year	**$ 6.5**	$ 9.5

For the year ended December 31, 2019, the Corporation recognized $9.4 million in cash provided by discontinued operations in the consolidated statements of cash flow, which represents an insurance claim reimbursement net of cash paid to settle obligations retained by the Corporation after the disposition of the Coal operations in 2014 ($8.5 million in cash used by discontinued operations for the year ended December 31, 2018). In December 2018, the Corporation recognized $16.0 million in income within earnings (loss) from discontinued operations in the consolidated statements of comprehensive income (loss) related to this insurance claim reimbursement. The corresponding receivable was included within other financial assets in the consolidated statements of financial position in the comparative period. The Corporation received the insurance claim reimbursement in January 2019.

Contingencies

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

In addition to the above matter, the Corporation and its subsidiaries are also subject to routine legal proceedings and tax audits. The Corporation does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated net earnings, cash flow or financial position.

18. SHAREHOLDERS' EQUITY

Capital stock

In January 2018, the Corporation completed a unit offering and issued units consisting of 94.5 million common shares and 47.2 million cobalt-linked warrants (note 16) at $1.40 per unit for gross proceeds of $132.3 million. The value of the common shares was determined to be $1.23 per common share which totaled $116.2 million after measuring the fair value of the cobalt-linked warrants. Transaction costs of $7.2 million were allocated to the common shares based on the relative fair values of the common shares and cobalt-linked warrants and were deducted from equity, resulting in a net increase to equity of $109.0 million.

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

Canadian $ millions, except share amounts, for the years ended December 31		**2019**			2018
	Number	**Capital stock**	Number		Capital stock
Balance, beginning of the year	**397,281,686**	**$ 2,894.9**	301,758,665	$	2,784.6
Equity issuance, net of transaction costs - 2018 unit offering	**-**	**-**	94,464,400		109.0
Stock options exercised	**-**	**-**	193,800		0.2
Warrants exercised - 2016 debenture extension	**1,099**	**-**	864,821		1.1
Balance, end of the year	**397,282,785**	**$ 2,894.9**	397,281,686	$	2,894.9

During the year ended December 31, 2016, 19.1 million warrants were granted to Noteholders of the senior unsecured debentures that elected to extend the maturity dates with a fair value of $0.43 per warrant which totaled $8.2 million. As at December 31, 2019, 10.4 million warrants related to the 2016 debenture extension were outstanding (December 31, 2018 – 10.4 million).

Reserves

Canadian $ millions, for the years ended December 31		**2019**		2018
Stated capital reserve				
Balance, beginning of the year	**$**	**222.2**	$	222.6
Warrants exercised - 2016 debenture extension		**-**		(0.4)
Balance, end of the year		**222.2**		222.2
Share-based compensation reserve[(1)]				
Balance, beginning of the year	**$**	**11.2**	$	10.3
Stock options exercised		**-**		(0.1)
Stock option plan expense		**0.3**		1.0
Balance, end of the year		**11.5**		11.2
Total reserves, end of the year	**$**	**233.7**	$	233.4

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

Accumulated other comprehensive income

Canadian $ millions, for the years ended December 31		**2019**		2018
Foreign currency translation reserve				
Balance, beginning of the year	**$**	**541.8**	$	470.9
Foreign currency translation differences on foreign operations		**(40.9)**		70.9
Balance, end of the year		**500.9**		541.8
Actuarial losses on pension plans				
Balance, beginning of the year		**(4.6)**		(4.4)
Actuarial losses on pension plans, net of tax		**(0.5)**		(0.2)
Balance, end of the year		**(5.1)**		(4.6)
Total accumulated other comprehensive income	**$**	**495.8**	$	537.2

19. SHARE-BASED COMPENSATION PLANS

Accounting policies

The Corporation operates cash-settled and equity-settled share-based compensation plans under which it makes cash payments based on the value of the underlying equity instrument of the Corporation, or issues equity instruments of the Corporation, to directors, officers and employees in exchange for services.

The Corporation's cash-settled share plans, including stock options with tandem stock appreciation rights ("Options with Tandem SARs"), Restricted Share Units ("RSUs"), Performance Share Units ("PSUs") and Deferred Share Units ("DSUs"), are recognized as liabilities at the date of grant.

The fair value of the liability of the Options with Tandem SARs is determined based on the application of the Black-Scholes option valuation model at the date granted and subsequently re-measured each reporting date based on the market value of the Corporation's shares and management's estimate of the number of shares expected to vest. Projections are reviewed at each reporting date up to the vesting date to reflect management's best estimates and adjusted as required. Movements in the liability between reporting dates are recognized as an adjustment to the liability and an offsetting expense or recovery. At each reporting date until settlement, the fair value of the awards is re-measured based on revised pricing parameters of the model based on market conditions at the reporting date and estimates of forfeiture rates. Options with Tandem SARs permit awards to be settled in shares. If this occurs, the liability is transferred directly to equity as part of the consideration for the equity instruments issued.

The fair value of the RSU liability at the date of grant and at each subsequent reporting date until settlement is based on the market value of the Corporation's shares. If the Corporation's share price changes between reporting dates then the fair value of the RSU liability is adjusted and an offsetting expense or recovery is recognized in the statement of comprehensive income (loss). The adjusted fair value of the RSU liability is then amortized over the remaining vesting period. For RSUs issued with performance requirements, the fair value at the date of grant and at each subsequent reporting date until settlement is based on performance metrics which are defined at the time of issuance and on the market value of the Corporation's shares with the liability expensed over the vesting period. Adjustments recorded are amortized over the remaining vesting period.

The fair value of the PSU liability at the date of grant and at each subsequent reporting date until settlement is based on performance metrics which are defined at the time of issuance and on the market value of the Corporation's shares with the liability expensed over the vesting period. If the Corporation's share price or the expected achievement of the performance requirements changes between reporting dates then the fair value of the PSU liability is adjusted and an offsetting expense or recovery is recognized in the statement of comprehensive income (loss). Adjustments recorded are amortized over the remaining vesting period.

The fair value of DSUs at the date of grant and at each subsequent reporting date until settlement is based on the market value of the shares with the liability expensed over the vesting period. Movements in the liability between reporting dates are recognized as an adjustment to the liability and an offsetting expense or recovery. The adjustment amount is amortized over the remaining vesting period.

The Corporation has one equity-settled compensation plan that is comprised of its stock option plan. Stock option obligations are settled by the issuance of shares from treasury. The fair value of grants issued under the stock option plan are determined at the date of grant using the Black-Scholes option valuation model. They are only re-measured if there is a modification to the terms of the option, such as a change in exercise price or legal life. The fair value of the stock option plan is recognized as an expense over the expected vesting period with a corresponding entry to shareholders' equity.

Supporting information

Cash-settled share-based compensation plans

Restricted Share Units (RSUs)

Under the terms of the Executive Share Unit Plan, the RSUs are available to be granted to executives and employees. The RSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period for RSUs determined by reference to the market price of the common shares multiplied by the number of RSUs held by the participant. RSUs are issued subject to vesting conditions, including performance criteria, if any, which are set by the Human Resources Committee of the Board of Directors (the Committee). The RSUs vest at the sole discretion of the Committee. RSUs vest not later than the earlier of (a) the earlier of: (i) December 31 of the third calendar year following the calendar year in respect of which the RSUs were granted or (ii) the date set out in the RSU grant agreement; and (b) the date of death of a participant. The vesting date set out in the grant agreement is typically the third anniversary of the grant date. The Corporation shall redeem all of a participant's vested RSUs on the vesting date and may, at the discretion of the Committee, redeem all or any part of a participant's unvested RSUs prior to the vesting date.

Beginning in 2013, the Corporation began issuing performance based RSUs to certain employees, which vest at the end of three years. Under the plan, each unit awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the consolidated statement of comprehensive income (loss) over the service period required for employees to become fully entitled to the award. At the maturity date, the participant receives cash representing the value of the units. The final number of units that vest will vary from 80% to 120% of the number of outstanding units on the vesting date based on the Corporation's total shareholder return relative to a benchmark index comprised of mining and oil and gas companies. The number of RSUs subject to a performance condition based solely on the Corporation's relative total shareholder return outstanding at December 31, 2019 was nil (December 31, 2018 – 10,044,510).

Beginning in 2017, the Corporation's Board of Directors approved the grant of RSUs to certain employees with a 3-year vesting period with no performance conditions. The number of RSUs subject to no performance conditions outstanding at December 31, 2019 was 12,469,485 (December 31, 2018 – 4,896,136).

Performance Share Units (PSUs)

Beginning in 2017, the Corporation's Board of Directors approved the grant of PSUs to certain employees. The PSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period determined by reference to the market price of the common shares multiplied by the number of PSUs held by the participant as adjusted for dividend equivalents credited, if any. A liability is accrued related to the units awarded and a compensation expense is recognized in the consolidated statements of comprehensive income (loss) over the 3-year service period required for employees to become fully entitled to the award. The PSUs are issued subject to vesting conditions, including performance conditions, which are set by the Human Resources Committee. The vesting of PSUs will be subject to the achievement of two equally-weighted performance conditions measured over the 3-year vesting period: (i) the Corporation's total shareholder return relative to benchmark indices comprised of mining and oil and gas companies (a market condition); and (ii) unit cost of production compared to budget (a non-market condition). The value of PSUs that vest will vary from 0% to 200% based on the achievement of the market and non-market performance conditions. The number of PSUs subject to these performance conditions outstanding at December 31, 2019 was 14,567,709 (December 31, 2018 – 6,994,360).

Deferred Share Units (DSUs)

Under the terms of the Non-executive Directors' Deferred Share Unit Plan, the DSUs are available to be granted to non-executive directors. The DSUs represent a right to receive a cash amount payable by the Corporation to a participant following departure from the Board of Directors. The value payable is determined by reference to the market price of the common shares multiplied by the number of DSUs held by the participant as adjusted for dividend equivalents credited. DSUs vest on the later of (a) the grant date or (b) the date that any terms of vesting conditions attached to the DSUs are satisfied. DSUs generally vest on the grant date. DSUs are redeemed by the Corporation at the election of the participant by filing a notice of redemption not earlier than the participant's termination date and not later than December 1st of the calendar year following the termination date.

A summary of the RSU, PSU and DSU units outstanding as at December 31, 2019 and 2018 and changes during the year ended is as follows:

For the year ended December 31			**2019**
	RSU	**PSU**	**DSU**
Outstanding, beginning of the year	**14,940,646**	**6,994,360**	**2,029,748**
Granted	**8,006,947**	**8,006,947**	**1,622,917**
Exercised	**(8,035,608)**	**-**	**(601,336)**
Forfeited	**(2,442,500)**	**(433,598)**	**-**
Outstanding, end of the year	**12,469,485**	**14,567,709**	**3,051,329**
Units exercisable, end of the year	**n/a**	**n/a**	**3,051,329**

For the year ended December 31			2018
	RSU	**PSU**	**DSU**
Outstanding, beginning of the year	16,091,772	3,761,449	2,302,539
Granted	2,687,978	3,559,578	565,689
Exercised	(2,604,303)	-	(838,480)
Forfeited	(1,234,801)	(326,667)	-
Outstanding, end of the year	14,940,646	6,994,360	2,029,748
Units exercisable, end of the year	n/a	n/a	2,029,748

For cash-settled share-based compensation plans, the Corporation recorded a compensation expense of $0.3 million for the year ended December 31, 2019 (compensation recovery of $12.8 million for the year ended December 31, 2018). The carrying amount of liabilities associated with cash-settled share-based compensation plans is $2.2 million as at December 31, 2019 (December 31, 2018 - $5.7 million).

Measurement of fair values at grant date

The fair value of the RSUs, PSUs and DSUs are determined by reference to the market value and performance conditions, as applicable, of the shares at the time of grant. The following summarizes the weighted-average grant date fair values for the RSU, PSU and DSU units granted during the period:

Canadian $, for the years ended December 31	**2019**	2018
RSU	**$ 0.49**	$ 1.18
PSU	**0.49**	1.20
DSU	**0.32**	1.06

The intrinsic value of cash-settled share-based compensation awards vested and outstanding as at December 31, 2019 was $2.7 million (December 31, 2018 - $5.4 million).

Equity-settled stock option plan and options with tandem stock appreciation rights

The Corporation maintains a stock option plan, pursuant to which securities of the Corporation may be issued as compensation. Eligible participants are those persons designated from time to time by the Committee from among the executive officers and certain senior employees of the Corporation or its subsidiaries who occupy responsible managerial or professional positions and who have the capacity to contribute to the success of the Corporation.

Under the Corporation's stock option plan, the Committee has the discretion to attach Tandem SARs to options, which entitles the holder to a cash payment of the difference between the option's exercise price and the volume-weighted average trading price of a share on the Toronto Stock Exchange for the five trading days preceding the exercise date. Options with Tandem SARs have not been issued since March 2010.

The maximum number of stock options issuable is 17,500,000. The remaining number of options which may be issued under the stock option plan is 1,658,985 at December 31, 2019. Under the stock option plan, the exercise price of each option equals the volume-weighted average trading price over the five days prior to the date the option is granted. An option's maximum term is 10 years. Options vest on such terms as the Committee determines, generally in three equal instalments on the annual anniversary date of the grant of the options. When options with or without Tandem SARs are exercised, the related options are cancelled and the shares underlying such options are issued and are no longer available for issuance under the stock option plan.

The following is a summary of stock option activity:

Canadian $, except number of options, for the years ended December 31			**2019**			2018
	Number of options		**Weighted-average exercise price**	Number of options		Weighted-average exercise price
Outstanding, beginning of the year	**9,897,219**	**$**	**2.31**	10,435,061	$	2.77
Granted	**-**		**-**	758,139		1.25
Exercised for shares	**-**		**-**	(193,800)		0.68
Forfeited	**-**		**-**	(802,181)		3.63
Expired	**(465,000)**		**5.16**	(300,000)		13.20
Outstanding, end of the year	**9,432,219**	**$**	**2.17**	9,897,219	$	2.31
Options exercisable, end of the year	**8,569,533**	**$**	**2.27**	7,222,991	$	2.80

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

As at December 31							**2019**
Range of exercise prices	**Number outstanding**	**Weighted-average remaining contractual life (years)**		**Weighted-average exercise price**	**Number exercisable**		**Exercisable weighted-average exercise price**
$0.68 - $0.94	**3,511,700**	**6.2**	**$**	**0.68**	**3,511,700**	**$**	**0.68**
$0.95 - $1.68	**1,922,930**	**7.6**		**1.22**	**1,060,244**		**1.21**
$1.69 - $2.55	**1,545,000**	**5.3**		**2.11**	**1,545,000**		**2.11**
$2.56 - $5.15	**1,591,500**	**4.0**		**3.72**	**1,591,500**		**3.72**
$5.16 - $9.10	**861,089**	**1.3**		**7.61**	**861,089**		**7.61**
Total	**9,432,219**	**5.5**	**$**	**2.17**	**8,569,533**	**$**	**2.27**

As at December 31, 2019, 310,389 options with tandem SARs (December 31, 2018 – 775,389) and 9,121,830 options without tandem SARs (December 31, 2018 – 9,121,830) remained outstanding for which the Corporation has recognized a compensation expense of $0.3 million for the year ended December 31, 2019 (compensation expense of $1.0 million for the year ended December 31, 2018). The carrying amount of liabilities associated with stock options with tandem SARs is nil as at December 31, 2019 (December 31, 2018 – nil).

20. SUPPLEMENTAL CASH FLOW INFORMATION

Accounting policies

The Corporation presents the consolidated statements of cash flow using the indirect method. The Corporation presents interest received and interest paid as operating activities in the consolidated statements of cash flow. Dividends paid are presented as a financing activity, while distributions received are presented as an operating activity in the consolidated statements of cash flow.

Supporting information

Net change in non-cash working capital includes the following:

Canadian $ millions, for the years ended December 31		**2019**		2018
Trade accounts receivable, net, and unbilled revenue	**$**	**65.8**	$	76.1
Inventories		**(2.7)**		0.7
Prepaid expenses		**(0.2)**		0.2
Trade accounts payable and accrued liabilities		**(37.3)**		(11.2)
Deferred revenue		**(17.3)**		7.5
	$	**8.3**	$	73.3

Interest received includes the following:

Canadian $ millions, for the years ended December 31		**2019**		2018
Interest received on finance lease receivables(1)	**$**	**0.3**	$	-
Interest received on the Energas conditional sales agreement		**2.9**		-
Interest received on the Moa Joint Venture working capital facility		**-**		0.9
Other interest received		**2.5**		3.2
	$	**5.7**	$	4.1

(1) In the comparative period, leases were accounted for under IAS 17 and IFRIC 4 and lease receipts were recognized in net change in non-cash working capital (notes 4 and 23).

Interest paid includes the following:

Canadian $ millions, for the years ended December 31	Note		**2019**		2018
Interest paid on lease liabilities(1)	16, 23	**$**	**(1.0)**	$	-
Interest paid on senior unsecured debentures			**(45.8)**		(49.4)
Other interest paid			**(0.7)**		(1.5)
		$	**(47.5)**	$	(50.9)

(1) In the comparative period, leases were accounted for under IAS 17 and IFRIC 4 and lease payments were recognized in net change in non-cash working capital (notes 4 and 23).

Other operating items includes the following:

Canadian $ millions, for the years ended December 31	Note		**2019**		2018
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	9, 17	**$**	**0.3**	$	0.7
Share-based compensation expense (recovery)	6		**0.6**		(11.8)
Other items			**1.0**		3.7
Cash flows arising from changes in:					
Other finance charges			**(1.9)**		(1.8)
Realized foreign exchange (loss) gain	9		**(1.0)**		0.1
		$	**(1.0)**	$	(9.1)

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Risk management policies and hedging activities

The Corporation is sensitive to changes in commodity prices, foreign exchange rates and interest rates. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. Although the Corporation has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements. The Corporation reduces the business-cycle risks inherent in its commodity operations through industry diversification.

Credit risk

Sherritt's sales of nickel, cobalt, oil, gas and electricity expose the Corporation to the risk of non-payment by customers. Sherritt manages this risk by monitoring the creditworthiness of its customers, covering some exposure through receivables insurance, documentary credit and seeking prepayment or other forms of payment security from customers with an unacceptable level of credit risk. In addition, there are certain credit risks that arise due to the fact that all sales of oil and electricity in Cuba are made to agencies of the Cuban government. Although Sherritt seeks to manage its credit risk exposure, there can be no assurance that the Corporation will be successful in eliminating the potential material adverse impacts of such risks. The Corporation discloses further information regarding credit risk and the material uncertainty that may cast significant doubt upon the Corporation's ability to continue as a going concern in note 2.1.

Cuba

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

Canadian $ millions, as at		**2019 December 31**		2018 December 31
Cash	**$**	**89.8**	$	89.0
Trade accounts receivable, net, and unbilled revenue		**43.0**		71.4
Advances and loans receivable		**594.8**		600.9
Total	**$**	**727.6**	$	761.3

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

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (12% basis) of net accounts receivable of $10.3 million (December 31, 2018 - $16.5 million) associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $2.3 million (December 31, 2018 - $4.5 million) from the government of Madagascar.

The Corporation also has credit risk exposure in Madagascar related to its share of advances and loans receivable due from the Ambatovy Joint Venture.

Allowance for expected credit losses

The Corporation uses a three-stage approach to measure an ACL, using an ECL approach as required under IFRS 9 for financial assets measured at amortized cost as described in note 12.

The following table presents the Corporation's financial assets measured at amortized cost, the stage that they are in for ACL measurement and the balance of the ACL as at December 31, 2019. The gross carrying value of the financial asset best represents the maximum exposure to credit risk at the reporting date:

Canadian $ millions	Note	ECL stage(1)	Gross carrying value	ACL	Net carrying value
Trade accounts receivable, net(2)	12	**n/a**	**$ 174.0**	**$ (19.1)**	**$ 154.9**
Ambatovy Joint Venture subordinated loans receivable(3)	13	**2**	**132.2**	**(71.2)**	**61.0**
Ambatovy Joint Venture subordinated loans receivable - post-financial completion(3)	13	**2**	**74.5**	**(33.2)**	**41.3**
Energas conditional sales agreement(4)	13	**2**	**228.4**	**-**	**228.4**
Moa Joint Venture expansion loans receivable(5)	13	**2**	**259.0**	**(6.8)**	**252.2**
Other financial assets(2)	13	**1**	**5.4**	**-**	**5.4**

(1) The Corporation's financial assets that are in stage 2 have experienced significant increases in credit risk since initial recognition. The Corporation's assessment that a significant increase in credit risk since initial recognition has occurred is based on a combination of factors that are expected to adversely impact the borrower's ability to meet its debt obligations, which include but are not limited to changes in: the business of the borrower, market and economic conditions, financial and regulatory environment, loan documentation and past due information.

(2) For trade accounts receivable, net, and finance lease receivables included in other financial assets, the Corporation has applied the simplified approach in IFRS 9 to measure the ACL at lifetime ECL. The Corporation determines the ACL based on the past due status of the debtors, adjusted as appropriate to reflect current and estimated future economic conditions.

(3) For the Ambatovy Joint Venture subordinated loans receivable and Ambatovy Joint Venture subordinated loans receivable – post-financial completion, the Corporation calculated probability-weighted scenarios of expected credit losses, these scenarios included the impact of the Transaction (note 3). In recognizing the impairment losses, the net carrying values of these assets, including ACLs, are fairly consistent with their pro-rata value of the principal amount and accrued interest of the Ambatovy Joint Venture partner loans.

(4) For the Energas conditional sales agreement, contractual payments on this financial asset are more than 90 days past due. However, based on historical experience with the borrower repaying similarly structured agreements with similar past due status and the Corporation's current estimate of forecasted cash flows indicating full repayment is expected to occur, this financial asset is in stage 2 with an ACL of nil.

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

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 December 31, 2019, the Corporation will be able to satisfy its current and non-current obligations as they come due. The Corporation discloses further information regarding liquidity risk and the material uncertainty that may cast significant doubt upon the Corporation's ability to continue as a going concern in note 2.1.

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.

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 December 31, 2019	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	$ 148.1	$ 148.1	$ -	$ -	$ -	$ -	$ -
Income taxes payable	1.3	1.3	-	-	-	-	-
Senior unsecured debentures(1)	778.9	45.8	215.4	32.2	230.0	17.4	238.1
Ambatovy Joint Venture partner loans(2)	158.3	-	-	-	158.3	-	-
Syndicated revolving-term credit facility	8.2	8.2	-	-	-	-	-
Provisions	145.3	5.0	3.5	-	-	50.1	86.7
Deferred income taxes	10.7	-	10.7	-	-	-	-
Lease liabilities	19.2	4.2	2.3	2.2	2.1	1.8	6.6
Other	1.3	0.1	0.1	0.1	0.4	0.1	0.5
Total	$ 1,271.3	$ 212.7	$ 232.0	$ 34.5	$ 390.8	$ 69.4	$ 331.9

(1) Subsequent to December 31, 2019, the Corporation proposed a Transaction that, if approved, would result in the Corporation exchanging its existing senior unsecured debentures due in 2021, 2023 and 2025 for new secured debentures due in 2027 (note 3).

(2) Ambatovy Joint Venture partner loans are loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture, bearing interest of six-month LIBOR plus a margin of 1.125%. The partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 16). The amounts above are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. The maturity analysis table includes an estimate of interest repayments. The Ambatovy Joint Venture partner loans are limited recourse and the Corporation will not make payments on these loans prior to their 2023 maturity date (note 16). Subsequent to December 31, 2019, the Corporation proposed a Transaction that, if approved, would result in either (i) the extinguishment of the Ambatovy Joint Venture partner loans in exchange for the Corporation's 12% interest in the Ambatovy Joint Venture and its loans receivable from the Ambatovy Joint Venture or (ii) amended loans with no further recourse against the Corporation (note 3).

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the joint venture include accounts payable of $30.1 million, income taxes payable of nil, advances and loans payable of $232.4 million, environmental rehabilitation commitments of $91.3 million and other commitments of $8.1 million.

As a result of the Corporation's 12% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the joint venture include accounts payable of $37.3 million, income taxes payable of $5.0 million, environmental rehabilitation commitments of $116.1 million, other contractual commitments of $17.5 million and Ambatovy Joint Venture financing and revolving credit facility of $326.1 million.

Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices, interest rates and share-based compensation costs.

Foreign exchange risk

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

Based on financial instrument balances as at December 31, 2019, a weakening or strengthening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $5.5 million, respectively, on net (loss) earnings.

Based on financial instrument balances as at December 31, 2019, a weakening or strengthening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $9.8 million, respectively, on other comprehensive income (loss).

Commodity price risk

The Corporation is exposed to fluctuations in certain commodity prices. Realized prices for finished products and for input commodities are the most significant factors affecting the Corporation's revenue and earnings. Revenue, earnings and cash flows from the sale of nickel, cobalt and oil are sensitive to changes in market prices over which the Corporation has little or no control.

The Corporation has the ability to address its price-related exposures through the limited use of options, future and forward contracts, but has not entered into such arrangements for the years ended December 31, 2019 and December 31, 2018. Sherritt reduces the business-cycle risks inherent in its commodity operations through industry diversification.

The Corporation has certain provisional pricing agreements in Metals. These provisionally priced transactions are periodically adjusted to actual as prices are confirmed as the settlement occurs within a short period of time. In periods of volatile price movements, adjustments may be material to the Ambatovy Joint Venture or Moa Joint Venture.

Interest rate risk

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

Based on the balance of current and non-current loans and borrowings, cash equivalents, short-term investments, and current and non-current advances and loans receivable at December 31, 2019, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate could decrease or increase the Corporation's net loss by approximately $0.5 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Share-based compensation risk

The Corporation is exposed to financial risk related to share-based compensation costs.

Potential fluctuations in the price of Sherritt's common shares would have an impact on share-based compensation expense. Based on balances at December 31, 2019, a strengthening or weakening of $0.50 in the price of the Corporation's common shares would not have had a material impact on the Corporation's net loss.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed in its consolidated financial statements and notes: capital stock, deficit, loans and borrowings, other financial liabilities and available credit facilities.

Canadian $ millions, as at	**2019 December 31**	2018 December 31
Capital stock	**$ 2,894.9**	$ 2,894.9
Deficit	**(2,902.3)**	(2,534.6)
Loans and borrowings	**713.6**	705.7
Other financial liabilities	**22.8**	13.1
Available credit facilities	**16.7**	15.1

The Corporation's objectives, when managing capital, are to maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations throughout the various resource cycles with sufficient capital and capacity to manage unforeseen operational and industry developments and to ensure the Corporation has the capital and capacity to allow for business growth opportunities and/or to support the growth of its existing businesses.

In order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (secured, unsecured, convertible and/or other types of available debt instruments), refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investment balances.

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

Refer to note 16 for the Corporation's compliance with financial covenants as at December 31, 2019.

22. RELATED PARTY TRANSACTIONS

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

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated and are not disclosed in this note. A listing of the Corporation's subsidiaries is included in note 2.2.

A description of the Corporation's interests in jointly controlled entities and its interest in an associate are included in notes 7 and 8, respectively.

Canadian $ millions, for the years ended December 31	**2019**	2018
Total value of goods and services:		
Provided to joint operations	**$ 14.0**	$ 14.9
Provided to joint venture	**240.6**	246.4
Provided to associate	**1.9**	2.4
Purchased from joint venture	**681.0**	800.8
Net financing income from joint operations	**14.4**	14.4
Net financing income from joint venture	**8.7**	8.8
Net financing income from associate	**18.9**	20.9

Canadian $ millions, as at	Note	**2019 December 31**	2018 December 31
Accounts receivable from joint operations	12	**$ 0.1**	$ 0.1
Accounts receivable from joint venture	12	**15.8**	16.4
Accounts receivable from associate	12	**11.8**	10.2
Accounts payable to joint venture		**68.8**	94.8
Accounts payable to associate		**5.1**	5.5
Advances and loans receivable from joint operations	13	**228.4**	221.1
Advances and loans receivable from joint venture	13	**252.2**	269.2
Advances, loans and other receivables from associate	13	**115.3**	238.7

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

Key management personnel

Key management personnel are composed of the Board of Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Senior Vice Presidents of the Corporation. The following is a summary of key management personnel compensation:

Canadian $ millions, for the years ended December 31		2019		2018
Short-term benefits	**$**	**9.1**	$	6.9
Post-employment benefits(1)		**0.4**		0.4
Share-based payments		**5.2**		5.2
	$	**14.7**	$	12.5

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was $0.3 million for the year ended December 31, 2019 ($0.2 million for the year ended December 31, 2018). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2019 (nil for the year ended December 31, 2018).

23. LEASES

Accounting policies

Policies applicable before January 1, 2019

Leases of property, plant and equipment are classified as finance leases when the lessee retains substantially all the risks and rewards of ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Corporation as a lessee

Finance leases are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding lease obligations, net of finance charges, are recorded as interest-bearing liabilities. Each lease payment is allocated between the liability and finance cost when paid.

Operating lease payments (net of any amortization of incentives) are expensed over the term of the lease. Incentives received from the lessor to enter into an operating lease are capitalized and depreciated over the life of the lease.

Corporation as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rental income is recognized as revenue in the period in which it is earned. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Determining whether an arrangement contains a lease

The Corporation determines whether a lease exists at the inception of an arrangement. A lease exists when one party is effectively granted control of a specific asset over the term of the arrangement.

At inception or upon reassessment of arrangements containing leases, the Corporation separates payments and other consideration required related to lease payments from those related to other goods or services using relative fair value or other estimation techniques.

Policies applicable as of January 1, 2019

At inception of a contract, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Corporation as a lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises: the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; less, any lease incentives received; plus, any initial direct costs incurred; plus, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful life of the underlying asset is determined on the same basis as that of property, plant and equipment. The lease term is the non-cancellable period of a lease, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option. The carrying amount of the right-of-use asset is periodically reduced by impairment losses when an impairment indicator is present and an impairment loss is identified, if any, and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Corporation uses the lessee's incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a lease modification, a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Corporation. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of comprehensive income (loss) if the carrying amount of the right-of-use asset is zero. When a lease modification results in a decrease in scope, the carrying amount of the right-of-use asset is reduced on remeasurement and any gains or losses are recognized in the consolidated statements of comprehensive income (loss).

The Corporation presents right-of-use assets in property, plant and equipment and lease liabilities in other financial liabilities in the consolidated statements of financial position.

Non-lease components

The Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for all classes of assets.

Leases of intangible assets

The Corporation, as a lessee, elected not to apply IFRS 16 to leases of intangible assets. Intangible assets are accounted for in accordance with IAS 38 Intangible Assets.

Short-term leases and leases of low-value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense in the consolidated statements of comprehensive income (loss) on a straight-line basis over the lease term.

Corporation as a lessor

When the Corporation acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Corporation is an intermediate lessor, it accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Corporation applies IFRS 15 Revenue from contracts with customers (IFRS 15) to allocate the consideration in the contract.

The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue presented in revenue in the consolidated statements of comprehensive income (loss).

Revenue is recognized over the lease term of a finance lease. The present value of the lease payments is recognized as a finance lease receivable presented in advances, loans receivable and other financial assets in the consolidated statements of financial position. The difference between the gross finance lease receivable and the present value of the lease payments is initially recognized as unearned interest and presented as a deduction to the gross finance lease receivable. Interest income is recognized in the consolidated statements of comprehensive income (loss) over the lease term to reflect a constant periodic rate of return on the Corporation's net investment in the lease.

Critical accounting estimates

Incremental borrowing rate used to determine the present value of the Corporation's lease liabilities

The measurement of the Corporation's lease liabilities depends on the interest rate implicit in the lease used to discount the remaining lease payments. If the interest rate implicit in the lease cannot be readily determined, the lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Significant assumptions are required to be made on the basis for which the rate is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Corporation's financial statements.

Supporting information

Corporation as a lessee

The Corporation's portfolio of leases primarily consists of office space, machinery and equipment and computer and telecommunications hardware. The Corporation's lease liabilities are disclosed in notes 16 and 21.

Amounts recognized in the consolidated statements of comprehensive income (loss)

Canadian $ millions, for the year ended December 31		**2019**
Expenses for variable lease payments not included in the measurement of lease liabilities	**$**	**1.7**
Expenses relating to short-term leases		**6.0**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		**0.2**

Amounts recognized in the consolidated statements of cash flows

Canadian $ millions, for the year ended December 31	Note		2019
Interest paid on lease liabilities	16, 20	$	**1.0**
Principal repayments on lease liabilities	16		**3.3**
Included in net change in non-cash working capital:			
Variable lease payments not included in initial measurement of lease liability			**1.7**
Payments for short-term leases (for which no lease liability is recognized)			**6.0**
Payments for low-value asset leases (for which no lease liability is recognized)			**0.2**
		$	**12.2**

Corporation as a lessor

The Corporation acts as a lessor in an operating lease of office space and in finance sub-leases of office and storage space. The Corporation's finance lease receivables are disclosed in note 13. For the year ended December 31, 2018, the Corporation acted as a lessor in operating leases related to the Power facilities in Varadero, Cuba. All operating lease payments related to the Varadero facility are contingent on power generation. For the year ended December 31, 2018, contingent revenue was $15.6 million. Upon the adoption of IFRS 16 (note 4), the power generation facilities do not meet the definition of a lease. For the year ended December 31, 2019, the revenue related to power generation facilities is recognized in accordance with IFRS 15 (note 5).

The Corporation's undiscounted lease payments to be received on finance lease receivables are presented in the following table:

Canadian $ millions, as at December 31, 2019	Receivable in 1 year	Receivable in 1-2 years	Receivable in 2-3 years	Receivable in 3-4 years	Receivable in 4-5 years	Receivable in 5 years	Total	Unearned finance income	Net investment in the lease (note 13)
Undiscounted lease receipts on finance leases	**$ 1.0**	**$ 1.1**	**$ 1.0**	**$ 1.0**	**$ 1.0**	**$ 1.0**	**$ 6.1**	**$ 1.0**	**$ 5.1**

24. COMMITMENTS FOR EXPENDITURES

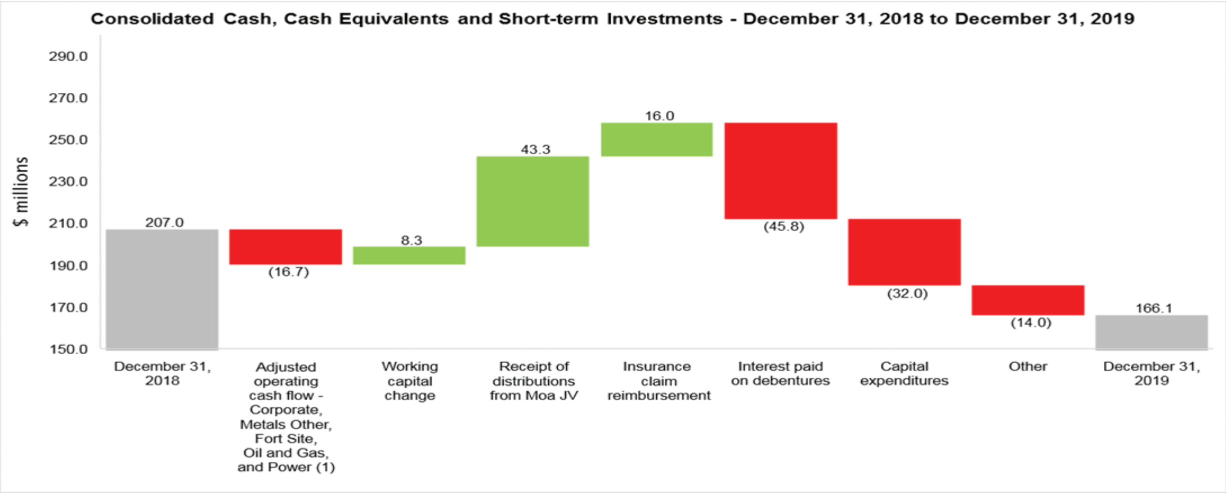
Canadian $ millions, as at December 31		2019
Property, plant and equipment commitments	**$**	**5.8**
Joint venture:		
Property, plant and equipment commitments		**12.0**

Focused on liquidity preservation

Sherritt remains solidly focused on preserving liquidity. This has resulted in a number initiatives aimed at lowering debt and operating costs. In 2019, as increased U.S. sanctions on Cuba impacted our Cuban partners' access to foreign currency, Sherritt, in cooperation with the Moa Joint Venture, established and agreement which provided consistent and orderly payment of Energas overdue receivables. In 2020, this minimum monthly payment amount under the agreement will be tripled to $7.5 million. Also in early 2020, Sherritt announced a series of balance sheet initiatives that will significantly reduce its debt and annual interest cost as well as eliminate its legacy debt from its investment in the Ambatovy Joint Venture.

Sherritt has a long and successful relationship with Cuba. In 2019, Sherritt and the General Nickel Company S.A. celebrated the 25-year anniversary of the formation of the Moa Joint Venture.

2019 Cash usage



2020 Guidance

Moa JV	Oil and Gas	Power
Finished nickel production ▪ 32,000 – 34,000 tonnes	Gross Working Interest Cuba ▪ 3,000 – 3,300 BOPD	Electricity production ▪ 500 – 550 GWh
Finished cobalt production ▪ 3,300 – 3,600 tonnes	Unit Cost Cuba ▪ $28.00 - $29.50/bbl	Unit Cost ▪ $28.00 - $29.50/MWh
Net direct cash cost: ▪ US$4.00 - $4.50/lb	Capital Spending ▪ US$6M	Capital Spending ▪ US$1M
Capital Spending ▪ US$34M		

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