

sherritt

2021

FINANCIAL RESULTS

Sherritt International Corporation

“Underpinning the progress we made in 2021 were improved nickel and cobalt market fundamentals being driven by the rapid adoption of electric vehicles. With market conditions expected to be bullish in the near term, Sherritt provides favourable exposure to rising nickel prices as one of the few pure play companies. And as we commercialize projects developed by Sherritt Technologies, increase our combined nickel and cobalt production capacity by up to 20%, and extend the mine life of Moa beyond 2040, we expect to significantly grow shareholder value over the coming years.”

Leon Binedell, President and CEO

Sherritt’s transformation

1. Completed balance sheet restructuring in Q3 2020
2. New CEO joined in June 2021 and launched expansion strategy in Q4
3. Strong 2021 financial and operational results despite COVID
4. Technologies give transformational growth opportunities
5. Made key appointments to the Board and senior leadership team



Sherritt ended 2021 pivoting towards growth and expansion

Enhanced ESG targets

In 2021, Sherritt upgraded its environmental, social, and governance (ESG) targets, including:



Health and Safety

- Achieve level A in Toward Sustainable Mining Safety & Health Protocol in all operations by 2024



Climate and Environment

- Achieve net zero GHG emissions by 2050
- Obtain overall 15% of energy from renewable sources by 2030
- Reduce nitrogen oxides (No_x) emissions intensity by 10% by 2024



Diversity and Inclusion

- Increase women in the workforce to 36% by 2030



Responsible Sourcing

- Be fully compliant with all material responsible sourcing frameworks by 2024

Reducing carbon intensity is a key ESG priority over the coming years

CEO COMMENTARY

Our fourth quarter results capped a year of transition for Sherritt as we pivot towards growth and expansion. Against a backdrop of a global pandemic, continued sanctions against Cuba, and rising input costs, our strong performance in the fourth quarter enabled us to meet our 2021 targets for production and unit costs at each of our business units. Just as significantly, we also embarked on a multi-pronged strategy focused on generating incremental cash flow and transformative growth at a low capital intensity.

Underpinning the progress we made in 2021 were improved nickel and cobalt market fundamentals being driven by the rapid adoption of electric vehicles. With market conditions expected to be bullish in the near term, Sherritt provides favourable exposure to rising nickel prices as one of the few pure play companies. And as we commercialize projects developed by Sherritt Technologies, increase our combined nickel and cobalt production capacity by up to 20%, and extend the mine life of Moa beyond 2040, we expect to significantly grow shareholder value over the coming years.

**Leon Binedell, President and CEO,
Sherritt International**

SELECTED Q4 2021 DEVELOPMENTS

- Sherritt's share of finished nickel and cobalt production at the Moa Joint Venture (Moa JV) were 4,266 tonnes and 476 tonnes, respectively. The totals, which are consistent with historical performance and reflective of efforts to mitigate the impacts of COVID-19 and the 13-day full-facility shutdown experienced in Q3 2021, enabled Sherritt to meet its production guidance at the Moa JV for FY2021⁽¹⁾.
- Net Direct Cash Cost (NDCC)⁽²⁾ at the Moa JV was US\$3.60/lb, the lowest total since Q4 2018. NDCC in Q4 2021 benefitted from improved cobalt and fertilizer by-product credits offset by significantly higher input costs, including a 146% increase in sulphur prices, 76% increase in natural gas prices and 72% increase in fuel oil prices.
- Sherritt recognized net earnings from continuing operations of \$14.4 million, or \$0.04 per share, for Q4 2021 compared to a net loss of \$49.3 million, or a loss of \$0.12 per share, in Q4 2020. Adjusted EBITDA⁽²⁾ was \$46.4 million, the highest total since Q4 2017 and indicative of improved nickel and cobalt market fundamentals and Sherritt's continued efforts to reduce costs.
- In support of the growth strategy announced on November 3, 2021 aimed at growing finished nickel and cobalt production by 15 to 20% of combined totals achieved in FY2021 and extending the life of mine at Moa beyond 2040, the Moa JV completed a feasibility study for a new slurry preparation plant (SPP) and received approval for planned expenditures from its Board of Directors. The SPP, which is estimated to cost US\$27 million and be completed in early 2024 will deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining, and increased annual production of mixed sulphides by approximately 1,700 tonnes commencing in mid-2024.
- Sherritt outlined its strategic priorities for 2022, which are focused on establishing the Corporation as a leading green metals producer, leveraging its Technologies group for transformational growth, achieving balance sheet strength, being recognized as a sustainable organization, and maximizing the value of its Cuban energy businesses.
- Dr. Peter Hancock, a mining industry executive with more than 30 years of experience overseeing nickel mining operations, developing and commercializing process technologies, and ramping up nickel projects, was appointed to Sherritt's Board of Directors.
- Announced the planned retirement of Chief Operating Officer, Steve Wood, effective April 30, 2022.
- Sherritt made a number of promotions to its senior leadership to accelerate its multi-pronged growth strategy naming Dan Rusnell Senior Vice President of Metals, Elvin Saruk Head of Growth Projects in addition to his accountabilities for Oil & Gas and Power, and Greg Honig Head of Marketing and the Technologies Group in addition to his accountabilities as Chief Commercial Officer.

(1) Sherritt adjusted its nickel production guidance for 2021 on November 3, 2021 as a result of disruptions caused in the third quarter by the spread of COVID-19, extension of the full-facility shutdown at the refinery in Fort Saskatchewan, Alberta, and unplanned maintenance activities.

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

Management's discussion and analysis

- Sherritt amended its syndicated revolving-term credit facility with its lenders, increasing the maximum amount of credit available to \$100 million from \$70 million and extending the maturity to April 2024. Under the amended terms, borrowings on the credit facility are available to fund capital as well as for working capital purposes. Spending on capital expenditures cannot exceed \$75 million in a fiscal year. Capital expenditure restrictions do not apply to planned spending of Moa Nickel S.A. The increase in credit facility is indicative of Sherritt's strengthened financial position and favourable outlook in light of improved nickel and cobalt markets.
- Received US\$6.5 million in Cuban energy payments. Sherritt anticipates continued variability in the timing of collections into 2022, and is working with its Cuban partners to ensure timely receipts.
- Environmental rehabilitation obligations (ERO) held by Sherritt's Spanish Oil and Gas operations were secured by a parent company guarantee of €31.5 million (\$46.7 million) until December 31, 2023. Unlike the \$47 million letter of credit issued previously to support the ERO and secured by Sherritt's credit facility, the new guarantee has no impact on the Corporation's available liquidity.

SUMMARY OF KEY 2021 DEVELOPMENTS

- Sherritt ended 2021 with cash and cash equivalents of \$145.6 million (\$78.9 million held by Energas in Cuba), down from \$167.4 million at the end of last year (\$75 million held by Energas in Cuba). The lower cash position and amount held in Canada were driven by lower energy payments from Cuban partners on account of their reduced access to foreign currency and by the deferral of distributions expected from the Moa JV in the fourth quarter as it assessed the impact of delays in product deliveries on account of flooding in B.C. and congestion at the Vancouver Port in November. In January 2022, Sherritt received \$8.1 million as its share of Moa JV distributions.
- Sherritt's share of production, unit costs, and spending on capital for each of its business units in 2021 were in line with guidance for the year, indicative of ongoing commitments to operational excellence and efforts to mitigate the spread of COVID-19 through additional health and safety measures designed to protect employees, suppliers, and other stakeholders at its operations in Canada and Cuba.
- Sherritt announced it is embarking on an expansion strategy with its Cuban partners to capitalize on the growing demand for high purity nickel and cobalt being driven by the accelerated adoption of electric vehicles which builds on the 26-year successful track record of the Moa Joint Venture and centres on growing annual finished nickel and cobalt production by 15 to 20% from the 34,710 tonnes produced in 2021 and extending the life of mine at Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade.
- Sherritt improved its net earnings from continuing operations by \$72.3 million in FY2021 as a result of strengthened nickel, cobalt, and fertilizer prices and efforts to reduce operating and corporate costs. Adjusted EBITDA was \$112.2 million, up 188% from last year.
- Implemented a 10% workforce reduction at Sherritt's Corporate office in Toronto that will result in a savings of employee costs of approximately \$1.3 million annually.
- Sherritt released its 2020 Sustainability Report that featured a number of upgraded environmental, social, and governance (ESG) targets, including achieving net zero greenhouse emissions by 2050, obtaining 15% of overall energy from renewable sources by 2030, reducing nitrogen oxide emission intensity by 10% by 2024, and increasing the number of women in the workforce to 36% by 2030.
- Named Leon Binedell as President and CEO, Yasmin Gabriel as Chief Financial Officer, Greg Honig as Chief Commercial Officer, and Chad Ross as Chief Human Resources Officer as part of senior leadership changes. The appointments underscore Sherritt's two-pronged growth strategy focused on capitalizing on the accelerating demand for high-purity nickel and cobalt from the electric vehicle industry and commercializing innovative process technology solutions for resources companies looking to improve their environmental performance and increase economic value.

DEVELOPMENTS SUBSEQUENT TO THE YEAR END

- Sherritt received \$8.1 million of its share of Moa JV distributions on January 19, 2022. Given prevailing nickel and cobalt prices, planned spending on capital at the Moa JV, and expected liquidity requirements Sherritt anticipates an additional distribution in Q1 2022. Sherritt also expects distributions for FY2022 to be greater than the \$35.9 million (excluding re-directions from its Cuban partner, General Nickel Company S.A.) received in FY2021.

Q4 2021 FINANCIAL HIGHLIGHTS

\$ millions, except per share amount	For the three months ended			For the year ended		
	2021 December 31	2020 December 31	Change	2021 December 31	2020 December 31	Change
Revenue	\$ 36.6	\$ 28.2	30%	\$ 110.2	\$ 119.8	(8%)
Combined revenue ⁽¹⁾	198.6	135.9	46%	612.8	497.0	23%
Earnings (loss) from operations and joint venture	20.5	(33.9)	160%	8.5	(197.1)	104%
Net earnings (loss) from continuing operations	14.4	(49.3)	129%	(13.4)	(85.7)	84%
Net earnings (loss) for the period	14.1	(49.6)	128%	(18.4)	22.2	(183%)
Adjusted EBITDA ⁽¹⁾	46.4	10.7	334%	112.2	38.9	188%
Net earnings (loss) from continuing operations (\$ per share)	0.04	(0.12)	133%	(0.03)	(0.22)	86%
Cash (used) provided by continuing operations for operating activities	(13.4)	12.7	(206%)	1.3	48.0	(97%)
Combined free cash flow ⁽¹⁾	(26.4)	(11.6)	(128%)	14.5	17.9	(19%)
Average exchange rate (CAD/US\$)	1.260	1.303	(3%)	1.254	1.341	(7%)

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

\$ millions, as at December 31	2021	2020	Change
Cash and cash equivalents	\$ 145.6	\$ 167.4	(13%)
Loans and borrowings	444.5	441.4	1%

Cash and cash equivalents at December 31, 2021 were \$145.6 million, down from \$163.4 million at September 30, 2021. During the quarter, the Moa JV deferred distributions to its partners as it assessed the impact of delays in customer deliveries caused by flooding in B.C. and congestion at the Vancouver port on its expected cash needs. Subsequent to the year end, Sherritt received \$8.1 million as its share of Moa JV distributions.

During the quarter, the Corporation received US\$6.5 million in Cuban energy payments, which were offset by the interest payment of \$14.8 million on the second lien notes and sustaining capital expenditures of \$2.9 million.

During 2021, Sherritt received a total of \$52.8 million in direct and re-directed distributions from the Moa JV and its partner, General Nickel Company S.A. (GNC).

Total overdue scheduled receivables at December 31, 2021 were US\$156 million, up from US\$152.5 million at September 30, 2021. Subsequent to year end, Sherritt received US\$2.2 million in Cuban energy payments. Collections on overdue amounts from Sherritt's Cuban energy partners continue to be adversely impacted by Cuba's access to foreign currency as a result of ongoing U.S. sanctions and the global pandemic. While Sherritt anticipates improved economic conditions in Cuba in 2022, it continues to anticipate variability in the timing and the amount of energy payments in the near term, and continues to work with its Cuban partners to ensure timely receipt of energy payments.

Of the \$145.6 million of cash and cash equivalents, \$64.2 million was held in Canada, down from \$82.1 million at September 30, 2021 and \$78.9 million was held at Energas, up from \$76.7 million at September 30, 2021. The remaining amounts were held in Cuba and other countries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of February 9, 2022, should be read in conjunction with Sherritt's audited consolidated financial statements for the year ended December 31, 2021. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

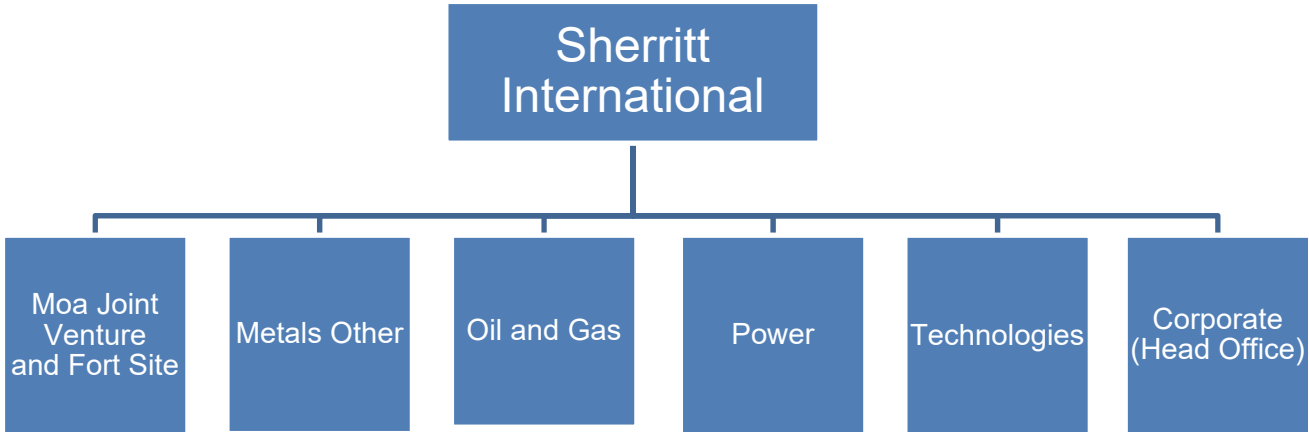
References to "Sherritt" or the "Corporation" refer to Sherritt International Corporation and its share of consolidated subsidiaries, joint operations, joint ventures and associate, unless the context indicates otherwise. All amounts are in Canadian dollars unless otherwise indicated. References to "US\$"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

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.

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Overview of the business

Sherritt is a world leader in the mining and refining of nickel and cobalt – metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for natural resource-based industries around the world to improve environmental performance and increase economic value. The Corporation has embarked on a multi-pronged growth strategy focused on expanding nickel and cobalt production by up to 20% from its 2021 totals and extending the life of mine at Moa beyond 2040. The Corporation is also the largest independent energy producer in Cuba. The common shares of the Corporation are listed on the Toronto Stock Exchange under the symbol “S”.



MOA JOINT VENTURE AND FORT SITE

The Corporation 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 and cash flow.

The Corporation's strategic priority is to maintain a leadership position as a low-cost producer of finished nickel and cobalt, maximizing finished production and free cash flow while achieving peer-leading performance in environmental, health, safety and sustainability. The Corporation has launched an expansion strategy with its Cuban partners to capitalize on the growing demand for high purity nickel and cobalt being driven by the accelerated adoption of electric vehicles which builds on the 26-year successful track record of the Moa Joint Venture and centres on growing annual finished nickel and cobalt production by 15 to 20% from the 34,710 tonnes produced in 2021 and extending the life of mine at Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade.

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 before accounting for the planned resource conversion mentioned above. The metals refinery facilities in Fort Saskatchewan currently has an annual production capacity of approximately 35,000 (100% basis) tonnes of nickel and approximately 3,800 (100% basis) tonnes of cobalt.

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.

METALS OTHER

The Corporation's Metals Other division 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

The Corporation's Oil and Gas division explores for and produced 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 were used to economically exploit these reserves from land based drilling locations.

Under the terms of its production sharing contracts (PSCs), the Corporation'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's commercial PSCs expired during 2021 and it currently has an interest in three PSCs that are in the exploration phase. The Corporation has continued its efforts to seek an earn-in partner to develop these exploration blocks.

POWER

The Corporation's primary power-generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by the Corporation 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 agencies of the Cuban government 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 composed 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.

The Corporation continues to be in discussion with its Cuban partners to extend its power generation agreement with Energas, which expires in March 2023. A feasibility study on the extension was approved by the Energas JV Board and a formal application for the extension has been submitted to the Cuban government.

TECHNOLOGIES

Sherritt Technologies is a provider of technical services and an incubator of industry solutions. The business provides technical support, process optimization and technology development services to improve operations and support growth initiatives at the Moa Joint Venture and Fort Site operations. Technologies also develops proprietary solutions for commercialization within the natural resource-based industries, leveraging its considerable expertise in hydrometallurgical processing. Its process solutions help resources companies become more profitable, more sustainable, and less energy intensive.

CORPORATE

Corporate is composed of the Corporation's overall management and general corporate activities related to public companies, including management of cash, cash equivalents and publicly-traded debt.

ACCOUNTING PRESENTATION

Sherritt manages its mining, oil and gas, power and technologies operations through different legal structures including 100%-owned subsidiaries, joint arrangements and production-sharing contracts. 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
Metals Other	Subsidiaries	100%	Consolidation
Oil and Gas	Subsidiary	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses

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

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

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

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 Energas.

Technologies: Includes the Corporation's 100% interest in its Technologies business.

Corporate: head office activities.

On August 31, 2020, the Corporation's economic interest in the Ambatovy Joint Venture was reduced from 12% to nil as a result of the implementation of a transaction and is accounted for as a discontinued operation.

Operating and financial results presented in this MD&A for reportable segments can be reconciled to note 5 of the consolidated financial statements for the year ended December 31, 2021.

INVESTMENT IN AMBATOVY JOINT VENTURE

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

NON-GAAP AND OTHER FINANCIAL MEASURES

Management uses the following non-GAAP and other financial measures in this MD&A and other documents: combined revenue, adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), average-realized price, unit operating cost/net direct cash cost (NDCC), adjusted net earnings/loss from continuing operations, adjusted earnings/loss from continuing operations per share, combined spending on capital and combined free cash flow.

Management uses these measures to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures are intended to provide additional information, not to replace International Financial Reporting Standards (IFRS) measures, and 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. Further information on the composition and usefulness of each non-GAAP and other financial measure, including reconciliation to their most directly comparable IFRS measures, is included in the non-GAAP and other financial measures section starting on page 48.

Strategic priorities

The table below lists Sherritt's Strategic Priorities for 2022. Summaries of how the Corporation is performing against these priorities will be provided on a quarterly basis in concert with financial reporting.

Strategic Priorities

ESTABLISH SHERRITT AS A LEADING GREEN METALS PRODUCER

2022 Actions

Accelerate plans to expand Moa JV nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced in 2021.
Rank in lowest quartile of HPAL nickel producers for NDCC.
Expand sales into battery supply chain.

LEVERAGE TECHNOLOGIES FOR TRANSFORMATIONAL GROWTH

Support Moa JV expansion, operational improvements, and life of mine extension.
Advance Technologies solutions toward commercialization.
Develop innovative processing solutions to address marketplace needs.

ACHIEVE BALANCE SHEET STRENGTH

Maximize collections of overdue Cuban receivables.
Maximize available liquidity to support growth strategy.
Continue to optimize costs to reflect operating footprint.

BE RECOGNIZED AS A SUSTAINABLE ORGANIZATION

Deliver on actions identified in the Sustainability Report.
Achieve year-over-year ESG improvements including reduction of carbon intensity.
Deliver on 'Diversity and Inclusion' global framework.

MAXIMIZE VALUE FROM CUBAN ENERGY BUSINESSES

Secure additional gas supply to increase Power production.
Extend economically beneficial Energas power generation contract beyond 2023.
Maximize value from Oil and Gas business.

Highlights

EXPANSION AND GROWTH OPPORTUNITIES

With support from Sherritt Technologies, the Moa Joint Venture launched an expansion strategy aimed at growing nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced during the year ended December 31, 2021 and extending the life of mine of Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade.

During the three months ended December 31, 2021, the Moa Joint Venture completed a feasibility study for a new slurry preparation plant (SPP) at Moa and planned expenditures were approved by its Board of Directors. The SPP, which is estimated to cost US\$27 million and be completed in early 2024, will deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining and increased annual nickel and cobalt contained in mixed sulphides production of approximately 1,700 tonnes commencing in mid-2024.

Sherritt and its Cuban partners are finalizing timelines, cost estimates and economics of other components of the growth strategy, including identifying financing alternatives. Sherritt currently estimates the growth strategy will deliver incremental increases to annual finished nickel and cobalt production by 15 to 20% from totals produced in 2021 once all projects at Moa, including the SPP and the refinery in Fort Saskatchewan, are completed in 2024 at an anticipated cost of US\$20,000 to US\$25,000 per tonne of new nickel capacity. Sherritt expects to provide further updates on its growth strategy with the release of its results for the first quarter of 2022.

INCREASE AND EXTENSION OF SYNDICATED REVOLVING-TERM CREDIT FACILITY

During the three months ended December 31, 2021, the maximum credit for the syndicated revolving-term credit facility was increased from \$70.0 million to \$100.0 million, the interest rates are bankers' acceptance plus 4.00%, which remain unchanged, and the terms were amended to extend the maturity for two years from April 30, 2022 to April 30, 2024. Borrowings on the credit facility are available to fund working capital and capital expenditures and are available to fund Sherritt's growth opportunities.

MOA JOINT VENTURE

Finished nickel and cobalt production at the Moa Joint Venture for the three months ended December 31, 2021 resumed to conditions consistent with historical performance following the completion of a 13-day full-facility shutdown and unplanned maintenance activities at the refinery in Fort Saskatchewan as well as successful mitigation strategies to reduce the spread of COVID-19 at Fort Saskatchewan and Moa. Improved results in Q4 2021 relative to performance in Q3 2021 enabled the Moa Joint Venture to meet its guidance for finished nickel⁽¹⁾ and cobalt production and to be below its guidance for unit costs for the year.

Sherritt's share of finished nickel production for the three months ended December 31, 2021 was 4,266 tonnes, 6% higher compared to the prior year period, and finished cobalt production of 476 tonnes was 6% higher compared to the prior year period. Finished nickel and cobalt production were higher than the same period in the prior year due to unplanned autoclave maintenance in the prior year, which reduced operating capacity. For the year ended December 31, 2021, finished nickel production was marginally lower and finished cobalt production was higher than the same period in the prior year.

NDCC⁽²⁾ for the three months ended December 31, 2021 was US\$3.60 per pound, the lowest total since Q4 2018 and 19% lower compared to the same period in the prior year driven by improved cobalt and fertilizer by-product credits and lower labour and other service costs, partially offset by the 146% increase in sulphur prices, 76% increase in natural gas prices and 72% increase in fuel oil prices.

(1) Finished nickel production guidance for 2021 was revised on November 3, 2021.

(2) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

NICKEL AND COBALT PRICE

The nickel reference price on the London Metal Exchange (LME) closed on December 31, 2021 at US\$9.49/lb, up from the reference price of US\$8.25/lb at the start of the quarter, driven by a number of market developments suggesting strong near-term demand for nickel. Since the start of 2022, nickel prices have sustained their recent momentum, reaching US\$10.89/lb on January 21, the highest price in more than 10 years. Industry analysts have forecast continued strong demand through the end of 2022.

The cobalt reference price closed on December 31, 2021 at US\$33.78/lb according to data collected by Fastmarkets MB, up 31% from US\$25.88/lb at the start of the quarter, largely as a result of increased buying from electric vehicle battery manufacturers, increased stockpiling from consumers and ongoing supply logistics disruptions. Cobalt is a key component of rechargeable batteries providing energy density and stability.

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

DISTRIBUTIONS RECEIVED FROM MOA JOINT VENTURE

During the year ended December 31, 2021, the Moa Joint Venture paid distributions of \$71.7 million to its shareholders, of which \$35.9 million was paid to Sherritt directly, representing its 50% share. In addition, GNC, Sherritt's joint venture partner, redirected \$16.9 million of distributions during the year ended December 31, 2021 to the Corporation to fund Energas operations until the end of 2021. During the three months ended December 31, 2021, the Moa Joint Venture deferred distributions that were expected to be received by the Corporation as it assessed the impact of delays in product deliveries on account of the flooding in British Columbia and congestion at the Port of Vancouver, which in turn caused disruptions to rail transportation of finished nickel and cobalt.

Subsequent to year end, the Moa Joint Venture paid a distribution of \$16.3 million, of which \$8.1 million was paid to Sherritt directly. Given prevailing nickel and cobalt prices, planned spending on capital at the Moa Joint Venture, and expected liquidity requirements, Sherritt anticipates an additional distribution in Q1 2022, and expects distributions for 2022 to be greater than the \$35.9 million (excluding re-directions from its Cuban partner, GNC) received in 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

During the year ended December 31, 2021, the Corporation released its 2020 Sustainability Report, which is available on the Sherritt website and featured a number of upgraded ESG targets in six categories, of which the four most pertinent categories are shown below:

<i>Health and Safety</i>	Achieve level A of Towards Sustainable Mining (TSM) Safety and Health Protocol in all operations by 2024
<i>Climate and Environment</i>	Achieve net zero greenhouse gas (GHG) emissions by 2050 Obtain overall 15% of energy from renewable sources by 2030 Reduce nitrogen oxides (NO _x) emissions intensity by 10% by 2024
<i>Diversity and Inclusion</i>	Increase women in the workforce to 36% by 2030
<i>Responsible Sourcing</i>	Be fully compliant with all material responsible sourcing frameworks (Organisation for Economic Co-operation and Development, London Metal Exchange and Cobalt Industry Responsible Assessment Framework) by 2024

The Corporation has furthered its commitment to reducing GHG emissions by starting to replace existing gas- and diesel-fuelled vehicles and equipment with electric vehicles (EVs) and equipment at the Moa Joint Venture and Fort Site, including the addition and use of nine new EVs and electric equipment in 2021. Additional EVs and electric equipment have been approved for purchase in 2022. In addition, Fort Site has approved a five-year plan to add further EVs to its fleet of vehicles, with the objective of replacing 20% of the fleet with EVs by the end of the five-year period.

During the three months ended December 31, 2021, the Corporation appointed Dr. Peter Hancock to the Board of Directors, who has over 30 years of experience in overseeing nickel mining operations, developing and commercializing process technologies and ramping up nickel projects. In addition, the Corporation announced the planned retirement of Steve Wood, the Corporation's Chief Operating Officer effective in the second quarter of 2022. As a result, the Corporation made a number of changes to its senior leadership team effective January 1, 2022 in order to accelerate the Corporation's multi-pronged growth strategy, including adding the positions of Head of Growth Projects and Senior Vice President, Metals. Lastly, the Chief Commercial Officer's accountabilities were expanded to include accountability for Technologies and Marketing.

The Corporation outlined its strategic priorities for 2022, which are focused on establishing the Corporation as a leading green metals producer, leveraging its Technologies group for transformational growth, achieving balance sheet strength, being recognized as a sustainable organization and maximizing the value of its Cuban energy businesses. Refer to the Strategic priorities section in this MD&A for further updates on the Corporation's strategic priorities for 2022.

WORKING CAPITAL

Cash and cash equivalents as at December 31, 2021 were \$145.6 million, down from \$167.4 million as at December 31, 2020. As at December 31, 2021, Sherritt held cash and cash equivalents in Canada totaling \$64.2 million, down from \$84.8 million as at December 31, 2020.

During the year ended December 31, 2021, cash decreased due to a number of factors, including \$30.0 million of interest paid on the 8.50% second lien secured notes due 2026, \$10.7 million of capital expenditures, \$5.7 million of cash used by discontinued operations and \$4.6 million on the repurchase of second lien secured notes, partially offset by \$35.9 million of distributions received from the Moa Joint Venture. In addition, the decrease in cash was impacted by the timing of collections of Cuban overdue receivables and the deferral of \$8.1 million of distributions from the Moa Joint Venture from Q4 2021 to Q1 2022, which were received subsequent to year end.

CUBAN OVERDUE RECEIVABLES AGREEMENTS

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

US\$ millions (100% basis)	Overdue September 30, 2021	Expected/Due	Cash provided by operating activities	Overdue December 31, 2021
Oil and Gas trade accounts receivables, net ⁽¹⁾	\$ 23.8	\$ 5.9	\$ (2.4)	27.3
Power:				
Trade accounts receivables, net ⁽¹⁾	0.2	3.4	(3.6)	-
Energas CSA ⁽²⁾	128.5	0.7	(0.5)	128.7
	\$ 152.5	\$ 10.0	\$ (6.5)	156.0

(1) Included in net change in non-cash working capital in the consolidated statements of cash flow in Canadian dollars.

(2) Included in interest received in the consolidated statements of cash flow in Canadian dollars. Interest received on the Energas conditional sales agreement is net of a 33⅓% elimination.

During the quarter, US\$6.5 million of Cuban energy payments were received, compared to US\$6.4 million in the third quarter of 2021. Starting in May 2021, amounts received on the overdue receivables agreement were used to fund Energas operations until the end of 2021.

Cuban energy payments continue to be impacted as Cuba experiences increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, and hampering the country's foreign currency liquidity, in addition to the impact of Cuban currency unification. Further information on Cuban currency unification is included in note 12 of the Corporation's consolidated financial statements for the year ended December 31, 2021. While Sherritt anticipates improved economic conditions in Cuba in 2022, it continues to anticipate variability in the timing and the amount of energy payments in the near term and continues to work with its Cuban partners to ensure timely receipt of energy payments.

Subsequent to December 31, 2021, the Corporation received US\$0.6 million in Canada and US\$1.6 million in Cuba as part of the Cuban overdue receivables agreements.

TECHNOLOGIES

Sherritt Technologies continued its efforts in the fourth quarter to transition from being a cost centre to becoming an incubator of industry solutions that can be commercialized externally to improve operational performance and product quality, reduce carbon emissions, and improve profitability or applied internally to support growth initiatives, including de-bottlenecking production, evaluating brownfield expansion opportunities, and increasing mineral reserves. In addition, Technologies continues to think about the future and making the next-generation nickel mining and processing more economically viable and more sustainable and developing project opportunities for the generation of battery-grade nickel and cobalt products from lateritic ores.

During the three months ended December 31, 2021, the primary activities of Sherritt Technologies centered on supporting development of the Moa Joint Venture's expansion strategy. Efforts included supporting a change in mine planning whereby an economic cut-off grade will be used to potentially upgrade resources into reserves and significantly expand the life of mine at Moa.

Other activities included efforts to commercialize Sherritt Technologies' most advanced, innovative technologies. In particular, Sherritt Technologies continued to make progress on its enhanced proprietary process to fully upgrade heavy oil, refining residues and bitumen. This process provides a number of environmental and business benefits, including eliminating the need for bitumen diluent and thereby increasing pipeline capacity, increasing the economic value of the oil transported to downstream markets, as well as reduced energy consumption due to the elimination of energy intensive unit operations, which results in lower carbon emissions.

Sherritt Technologies also continued to advance the commercialization of its proprietary process for the treatment of copper concentrates with higher arsenic content. Arsenic is a poisonous element requiring significant mitigation and management costs rendering certain copper projects uneconomical. With copper demand expected to grow significantly over the next decade, Sherritt's advanced hydrometallurgical process technology fulfills a pressing industry need, presenting a significant step change in the stabilization of arsenic bearing solid waste, produces net-zero carbon emissions, extends the life of aging copper mines, reduces treatment costs and capitalizes on existing infrastructure.

Sherritt Technologies also continued its work on development of a next-generation laterite processing technology. The value levers that drive this initiative include improving the purity of nickel, reducing environmental impacts such as water, greenhouse gas emissions and a reduction in tailings, extending the life of existing assets, increasing the recovery of high-value metals, and reducing operating costs and capital requirements.

For additional details, refer to the Technologies review of operations on page 24.

Financial results

\$ millions, except as otherwise noted	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
FINANCIAL HIGHLIGHTS						
Revenue	\$ 36.6	\$ 28.2	30%	\$ 110.2	\$ 119.8	(8%)
Combined revenue ⁽¹⁾	198.6	135.9	46%	612.8	497.0	23%
Earnings (loss) from operations and joint venture	20.5	(33.9)	160%	8.5	(197.1)	104%
Net earnings (loss) from continuing operations	14.4	(49.3)	129%	(13.4)	(85.7)	84%
(Loss) earnings from discontinued operations, net of tax	(0.3)	(0.3)	-	(5.0)	107.9	(105%)
Net earnings (loss) for the period	14.1	(49.6)	128%	(18.4)	22.2	(183%)
Adjusted net earnings (loss) from continuing operations ⁽¹⁾	14.8	(31.7)	147%	(13.9)	(104.7)	87%
Adjusted EBITDA ⁽¹⁾	46.4	10.7	334%	112.2	38.9	188%
Net earnings (loss) from continuing operations (\$ per share) (basic and diluted)	\$ 0.04	\$ (0.12)	133%	\$ (0.03)	\$ (0.22)	86%
Net earnings (loss) (\$ per share) (basic and diluted)	0.04	(0.12)	133%	(0.05)	0.06	(183%)
CASH						
Cash and cash equivalents	\$ 145.6	\$ 167.4	(13%)	\$ 145.6	\$ 167.4	(13%)
Cash (used) provided by continuing operations for operating activities	(13.4)	12.7	(206%)	1.3	48.0	(97%)
Combined free cash flow ⁽¹⁾	(26.4)	(11.6)	(128%)	14.5	17.9	(19%)
Distributions received from Moa Joint Venture ⁽²⁾	-	26.3	(100%)	35.9	39.6	(9%)
OPERATIONAL DATA						
COMBINED SPENDING ON CAPITAL⁽¹⁾	12.4	\$ 9.8	27%	\$ 38.8	\$ 34.5	12%
PRODUCTION VOLUMES						
Finished nickel (50% basis, tonnes)	4,266	4,020	6%	15,592	15,753	(1%)
Finished cobalt (50% basis, tonnes)	476	451	6%	1,763	1,685	5%
Electricity (gigawatt hours) (33⅓% basis)	130	144	(10%)	450	602	(25%)
AVERAGE EXCHANGE RATE (CAD/US\$)	1.260	1.303	(3%)	1.254	1.341	(7%)
AVERAGE-REALIZED PRICES (CAD)⁽¹⁾						
Nickel (\$ per pound)	\$ 11.16	\$ 9.13	22%	\$ 10.30	\$ 8.16	26%
Cobalt (\$ per pound)	31.88	17.55	82%	25.88	17.84	45%
Electricity (\$ per megawatt hour)	54.33	55.10	(1%)	54.05	57.05	(5%)
UNIT OPERATING COSTS⁽¹⁾						
Nickel (NDCC) (US\$ per pound)	\$ 3.60	\$ 4.47	(19%)	\$ 4.11	\$ 4.20	(2%)
Electricity (\$ per megawatt hour)	22.72	26.73	(15%)	23.06	17.38	33%

(1) Non-GAAP and other financial measures. For additional information, see the Non-GAAP and other financial measures section.

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

Revenue for the three months ended December 31, 2021 of \$36.6 million, which excludes revenue from the Moa Joint Venture as it is accounted for under the equity method, was higher compared to the same period in the prior year primarily due to higher fertilizer revenue and higher oil and gas service revenue, partially offset by lower oil and gas product revenue and lower power generation.

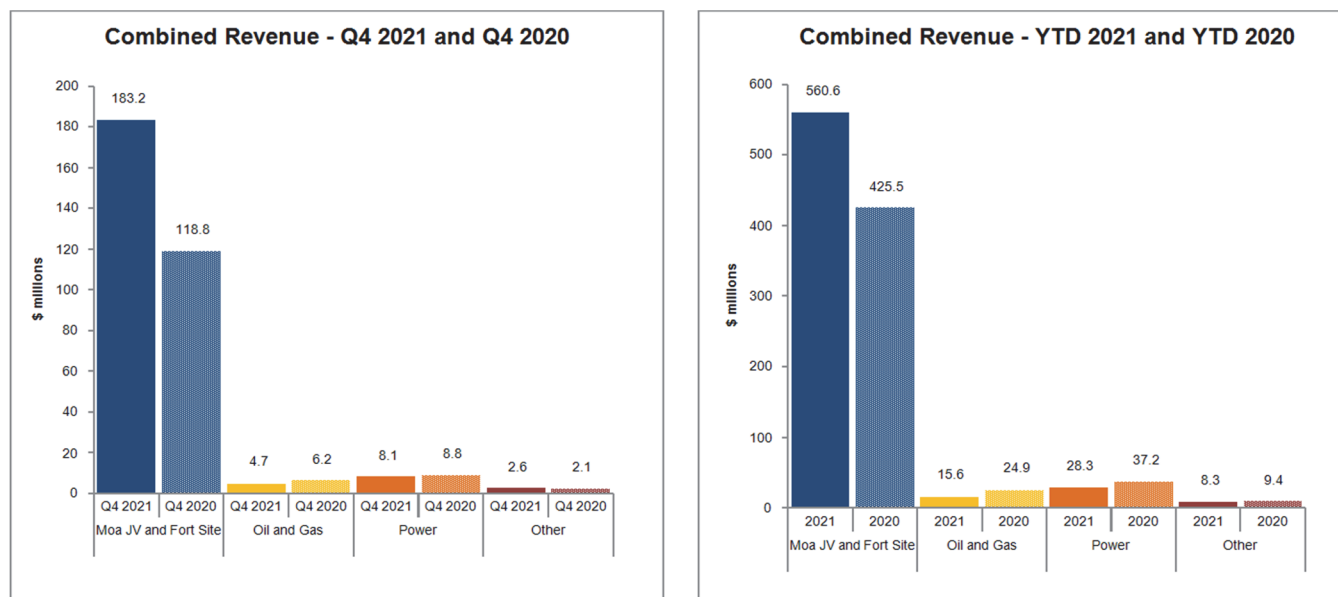
Revenue for the year ended December 31, 2021 of \$110.2 million was lower compared to the same period in the prior year primarily due to lower oil and gas product revenue and lower power generation revenue, partially offset by higher fertilizer revenue and higher oil and gas service revenue.

Oil and gas product revenue decreased during the three months and year ended December 31, 2021 compared to the prior year periods as a result of the expiration of the Puerto Escondido/Yumuri production-sharing contract during the first quarter of 2021.

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

Management's discussion and analysis

Combined revenue⁽¹⁾ is composed of the following:

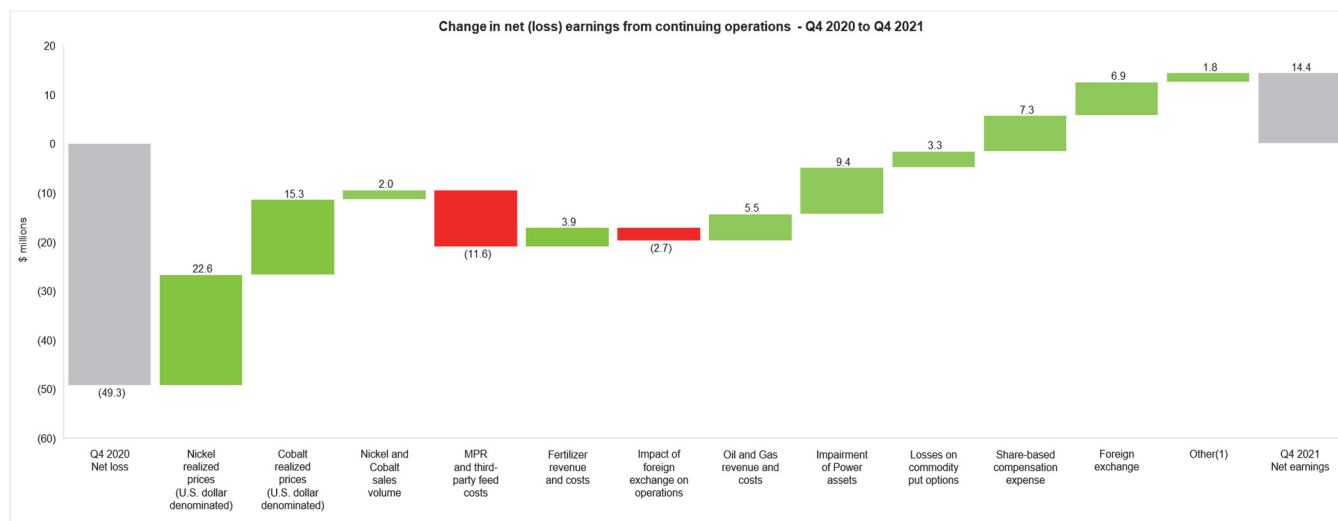


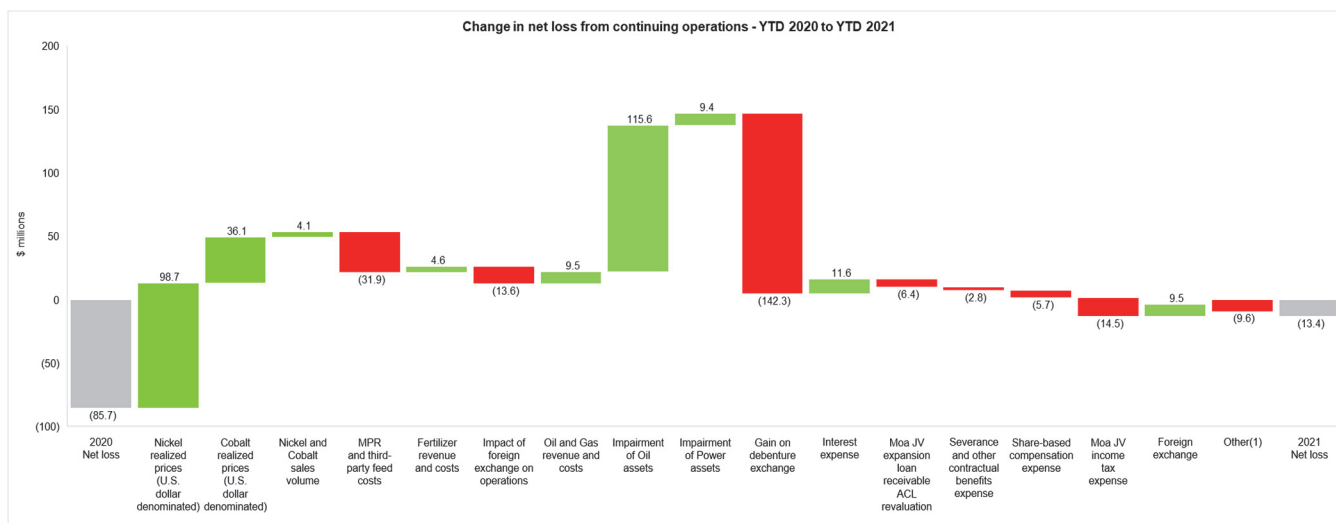
(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

For the three months ended December 31, 2021, net earnings from continuing operations was \$14.4 million, or \$0.04 per share, compared to a net loss of \$49.3 million, or \$0.12 per share in the same period in the prior year. For the year ended December 31, 2021, the net loss from continuing operations was \$13.4 million, or \$0.03 per share, compared to net loss of \$85.7 million, or \$0.22 per share in the prior year.

For the three months ended December 31, 2021, net earnings was \$14.1 million, or \$0.04 per share, compared to net loss of \$49.6 million, or \$0.12 per share in the same period in the prior year. For the year ended December 31, 2021, net loss was \$18.4 million, or \$0.05 per share, compared to net earnings of \$22.2 million, or \$0.06 per share in the prior year. Net (loss) earnings in the prior periods contains (loss) earnings from discontinued operations, net of tax, which is primarily related to the disposition of the Ambatovy Joint Venture Interests.

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





- (1) Other primarily relates to (gains) losses in net finance (expense) income, excluding the gain on debenture exchange, interest expense, Moa Joint Venture expansion loan receivable ACL revaluation, losses on commodity put options and foreign exchange, presented separately above.

At the Moa Joint Venture and Fort Site, revenue for the three months and year ended December 31, 2021 was 54% and 32% higher, respectively, than the same periods in the prior year primarily due to higher average-realized nickel, cobalt and fertilizer prices and higher cobalt and fertilizer sales volume for the three months ended December 31, 2021 and higher cobalt sales volume for the year ended December 31, 2021. NDCC for the three months and year ended December 31, 2021 was 19% and 2% lower, respectively, than the same periods in the prior year primarily due to higher cobalt, fertilizer and sulphuric acid by-product credits as a result of higher average-realized prices, partially offset by higher mining, processing and refining (MPR) costs, higher third-party feed costs and higher fertilizer and sulphuric acid by-product costs.

During the three months and year ended December 31, 2020, the Corporation recognized an impairment loss of Power assets of \$9.4 million, with no comparable amounts in the same periods in the current year. During the year ended December 31, 2020, the Corporation recognized an impairment loss of Oil assets of \$115.6 million and a gain on debenture exchange of \$142.3 million related to a transaction in the prior year, with no comparable amounts in the same period in the current year.

Administrative expenses for the three months ended December 31, 2021 decreased by \$9.0 million compared to the same period in the prior year primarily due to a decrease in share-based compensation expense of \$6.3 million primarily due to changes in the Corporation's share price, a decrease in employee costs of \$1.8 million and a decrease in legal fees and third-party consulting fees of \$0.8 million. Administrative expenses for the year ended December 31, 2021 increased by \$4.7 million compared to the same period in the prior year primarily due to an increase in share-based compensation expense of \$5.5 million, primarily due to accelerated vesting as a result of the departures of two senior executives and the May 2021 reduction of 10% of the Corporate office salaried workforce, severance and other contractual benefits expenses of \$4.9 million and reduced recoveries related to the Canada Emergency Wage Subsidy (CEWS) amounts received in support of certain employee costs of \$1.3 million. The aforementioned increases were partially offset by a decrease in employee costs of \$3.7 million and a decrease in legal fees and third-party consulting fees of \$1.7 million.

Unrealized gains and realized losses on commodity put options for the three months ended December 31, 2021 increased by \$5.6 million and \$2.3 million, respectively, compared to the same period in the prior year. Unrealized and realized losses on commodity put options for the year ended December 31, 2021 decreased by \$2.6 million and increased by \$4.8 million, respectively, compared to the same period in the prior year. During the year ended December 31, 2021, the Corporation did not purchase any commodity put options for 2022. Interest expense for the year ended December 31, 2021 decreased by \$11.6 million compared to the same period in the prior year primarily due to the reduction in loans and borrowings. For the year ended December 31, 2020, the Corporation recognized a gain on revaluation of the Moa Joint Venture expansion loans receivable allowance for expected credit loss, with no comparable gain in the current period given the extinguishment of the loans receivable in the prior year.

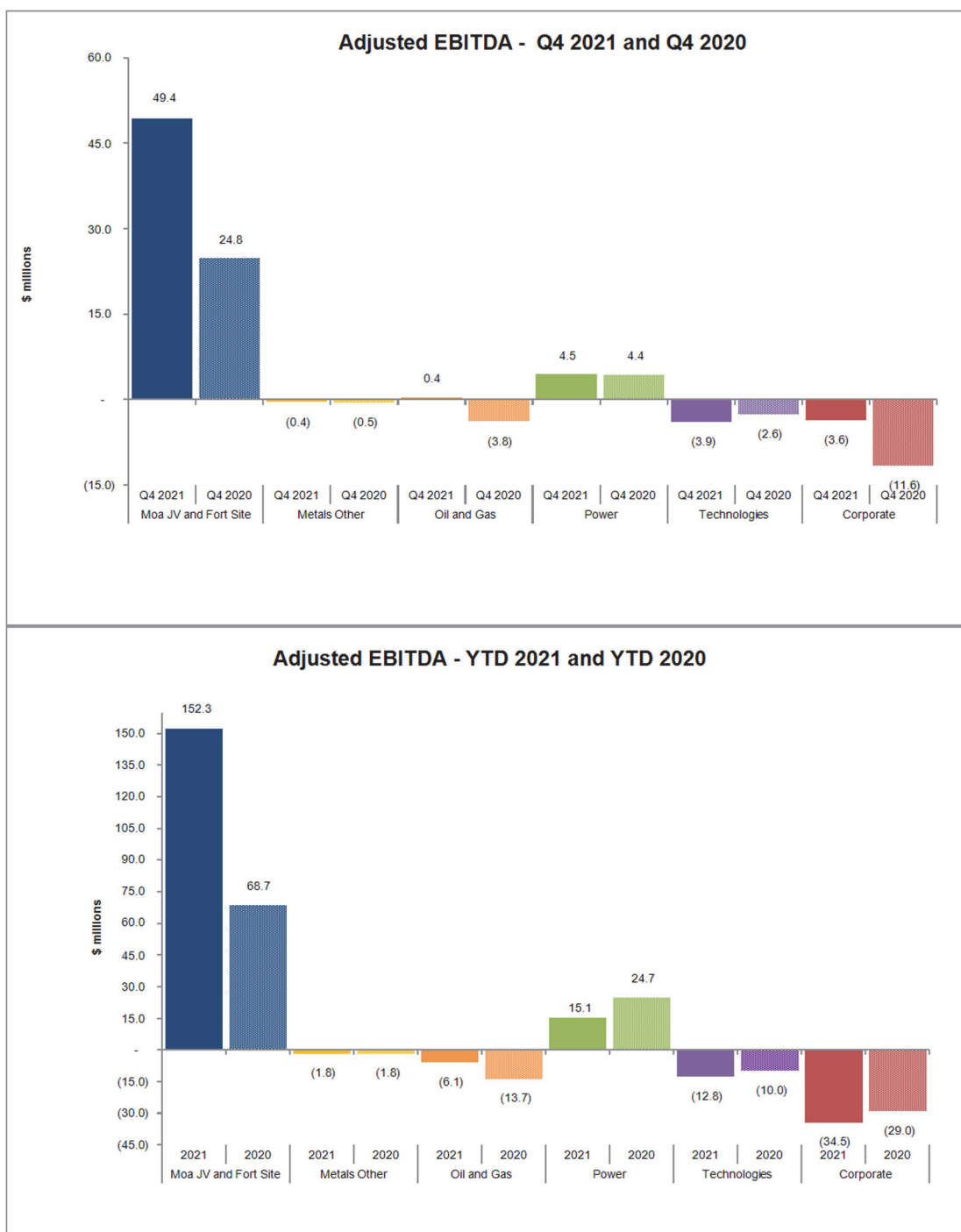
The Corporation recognized foreign exchange gains of \$1.6 million and \$14.4 million for the three months and year ended December 31, 2021, respectively, compared to foreign exchange losses and gains of \$5.3 million and \$4.9 million, respectively, for the same periods in the prior year. Unrealized exchange gains/losses are impacted by the change in period-end exchange rates and the balance of the Corporation's U.S. dollar-denominated net liabilities. During the year ended December 31, 2021, the Corporation recognized a \$10.0 million realized foreign exchange gain relating to a Cuban tax liability due to Cuban currency unification, with no comparable gain in the prior year period.

Management's discussion and analysis

At the Moa Joint Venture, income tax expense for the year ended December 31, 2021 increased by \$29.1 million compared to the same period in the prior year primarily due to an increase in taxable earnings of the operating companies in the Moa Joint Venture.

ADJUSTED EBITDA

Total Adjusted EBITDA⁽¹⁾ for the three months and year ended December 31, 2021 was \$46.4 million and \$112.2 million, respectively, compared to \$10.7 million and \$38.9 million, respectively, in the same periods in the prior year, representing increases of 334% and 188% over the prior year periods. Adjusted EBITDA by segment is as follows:



(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

Outlook

2021 AND 2022 PRODUCTION VOLUMES, UNIT OPERATING COSTS AND SPENDING ON CAPITAL GUIDANCE

Production volumes, unit operating costs and spending on capital	2021	Year-to-date	2022
	Guidance	actual to December 31, 2021	Guidance
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,000 - 32,000 ⁽¹⁾	31,184	32,000 - 34,000
Cobalt, finished	3,300 - 3,600	3,526	3,400 - 3,700
Electricity (GWh, 33⅓% basis)	450 - 500	450	450 - 500
Unit operating costs⁽²⁾			
Moa Joint Venture - NDCC (US\$ per pound)	\$4.25 - \$4.75	\$4.11	\$4.00 - \$4.50
Electricity - unit operating cost, (\$ per MWh)	\$30.50 - \$32.00	\$23.06	\$26.50 - \$28.00
Spending on capital (\$ millions)⁽²⁾			
Moa Joint Venture (50% basis), Fort Site (100% basis) ⁽³⁾	\$44.0 ⁽¹⁾	\$37.7	\$75.0
Power (33⅓% basis)	\$1.3	\$0.1	\$5.0
Spending on capital ⁽⁴⁾	\$45.3 ⁽¹⁾	\$37.8	\$80.0

(1) 2021 guidance was revised on November 3, 2021.

(2) For additional information, see the Non-GAAP and other financial measures section.

(3) Spending is 50% of expenditures for the Moa Joint Venture and 100% expenditures for Fort Site fertilizer and utilities.

(4) Excludes spending on capital of the Metals Other, Oil and Gas, Technologies and Corporate segments.

Spending on capital at the Moa Joint Venture and Fort Site are expenditures for sustaining capital only. Expenditures related to expansion activities at the Moa Joint Venture and Fort Site are currently being assessed. Sherritt expects to provide an update on the rollout and spending on capital related to the expansion strategy with the first quarter results of 2022.

Significant factors influencing operations

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

Nickel

Nickel prices hit a seven-year high in Q4 2021, climbing to US\$9.59/lb on November 24. The price increase was driven by improving market fundamentals, including strong demand from across multiple industries, consumer stockpiling, reduced inventory levels, and ongoing supply disruptions caused by COVID-19. Rising nickel prices and favourable market conditions were jolted by the rapid spread of the Omicron variant and concerns of its impact on the global economy in early December, causing prices to soften slightly through to the end of the quarter. Nickel prices closed the year at US\$9.49/lb, representing a 27% increase for 2021 relative to the closing price of 2020 of US\$7.50/lb.

Since the start of 2022, nickel prices have sustained their recent momentum, reaching US\$10.89/lb on January 21, the highest price in more than 10 years. It is anticipated that nickel prices will maintain their current robustness through the end of 2022 based on forecasts provided by industry analysts.

Strong nickel demand in Q4 was reflected by the continued decrease in inventory levels since the start of 2021. In Q4, nickel inventory levels on the London Metals Exchange (LME) fell by 35% from 157,062 tonnes at the start of the period to 101,886 tonnes on December 31. Similarly, inventory levels on the Shanghai Futures Exchange fell 35% to 2,406 tonnes, down from 3,728 tonnes at the start of the quarter.

Industry analysts, including Wood Mackenzie and S&P Global, have forecast continued strong demand and market tightness through to the end of the 2022. LME nickel inventories continued to decline in 2022, falling below 100,000 tonnes on January 10, reaching 85,644 tonnes on February 9, the lowest level since November 2019.

Visibility of market fundamentals, including inventory levels, in the mid-term is limited given the economic uncertainty caused by the pandemic and news from Indonesia suggesting that the country, one of the world's largest suppliers of nickel, plans to curtail exports in an effort to support a domestic refining and processing activities.

Management's discussion and analysis

The long-term outlook for nickel remains bullish on account of the strong demand expected from the stainless steel sector, the largest market for nickel, and the electric vehicle battery market. Some market observers, such as Wood Mackenzie, have forecast a prolonged nickel supply deficit beginning in 2025 due to recent developments in the electric vehicle market and insufficient nickel production coming on stream in the near term.

Over the past year, multiple automakers and governments have announced plans for significant investments to expand electric vehicle production capacity to meet growing demand as well as more aggressive timelines to phase out the sale of internal combustion engines. In 2021, more than 6.5 million plug-in electric vehicles were sold despite the global pandemic. Industry observers estimate that the number of electric vehicles sold in 2022 will grow to 8.6 million units. CRU has forecast that electric vehicles sales will grow to 17.4 million units by 2025.

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

Cobalt

Cobalt prices rose steadily in Q4 2021, closing on December 31 at US\$33.78/lb, up 30% from US\$25.88/lb at the start of the quarter according to data collected by Fastmarkets MB.

Higher cobalt prices in Q4 2021 were primarily driven by increased buying from electric vehicle battery manufacturers. Cobalt is a key component of rechargeable batteries providing energy stability. Higher cobalt prices in Q4 2021 were also impacted by increased stockpiling by consumers and ongoing supply logistics disruptions in South Africa, where cobalt produced in the Democratic Republic of Congo, the source of almost two-thirds of the world's supply, is sent before being shipped internationally.

Industry observers, such as CRU, expect cobalt prices to continue to be robust in the near term as limited new sources of supply have been announced to fill expected demand over the next five years.

The outlook for cobalt over the long term remains bullish as demand is expected to grow to approximately 280,000 tonnes by 2025, representing a compound annual growth rate of 13.5% according to CRU.

Review of operations

MOA JOINT VENTURE AND FORT SITE

\$ millions (Sherritt's share), except as otherwise noted	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
FINANCIAL HIGHLIGHTS						
Revenue	\$ 183.2	\$ 118.8	54%	\$ 560.6	\$ 425.5	32%
Cost of sales	142.7	111.3	28%	451.4	411.7	10%
Earnings from operations	36.2	4.4	723%	98.3	3.9	nm ⁽⁵⁾
Adjusted EBITDA ⁽¹⁾	49.4	24.8	99%	152.3	68.7	122%
CASH FLOW						
Cash provided by continuing operations for operating activities	\$ 8.9	\$ 13.4	(34%)	\$ 90.5	\$ 53.7	69%
Free cash flow ⁽¹⁾	0.6	4.1	(85%)	56.5	24.5	131%
PRODUCTION VOLUME (tonnes)						
Mixed Sulphides	3,881	4,421	(12%)	16,498	17,429	(5%)
Finished Nickel ⁽³⁾	4,266	4,020	6%	15,592	15,753	(1%)
Finished Cobalt	476	451	6%	1,763	1,685	5%
Fertilizer	65,021	56,277	16%	245,059	235,886	4%
NICKEL RECOVERY⁽²⁾ (%)						
	90%	86%	4%	86%	86%	-
SALES VOLUME (tonnes)						
Finished Nickel ⁽³⁾	4,169	4,177	-	15,603	15,687	(1%)
Finished Cobalt	474	443	7%	1,775	1,678	6%
Fertilizer	51,748	48,542	7%	168,782	187,922	(10%)
AVERAGE REFERENCE PRICE (US\$ per pound)						
Nickel	\$ 8.99	\$ 7.23	24%	\$ 8.39	\$ 6.25	34%
Cobalt ⁽⁴⁾	29.89	15.73	90%	24.34	15.58	56%
AVERAGE-REALIZED PRICE⁽¹⁾						
Nickel (\$ per pound) ⁽³⁾	\$ 11.16	\$ 9.13	22%	\$ 10.30	\$ 8.16	26%
Cobalt (\$ per pound)	31.88	17.55	82%	25.88	17.84	45%
Fertilizer (\$ per tonne)	545.08	298.02	83%	438.75	343.45	28%
UNIT OPERATING COST⁽¹⁾ (US\$ per pound)						
Nickel - net direct cash cost ⁽³⁾	\$ 3.60	\$ 4.47	(19%)	\$ 4.11	\$ 4.20	(2%)
SPENDING ON CAPITAL⁽¹⁾						
Sustaining	\$ 12.1	\$ 9.3	30%	\$ 37.7	\$ 32.2	17%
	\$ 12.1	\$ 9.3	30%	\$ 37.7	\$ 32.2	17%

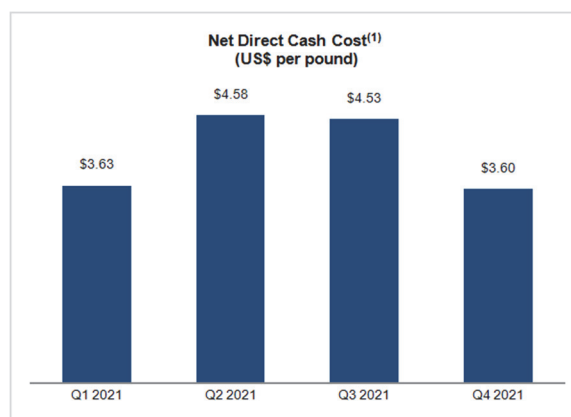
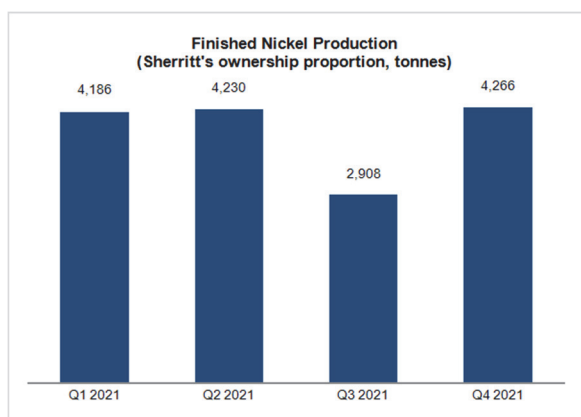
(1) Non-GAAP and other financial measures. For additional information, see the Non-GAAP and other financial measures section.

(2) The nickel recovery rate measures the amount of finished nickel that is produced compared to the original nickel content of the ore that was mined.

(3) For the three months and year ended December 31, 2021, these measures exclude 600 tonnes (50% basis) of finished nickel purchased from and sold to a third party as it was not internally produced.

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

(5) Not meaningful (nm).



Management's discussion and analysis

Revenue, cost of sales and NDCC⁽²⁾ are composed of the following:

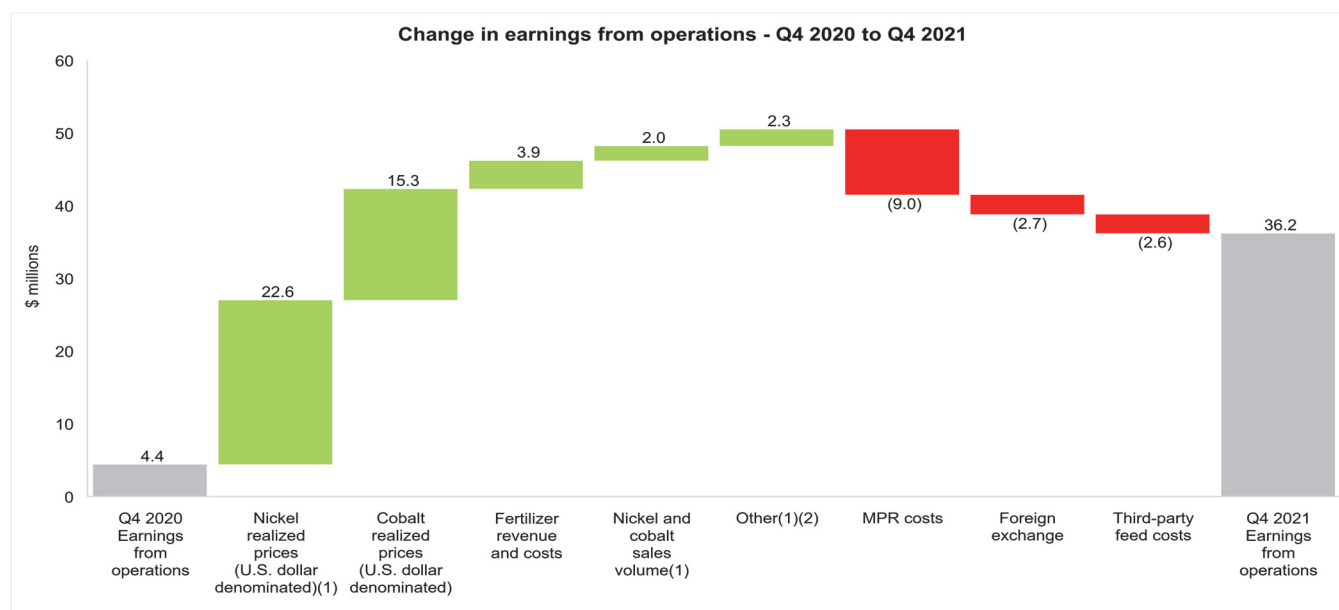
\$ millions, except as otherwise noted	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
REVENUE						
Nickel	\$ 116.7	\$ 84.1	39%	\$ 368.4	\$ 282.1	31%
Cobalt	33.4	17.2	94%	101.3	66.0	53%
Fertilizers	28.3	14.4	97%	74.1	64.5	15%
Other	4.8	3.1	55%	16.8	12.9	30%
	\$ 183.2	\$ 118.8	54%	\$ 560.6	\$ 425.5	32%
COST OF SALES⁽¹⁾						
Mining, processing and refining (MPR)	\$ 63.5	\$ 56.0	13%	\$ 238.5	\$ 226.3	5%
Third-party feed costs	7.7	4.5	71%	22.8	15.8	44%
Third-party finished nickel costs	13.7	-	-	13.7	-	-
Fertilizers	26.6	16.7	59%	67.1	62.2	8%
Selling costs	5.1	4.6	11%	17.8	17.7	1%
Other	12.9	9.5	36%	37.7	25.3	49%
	\$ 129.5	\$ 91.3	42%	\$ 397.6	\$ 347.3	14%
NET DIRECT CASH COST⁽²⁾ (US\$ per pound of nickel)						
Mining, processing and refining costs	\$ 5.66	\$ 4.73	20%	\$ 5.71	\$ 4.93	16%
Third-party feed costs	0.55	0.36	53%	0.51	0.34	50%
Cobalt by-product credits	(2.87)	(1.43)	(101%)	(2.35)	(1.43)	(64%)
Other ⁽³⁾	0.26	0.81	(68%)	0.24	0.36	(33%)
	\$ 3.60	\$ 4.47	(19%)	\$ 4.11	\$ 4.20	(2%)

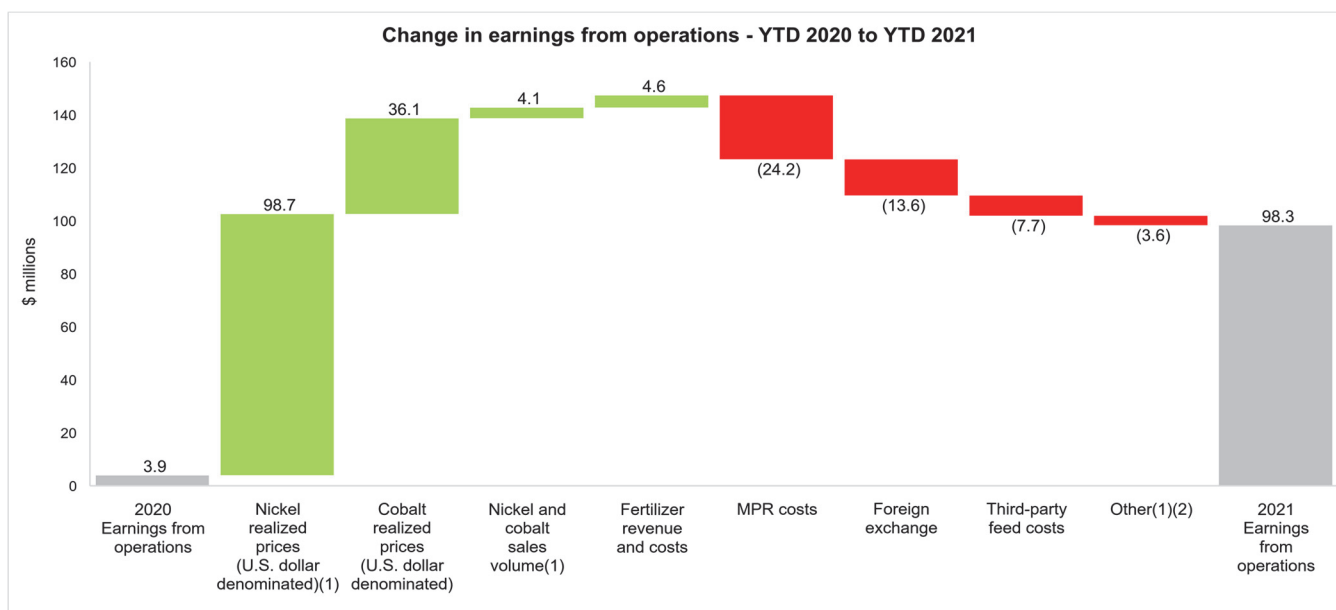
(1) Excludes depletion, depreciation and amortization.

(2) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial 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:





- (1) For the three months and year ended December 31, 2021, the \$0.4 million earnings impact of the 600 tonnes (50% basis) of finished nickel purchased from and sold to a third party has been included in "Other" above and excluded from changes in nickel realized prices and changes in nickel and cobalt sales volume, as it was not internally produced.
- (2) Other is composed of selling costs, royalties and other contributions, administrative costs, depletion, depreciation and amortization, net margin on sulphuric acid by-product sales and the net impact of finished nickel sales that were purchased from and sold to a third party.

Average-realized prices⁽¹⁾ for nickel were 22% and 26% higher for the three months and year ended December 31, 2021, respectively, compared to the same periods in the prior year, while average-realized prices for cobalt were 82% and 45% higher compared to the same periods in the prior year, respectively. Average-realized prices are impacted by the timing of deliveries, timing of settlement against contract terms and fluctuations in the value of the Canadian currency. Average-realized prices for the three months and year ended December 31, 2021 were negatively impacted by a weaker U.S. dollar relative to the Canadian dollar compared to the same periods in the prior year.

Finished nickel and cobalt production at the Moa Joint Venture in the fourth quarter of 2021 resumed to conditions consistent with historical performance following the completion of a 13-day full-facility shutdown and unplanned maintenance activities at the refinery in Fort Saskatchewan, and efforts to mitigate the spread of COVID-19 at Fort Saskatchewan and in the Holguin province of Cuba through the successful rollout of vaccines and additional health and safety measures to protect employees, suppliers and various stakeholders in the third quarter of 2021. Improved results in Q4 2021 relative to performance in Q3 2021 enabled the Moa Joint Venture to meet its guidance for finished nickel and cobalt production and to be below its guidance for unit costs for the year.

Finished nickel and cobalt production at the Moa Joint Venture and Fort Site during the three months and year ended December 31, 2021 was not materially impacted by COVID-19. For the three months ended December 31, 2021, finished nickel and cobalt production was higher than the same period in the prior year due to unplanned repairs to an autoclave at the refinery in Fort Saskatchewan in the prior year quarter. For the year ended December 31, 2021, finished nickel production was marginally lower and finished cobalt production was higher than the same period in the prior year.

Mixed sulphides production was 12% and 5% lower for the three months and year ended December 31, 2021, respectively, compared to the same periods in the prior year. The lower production for the three months and year ended December 31, 2021 compared to the same periods in the prior year was primarily due to the impact of lower mining equipment availability. Mining equipment availability was impacted by delays in the delivery of spare parts and diesel caused by disruptions to global logistics and supply chains. Furthermore, mixed sulphides production was negatively impacted by unplanned maintenance at the existing slurry preparation plant in Q4. In addition, for the year ended December 31, 2021, mixed sulphides production was negatively impacted by lower sulphur availability caused by shipment and unloading delays at the Moa port during the second quarter of 2021.

(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

The nickel recovery rates for the three months and year ended December 31, 2021 were 4% higher and comparable, respectively, than the same periods in the prior year. The favourable nickel recovery rate for the three months ended December 31, 2021 is primarily due to higher extractions achieved on lower solids throughput at Moa.

The ratio of finished nickel to cobalt production for the three months ended December 31, 2021 was comparable with the same period in the prior year. The ratio of finished nickel production to cobalt production was lower for the year ended December 31, 2021 compared to the same period in the prior year as a result of a lower nickel to cobalt ratio in mixed sulphides produced at Moa.

Fertilizer production was 16% and 4% higher for the three months and year ended December 31, 2021, respectively, compared to the same periods in the prior year. The higher production was primarily due to lower opening 2021 inventory resulting in increased production in preparation for spring and fall season shipments. Poor weather in Q4 2019 resulted in lower than anticipated sales and higher opening 2020 inventory.

Mining, processing and refining unit costs were 20% and 16% higher for the three months and year ended December 31, 2021, respectively, compared to the same periods in the prior year primarily due to higher sulphur and fuel oil prices, partially offset by lower labour and other service costs at Moa as a result of Cuban currency unification. MPR costs for the year ended December 31, 2021 were also impacted by higher purchased sulphuric acid consumption due to the planned sulphuric acid plant shutdown at Moa in the second quarter of 2021. The Corporation continues to monitor the impact of currency unification on labour and other service costs, which may change if further legislation and regulation are issued as the Cuban government evaluates the impact of the currency unification process.

NDCC⁽¹⁾ for the three months and year ended December 31, 2021 was US\$3.60 per pound and US\$4.11 per pound, respectively, 19% and 2% lower, compared to the same periods in the prior year. NDCC was lower primarily due to higher cobalt, fertilizer and sulphuric acid by-product credits as a result of higher average-realized prices, partially offset by higher MPR costs, as discussed above, higher third-party feed costs and higher fertilizer and sulphuric acid by-product costs. Higher fertilizer and sulphuric acid by-product costs were primarily due to higher sulphur and energy prices. Moa Joint Venture was below its 2021 guidance range of US\$4.25 to US\$4.75 for NDCC primarily due to higher cobalt and fertilizer by-product realized prices.

Sustaining spending on capital⁽¹⁾ for the three months and year ended December 31, 2021 was focused on replacement of mine and plant equipment and was higher compared to the same periods in the prior year primarily due to higher planned spending. Sustaining spending on capital for the year ended December 31, 2020 was impacted by the cost control measures implemented in Q1 2020 in response to volatile commodity prices and uncertainties related to the impact of COVID-19. Moa Joint Venture and Fort Site's spending on capital in 2021 was below guidance due to operating challenges, including procurement and shipping delays caused by COVID-19.

During the year ended December 31, 2021, the Moa Joint Venture paid distributions of \$71.7 million to its shareholders, of which \$35.9 million was paid to Sherritt directly, representing its 50% share. In addition, GNC, Sherritt's joint venture partner, redirected \$16.9 million of distributions during the year ended December 31, 2021 to the Corporation to fund Energas operations until the end of 2021. During the three months ended December 31, 2021, the Moa Joint Venture deferred distributions that were expected to be received by the Corporation as it assessed the impact of delays in product deliveries on account of the flooding in British Columbia and congestion at the Port of Vancouver, which in turn caused disruptions to rail transportation of finished nickel and cobalt.

Subsequent to year end, the Moa Joint Venture paid a distribution of \$16.3 million, of which \$8.1 million was paid to Sherritt directly. Given prevailing nickel and cobalt prices, planned spending on capital at the Moa Joint Venture, and expected liquidity requirements, Sherritt anticipates an additional distribution in Q1 2022, and expects distributions for 2022 to be greater than the \$35.9 million (excluding re-directions from its Cuban partner, GNC) received in 2021.

With support from Sherritt Technologies, the Moa Joint Venture launched an expansion strategy aimed at growing nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced during the year ended December 31, 2021 and extending the life of mine of Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade.

(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

During the three months ended December 31, 2021, the Moa Joint Venture completed a feasibility study for a new slurry preparation plant (SPP) at Moa and planned expenditures were approved by its Board of Directors. The SPP, which is estimated to cost US\$27 million and be completed in early 2024, will deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining and increased annual nickel and cobalt contained in mixed sulphides production of approximately 1,700 tonnes commencing in mid-2024.

Sherritt and its Cuban partners are finalizing timelines, cost estimates and economics of other components of the growth strategy, including identifying financing alternatives. Sherritt currently estimates the growth strategy will deliver incremental increases to annual finished nickel and cobalt production by 15 to 20% from totals produced in 2021 once all projects at Moa, including the SPP and the refinery in Fort Saskatchewan, are completed in 2024 at an anticipated cost of US\$20,000 to US\$25,000 per tonne of new nickel capacity. Sherritt expects to provide further updates on its growth strategy with the release of its results for the first quarter of 2022.

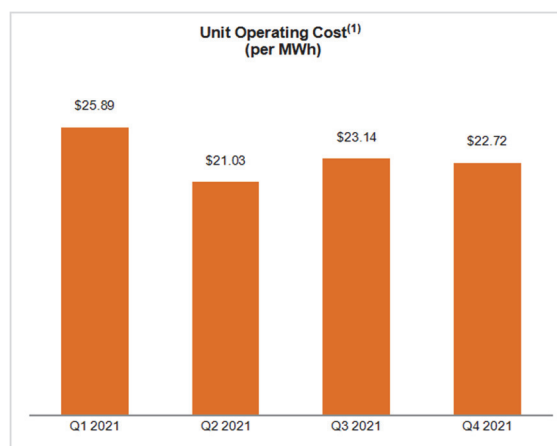
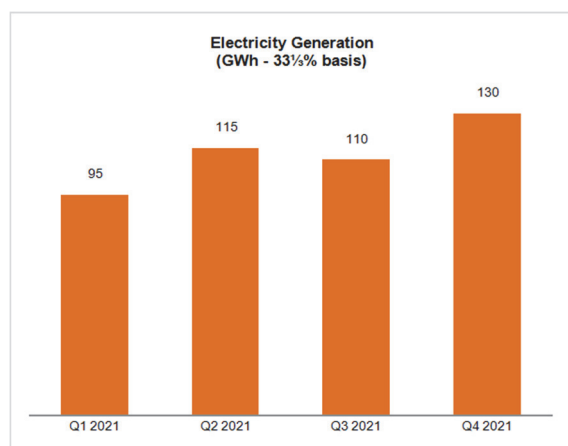
In 2020, an initiative was launched at the Moa Joint Venture to reduce carbon emissions, including a project to electrify light vehicles. As of December 31, 2021, the Moa Joint Venture and Fort Site added electric vehicles and electric equipment, including two electric scissor lift units, two pick-up trucks, four minivans and one electric forklift. In addition, plans for the increased use of renewable energy and electric light vehicles in 2022 and over the longer term, are being developed.

POWER

\$ millions (Sherritt's share, 33⅓% basis), except as otherwise noted	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
FINANCIAL HIGHLIGHTS						
Revenue	\$ 8.1	\$ 8.8	(8%)	\$ 28.3	\$ 37.2	(24%)
Cost of sales	7.0	8.9	(21%)	26.1	31.3	(17%)
Earnings (loss) from operations	0.5	(10.1)	105%	(0.6)	(5.6)	89%
Adjusted EBITDA ⁽¹⁾	4.5	4.4	2%	15.1	24.7	(39%)
CASH FLOW						
Cash provided by continuing operations for operating activities	\$ 0.8	\$ 30.2	(97%)	\$ 18.1	\$ 77.8	(77%)
Free cash flow ⁽¹⁾	0.7	30.2	(98%)	18.0	77.1	(77%)
PRODUCTION AND SALES VOLUME						
Electricity (GWh ⁽²⁾)	130	144	(10%)	450	602	(25%)
AVERAGE-REALIZED PRICE⁽¹⁾						
Electricity (per MWh ⁽²⁾)	\$ 54.33	\$ 55.10	(1%)	\$ 54.05	\$ 57.05	(5%)
UNIT OPERATING COST⁽¹⁾						
Electricity (per MWh ⁽²⁾)	22.72	26.73	(15%)	23.06	17.38	33%
SPENDING ON CAPITAL⁽¹⁾						
Sustaining	\$ 0.1	\$ (0.1)	200%	\$ 0.1	\$ 0.7	(86%)
	\$ 0.1	\$ (0.1)	200%	\$ 0.1	\$ 0.7	(86%)

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

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



Management's discussion and analysis

Power revenue is composed of the following:

\$ millions (33⅓% basis)	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
Electricity sales	\$ 7.0	\$ 8.0	(13%)	\$ 24.3	\$ 34.4	(29%)
By-products and other	1.1	0.8	38%	4.0	2.8	43%
	\$ 8.1	\$ 8.8	(8%)	\$ 28.3	\$ 37.2	(24%)

Deferred and scheduled maintenance activities and reduced availability of spare parts contributed to lower electricity production and sales volume for the three months and year ended December 31, 2021 compared to the same periods in the prior year. The decrease in the average-realized price⁽¹⁾ of electricity for the three months and the year ended December 31, 2021 compared to the same periods in the prior year was due to the weaker U.S. dollar relative to the Canadian dollar.

Unit operating costs⁽¹⁾ were lower in the current year quarter compared to prior year quarter due to less spending on maintenance partially offset by lower volumes. For the year ended December 31, 2021 compared to the same period in the prior year, the increase in unit operating costs was mainly a result of lower sales volume. Operational spending was consistent year-over-year, as higher maintenance expenses were offset by the impact of Cuban currency unification, which lowered labour and third-party service costs.

The Corporation's current contract term for power generation from Energas expires in March 2023 and the Corporation is continuing discussions with its Cuban partners to extend the contract term. A feasibility study on the extension was approved by the Energas JV Board and a formal application for the extension has been submitted to the Cuban government for approval.

TECHNOLOGIES

\$ millions	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
FINANCIAL HIGHLIGHTS						
Revenue	\$ 0.2	\$ 0.1	100%	\$ 0.6	\$ 0.5	20%
Cost of sales	(4.1)	(2.7)	52%	(13.5)	(10.6)	27%
Loss from operations	\$ (3.9)	\$ (2.6)	50%	\$ (12.9)	\$ (10.1)	28%

Overview

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

Sherritt Technologies continued its efforts during the three months and year ended December 31, 2021 to transition from being a cost centre to becoming an incubator of industry solutions that can be commercialized externally to improve operational performance and product quality, reduce carbon emissions, and improve profitability or applied internally to support growth initiatives, including de-bottlenecking production, evaluating brownfield expansion opportunities and increasing mineral reserves. Sherritt Technologies' innovation pipeline is an efficient vehicle for rapidly evaluating new ideas and is involved in strategic growth initiatives and the evaluation of merger and acquisition opportunities. In addition, Sherritt Technologies continues to think about the future and making next-generation nickel mining and processing more economically viable and more sustainable, as well as developing project opportunities for the generation of battery-grade nickel and cobalt products from lateritic ores.

During the three months ended December 31, 2021, Sherritt Technologies' primary activities centred on supporting development of the Moa Joint Venture's expansion strategy, including efforts to support a change in mine planning whereby an economic cut-off grade will be used to upgrade resources into reserves and significantly expand the life of mine at Moa. Other activities included efforts to commercialize Sherritt's most advanced, innovative technologies discussed below.

During the year ended December 31, 2021, the Corporation appointed a Chief Commercial Officer (CCO) with a diverse and extensive mining background. The CCO's experience in the development and implementation of business strategies and in the sourcing, evaluation, and implementation of investment opportunities will be vital to the success of Sherritt Technologies.

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

Metallurgical reactor technology - Dense slurry hydroprocessing (DSH)

Sherritt has leveraged its mature and successful metallurgical reactor technology into the upgrading of heavy oil and bitumen as well as the conversion of refinery vacuum residue. The technology, which is called DSH, makes use of high concentrations of a cost effective, engineered catalyst that is recovered for re-use. In Sherritt's testing with dry bitumen, DSH produces a diluent-free, medium sweet product with a high yield. This product is comprised mainly of middle distillates with low residue and naphtha. Sherritt's DSH flow sheet is simpler and its capital cost is estimated to be approximately 30% less when compared to other hydroconversion processes currently used by the oil industry. The simplicity of Sherritt's flow sheet can be attributed to the technology being able to treat the entire bitumen stream in a single vessel, thus eliminating requirements for front-end fractionation and back-end hydro-treatment.

Discussions with external parties regarding the potential use of Sherritt's process have identified multiple, distinct scenarios for the application of this technology. External industry expertise has been engaged to assist in further developing these specific opportunities. Piloting of the new catalyst system, which allows for full upgrading instead of partial upgrading, is scheduled to occur during 2022 and will be designed to test the multiple product and processing scenarios. This process has reached a Technology Readiness Level of 5, however, Sherritt Technologies will undergo piloting again with a new catalyst system which allows for full upgrading instead of partial upgrading. The Technology Readiness Level is a measure used to assess a project's stage of development. There are 9 Technology Readiness Levels, with Level 1 representing the stage at which scientific research begins to be translated into applied research and development and Level 9 representing the stage at which the technology is in its final form and is applied in full-scale commercial conditions.

Treatment of copper concentrates ("Chimera")

Sherritt's proprietary Chimera process was developed in response to current copper concentrate market developments based on the Corporation's deep expertise in hydrometallurgy. In this process, complex copper concentrate is leached for base metal extraction, while simultaneously locking up contaminants such as arsenic, antimony and bismuth in a chemically stable form. As a result, pressure leach process residues are generated that are significantly more environmentally stable than current industrial practice could achieve.

During the three months ended December 31, 2021, Sherritt launched a number of studies, in addition to several studies already underway, to support the commercialization path of this innovative, new technology. More specifically, discussions have started with external parties on a variety of potential commercialization routes and identification of optimal laterite ore and copper concentrate sources. External industry expertise has been engaged to assist in further developing specific opportunities within the copper complex concentrate market. The process allows for different copper products, as well as nickel and cobalt intermediates, to be considered, depending on specific project drivers and circumstances. This process has reached a Technology Readiness Level of 4 after completing successful batch testing and completion of a pilot plant.

Next-generation laterite processing technology

Sherritt Technologies also continued to advance its work on development of a next-generation laterite processing technology. The value levers that drive this initiative include improving the purity of nickel, reducing environmental impacts such as water, greenhouse gas emissions and a reduction in tailings, extending the life of existing assets, increasing the recovery of high-value metals and reducing operating costs and capital requirements. During the three months ended December 31, 2021, Sherritt concluded an intensive technology review process and has selected a novel processing flowsheet to advance to pilot plant testing in 2022.

CORPORATE

\$ millions	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
EXPENSES						
Administrative expenses	\$ 4.3	\$ 12.1	(64%)	\$ 36.5	\$ 30.7	19%

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

Administrative expenses at Corporate for the three months ended December 31, 2021 decreased by \$7.8 million compared to the same period in the prior year primarily due to a decrease in share based compensation expense of \$5.4 million, a decrease in employee costs of \$2.1 million and a decrease in legal fees and third-party consulting fees of \$0.8 million. The decrease in share-based compensation expense for the three months ended December 31, 2021 is primarily due to a decrease of \$0.04 in the Corporation's share price since September 30, 2021, compared to an increase of \$0.22 during the same period in the prior year.

Administrative expenses at Corporate for the year ended December 31, 2021 increased by \$5.8 million compared to the same period in the prior year primarily due to an increase in severance and other contractual benefits expense of \$6.1 million, share-based compensation expense of \$5.5 million and reduced recoveries related to the Canada Emergency Wage Subsidy (CEWS) amounts received in support of Corporate employee costs of \$0.8 million. The aforementioned increases are partially offset by a decrease in employee costs of \$4.0 million and a decrease in legal fees and third-party consulting fees of \$1.7 million. The increase in share-based compensation expense for the year ended December 31, 2021 is primarily due to accelerated vesting as a result of the Corporate workforce reduction and senior executive departures, described below, partially offset by a decrease of \$0.02 in the Corporation's share price since December 31, 2020.

During the three months and year ended December 31, 2021, the Corporation recognized severance expense of nil and \$1.0 million, respectively, and accelerated share-based compensation of expense of nil and \$0.8 million, respectively, related to the May 2021 reduction of 10% of the Corporate office salaried workforce (nil for the three months and year ended December 31, 2020). The Corporation expects to achieve estimated annual savings of approximately \$1.3 million in employee costs going forward as a result of the workforce reduction.

During the three months and year ended December 31, 2021, the Corporation recognized other contractual benefits expense of \$0.6 million and \$5.1 million, respectively, and accelerated share-based compensation expense of \$0.1 million and \$4.7 million, respectively, related to the departures of two senior executives on September 30, 2021 and December 31, 2021 (nil for the three months and year ended December 31, 2020). Administrative expenses for the three months and year ended December 31, 2021 also includes \$0.6 million of accelerated share-based compensation expense related to the planned retirement of a senior executive on April 30, 2022 (nil for the three months and year ended December 31, 2020).

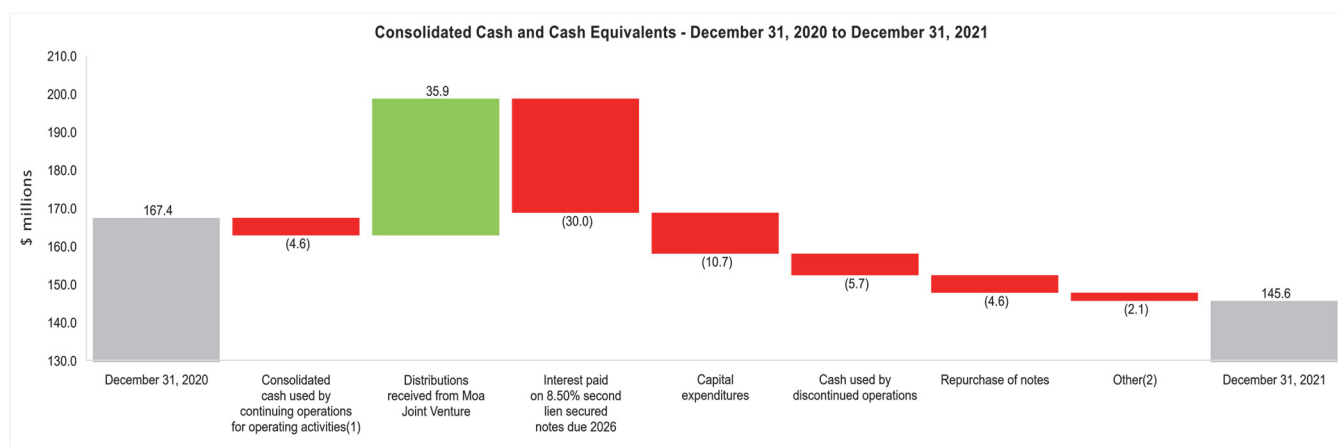
Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted. Additional share-based compensation expense for the retiring senior executive will be recognized during the three months ended March 31, 2022 and June 30, 2022 as the senior executive completes their service. The amount of share-based compensation expense to be recognized in future periods will be based on the Corporation's share price in those periods.

Liquidity

As at December 31, 2021, total available liquidity was \$227.7 million, which is composed of cash and cash equivalents of \$145.6 million and \$82.1 million of available credit facilities and excludes restricted cash of \$1.3 million. Refer to the Capital resources section for further details on the amendment to the syndicated revolving-term credit facility.

Effective June 30, 2020, the Corporation did not renew a \$47.0 million letter of credit issued to support its share of the environmental rehabilitation obligations held by its Spanish operations. During the year ended December 31, 2021, the environmental rehabilitation obligations held by the Corporation's Spanish Oil and Gas operations were secured by a parent company guarantee of €31.5 million until December 31, 2023, with no impact on the Corporation's available liquidity.

Cash and cash equivalents as at December 31, 2021 decreased by \$21.8 million from December 31, 2020. The components of this change are shown below:



(1) Excludes distributions received from Moa Joint Venture and interest paid on 8.50% second lien secured notes due 2026 presented separately above.

(2) Other is composed of receipts of advances, loans receivable and other financial assets, repayment of other financial liabilities and the effect of exchange rate changes on cash and cash equivalents.

The Corporation's cash and cash equivalents are deposited in the following countries:

\$ millions, as at December 31, 2021	Cash		Cash equivalents	Total
Canada	\$	48.1	\$ 16.1	\$ 64.2
Cuba		80.6	-	80.6
Other		0.8	-	0.8
	\$	129.5	\$ 16.1	\$ 145.6
Sherritt's share of cash in the Moa Joint Venture, not included in the above balances:			\$	24.4

SOURCES AND USES OF CASH

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

\$ millions	For the three months ended			For the year ended		
	2021 December 31	2020 December 31	Change	2021 December 31	2020 December 31	Change
Cash provided (used) by operating activities						
Cash provided (used) by operating activities:						
Fort Site	\$ 12.7	\$ 1.0	nm ⁽³⁾	\$ 5.5	\$ 8.9	(38%)
Metals Other	(3.2)	(8.0)	60%	5.0	(1.0)	nm ⁽³⁾
Oil and Gas	2.3	(5.3)	143%	4.2	(26.5)	116%
Power	0.8	30.2	(97%)	18.1	77.8	(77%)
Technologies	(3.6)	(1.7)	(112%)	(12.4)	(8.9)	(39%)
Corporate ⁽¹⁾	(7.7)	(15.6)	51%	(25.1)	(27.6)	9%
Distributions received from Moa Joint Venture	-	26.3	(100%)	35.9	39.6	(9%)
Interest paid on 8.50% second lien secured notes due 2026	(14.8)	(5.0)	(196%)	(30.0)	(5.0)	nm ⁽³⁾
Purchase of commodity put options	-	(9.3)	100%	-	(9.3)	100%
Other cash provided by operating activities	0.1	0.1	-	0.1	-	-
Cash (used) provided by continuing operations	(13.4)	12.7	(206%)	1.3	48.0	(97%)
Cash used by discontinued operations	(0.2)	(1.6)	88%	(5.7)	(7.3)	22%
Cash (used) provided by operating activities	\$ (13.6)	\$ 11.1	(223%)	\$ (4.4)	\$ 40.7	(111%)
Cash used by investing activities	\$ (2.7)	\$ (3.2)	16%	\$ (9.9)	\$ (11.4)	13%
Cash used by financing activities	(1.0)	(1.6)	38%	(6.9)	(26.4)	74%
Effect of exchange rate changes on cash and cash equivalents	(0.5)	(4.0)	88%	(0.6)	(1.6)	63%
(Decrease) increase in cash and cash equivalents	\$ (17.8)	\$ 2.3	nm ⁽³⁾	\$ (21.8)	\$ 1.3	nm ⁽³⁾
Cash and cash equivalents:						
Beginning of the period	\$ 163.4	\$ 165.1	(1%)	\$ 167.4	\$ 166.1	1%
End of the period⁽²⁾	\$ 145.6	\$ 167.4	(13%)	\$ 145.6	\$ 167.4	(13%)

(1) Excluding distributions received from Moa Joint Venture, interest paid on 8.50% second lien secured notes due 2026 and the purchase of commodity put options, which are presented separately.

(2) As at December 31, 2021, \$78.9 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2020 - \$75.0 million).

(3) Not meaningful (nm).

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

Cash used by operating activities was higher for the three months and year ended December 31, 2021 compared to the same periods in the prior year, primarily as a result of the following:

- Higher and lower cash provided by operating activities at Fort Site for the three months and year ended December 31, 2021, respectively, primarily due to the timing of working capital receipts and payments;
- Lower cash used and higher cash provided by operating activities, respectively, at Metals Other for the three months ended December 31, 2021, respectively, primarily due to timing of working capital receipts and payments;
- Higher cash provided by operating activities at Oil and Gas for the three months and year ended December 31, 2021 primarily due to higher Cuban energy receipts and lower operational spending as a result of the expiration of the Puerto Escondido/Yumuri production-sharing contract during the first quarter of 2021;
- Lower cash provided by operating activities at Power for three months and year ended December 31, 2021 primarily due to lower receipts from Cuban energy payments, coupled with lower electricity production and increased maintenance activities;
- Lower cash used by operating activities at Corporate for the three months and year ended December 31, 2021 primarily due to the timing of working capital payments and lower legal and consulting fees. Cash used by operating activities at Corporate for the year ended December 31, 2021 was negatively impacted by lower receipts from the CEWS program compared to the same period in the prior year;
- Lower distributions received from Moa Joint Venture for the three months and year ended December 31, 2021 primarily due to the deferral of a distribution from the fourth quarter of 2021 to the first quarter of 2022 as a result of anticipated delays in product deliveries on account of the flooding in British Columbia and congestion at the Port of Vancouver, which in turn caused disruptions to rail transportation of finished nickel and cobalt.

- Higher interest paid for the year ended December 31, 2021 on the 8.50% second lien secured notes due 2026 due to the deferral of interest payments in the prior year period as a result of the Balance Sheet Initiative; and
- No purchase of commodity put options on nickel during the three months and year ended December 31, 2021 compared to the same periods in the prior year.

Included in investing and financing activities for the three months and year ended December 31, 2021 are expenditures on property, plant and equipment and intangible assets, which were lower than the prior year periods, and nil and \$4.6 million, respectively, of repurchases of the 8.50% second lien secured notes due 2026.

The Corporation's decrease in cash and cash equivalents reconcile to Adjusted EBITDA as follows for the three months and year ended December 31, 2021, respectively:

\$ millions	For the three months ended December 31, 2021	For the year ended December 31, 2021
Adjusted EBITDA ⁽¹⁾	\$ 46.4	\$ 112.2
Add (deduct):		
Moa Joint Venture Adjusted EBITDA ⁽¹⁾	(50.7)	(156.3)
Distributions from the Moa Joint Venture	-	35.9
Interest paid on notes	(14.8)	(30.0)
Net change in non-cash working capital	6.9	23.0
Share-based compensation (recovery) expense	(1.1)	13.9
Other ⁽²⁾	(0.1)	2.6
Cash provided by continuing operations for operating activities per financial statements	(13.4)	1.3
Deduct:		
Cash used by discontinued operations	(0.2)	(5.7)
Repurchase of notes	-	(4.6)
Property, plant, equipment and intangible asset expenditures	(2.9)	(10.7)
Fees paid on debenture exchange	-	(0.2)
Effect of exchange rate changes on cash and cash equivalents	(0.5)	(0.6)
Other ⁽²⁾	(0.8)	(1.3)
Change in cash and cash equivalents	\$ (17.8)	\$ (21.8)

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

(2) Other is composed of interest received, income taxes paid, receipts of advances, loans receivable and other financial assets and repayment of other financial liabilities.

CONSOLIDATED FINANCIAL POSITION

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

\$ millions, except as otherwise noted, as at December 31	2021	2020	Change
Current assets	\$ 390.0	\$ 381.3	2%
Current liabilities	221.9	169.5	31%
Working capital ⁽¹⁾	168.1	211.8	(21%)
Current ratio ⁽²⁾	1.76:1	2.25:1	(22%)
Cash and cash equivalents	\$ 145.6	\$ 167.4	(13%)
Investment in Moa Joint Venture	642.4	597.4	8%
Non-current advances, loans receivable and other financial assets	190.2	169.6	12%
Property, plant and equipment	150.9	166.4	(9%)
Total assets	1,398.0	1,352.2	3%
Loans and borrowings	444.5	441.4	1%
Provisions	108.0	112.1	(4%)
Total liabilities	813.0	745.4	9%
Deficit	(2,898.5)	(2,880.1)	(1%)
Shareholders' equity	585.0	606.8	(4%)

(1) Working capital is calculated as the Corporation's current assets less current liabilities.

(2) The current ratio is calculated as the Corporation's current assets to current liabilities.

Capital resources

CONTRACTUAL OBLIGATIONS AND COMMITMENTS⁽¹⁾

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, 2021	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	\$ 196.0	\$ 196.0	\$ -	\$ -	\$ -	\$ -	-
Income taxes payable	0.9	0.9	-	-	-	-	-
8.50% second lien secured notes due 2026 (includes principal, interest and premium)	527.0	29.8	29.8	29.8	29.8	407.8	-
10.75% unsecured PIK option notes due 2029 (includes principal and interest)	194.4	-	-	-	-	-	194.4
Syndicated revolving-term credit facility	8.8	0.4	0.4	8.0	-	-	-
Provisions	141.5	3.2	5.2	0.4	0.5	0.2	132.0
Lease liabilities	18.1	2.6	2.5	2.4	2.4	1.3	6.9
Capital commitments	6.0	6.0	-	-	-	-	-
Other	0.3	-	0.3	-	-	-	-
Total	\$ 1,093.0	\$ 238.9	\$ 38.2	\$ 40.6	\$ 32.7	\$ 409.3	\$ 333.3

(1) Excludes the contractual obligations and commitments of the Moa Joint Venture, which are disclosed separately below and non-recourse to the Corporation.

SYNDICATED REVOLVING-TERM CREDIT FACILITY

As at December 31, 2021, the Corporation was in compliance with all syndicated revolving-term credit facility covenants.

On October 28, 2021, the syndicated revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from \$70.0 million to \$100.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the credit facility are available to fund working capital and capital expenditures. Spending on capital expenditures cannot exceed \$75.0 million in a fiscal year. This restriction does not apply to capital expenditures of Moa Nickel S.A. 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 facility is subject to the following financial covenants and restrictions:

- Net Available Cash covenant, as defined in the agreement, of \$25.0 million. The amount compared against this covenant is composed of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus undrawn amounts on the credit facility;
- Senior Secured Net Debt-to-EBITDA covenant, as defined in the agreement, of less than 2:1. Senior Secured Net Debt is calculated as first-lien debt, or amounts drawn on the credit facility, any derivative liability and any additional security ranked equal to first-lien debt, less cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada up to \$25.0 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis;
- EBITDA-to-Interest Expense covenant, as defined in the agreement, of not less than 1.5:1 prior to September 30, 2022 and not less than 2:1 thereafter. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's 10.75% unsecured PIK option notes due 2029; and
- Minimum Tangible Net Worth covenant, as defined in the agreement, of \$600.0 million plus 50% of positive net earnings. In the event of expiration of the Corporation's current contract term for power generation from Energas in March 2023, the Minimum Tangible Net Worth covenant decreases to \$550.0 million plus 50% of positive net earnings, effective upon the date of expiration, if applicable. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the credit facility, less the principal amount of the 8.50% second lien secured notes due in 2026, less the principal amount of the 10.75% unsecured PIK option notes due in 2029, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2021, the Corporation has \$9.9 million of letters of credit outstanding pursuant to this facility (December 31, 2020 - \$2.5 million). As at December 31, 2021, \$8.0 million was drawn on this facility (December 31, 2020 - \$8.0 million).

Effective June 30, 2020, the Corporation did not renew a \$47.0 million letter of credit issued to support its share of the environmental rehabilitation obligations held by its Spanish Oil and Gas operations. On October 29, 2021, the environmental rehabilitation obligations held by the Corporation's Spanish Oil and Gas operations were secured by a parent company guarantee of €31.5 million until December 31, 2023, with no impact on the Corporation's available liquidity.

MOA JOINT VENTURE COMMITMENTS

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 includes the following, which are not reflected in the table above and are non-recourse to the Corporation:

- Environmental rehabilitation commitments of \$88.3 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of \$32.0 million;
- Income taxes payable of \$6.6 million;
- Lease liabilities of \$0.5 million;
- Loans and borrowings of \$11.8 million; and
- Property, plant and equipment commitments of \$30.3 million.

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

CAPITAL STRUCTURE

\$ millions, except as otherwise noted	2021		2020		Change
	December 31		December 31		
Loans and borrowings	\$	444.5	\$	441.4	1%
Other financial liabilities		40.9		29.5	39%
Total debt	\$	485.4	\$	470.9	3%
Shareholders' equity		585.0		606.8	(4%)
Total debt-to-capital ⁽¹⁾		45%		44%	4%
Common shares outstanding		397,288,680		397,284,652	-
Stock options outstanding		4,120,191		8,978,031	(54%)
Common share warrants outstanding		-		57,608,588	(100%)

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

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 were exercisable at any time at an exercise price of \$0.74 per share and had an original term of 5 years. They were not listed on any exchange. During 2020 and 2021, a negligible amount of warrants was exercised for negligible proceeds. These warrants expired on July 29, 2021.

Issuance 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 had an exercise price of \$1.95. Each cobalt-linked warrant was exercisable to acquire between 1.00 and 1.25 common shares, determined based on a prescribed cobalt reference price. These warrants expired on January 25, 2021 and no warrants were exercised since issuance.

COMMON SHARES

As at February 9, 2022, the Corporation had 397,288,680 common shares outstanding. An additional 4,120,191 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

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 2020 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
- Infectious Diseases (COVID-19)
- Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments
- Risks Related to Sherritt's Operations in Cuba
- Risks Related to U.S. Government Policy Towards Cuba
- Risks to Information Technologies Systems and Cybersecurity
- 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, fertilizer and oil are sensitive to changes in market prices, over which the Corporation has little or no control. The Corporation's earnings and financial condition depend largely upon the market prices for nickel, cobalt, fertilizer, oil, gas 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, 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, electricity, fuel oil, diesel 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 Sherritt securities or the securities 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, fertilizer, 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 and Debt Covenants" for more information on Sherritt's loans and borrowings and on the effect of non-compliance with certain debt covenants.

INFECTIOUS DISEASES (COVID-19)

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

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

RESTRICTIONS IN DEBT INSTRUMENTS AND DEBT COVENANTS

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"). 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 or any future debt instruments or credit agreements, could materially adversely affect the Corporation's business, results of operations, and financial performance

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 and the ability of the Cuban government to fulfil payment obligations to the Corporation may be affected by economic and other 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, in 2021, Cuba experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's foreign currency liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. The former U.S. administration increased its sanctions against Cuba and its trading partners and these measures had an adverse impact on Cuba and its economy, as well as its ability to conduct international trade. On January 12, 2021, the former administration designated Cuba as a State Sponsor of Terrorism, and on May 25, 2021 that was renewed by the current administration. There can be no assurance that the current U.S. administration will relax these measures. 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. On January 1, 2021, Cuba began its transition from a dual to a single currency system. Sherritt has not experienced any material changes or additional risks to its operations as a result of this change, however we are continuously monitoring and assessing the potential impacts of the transition as it evolves.

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. Nevertheless, overdue receivables owed by Cuban entities to Sherritt increased from US\$145.9 million at the beginning of 2021 to US\$156.0 million as at December 31, 2021. 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 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 former 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. There can be no assurance that the current U.S. administration will relax these measures. 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.

RISKS TO INFORMATION TECHNOLOGIES SYSTEMS AND CYBERSECURITY

The global mining industry has seen a rise in cybersecurity threats and the Corporation may be negatively affected by cybersecurity incidents or other IT systems disruption. The Corporation relies heavily on its information technology systems including, without limitation, its networks, equipment, hardware, software, telecommunications, and other information technology (collectively, "IT systems"), and the IT systems of its vendors and third party service providers, to operate its business as a whole, including mining operations. Although the Corporation has not experienced any material losses to date relating to cybersecurity, or other IT systems disruptions, there can be no assurance that the Corporation will not incur such losses in the future. Despite the Corporation's mitigation efforts including implementing an IT systems security risk management framework, the risk and exposure to these threats cannot be fully mitigated because of, among other things, the evolving nature of cybersecurity threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect IT systems from cybersecurity threats remain a priority. As these threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any cybersecurity vulnerabilities. Any cybersecurity incidents or other IT systems disruption could result in production downtimes, operational delays, destruction or corruption of data, security breaches, financial losses from remedial actions, the theft or other compromising of confidential or otherwise protected information, fines and lawsuits, or damage to the Corporation's reputation. Any such occurrence could have an adverse impact on the Corporation's financial condition and operations.

The Corporation may also be negatively impacted by the rise of disruptive technologies including robotics, automation, and data analytics should it not adapt to these technological advancements in a timely manner.

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

The development of Sherritt's business may also be in part dependent on management's ability to identify, acquire and develop suitable acquisition opportunities in both new and existing markets. In certain circumstances, acceptable acquisition opportunities might not be available. Sherritt may also not be able to identify suitable partners with whom it could pursue such opportunities. Acquisitions involve a number of risks, which may include, without limitation: (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 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 reverted to the Cuban Government on March 19, 2021. All future oil and gas production will depend on discovering new reserves in Blocks 8A and 6A. 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.

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 geopolitical 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, including pandemics, 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” in Sherritt's 2020 AIF for additional information.

OTHER RISKS

Below is a list of the other significant business risks as presented in the Corporation's 2020 AIF. Further detail of these and other risks and the strategies designed to manage them can be found in the Corporation's 2020 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
- Government regulation
- 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, 2021 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

Measurement of the allowance for expected credit losses

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.

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.

Environmental rehabilitation provision costs

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.

Environmental rehabilitation provision discount rates

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.

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 represents a joint operation, while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation concluded that the Ambatovy Joint Venture represented an associate as described in IAS 28, "Investments in Associates and Joint Ventures" until August 31, 2020 (note 10). 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 using the equity method. The Corporation previously accounted for its investment in an associate using the equity method, which ceased upon approval of a transaction on August 31, 2020 (note 10). 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.

Determination of 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.

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 assets 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 as an impairment in the consolidated statements of comprehensive income (loss).

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.

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.

Assessment for impairment of non-financial assets

The Corporation assesses the carrying amount of non-financial assets, including property, plant and equipment, intangible assets subject to depreciation and amortization and assets under construction, 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.

There are a number of potential indicators that could trigger an impairment or impairment reversal, which may require critical accounting judgments to determine the extent to which external and/or internal factors may impact the assets' recoverable amount. Such internal factors include changes to estimated recoverable production, commodity or contracted prices, cash costs of production, capital and reclamation costs. External factors include the Corporation's market capitalization deficiency and changes in economic conditions, including uncertainty as a result of the COVID-19 pandemic, such as its potential impact on commodity prices, and collection of Cuban receivables.

For purposes of determining fair value, management assesses the recoverable amount of the asset using the higher of value-in-use and fair value less cost to sell and an appropriate discount rate. 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. In the event that management's estimate of future cash flows is not representative of actual events, impairments may be identified, which could have a material impact on the Corporation's consolidated financial statements. 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

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases, effective for annual periods beginning on or after January 1, 2021.

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

Effective January 1, 2021, the Corporation adopted these requirements. The application of the Phase 2 amendments did not have an impact on the Corporation given that the contractual cash flows of its financial instruments and lease liabilities are not dependent upon any interest rate benchmarks under the scope of the reform and the Corporation does not apply hedge accounting.

The Corporation's secured and unsecured notes have fixed interest rates that are not based on a benchmark. Borrowings drawn against the syndicated revolving-term credit facility mature monthly and are renewed up to a maximum of three months using one-, two- or three-month bankers' acceptance rates, which continued to be published after the six- and twelve-month rates ceased to be published in 2021.

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.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received from selling items produced while preparing the asset for its intended will be recognized as revenue and the related cost of sales in the consolidated statements of comprehensive income (loss).

The amendments apply for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Corporation does not expect a material impact from the application of this amendment on its consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which made amendments to IAS 12 Income Taxes ("IAS 12"). The amendment narrowed the scope of the IAS 12 recognition exemption related to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which made amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's consolidated statements of comprehensive income (loss), or the consolidated statements of comprehensive income (loss) of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

In June 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Three-year trend analysis⁽¹⁾

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	2021	2020	2019
Revenue	\$ 110.2	\$ 119.8	\$ 136.3
Earnings (loss) from operations and joint venture	8.5	(197.1)	(85.9)
Net loss from continuing operations	(13.4)	(85.7)	(142.4)
(Loss) earnings from discontinued operations, net of tax	(5.0)	107.9	(225.3)
Net (loss) earnings for the year	(18.4)	22.2	(367.7)
Adjusted EBITDA ⁽²⁾	112.4	38.9	46.0
(Loss) earnings per common share (basic and diluted) (\$ per share):			
Net loss from continuing operations	(0.03)	(0.22)	(0.36)
Net (loss) earnings for the year	(0.05)	0.06	(0.93)
Total assets	1,398.0	1,352.2	1,738.1
Non-current liabilities	591.1	575.9	685.3
PRODUCTION VOLUMES			
Moa Joint Venture (50% basis)			
Finished nickel (tonnes)	15,592	15,753	16,554
Finished cobalt (tonnes)	1,763	1,685	1,688
Electricity (gigawatt hours) (33⅓% basis)	450	602	736

(1) The amounts for the years ended December 31, 2019 and 2020 have been restated to reclassify the Ambatovy Joint Venture as a discontinued operation.

(2) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

In each year, the primary factors affecting on-going operating results are production and sales volumes, commodity prices, primarily nickel, cobalt, fertilizer and oil; changes in input commodity prices; maintenance and operating costs, which are discussed in the Review of operations sections; and the foreign exchange relationship between the Canadian and U.S. dollars. Other impacts such as impairments and gains/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 2021, net loss from continuing operations was negatively impacted by severance and other contractual benefits expense of \$6.1 million and accelerated share-based compensation expense of \$6.1 million, both of which related to the departures of two senior executives, planned retirement of a senior executive and Corporate workforce reduction, coupled with realized losses on commodity put options of \$4.8 million. The aforementioned losses are partially offset by a realized foreign exchange gain of \$10.0 million relating to a Cuban tax liability due to Cuban currency unification, a gain on repurchase of notes of \$2.1 million and a gain on disposal of assets of \$1.2 million.

In 2020, net loss from continuing operations was negatively impacted by a loss of \$115.6 million on impairment of Oil assets and a \$9.4 million impairment on Power assets, which were partially offset by a \$142.3 million gain on debenture exchange. Net earnings for the year included \$107.9 million of earnings from discontinued operations, net of tax, related to the disposition of the Corporation's interest in the Ambatovy Joint Venture and reclassification of the Ambatovy Joint Venture's share of loss of an associate, net of tax, and other components of comprehensive income (loss).

In 2019, net loss from continuing operations was negatively impacted by an impairment loss of \$20.3 million on intangible assets at Power and a \$6.8 million loss on revaluation of the Moa Joint Venture expansion loans receivable allowance for expected credit losses. Loss from discontinued operations, net of tax, primarily related to the reclassification of the Ambatovy Joint Venture as a discontinued operation and included \$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 \$65.0 million share of loss of an associate, net of tax, and an impairment loss on the investment in an associate of \$31.0 million.

Summary of quarterly results

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

\$ millions, except per share amounts, for the three months ended	2021 Dec 31	2021 Sep 30	2021 Jun 30	2021 Mar 31	2020 Dec 31	2020 Sep 30	2020 Jun 30	2020 Mar 31
Revenue	\$ 36.6	\$ 20.7	\$ 31.0	\$ 21.9	\$ 28.2	\$ 24.9	\$ 40.4	\$ 26.3
Share of earnings (loss) of Moa Joint Venture, net of tax	33.2	7.5	17.7	28.1	11.4	4.2	(3.2)	(3.9)
Net earnings (loss) from continuing operations	14.4	(15.5)	(10.4)	(1.9)	(49.3)	11.4	(13.3)	(34.5)
(Loss) earnings from discontinued operations, net of tax ⁽¹⁾	(0.3)	(0.7)	(0.3)	(3.7)	(0.3)	217.1	(101.2)	(7.7)
Net earnings (loss) for the period	\$ 14.1	\$ (16.2)	\$ (10.7)	\$ (5.6)	\$ (49.6)	\$ 228.5	\$ (114.5)	\$ (42.2)
Net earnings (loss) per share, basic (\$ per share)								
Net earnings (loss) from continuing operations	\$ 0.04	\$ (0.04)	\$ (0.03)	\$ 0.00	\$ (0.12)	\$ 0.03	\$ (0.03)	\$ (0.09)
Net earnings (loss)	0.04	(0.04)	(0.03)	(0.01)	(0.12)	0.58	(0.29)	(0.11)

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

In general, net earnings or loss 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 \$1.2282 (Q2 2021) to \$1.3853 (Q2 2020) and period-end rates ranged between \$1.2394 (Q2 2021) to \$1.4187 (Q1 2020).

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

- Q4 2021: \$1.4 million of unrealized foreign exchange gains in continuing operations and \$0.6 million of share-based compensation expense related to the planned retirement of a senior executive;

Management's discussion and analysis

- Q3 2021: \$1.2 million gain on disposal of assets and \$3.1 million of other contractual benefits expense related to the departures of two senior executives;
- Q2 2021: \$8.6 million of unrealized foreign exchange gains in continuing operations, a \$0.8 million gain on repurchase of notes, \$3.7 million of unrealized losses on commodity put options, in addition to a \$4.9 million share-based compensation expense and \$2.4 million severance and other contractual benefits expense, both of which related to the Corporate workforce reduction and departures of two senior executives;
- Q1 2021: \$2.6 million of unrealized foreign exchange gains in continuing operations and a \$1.3 million gain on repurchase of notes;
- Q4 2020: \$4.3 million of unrealized foreign exchange losses in continuing operations and a \$9.4 million impairment of Power assets;
- Q3 2020: \$3.6 million of unrealized foreign exchange gains in continuing operations, a \$115.6 million impairment loss of Oil assets, a \$143.4 gain on debenture exchange within net finance income (expense) and \$217.2 million of earnings from discontinued operations related to the Ambatovy Joint Venture;
- Q2 2020: \$13.1 million of unrealized foreign exchange losses, a \$23.6 million of gains on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable, and, included in discontinued operations, \$74.4 million of losses on the revaluation of the allowances for expected credit losses on the Ambatovy Joint Venture subordinated loans receivable and post-financial completion loans receivable; and
- Q1 2020: \$23.5 million of unrealized foreign exchange gains and \$17.2 million of losses on the revaluation of the allowance for expected credit losses on the Moa Joint Venture expansion loans receivable.

Off-balance sheet arrangements

As at December 31, 2021, the Corporation had no foreign exchange options, futures or forward contracts and no commodity futures or forward contracts.

During the year ended December 31, 2020, the Corporation entered into put options on nickel, all of which expired by December 31, 2021 and settled in January 2022. The Corporation has not entered into such agreements during the year ended December 31, 2021 for 2022. For further details, refer to note 13 of the Corporation's consolidated financial statements for the year ended December 31, 2021.

Transactions with related parties

The Corporation enters into transactions related to its joint arrangements.

For further detail, refer to notes 7 and 23 of the Corporation's consolidated financial statements for the year ended December 31, 2021.

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	2021	2020
Total value of goods and services:		
Provided to joint operation	\$ 15.7	\$ 12.7
Provided to Moa Joint Venture	254.2	204.1
Provided to associate ⁽¹⁾	-	1.2
Purchased from Moa Joint Venture	835.6	618.2
Net financing income from joint operation	14.4	14.4
Net financing income from Moa Joint Venture	0.5	4.4
Net financing income from associate ⁽¹⁾	-	8.0

(1) During the year ended December 31 2020, the Corporation completed a transaction and the Ambatovy Joint Venture Interests met the criteria to be classified and presented as discontinued operations. As a result of the transaction, components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax.

Canadian \$ millions, as at December 31	2021	2020
Accounts receivable from joint operation	\$ -	\$ 0.3
Accounts receivable from Moa Joint Venture	18.2	13.8
Accounts payable to Moa Joint Venture	122.0	66.7
Advances and loans receivable from joint operation	204.7	197.0

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, Chief Commercial Officer, Chief Human Resources 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	2021	2020
Short-term benefits	\$ 7.2	\$ 10.5
Post-employment benefits ⁽¹⁾	0.3	0.3
Termination benefits	5.3	-
Share-based payments	5.6	4.0
	\$ 18.4	\$ 14.8

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2021 (\$0.3 million for the year ended December 31, 2020). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2021 (nil for the year ended December 31, 2020).

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, 2021 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor	Increase	Approximate	Approximate
		change in annual net earnings (CAD\$ millions)	change in annual basic earnings per share (EPS)
		Increase/ (decrease)	Increase/ (decrease)
Prices			
Nickel - LME price per pound ⁽¹⁾	US\$ 1.00	\$ 35	\$ 0.09
Cobalt - Fastmarkets MB price per pound ⁽¹⁾	US\$ 5.00	21	0.05
Exchange rate			
Strengthening of the Canadian dollar relative to the U.S. dollar	\$ 0.05	(11)	(0.03)
Operating costs⁽¹⁾			
Natural gas - cost per gigajoule (Moa Joint Venture and Fort Site)	\$ 1.00	(4)	(0.01)
Fuel oil - cost per tonne (Moa Joint Venture and Fort Site)	US\$ 50.00	(4)	(0.01)
Sulphur - cost per tonne (Moa Joint Venture and Fort Site)	US\$ 25.00	(3)	(0.01)

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

NON-GAAP AND OTHER FINANCIAL MEASURES

Management uses the measures below 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, and 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 and other financial measures are reconciled to the most directly comparable IFRS measure in the sections below.

Combined revenue

The Corporation uses combined revenue as a measure to help management assess the Corporation's financial performance across its operations. Combined revenue includes the Corporation's consolidated revenue and revenue of the Moa Joint Venture on a 50% basis, which is accounted for using the equity method for accounting purposes. Management uses this measure to reflect the Corporation's economic interest in its operations prior to the application of equity accounting to help allocate financial resources and provide investors with information that it believes is useful in understanding the scope of Sherritt's business, based on its economic interest, irrespective of the accounting treatment.

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

\$ millions	For the three months ended			For the year ended		
	2021	2020	Change	2021	2020	Change
	December 31	December 31		December 31	December 31	
Revenue by reportable segment						
Moa Joint Venture and Fort Site ⁽¹⁾	\$ 183.2	\$ 118.8	54%	\$ 560.6	\$ 425.5	32%
Metals Other	2.1	1.8	17%	6.8	8.2	(17%)
Oil and Gas	4.7	6.2	(24%)	15.6	24.9	(37%)
Power	8.1	8.8	(8%)	28.3	37.2	(24%)
Technologies	0.2	0.1	100%	0.6	0.5	20%
Corporate	0.3	0.2	50%	0.9	0.7	29%
Combined revenue	\$ 198.6	\$ 135.9	46%	\$ 612.8	\$ 497.0	23%
Adjustment for Moa Joint Venture	(162.0)	(107.7)		(502.6)	(377.2)	
Financial statement revenue	\$ 36.6	\$ 28.2	30%	\$ 110.2	\$ 119.8	(8%)

- (1) Revenue of Moa Joint Venture and Fort Site for the three months ended December 31, 2021 is composed of revenue recognized by the Moa Joint Venture of \$162.0 million (50% basis), which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of \$21.2 million, which is included in consolidated revenue (for the three months ended December 31, 2020 - \$107.7 million and \$11.1 million, respectively). Revenue of Moa Joint Venture and Fort Site for the year ended December 31, 2021 is composed of revenue recognized by the Moa Joint Venture of \$502.6 million (50% basis), which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of \$58.0 million, which is included in consolidated revenue (for the year ended December 31, 2020 - \$377.2 million and \$48.3 million, respectively).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations and joint venture, which excludes net finance expense and earnings (loss) from discontinued operations, net of tax, as reported in the financial statements for the period, adjusted for: depletion, depreciation and amortization; impairment losses on non-current non-financial assets and investments; gains or losses on disposal of property, plant and equipment of the Corporation and the Moa Joint Venture; and gains or losses on disposition of an interest in the investment in Moa Joint Venture of the Corporation. The exclusion of impairment losses eliminates the non-cash impact of the losses. Management uses Adjusted EBITDA internally to evaluate the cash generation potential of Sherritt's operating divisions on a combined and individual basis as an indicator of ability to fund working capital needs, meet covenant obligations, service debt and fund capital expenditures, as well as provide a level of comparability to similar entities. Management believes that Adjusted EBITDA provides useful information to investors in evaluating the Corporation's operating results in the same manner as management and the Board of Directors.

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

\$ millions, for the three months ended December 31									2021
	Moa JV and Fort Site ⁽¹⁾	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustment for Moa Joint Venture	Total	
Earnings (loss) from operations and joint venture per financial statements	\$ 36.2	\$ (0.4)	\$ (0.7)	\$ 0.5	\$ (3.9)	\$ (4.0)	\$ (7.2)	\$ 20.5	
Add (deduct):									
Depletion, depreciation and amortization	2.9	-	1.1	4.0	-	0.4	-	8.4	
Adjustments for share of earnings of Moa Joint Venture:									
Depletion, depreciation and amortization	10.3	-	-	-	-	-	-	10.3	
Net finance expense	-	-	-	-	-	-	1.5	1.5	
Income tax expense	-	-	-	-	-	-	5.7	5.7	
Adjusted EBITDA	\$ 49.4	\$ (0.4)	\$ 0.4	\$ 4.5	\$ (3.9)	\$ (3.6)	\$ -	\$ 46.4	

Management's discussion and analysis

\$ millions, for the three months ended December 31

2020

	Moa JV and Fort Site ⁽¹⁾	Metals Other	Oil and Gas	Power	Techno- logies	Corporate	Adjustment for Moa Joint Venture	Total
Earnings (loss) from operations and joint venture per financial statements	\$ 4.4	\$ (0.5)	\$ (5.9)	\$ (10.1)	\$ (2.6)	\$ (11.9)	\$ (7.3)	\$ (33.9)
Add (deduct):								
Depletion, depreciation and amortization	8.4	-	2.1	5.1	-	0.3	-	15.9
Impairment of assets	0.2	-	-	-	-	-	-	0.2
Impairment of Power assets	-	-	-	9.4	-	-	-	9.4
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	11.8	-	-	-	-	-	-	11.8
Net finance expense	-	-	-	-	-	-	0.6	0.6
Income tax expense	-	-	-	-	-	-	6.7	6.7
Adjusted EBITDA	\$ 24.8	\$ (0.5)	\$ (3.8)	\$ 4.4	\$ (2.6)	\$ (11.6)	\$ -	\$ 10.7

\$ millions, for the year ended December 31

2021

	Moa JV and Fort Site ⁽²⁾	Metals Other	Oil and Gas	Power	Techno- logies	Corporate	Adjustment for Moa Joint Venture	Total
Earnings (loss) from operations and joint venture per financial statements	\$ 98.3	\$ (2.0)	\$ (11.6)	\$ (0.6)	\$ (12.9)	\$ (35.6)	\$ (27.1)	\$ 8.5
Add (deduct):								
Depletion, depreciation and amortization	11.2	0.2	6.7	15.7	0.1	1.1	-	35.0
Gain on disposal of assets	-	-	(1.2)	-	-	-	-	(1.2)
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	42.8	-	-	-	-	-	-	42.8
Net finance income	-	-	-	-	-	-	0.8	0.8
Income tax expense	-	-	-	-	-	-	26.3	26.3
Adjusted EBITDA	\$ 152.3	\$ (1.8)	\$ (6.1)	\$ 15.1	\$ (12.8)	\$ (34.5)	\$ -	\$ 112.2

\$ millions, for the year ended December 31

2020

	Moa JV and Fort Site ⁽²⁾	Metals Other	Oil and Gas	Power	Techno- logies	Corporate	Adjustment for Moa Joint Venture	Total
Earnings (loss) from operations and joint venture per financial statements	\$ 3.9	\$ (2.0)	\$ (136.4)	\$ (5.6)	\$ (10.1)	\$ (30.0)	\$ (16.9)	\$ (197.1)
Add (deduct):								
Depletion, depreciation and amortization	16.5	0.2	7.1	20.9	0.1	1.0	-	45.8
Impairment of assets	0.2	-	115.6	-	-	-	-	115.8
Impairment of Power assets	-	-	-	9.4	-	-	-	9.4
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	48.1	-	-	-	-	-	-	48.1
Net finance expense	-	-	-	-	-	-	5.1	5.1
Income tax expense	-	-	-	-	-	-	11.8	11.8
Adjusted EBITDA	\$ 68.7	\$ (1.8)	\$ (13.7)	\$ 24.7	\$ (10.0)	\$ (29.0)	\$ -	\$ 38.9

(1) Adjusted EBITDA of Moa Joint Venture and Fort Site for the three months ended December 31, 2021 is composed of Adjusted EBITDA at Moa Joint Venture of \$50.7 million (50% basis) and Adjusted EBITDA at Fort Site of \$(1.3) million (for the three months ended December 31, 2020 - \$30.5 million and \$(5.7) million, respectively).

(2) Adjusted EBITDA of Moa Joint Venture and Fort Site for the year ended December 31, 2021 is composed of Adjusted EBITDA at Moa Joint Venture of \$156.3 million (50% basis) and Adjusted EBITDA at Fort Site of \$(4.0) million (for the year ended December 31, 2020 - \$73.7 million and \$(5.0) million, respectively).

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 excludes revenue from the sale of finished nickel purchased from a third party as it was not internally produced. The average-realized price for power excludes by-product revenue, as this revenue is not earned directly for power generation. Transactions by a Moa Joint Venture marketing company, included in other revenue, are excluded. Management uses this measure, and believes investors use this measure, to compare the relationship between the revenue per unit and direct costs on a per unit basis in each reporting period for nickel, cobalt, fertilizer and power and provide comparability with other similar external operations.

Average-realized price for nickel and cobalt are expressed in Canadian dollars per pound sold, while fertilizer is expressed in Canadian dollars per tonne sold and electricity is expressed in Canadian dollars per megawatt hour sold.

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

\$ millions, except average-realized price and sales volume, for the three months ended December 31								2021
Moa Joint Venture and Fort Site								
	Nickel	Cobalt	Fertilizer	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total	
Revenue per financial statements	\$ 116.7	\$ 33.4	\$ 28.3	\$ 8.1	\$ 12.1	\$ (162.0)	\$ 36.6	
Adjustments to revenue:								
Third-party finished nickel revenue	(14.1)	-	-	-				
By-product revenue	-	-	-	(1.1)				
Revenue for purposes of average-realized price calculation	102.6	33.4	28.3	7.0				
Sales volume for the period	9.2	1.0	51.7	130				
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours				
Average-realized price ⁽²⁾⁽³⁾⁽⁴⁾	\$ 11.16	\$ 31.88	\$ 545.08	\$ 54.33				

\$ millions, except average-realized price and sales volume, for the three months ended December 31								2020
Moa Joint Venture and Fort Site								
	Nickel	Cobalt	Fertilizer	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total	
Revenue per financial statements	\$ 84.1	\$ 17.2	\$ 14.4	\$ 8.8	\$ 11.4	\$ (107.7)	\$ 28.2	
Adjustments to revenue:								
By-product revenue	-	-	-	(0.8)				
Revenue for purposes of average-realized price calculation	84.1	17.2	14.4	8.0				
Sales volume for the period	9.2	1.0	48.5	144				
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours				
Average-realized price ⁽²⁾⁽³⁾⁽⁴⁾	\$ 9.13	\$ 17.55	\$ 298.02	\$ 55.10				

\$ millions, except average-realized price and sales volume, for the year ended December 31								2021
Moa Joint Venture and Fort Site								
	Nickel	Cobalt	Fertilizer	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total	
Revenue per financial statements	\$ 368.4	\$ 101.3	\$ 74.1	\$ 28.3	\$ 40.7	\$ (502.6)	\$ 110.2	
Adjustments to revenue:								
Third-party finished nickel revenue	(14.1)	-	-	-				
By-product revenue	-	-	-	(4.0)				
Revenue for purposes of average-realized price calculation	354.3	101.3	74.1	24.3				
Sales volume for the period	34.4	3.9	168.8	450				
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours				
Average-realized price ⁽²⁾⁽³⁾⁽⁴⁾	\$ 10.30	\$ 25.88	\$ 438.75	\$ 54.05				

Management's discussion and analysis

\$ millions, except average-realized price and sales volume, for the year ended December 31

2020

	Moa Joint Venture and Fort Site				Adjustment for Moa Joint Venture		Total
	Nickel	Cobalt	Fertilizer	Power	Other ⁽¹⁾		
Revenue per financial statements	\$ 282.1	\$ 66.0	\$ 64.5	\$ 37.2	\$ 47.2	\$ (377.2)	\$ 119.8
Adjustments to revenue:							
By-product revenue	-	-	-	(2.8)			
Revenue for purposes of average-realized price calculation	282.1	66.0	64.5	34.4			
Sales volume for the period	34.6	3.7	187.9	602			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price ⁽²⁾⁽³⁾⁽⁴⁾	\$ 8.16	\$ 17.84	\$ 343.45	\$ 57.05			

(1) Other revenue is composed of revenue from the Metals Other, Oil and Gas, Technologies and Corporate reportable segments.

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

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

(4) Fertilizer, average-realized price per tonne.

Unit operating cost/NDCC

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

The Moa Joint Venture's NDCC is calculated by dividing cost of sales, as reported in the financial statements, adjusted for the following: depreciation, depletion, amortization and impairment losses in cost of sales; cobalt by-product, fertilizer and other revenue; third-party finished nickel costs; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, expressed in U.S. dollars. NDCC excludes cost of sales from the sale of finished nickel purchased from a third-party as it was not internally produced.

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

Unit operating cost (NDCC) for nickel is expressed in U.S. dollars per pound sold, while electricity is expressed in Canadian dollars per megawatt hour sold.

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

\$ millions, except unit cost and sales volume, for the three months ended December 31

2021

	Moa JV and Fort Site		Power		Other ⁽¹⁾		Adjustment for Moa Joint Venture		Total
Cost of sales per financial statements	\$	142.7	\$	7.0	\$	11.2	\$	(118.3)	\$ 42.6
Less:									
Depletion, depreciation and amortization in cost of sales		(13.2)		(4.0)					
		129.5		3.0					
Adjustments to cost of sales:									
Cobalt by-product, fertilizer and other revenue		(66.5)		-					
Third-party finished nickel costs		(13.7)		-					
Impact of opening/closing inventory and other ⁽²⁾		(7.7)		-					
Cost of sales for purposes of unit cost calculation		41.6		3.0					
Sales volume for the period		9.2		130					
Volume units		Millions of pounds		Gigawatt hours					
Unit operating cost ⁽³⁾⁽⁴⁾	\$	4.53	\$	22.72					
Unit operating cost (US\$ per pound) (NDCC) ⁽⁵⁾	\$	3.60							

\$ millions, except unit cost and sales volume, for the three months ended December 31 2020

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	\$ 111.3	\$ 8.9	\$ 15.0	\$ (86.8)	\$ 48.4
Less:					
Depletion, depreciation and amortization in cost of sales	(20.0)	(5.1)			
	91.3	3.8			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(34.7)	-			
Impact of opening/closing inventory and other ⁽²⁾	(0.9)	-			
Impairment on assets	(1.3)	-			
Cost of sales for purposes of unit cost calculation	54.4	3.8			
Sales volume for the period	9.2	144			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost ⁽³⁾⁽⁴⁾	\$ 5.91	\$ 26.73			
Unit operating cost (US\$ per pound) (NDCC) ⁽⁵⁾	\$ 4.47				

\$ millions, except unit cost and sales volume, for the year ended December 31 2021

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	\$ 451.4	\$ 26.1	\$ 45.5	\$ (382.0)	\$ 141.0
Less:					
Depletion, depreciation and amortization in cost of sales	(53.8)	(15.7)			
	397.6	10.4			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(192.2)	-			
Third-party finished nickel costs	(13.7)	-			
Impact of opening/closing inventory and other ⁽²⁾	(14.5)	-			
Cost of sales for purposes of unit cost calculation	177.2	10.4			
Sales volume for the period	34.4	450			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost ⁽³⁾⁽⁴⁾	\$ 5.15	\$ 23.06			
Unit operating cost (US\$ per pound) (NDCC) ⁽⁵⁾	\$ 4.11				

\$ millions, except unit cost and sales volume, for the year ended December 31 2020

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	\$ 411.7	\$ 31.3	\$ 60.4	\$ (345.5)	\$ 157.9
Less:					
Depletion, depreciation and amortization in cost of sales	(64.4)	(20.9)			
	347.3	10.4			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(143.4)	-			
Impact of opening/closing inventory and other ⁽²⁾	(6.5)	-			
Impairment on assets	(2.6)	-			
Cost of sales for purposes of unit cost calculation	194.8	10.4			
Sales volume for the period	34.6	602			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost ⁽³⁾⁽⁴⁾	\$ 5.63	\$ 17.38			
Unit operating cost (US\$ per pound) (NDCC) ⁽⁵⁾	\$ 4.20				

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

Management's discussion and analysis

Adjusted net earnings/loss from continuing operations and adjusted net earnings/loss from continuing operations per share

The Corporation defines adjusted net 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, inventory obsolescence, impairment of assets, gains and losses on the acquisition or disposal of assets, unrealized foreign exchange gains and losses, gains and losses on financial assets and liabilities and other one-time adjustments. While some adjustments are recurring (such as unrealized foreign exchange (gain) loss and revaluations of allowances for expected credit losses (ACL)), management believes that they do not reflect the Corporation's operational performance or future operational performance. Adjusted net earnings/loss from continuing operations per share is defined consistent with the definition above and divided by the Corporation's weighted-average number of common shares outstanding.

Management uses these measures internally and believes that they provide investors with performance measures 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 tables below reconcile net earnings (loss) from continuing operations and net earnings (loss) from continuing operations per share, both per the financial statements, to adjusted net earnings (loss) from continuing operations and adjusted net earnings (loss) from continuing operations per share, respectively:

For the three months ended December 31	2021		2020	
	\$ millions	\$/share	\$ millions	\$/share
Net earnings (loss) from continuing operations	\$ 14.4	\$ 0.04	\$ (49.3)	(0.12)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - continuing operations	(1.4)	-	4.3	0.01
Corporate - Loss on debenture exchange	-	-	1.1	-
Corporate - Other contractual benefits expense	0.6	-	-	-
Corporate - Unrealized (gains) losses on commodity put options	(2.2)	(0.01)	3.4	0.01
Corporate - Realized losses on commodity put options	2.3	0.01	-	-
Moa Joint Venture - Inventory obsolescence	0.5	-	0.6	-
Fort Site - Inventory obsolescence	-	-	0.5	-
Oil and Gas and Power - ACL revaluation	0.7	-	0.7	-
Power - Impairment of property, plant and equipment	-	-	9.4	0.03
Other ⁽¹⁾	0.1	-	(0.6)	-
Total adjustments, before tax	\$ 0.6	\$ -	\$ 19.4	0.05
Tax adjustments	(0.2)	-	(1.8)	(0.01)
Adjusted net earnings (loss) from continuing operations	\$ 14.8	\$ 0.04	\$ (31.7)	(0.08)

(1) Other items primarily relate to (gains) losses in net finance (expense) income.

For the year ended December 31	2021		2020	
	\$ millions	\$/share	\$ millions	\$/share
Net loss from continuing operations	\$ (13.4)	\$ (0.03)	\$ (85.7)	(0.22)
Adjusting items:				
Sherritt - Unrealized foreign exchange gain - continuing operations	(4.7)	(0.01)	(4.4)	(0.01)
Corporate - Gain on debenture exchange	-	-	(142.3)	(0.36)
Corporate - Gain on repurchase of notes	(2.1)	(0.01)	-	-
Corporate - Severance and other contractual benefits expense	6.1	0.02	-	-
Corporate - Unrealized losses on commodity put options	0.8	-	3.4	0.01
Corporate - Realized losses on commodity put options	4.8	0.01	-	-
Corporate - Moa Joint Venture expansion loans receivable ACL revaluation	-	-	(6.4)	(0.02)
Moa Joint Venture - Inventory obsolescence	1.8	0.01	1.3	-
Fort Site - Inventory obsolescence	1.2	-	1.1	-
Oil and Gas - Impairment of Oil assets	-	-	115.6	0.30
Oil and Gas - Gain on disposal of assets	(1.2)	-	-	-
Oil and Gas - Realized foreign exchange gain due to Cuban currency unification	(10.0)	(0.03)	-	-
Oil and Gas - Inventory obsolescence	-	-	1.9	0.01
Oil and Gas and Power - ACL revaluation	0.8	-	3.0	0.01
Power - Impairment of property, plant and equipment	-	-	9.4	0.03
Other ⁽¹⁾	2.4	0.01	0.8	-
Total adjustments, before tax	\$ (0.1)	\$ -	\$ (16.6)	(0.03)
Tax adjustments	(0.4)	-	(2.4)	(0.01)
Adjusted net loss from continuing operations	\$ (13.9)	\$ (0.03)	\$ (104.7)	(0.26)

(1) Other items primarily relate to (gains) losses in net finance (expense) income.

Combined spending on capital

The Corporation defines spending on capital for each segment as property, plant and equipment and intangible asset expenditures on a cash basis adjusted to the accrual basis in order to account for assets that are available for use by the Corporation and the Moa Joint Venture prior to payment and includes adjustments to accruals. The Moa Joint Venture and Fort Site segment's spending on capital includes the Fort Site's expenditures, plus the Corporation's 50% share of the Moa Joint Venture's expenditures, which is accounted for using the equity method for accounting purposes.

Combined spending on capital is the aggregate of each segment's spending on capital or the Corporation's consolidated property, plant and equipment and intangible asset expenditures and the property, plant and equipment and intangible asset expenditures of the Moa Joint Venture on a 50% basis, all adjusted to the accrual basis.

Combined spending on capital is used by management, and management believes this information is used by investors, to analyze the Corporation and the Moa Joint Venture's investments in non-current assets that are held for use in the production of nickel, cobalt, fertilizers, oil and gas and power generation.

The tables below reconcile property, plant and equipment and intangible asset expenditures per the financial statements to combined spending on capital, expressed in Canadian dollars:

	\$ millions, for the three months ended December 31			2021		
	Moa JV and Fort Site	Power	Other ⁽¹⁾	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures ⁽²⁾	\$ 8.3	\$ 0.1	\$ 0.5	\$ 8.9	\$ (6.2)	\$ 2.7
Intangible asset expenditures ⁽²⁾	-	-	0.2	0.2	-	0.2
	8.3	0.1	0.7	9.1	(6.2)	2.9
Adjustments:						
Accrual adjustment	3.8	-	(0.5)	3.3		
Spending on capital	\$ 12.1	\$ 0.1	\$ 0.2	\$ 12.4		

Management's discussion and analysis

\$ millions, for the three months ended December 31

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Combined total	Adjustment for Moa Joint Venture	2020 Total derived from financial statements
Property, plant and equipment expenditures ⁽²⁾	\$ 9.3	\$ -	\$ 0.7	\$ 10.0	\$ (6.9)	\$ 3.1
Intangible asset expenditures ⁽²⁾	-	-	0.3	0.3	-	0.3
	9.3	-	1.0	10.3	\$ (6.9)	\$ 3.4
Adjustments:						
Accrual adjustment	-	(0.1)	(0.4)	(0.5)		
Spending on capital	\$ 9.3	\$ (0.1)	\$ 0.6	\$ 9.8		

\$ millions, for the year ended December 31

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Combined total	Adjustment for Moa Joint Venture	2021 Total derived from financial statements
Property, plant and equipment expenditures ⁽²⁾	\$ 34.0	\$ 0.1	\$ 0.9	\$ 35.0	\$ (25.1)	\$ 9.9
Intangible asset expenditures ⁽²⁾	-	-	0.8	0.8	-	0.8
	34.0	0.1	1.7	35.8	\$ (25.1)	\$ 10.7
Adjustments:						
Accrual adjustment	3.7	-	(0.7)	3.0		
Spending on capital	\$ 37.7	\$ 0.1	\$ 1.0	\$ 38.8		

\$ millions, for the year ended December 31

	Moa JV and Fort Site	Power	Other ⁽¹⁾	Combined total	Adjustment for Moa Joint Venture	2020 Total derived from financial statements
Property, plant and equipment expenditures ⁽²⁾	\$ 29.2	\$ 0.7	\$ 4.3	\$ 34.2	\$ (23.2)	\$ 11.0
Intangible asset expenditures ⁽²⁾	-	-	1.1	1.1	-	1.1
	29.2	0.7	5.4	35.3	\$ (23.2)	\$ 12.1
Adjustments:						
Accrual adjustment	3.0	-	(3.8)	(0.8)		
Spending on capital	\$ 32.2	\$ 0.7	\$ 1.6	\$ 34.5		

(1) Includes property, plant and equipment and intangible asset expenditures of the Metals Other, Oil and Gas, Technologies and Corporate segments.

(2) Total property, plant and equipment expenditures and total intangible asset expenditures as presented in the Corporation's consolidated statements of cash flow.

Combined free cash flow

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

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

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

\$ millions, for the three months ended December 31

2021

	Moa JV and Fort Site ⁽¹⁾	Metals Other	Oil and Gas	Power	Technologies	Corporate	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Cash provided (used) by continuing operations for operating activities ⁽²⁾	\$ 8.9	\$ (3.2)	\$ 2.3	\$ 0.8	\$ (3.6)	\$ (22.5)	\$ (17.3)	\$ 3.9	\$ (13.4)
Less:									
Property, plant and equipment expenditures	(8.3)	-	-	(0.1)	-	(0.5)	(8.9)	6.2	(2.7)
Intangible expenditures	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Free cash flow	\$ 0.6	\$ (3.2)	\$ 2.1	\$ 0.7	\$ (3.6)	\$ (23.0)	\$ (26.4)	\$ 10.1	\$ (16.3)

\$ millions, for the three months ended December 31

2020

	Moa JV and Fort Site ⁽¹⁾	Metals Other	Oil and Gas	Power	Technologies	Corporate	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Cash provided (used) by continuing operations for operating activities ⁽²⁾	\$ 13.4	\$ (8.0)	\$ (5.3)	\$ 30.2	\$ (1.7)	\$ (29.9)	\$ (1.3)	\$ 14.0	\$ 12.7
Less:									
Property, plant and equipment expenditures	(9.3)	-	(0.8)	-	-	0.1	(10.0)	6.9	(3.1)
Intangible expenditures	-	-	(0.3)	-	-	-	(0.3)	-	(0.3)
Free cash flow	\$ 4.1	\$ (8.0)	\$ (6.4)	\$ 30.2	\$ (1.7)	\$ (29.8)	\$ (11.6)	\$ 20.9	\$ 9.3

\$ millions, for the year ended December 31

2021

	Moa JV and Fort Site ⁽³⁾	Metals Other	Oil and Gas	Power	Technologies	Corporate	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Cash provided (used) by continuing operations for operating activities ⁽⁴⁾	\$ 90.5	\$ 5.0	\$ 4.2	\$ 18.1	\$ (12.4)	\$ (55.1)	\$ 50.3	\$ (49.0)	\$ 1.3
Less:									
Property, plant and equipment expenditures	(34.0)	-	(0.2)	(0.1)	-	(0.7)	(35.0)	25.1	(9.9)
Intangible expenditures	-	-	(0.8)	-	-	-	(0.8)	-	(0.8)
Free cash flow	\$ 56.5	\$ 5.0	\$ 3.2	\$ 18.0	\$ (12.4)	\$ (55.8)	\$ 14.5	\$ (23.9)	\$ (9.4)

\$ millions, for the year ended December 31

2020

	Moa JV and Fort Site ⁽³⁾	Metals Other	Oil and Gas	Power	Technologies	Corporate	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Cash provided (used) by continuing operations for operating activities ⁽⁴⁾	\$ 53.7	\$ (1.0)	\$ (26.5)	\$ 77.8	\$ (8.9)	\$ (41.9)	\$ 53.2	\$ (5.2)	\$ 48.0
Less:									
Property, plant and equipment expenditures	(29.2)	-	(4.2)	(0.7)	(0.1)	-	(34.2)	23.2	(11.0)
Intangible expenditures	-	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Free cash flow	\$ 24.5	\$ (1.0)	\$ (31.8)	\$ 77.1	\$ (9.0)	\$ (41.9)	\$ 17.9	\$ 18.0	\$ 35.9

- (1) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was \$6.2 million and \$2.1 million, respectively, for the three months ended December 31, 2021 (December 31, 2020 - \$6.9 million and \$2.4 million, respectively).
- (2) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was \$(3.8) million and \$12.7 million, respectively, for the three months ended December 31, 2021 (December 31, 2020 - \$12.4 million and \$1.0 million, respectively).
- (3) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was \$25.1 million and \$8.9 million, respectively, for the year ended December 31, 2021 (December 31, 2020 - \$23.2 million and \$6.0 million, respectively).
- (4) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was \$85.0 million and \$5.5 million, respectively, for the year ended December 31, 2021 (December 31, 2020 - \$44.8 million and \$8.9 million, respectively).

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, 2021, 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 2021 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, 2021, 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, 2021.

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 regarding strategies, plans and estimated production amounts resulting from expansion of mining operations at the Moa Joint Venture, growing and increasing nickel and cobalt production, extending the Moa life of mine, conversion of mineral resources to reserves, commercializing Technologies projects, growing shareholder value, updating technical reports and optimizing mine planning and performance; statements set out in the “Outlook” section of this MD&A and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt’s strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; anticipated payments of outstanding receivables, including re-directed distributions from the Corporation’s Moa Joint Venture partner; the impact of U.S. sanctions on Cuba; anticipated economic conditions in Cuba; the anticipated renewal of a joint venture agreement; and amounts of certain other commitments.

Forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; global demand for electric vehicles and the anticipated corresponding demand for cobalt and nickel; the commercialization of certain proprietary technologies and services; advancements in environmental and greenhouse gas (GHG) reduction technology; GHG emissions reduction goals and the anticipated timing of achieving such goals, if at all; statistics and metrics relating to Environmental, Social and Governance (ESG) matters which are based on assumptions or developing standards; environmental rehabilitation provisions; environmental risks and liabilities; development and exploration wells and enhanced oil recovery in Cuba; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; collection of accounts receivable; and certain corporate objectives, goals and plans. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the impact of infectious diseases (including the COVID-19 pandemic), changes in the global price for nickel, cobalt, fertilizer, oil, gas, or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; the risk to Sherritt’s entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; identification and management of growth opportunities risk of future non-compliance with debt restrictions and covenants; Sherritt’s ability to replace depleted mineral reserves; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in Cuba; risks related to Sherritt’s operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; growth opportunity risks; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation’s social license to grow and operate; credit risks; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; identification and management of growth opportunities; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2022; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents.

Management's discussion and analysis

The Corporation, together with its Moa Joint Venture and Fort Site and Technologies segments, are pursuing a range of growth and expansion opportunities, including without limitation, process technology solutions, development projects, commercial implementation opportunities, life of mine extension opportunities and the conversion of mineral resources to reserves. In addition to the risks noted above, factors that could, alone or in combination, prevent the Corporation from successfully achieving these opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, commissioning, procurement, construction, commissioning, ramp-up to commercial scale production and completion; and securing regulatory and government approvals. There can be no assurance that any opportunity will be successful, commercially viable, completed on time or on budget, or will generate any meaningful revenues, savings or earnings, as the case may be, for the Corporation. In addition, the Corporation will incur costs in pursuing any particular opportunity, which may be significant. Additional risks, uncertainties and other factors include, but are not limited to, the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including without limitation, its obligations under debt arrangements. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 17, 2021 for the period ending December 31, 2020, which is available on SEDAR at www.sedar.com.

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

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2021 and 2020

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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 2021 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/ Leon Binedell

/s/ Yasmin Gabriel

Leon Binedell
President and Chief Executive Officer

Yasmin Gabriel
Chief Financial Officer

February 9, 2022

Independent Auditor's Report

To the Shareholders and the Board of Directors 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, 2021 and 2020, 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, 2021 and 2020, 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Assessment of whether indicators of impairment exist – Refer to Notes 2, 3 and 15 of the financial statements

Key Audit Matter Description

The Corporation's determination of whether or not an indicator of impairment exists requires significant management judgment.

While there are several inputs that are required to determine whether or not an indicator of impairment exists, the judgments with the highest degree of subjectivity are the inputs to the Corporation's market capitalization deficiency assessment (specifically, control premiums, industry-specific factors and corporation-specific factors), cash collections in Cuba, future commodity prices and considerations related to the potential impact of the COVID-19 pandemic, if any. Auditing these judgments required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.

Consolidated financial statements

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to inputs to the Corporation's market capitalization deficiency assessment (specifically, control premiums, industry-specific factors and corporation-specific factors), cash collections in Cuba, and future commodity prices included considerations related to the potential impact of the COVID-19 pandemic, if any. These procedures included the following, among others:

- With the assistance of valuation specialists:
 - Performed an assessment of the market capitalization to the carrying value of the cash generating units ("CGUs") which included assessing control premiums, industry-specific factors, and corporation-specific factors.
 - Evaluated the reasonableness of future commodity prices by comparing management's forecasts to third party forecasts.
- Evaluated the reasonableness of management's assessment of the timing and amounts of future cash flows relating to cash collections in Cuba by comparing the information to internal communication to management and the board of directors, third party research reports, and any underlying agreements and negotiations.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Antonio Ciciretto.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 9, 2022

Consolidated statements of comprehensive income (loss)

Canadian \$ millions, except per share amounts, for the years ended December 31	Note	2021	2020
Revenue	5	\$ 110.2	\$ 119.8
Cost of sales	6	(141.0)	(157.9)
Administrative expenses	6	(47.2)	(42.5)
Impairment of Oil assets	15	-	(115.6)
Impairment of Power assets	15	-	(9.4)
Share of earnings of Moa Joint Venture, net of tax	7	86.5	8.5
Earnings (loss) from operations and joint venture		8.5	(197.1)
Gain on debenture exchange	8	-	142.3
Interest income on financial assets measured at amortized cost	8	15.4	19.6
Revaluation of allowances for expected credit losses	8	(0.8)	3.4
Other financing items	8	(5.1)	(3.1)
Financing expense	8	(30.3)	(52.0)
Net finance (expense) income		(20.8)	110.2
Loss before income tax		(12.3)	(86.9)
Income tax (expense) recovery	9	(1.1)	1.2
Net loss from continuing operations		(13.4)	(85.7)
(Loss) earnings from discontinued operations, net of tax	10	(5.0)	107.9
Net (loss) earnings for the year		\$ (18.4)	\$ 22.2
Other comprehensive (loss) income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation differences on foreign operations, net of tax (nil and nil, respectively)	21	(4.3)	(6.5)
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses) on pension plans, net of tax (nil and nil, respectively)	21	0.8	(0.9)
Other comprehensive loss		(3.5)	(7.4)
Total comprehensive (loss) income		\$ (21.9)	\$ 14.8
Net loss from continuing operations per common share:			
Basic and diluted	11	\$ (0.03)	\$ (0.22)
Net (loss) earnings per common share:			
Basic and diluted	11	\$ (0.05)	\$ 0.06

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

Consolidated statements of financial position

Canadian \$ millions, as at	Note	2021 December 31	2020 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	\$ 145.6	\$ 167.4
Restricted cash		1.3	5.3
Advances, loans receivable and other financial assets	13	18.1	37.6
Trade accounts receivable, net, and unbilled revenue	12	190.7	140.3
Inventories	14	30.3	27.0
Prepaid expenses		4.0	3.7
		390.0	381.3
Non-current assets			
Investment in Moa Joint Venture	7	642.4	597.4
Advances, loans receivable and other financial assets	13	190.2	169.6
Property, plant and equipment	15	150.9	166.4
Intangible assets	15	24.3	37.5
Other non-financial assets		0.2	-
		1,008.0	970.9
Total assets		\$ 1,398.0	\$ 1,352.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	16	-	8.0
Trade accounts payable and accrued liabilities		196.0	135.0
Other financial liabilities	16	7.4	4.8
Deferred revenue		14.4	7.5
Provisions	17	3.2	1.9
Income taxes payable		0.9	12.3
		221.9	169.5
Non-current liabilities			
Loans and borrowings	16	444.5	433.4
Other financial liabilities	16	33.5	24.7
Other non-financial liabilities		6.7	6.2
Provisions	17	104.8	110.2
Deferred income taxes	9	1.6	1.4
		591.1	575.9
Total liabilities		813.0	745.4
Shareholders' equity			
Capital stock	21	2,894.9	2,894.9
Deficit		(2,898.5)	(2,880.1)
Reserves	21	233.4	233.3
Accumulated other comprehensive income	21	355.2	358.7
		585.0	606.8
Total liabilities and shareholders' equity		\$ 1,398.0	\$ 1,352.2
Commitments for expenditures (note 19)			

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	2021	2020
Operating activities			
Net loss from continuing operations		\$ (13.4)	\$ (85.7)
Add (deduct):			
Depletion, depreciation and amortization	5, 6	35.0	45.8
Share-based compensation expense	6	13.9	8.2
Share of earnings of Moa Joint Venture, net of tax	7	(86.5)	(8.5)
Impairment of Oil assets	15	-	115.6
Impairment of Power assets	15	-	9.4
Impairment losses	6	-	0.2
Net finance expense (income)	8	20.8	(110.2)
Income tax expense (recovery)	9	1.1	(1.2)
Net change in non-cash working capital	20	23.0	4.6
Interest received	20	5.6	46.0
Interest paid	20	(32.7)	(7.3)
Income taxes paid		(2.1)	(1.6)
Distributions received from Moa Joint Venture	7	35.9	39.6
Purchase of commodity put options	13	-	(9.3)
Other operating items	20	0.7	2.4
Cash provided by continuing operations		1.3	48.0
Cash used by discontinued operations	10	(5.7)	(7.3)
Cash (used) provided by operating activities		(4.4)	40.7
Investing activities			
Property, plant and equipment expenditures	5	(9.9)	(11.0)
Intangible asset expenditures	5	(0.8)	(1.1)
Receipts of advances, loans receivable and other financial assets		0.8	0.7
Cash used by continuing operations		(9.9)	(11.4)
Cash used by investing activities		(9.9)	(11.4)
Financing activities			
Repurchase of notes	16	(4.6)	-
Repayment of other financial liabilities	16	(1.5)	(1.8)
Fees paid on syndicated revolving-term credit facility amendment	16	(0.6)	-
Fees paid on debenture exchange	8	(0.2)	(24.6)
Cash used by continuing operations		(6.9)	(26.4)
Cash used by financing activities		(6.9)	(26.4)
Effect of exchange rate changes on cash and cash equivalents		(0.6)	(1.6)
(Decrease) increase in cash and cash equivalents		(21.8)	1.3
Cash and cash equivalents at beginning of the year		167.4	166.1
Cash and cash equivalents at end of the year	12	\$ 145.6	\$ 167.4

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, 2019		\$ 2,894.9	\$ (2,902.3)	\$ 233.7	\$ 495.8	\$ 722.1
Total comprehensive income (loss):						
Net earnings for the year		-	22.2	-	-	22.2
Foreign currency translation differences on foreign operations, net of tax	21	-	-	-	(6.5)	(6.5)
Actuarial losses on pension plans, net of tax	21	-	-	-	(0.9)	(0.9)
		-	22.2	-	(7.4)	14.8
Reclassification of accumulated other comprehensive income on disposal of foreign operation	21	-	-	-	(129.7)	(129.7)
Stock option plan recovery	21	-	-	(0.4)	-	(0.4)
Balance as at December 31, 2020		2,894.9	(2,880.1)	233.3	358.7	606.8
Total comprehensive (loss) income:						
Net loss for the year		-	(18.4)	-	-	(18.4)
Foreign currency translation differences on foreign operations, net of tax	21	-	-	-	(4.3)	(4.3)
Actuarial gains on pension plans, net of tax	21	-	-	-	0.8	0.8
		-	(18.4)	-	(3.5)	(21.9)
Stock option plan expense	21	-	-	0.1	-	0.1
Balance as at December 31, 2021		\$ 2,894.9	\$ (2,898.5)	\$ 233.4	\$ 355.2	\$ 585.0

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 and cobalt – metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for natural resource-based industries around the world to improve environmental performance and increase economic value. The Corporation has embarked on a multi-pronged growth strategy focused on expanding nickel and cobalt production by up to 20% from its 2021 totals and extending the life of mine at Moa beyond 2040. The Corporation is also the largest independent energy producer in Cuba.

The Corporation is domiciled in Ontario, Canada and its registered office is 22 Adelaide Street West, Toronto, Ontario, M5H 4E3. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on February 9, 2022. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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. References to “US\$” are to United States (U.S.) dollars and to “€” are to euro.

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. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Corporation has consistently applied the same accounting policies and methods of computation to all periods presented.

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 former interest in an associate and its share of assets, liabilities, revenues and expenses related to its interest in a joint operation. Intercompany balances, transactions, income and expenses, profits and losses, including gains and losses relating to subsidiaries and joint operation have been eliminated on consolidation.

The Corporation's significant subsidiaries and joint arrangements are as follows⁽¹⁾:

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

(1) On August 31, 2020, the Corporation's economic interest in the Ambatovy Joint Venture was reduced from 12% to nil as a result of the implementation of a transaction and accounted for as a discontinued operation (note 10).

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

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 a joint operation.

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 former 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 the 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:

Notes to the consolidated financial statements

- 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 prevailing during the period, 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).

2.4 Consolidated statements of cash flow

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.

2.5 Segmented information

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 composed 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, which is accounted for using the equity method of accounting, 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 composed 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 composed of the oil and gas operations in Cuba and Spain, as well as the exploration and development of oil and gas in Cuba;
- The Power segment represents the power operations in Cuba, including the Corporation's one-third interest in Energas, which construct and operate power generation facilities that provide electricity in Cuba;
- The Technologies segment represents the Corporation's technology business which provides technical support, process optimization and technology development services to the Moa Joint Venture and Fort Site operations and identifies opportunities for the Corporation to commercialize its research and development for natural resource-based industries; and
- The Corporate segment represents overall management and general corporate activities related to public companies, including management of cash, cash equivalents and publicly-traded debt. In the prior year, the Technologies segment and Corporate segment were identified as a single reportable segment, the Technologies and Corporate segment. During the year ended December 31, 2021, segmented information for the prior period has been restated for comparative purposes to reflect this change.

2.6 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

Consolidated revenue excludes the revenue of the equity-accounted investment in the Moa Joint Venture. The Corporation recognizes its share of revenue of the Moa Joint Venture within the share of earnings (loss) of Moa Joint Venture, net of tax in the consolidated statements of comprehensive income (loss).

Certain product sales at the Moa Joint Venture 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 forecast 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

Oil and Gas product revenue 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.

Oil and Gas service revenue is recognized at the time that drilling services and equipment are provided to the customer.

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.

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

2.7 Joint arrangements

Investment in Moa Joint Venture

A joint venture 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 net assets of the arrangement. The Moa Joint Venture is recognized as an investment in a joint venture and accounted for using the equity method of accounting 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;
- Revenue/expenses and gains/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 income on a loan receivable from a joint venture is recognized to the extent of Sherritt's economic interest.

Joint operation

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.

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 had one associate until August 31, 2020 (note 10).

Assessment for impairment of the investment in a joint venture

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 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; (b) a breach of contract, such as a default or delinquency in payments by the joint venture; (c) the entity, for economic or legal reasons relating to its joint venture's financial difficulty, granting to the joint venture a concession that the entity would not otherwise consider; (d) it becoming probable that the joint venture 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.

If there is an indication of impairment, then the impairment test applied follows the principles of impairment for non-financial assets described in note 2.13.

2.8 Income taxes

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).

2.9 Discontinued operations

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

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

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

2.10 Government grants

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

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

2.11 Financial instruments

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

Financial assets measured at FVPL:

- Commodity put options

Financial liabilities measured at amortized cost:

- Trade accounts payable and accrued liabilities; loans and borrowings

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) within net finance (expense) income.

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

An exchange of a financial instrument with substantially different terms is accounted for as an extinguishment of the original financial instrument and the recognition of a new financial instrument. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

When the Corporation modifies a financial instrument and that modification results in derecognition, the Corporation derecognizes the original financial instrument and recognizes a new financial instrument. The difference between the carrying amount of the financial instrument extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized as a gain or loss in net earnings (loss) within net finance (expense) income.

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, discounted using the original effective interest rate, and recognizes a modification gain or loss in net earnings (loss).

Assessment for 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.

Notes to the consolidated financial statements

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.

2.12 Inventories

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.

2.13 Non-financial assets

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; machinery and equipment; processing, refining, power generation and other manufacturing facilities; office equipment; and fixtures and fittings.

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 policies for leases in accordance with IFRS 16 are described in note 2.16.

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 or disposal of the asset. Any gain or loss arising on derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net earnings (loss) in the period when the asset 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.

Notes to the consolidated financial statements

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 (loss). 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

Assessment for 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, market capitalization 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.

2.14 Provisions

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 recognized immediately in 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.

2.15 Share-based compensation plans

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 Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Deferred Share Units ("DSUs") and stock options with tandem stock appreciation rights ("Options with Tandem SARs") are recognized as liabilities at the date of grant.

Notes to the consolidated financial statements

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 consolidated statements of comprehensive income (loss). The adjusted fair value of the RSU liability is then 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 consolidated statements 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 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.

The Corporation has one equity-settled compensation plan that is composed 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.

2.16 Leases

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.

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. The critical accounting estimates and judgments the Corporation has made, and how they affect the amounts reported in the consolidated financial statements, are incorporated in this section.

Notes to the consolidated financial statements

Critical accounting estimates

Measurement of the allowance for expected credit losses

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.

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.

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.

Environmental rehabilitation provision costs

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.

Environmental rehabilitation provision discount rates

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.

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 represents a joint operation, while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". The Corporation concluded that the Ambatovy Joint Venture represented an associate as described in IAS 28, "Investments in Associates and Joint Ventures" until August 31, 2020 (note 10). 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 using the equity method. The Corporation previously accounted for its investment in an associate using the equity method, which ceased upon approval of a transaction on August 31, 2020 (note 10). 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.

Determination of 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.

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.

Exploration and evaluation

Management must make judgments when determining when to transfer E&E expenditures from intangible assets 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 as an impairment in the consolidated statements of comprehensive income (loss).

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.

Notes to the consolidated financial statements

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.

Assessment for impairment of non-financial assets

The Corporation assesses the carrying amount of non-financial assets, including property, plant and equipment, intangible assets subject to depreciation and amortization and assets under construction, 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.

There are a number of potential indicators that could trigger an impairment or impairment reversal, which may require critical accounting judgments to determine the extent to which external and/or internal factors may impact the assets’ recoverable amount. Such internal factors include changes to estimated recoverable production, commodity or contracted prices, cash costs of production, capital and reclamation costs. External factors include the Corporation’s market capitalization deficiency and changes in economic conditions, including uncertainty as a result of the COVID-19 pandemic, such as its potential impact on commodity prices, and collection of Cuban receivables.

For purposes of determining fair value, management assesses the recoverable amount of the asset using the higher of value-in-use and fair value less cost to sell and an appropriate discount rate. 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. In the event that management’s estimate of future cash flows is not representative of actual events, impairments may be identified, which could have a material impact on the Corporation’s consolidated financial statements. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases, effective for annual periods beginning on or after January 1, 2021.

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

Effective January 1, 2021, the Corporation adopted these requirements. The application of the Phase 2 amendments did not have an impact on the Corporation given that the contractual cash flows of its financial instruments and lease liabilities are not dependent upon any interest rate benchmarks under the scope of the reform and the Corporation does not apply hedge accounting.

The Corporation’s secured and unsecured notes have fixed interest rates that are not based on a benchmark. Borrowings drawn against the syndicated revolving-term credit facility mature monthly and are renewed up to a maximum of three months using one-, two- or three-month bankers’ acceptance rates, which continued to be published after the six- and twelve-month rates ceased to be published in 2021.

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.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received from selling items produced while preparing the asset for its intended will be recognized as revenue and the related cost of sales in the consolidated statements of comprehensive income (loss).

The amendments apply for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Corporation does not expect a material impact from the application of this amendment on its consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which made amendments to IAS 12 Income Taxes (“IAS 12”). The amendment narrowed the scope of the IAS 12 recognition exemption related to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates, which made amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment replaced the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Accounting estimates are developed if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendment clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period’s consolidated statements of comprehensive income (loss), or the consolidated statements of comprehensive income (loss) of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

In June 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Notes to the consolidated financial statements

5. SEGMENTED INFORMATION

The Corporation revised the presentation of its segmented information during the year ended December 31, 2021 as a result of Technologies being identified as a reportable segment in the current period in accordance with quantitative thresholds and as information for the Technologies operating segment is separately reviewed by the chief operating decision maker. Segmented information for the prior period was restated for comparative purposes to reflect the newly reportable Technologies segment, previously included within the Technologies and Corporate segment, as a separate segment in the current period.

Canadian \$ millions, for the year ended December 31

								2021
	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustments for Moa Joint Venture ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 560.6	\$ 6.8	\$ 15.6	\$ 28.3	\$ 0.6	\$ 0.9	\$ (502.6)	\$ 110.2
Cost of sales	(451.4)	(9.0)	(23.0)	(26.1)	(13.5)	-	382.0	(141.0)
Administrative expenses	(10.9)	0.2	(4.2)	(2.8)	-	(36.5)	7.0	(47.2)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	-	86.5	86.5
Earnings (loss) from operations and joint venture	98.3	(2.0)	(11.6)	(0.6)	(12.9)	(35.6)	(27.1)	8.5
Interest income on financial assets measured at amortized cost								15.4
Revaluation of allowances for expected credit losses								(0.8)
Other financing items								(5.1)
Financing expense								(30.3)
Net finance expense								(20.8)
Loss before income tax								(12.3)
Income tax expense								(1.1)
Net loss from continuing operations								(13.4)
Loss from discontinued operations, net of tax								(5.0)
Net loss for the year								\$ (18.4)

Supplementary information

Depletion, depreciation and amortization	\$ 54.0	\$ 0.2	\$ 6.7	\$ 15.7	\$ 0.1	\$ 1.1	\$ (42.8)	\$ 35.0
Property, plant and equipment expenditures	34.0	-	0.2	0.1	-	0.7	(25.1)	9.9
Intangible asset expenditures	-	-	0.8	-	-	-	-	0.8

Canadian \$ millions, as at December 31

								2021
Non-current assets ⁽³⁾	\$ 626.9	\$ 0.5	\$ 12.5	\$ 19.2	\$ 0.9	\$ 7.1	\$ (491.9)	\$ 175.2
Total assets	943.3	125.4	53.1	322.5	1.1	68.2	(115.6)	1,398.0

Canadian \$ millions, for the year ended December 31 2020
(Restated)

	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustments for Moa Joint Venture ⁽¹⁾	Total
Revenue ⁽²⁾	\$ 425.5	\$ 8.2	\$ 24.9	\$ 37.2	\$ 0.5	\$ 0.7	\$ (377.2)	\$ 119.8
Cost of sales	(411.7)	(10.4)	(39.4)	(31.3)	(10.6)	-	345.5	(157.9)
Administrative expenses	(9.9)	0.2	(6.3)	(2.1)	-	(30.7)	6.3	(42.5)
Impairment of Oil assets	-	-	(115.6)	-	-	-	-	(115.6)
Impairment of Power assets	-	-	-	(9.4)	-	-	-	(9.4)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	-	8.5	8.5
Earnings (loss) from operations and joint venture	3.9	(2.0)	(136.4)	(5.6)	(10.1)	(30.0)	(16.9)	(197.1)
Gain on debenture exchange								142.3
Interest income on financial assets measured at amortized cost								19.6
Revaluation of allowances for expected credit losses								3.4
Other financing items								(3.1)
Financing expense								(52.0)
Net finance income								110.2
Loss before income tax								(86.9)
Income tax recovery								1.2
Net loss from continuing operations								(85.7)
Earnings from discontinued operations, net of tax								107.9
Net earnings for the year								\$ 22.2

Supplementary information

Depletion, depreciation and amortization	\$ 64.6	\$ 0.2	\$ 7.1	\$ 20.9	\$ 0.1	\$ 1.0	\$ (48.1)	\$ 45.8
Property, plant and equipment expenditures	29.2	-	4.2	0.7	0.1	-	(23.2)	11.0
Intangible asset expenditures	-	-	1.1	-	-	-	-	1.1

Canadian \$ millions, as at December 31 2020
(Restated)

Non-current assets ⁽³⁾	\$ 652.6	\$ 0.6	\$ 18.5	\$ 35.4	\$ 1.0	\$ 7.2	\$ (511.4)	\$ 203.9
Total assets	897.8	71.3	71.9	327.4	1.3	100.8	(118.3)	1,352.2

- The Adjustments for Moa Joint Venture reflect the adjustments for the equity-accounted investment in the Moa Joint Venture.
- Revenue in the Metals Other segment includes \$2.9 million of intersegment revenue, net of elimination, with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the year ended December 31, 2021 (\$3.4 million for the year ended December 31, 2020).
- Non-current assets are composed of property, plant and equipment and intangible assets.

Geographic information

Canadian \$ millions, as at	2021 December 31		2020 December 31	
	Non-current assets ⁽¹⁾	Total assets ⁽²⁾	Non-current assets ⁽¹⁾	Total assets ⁽²⁾
North America	\$ 148.3	\$ 400.7	\$ 156.1	\$ 408.9
Cuba	26.8	832.5	47.7	849.6
Madagascar	-	0.7	-	2.0
Europe	0.1	27.7	0.1	28.0
Asia	-	64.8	-	19.5
Other	-	71.7	-	44.2
	\$ 175.2	\$ 1,398.0	\$ 203.9	\$ 1,352.2

- Non-current assets are composed of property, plant and equipment and intangible assets and exclude the non-current assets of equity-accounted investments.
- 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 2021
2020

	Total revenue ⁽¹⁾	Total revenue ⁽¹⁾
North America	\$ 66.2	\$ 57.3
Cuba	42.9	60.2
Madagascar	-	0.3
Europe	1.1	2.0
	\$ 110.2	\$ 119.8

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

Notes to the consolidated financial statements

Disaggregation of revenue by product and service type

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

Canadian \$ millions, for the years ended December 31	2021	2020
	Total revenue	Total revenue
Fertilizer	\$ 60.2	\$ 51.1
Oil and gas product revenue	8.3	21.8
Oil and gas service revenue	6.5	-
Power generation ⁽¹⁾	24.3	34.4
Other	10.9	12.5
	\$ 110.2	\$ 119.8

(1) Included in power generation revenue for the year ended December 31, 2021 is \$19.1 million of revenue from service concession arrangements (\$25.5 million for the year ended December 31, 2020).

Deferred revenue primarily 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, 2020 was recognized during the year ended December 31, 2021.

Significant customers

The Oil and Gas segment derived \$8.0 million of its revenue for the year ended December 31, 2021 (\$23.0 million for the year ended December 31, 2020) directly and indirectly from agencies of the Government of Cuba.

The Power segment derived \$28.3 million of its revenue for the year ended December 31, 2021 (\$37.2 million for the year ended December 31, 2020) directly and indirectly from agencies of the Government of Cuba.

The Moa JV and Fort Site segment derived \$17.7 million of its revenue for the year ended December 31, 2021 (\$18.8 million for the year ended December 31, 2020) 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 2021 or 2020.

6. EXPENSES

Cost of sales includes the following:

Canadian \$ millions, for the years ended December 31	2021	2020
Employee costs ⁽¹⁾	\$ 57.5	\$ 53.9
Severance	0.6	2.7
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	33.4	44.0
Raw materials and consumables	63.5	35.6
Repairs and maintenance	51.2	47.8
Shipping and treatment costs	2.0	3.1
Impairment losses	-	0.2
Inventory obsolescence	1.1	2.9
Share-based compensation expense	1.5	1.3
Changes in inventories and other	(69.8)	(33.6)
	\$ 141.0	\$ 157.9

Administrative expenses include the following:

Canadian \$ millions, for the years ended December 31	2021	2020
Employee costs ⁽¹⁾	\$ 21.7	\$ 25.4
Severance and other contractual benefits	6.6	1.7
Depreciation	1.6	1.8
Share-based compensation expense	12.4	6.9
Consulting services and audit fees	3.1	3.9
Other	1.8	2.8
	\$ 47.2	\$ 42.5

(1) Employee costs for the year ended December 31, 2021 includes recoveries for the Canada Emergency Wage Subsidy within cost of sales of \$0.7 million and within administrative expenses of \$0.2 million, respectively (recoveries within cost of sales of \$5.0 million and within administrative expenses of \$1.5 million for the year ended December 31, 2020).

Corporate office workforce reduction and departures

Administrative expenses for the year ended December 31, 2021 includes \$1.0 million of severance expense and \$0.8 million of accelerated share-based compensation expense related to the May 2021 reduction of 10% of the Corporate office salaried workforce (nil for the year ended December 31, 2020).

Administrative expenses for the year ended December 31, 2021 includes \$5.1 million of other contractual benefits expense and \$4.7 million of accelerated share-based compensation expense related to the departures of two senior executives on September 30, 2021 and December 31, 2021, who were key management personnel (nil for the year ended December 31, 2020).

Administrative expenses for the year ended December 31, 2021 also includes \$0.6 million of accelerated share-based compensation expense related to the planned retirement of a senior executive on April 30, 2022, who is key management personnel (nil for the year ended December 31, 2020).

Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted (nil for the year ended December 31, 2020).

Additional share-based compensation expense for the retiring senior executive will be recognized during the three months ended March 31, 2022 and June 30, 2022 as the senior executive completes their service. The amount of share-based compensation expense to be recognized in future periods will be based on the Corporation's share price in those periods.

7. JOINT ARRANGEMENTS

Investment in Moa Joint Venture

The Corporation indirectly holds a 50% interest in the Moa Joint Venture. The operations of the Moa Joint Venture are 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, 2021, the Moa Joint Venture paid dividend distributions of \$71.7 million, of which \$35.9 million were paid to the Corporation representing its 50% ownership interest (\$79.1 million and \$39.6 million, respectively, for the year ended December 31, 2020). During the year ended December 31, 2021, General Nickel Company S.A., Sherritt's joint venture partner, redirected \$16.9 million of its share of distributions from the Moa Joint Venture to the Corporation to fund Energas operations (\$26.2 million for the year ended December 31, 2020 to be applied against amounts owing to Sherritt from Energas). Subsequent to year end, the Moa Joint Venture paid distributions of \$16.3 million, of which \$8.1 million were paid to the Corporation representing its 50% ownership interest.

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

Notes to the consolidated financial statements

Statements of financial position

Canadian \$ millions, 100% basis, as at	2021		2020	
	December 31		December 31	
Current assets ⁽¹⁾	\$	520.0	\$	401.2
Non-current assets		1,080.0		1,116.4
Current liabilities ⁽²⁾		88.2		85.8
Non-current liabilities ⁽³⁾		143.4		151.5
Net assets of Moa Joint Venture	\$	1,368.4	\$	1,280.3
Proportion of Sherritt's ownership interest		50%		50%
Total		684.2		640.2
Intercompany capitalized interest elimination		(41.8)		(42.8)
Investment in Moa Joint Venture	\$	642.4	\$	597.4

- (1) Included in current assets is \$48.9 million of cash and cash equivalents (December 31, 2020 - \$26.2 million).
- (2) Included in current liabilities is \$11.0 million of financial liabilities (December 31, 2020 - \$22.4 million), including lease liabilities of \$0.2 million (December 31, 2020 - \$6.7 million) and a \$4.0 million loan for the purchase of mining equipment (December 31, 2020 - \$9.5 million).
- (3) Included in non-current liabilities is \$15.5 million of financial liabilities (December 31, 2020 - \$20.9 million), including lease liabilities of \$0.7 million (December 31, 2020 - \$0.9 million), and a \$2.2 million loan for the purchase of mining equipment (December 31, 2020 - \$4.5 million).

Statements of comprehensive income (loss)

Canadian \$ millions, 100% basis, for the years ended December 31	2021		2020	
	Revenue	\$	1,005.1	\$
Cost of sales ^{(1), (2)}		(763.9)		(690.9)
Administrative expenses ⁽²⁾		(14.0)		(12.6)
Earnings from operations		227.2		50.9
Financing income		0.2		0.5
Financing expense ⁽³⁾		(10.1)		(28.1)
Net finance expense		(9.9)		(27.6)
Earnings before income tax		217.3		23.3
Income tax expense ⁽⁴⁾		(52.6)		(23.5)
Net earnings (loss) and comprehensive income (loss) of Moa Joint Venture	\$	164.7	\$	(0.2)
Proportion of Sherritt's ownership interest		50%		50%
Total		82.4		(0.1)
Intercompany elimination		4.1		8.6
Share of earnings of Moa Joint Venture, net of tax	\$	86.5	\$	8.5

- (1) Included in cost of sales for the year ended December 31, 2021 is depreciation and amortization of \$85.6 million (\$96.3 million for the year ended December 31, 2020).
- (2) For the year ended December 31, 2021 recoveries for the Canada Emergency Wage Subsidy within cost of sales of \$4.0 million and within administrative expenses of \$0.2 million were recognized (recoveries within cost of sales of \$8.4 million and within administrative expenses of \$0.4 million for the year ended December 31, 2020).
- (3) Included in financing expense for the year ended December 31, 2021 is accretion of nil on the Moa Joint Venture expansion loans (for the year ended December 31, 2020 - \$12.3 million). The decrease in accretion since the comparative period is due to the Moa Joint Venture expansion loans payable conversion to equity during the year ended December 31, 2020.
- (4) Income tax expense for the year ended December 31, 2021 increased since the comparative period primarily due to an increase in taxable earnings by the operating companies in the Moa Joint Venture.

Joint operation

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, 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 interest in Energas on a 33⅓% basis:

Canadian \$ millions, 33⅓% basis, as at	2021		2020	
	December 31		December 31	
Current assets ⁽¹⁾	\$	97.8	\$	89.2
Non-current assets		16.8		30.6
Current liabilities		6.3		15.9
Non-current liabilities		98.1		85.8
Net assets	\$	10.2	\$	18.1

(1) Included in current assets is \$78.9 million of cash and cash equivalents (December 31, 2020 - \$75.0 million).

Canadian \$ millions, 33⅓% basis, for the years ended December 31	2021		2020	
Revenue	\$	28.3	\$	37.2
Expenses		(32.1)		(46.5)
Net loss	\$	(3.8)	\$	(9.3)

8. NET FINANCE (EXPENSE) INCOME

On August 31, 2020, the Corporation completed a transaction resulting in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 in the aggregate principal amount of \$588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) new 8.50% second lien secured notes due in 2026 in an aggregate principal amount of \$357.5 million (note 16), (ii) new 10.75% unsecured payment-in-kind ("PIK") option notes due in 2029 in an aggregate principal amount of \$75.0 million (note 16) and (iii) early consent cash consideration of \$15.5 million. During the year ended December 31, 2020, the Corporation incurred an aggregate \$20.0 million of transaction costs related to the transaction, of which \$9.3 million was apportioned to the debenture exchange and \$10.7 million was apportioned to the disposal of the Ambatovy Joint Venture Interests (note 10). During the year ended December 31, 2021, an additional \$0.6 million of transaction were incurred, all of which were apportioned to the disposal of the Corporation's remaining 12% interest in the Ambatovy Joint Venture and its loans and operator fee receivable from the Ambatovy Joint Venture (collectively, the "Ambatovy Joint Venture Interests"). Included in fees paid on debenture exchange within the Corporation's consolidated statements of cash flow are cash transaction costs related to the debenture exchange of \$0.2 million for the year ended December 31, 2021 (\$24.6 million for the year ended December 31, 2020). No additional transaction costs related to the debenture exchange have been accrued in the consolidated statements of financial position as at December 31, 2021 (December 31, 2020 - \$0.2 million).

Notes to the consolidated financial statements

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

Canadian \$ millions, for the years ended December 31	Note	2021	2020
Gain on debenture exchange		\$ -	\$ 142.3
Interest income on trade accounts receivable, net		0.5	0.8
Interest income on advances and loans receivable		14.9	15.8
Interest income on accretion of advances and loans receivable		-	3.0
Interest income on financial assets measured at amortized cost		15.4	19.6
Revaluation of allowances for expected credit losses:			
Trade accounts receivable, net	12	(0.8)	(3.0)
Moa Joint Venture expansion loans receivable		-	6.4
Revaluation of allowances for expected credit losses		(0.8)	3.4
Revaluation of cobalt-linked warrants		0.2	0.5
Unrealized losses on commodity put options		(0.8)	(3.4)
Realized losses on commodity put options		(4.8)	-
Gain on repurchase of notes	16	2.1	-
Other interest income and unrealized losses on financial instruments		(1.8)	(0.2)
Other financing items		(5.1)	(3.1)
Interest expense and accretion on loans and borrowings		(42.2)	(53.8)
Unrealized foreign exchange gain		4.7	4.4
Realized foreign exchange gain		9.7	0.5
Other interest expense and finance charges		(2.2)	(2.8)
Accretion expense on environmental rehabilitation provisions	17	(0.3)	(0.3)
Financing expense		(30.3)	(52.0)
Net finance (expense) income		\$ (20.8)	\$ 110.2

Realized foreign exchange gain due to Cuban currency unification

During the year ended December 31, 2021, the Corporation recognized a \$10.0 million realized foreign exchange gain within financing expense relating to a Cuban tax liability due to Cuban currency unification. Prior to currency unification, the Cuban tax liability was payable in Cuban convertible pesos (CUC) at the previous exchange rate of 1 CUC:US\$1. As a result of Cuban currency unification and confirmation from the Government of Cuba received during the year ended December 31, 2021, the Cuban tax liability was payable in Cuban pesos (CUP) at the current exchange rate of 24 CUP:US\$1, resulting in a foreign exchange gain. The Cuban tax liability was paid during the year ended December 31, 2021 and the foreign exchange gain was recognized as a realized foreign exchange gain.

9. INCOME TAXES

Canadian \$ millions, for the years ended December 31	2021	2020
Current income tax expense		
Current period	\$ 1.0	\$ 13.8
	1.0	13.8
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(28.7)	(43.4)
Non-recognition of tax assets	28.8	28.4
	0.1	(15.0)
Income tax expense (recovery)	\$ 1.1	\$ (1.2)

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	2021	2020
Loss before income tax from continuing operations	\$ (12.3)	\$ (86.9)
Less: share of earnings of Moa Joint Venture	(86.5)	(8.5)
Parent companies and subsidiaries loss before income tax	(98.8)	(95.4)
Income tax expense (recovery) at the combined basic rate of 23.5% (2020 - 24.3%)	(23.2)	(23.2)
(Decrease) increase in taxes resulting from:		
Difference between Canadian and foreign tax rates	(3.2)	(1.2)
Non-deductible expenses and losses	-	3.3
Non-recognition of tax assets	27.9	28.4
Impairment of Oil assets	-	26.0
Gain on debenture exchange	-	(34.6)
Other items	(0.4)	0.1
	\$ 1.1	\$ (1.2)

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

Canadian \$ millions, for the year ended December 31, 2021	Opening Balance	Recognized in net income	Recognized in total comprehensive income	Closing Balance
Deferred tax assets				
Property, plant and equipment	\$ 1.2	\$ (0.5)	\$ -	\$ 0.7
Other financial reserves	0.7	-	-	0.7
Deferred tax assets	1.9	(0.5)	-	1.4
Set off against deferred tax liabilities	(1.9)			(1.4)
	\$ -		\$ -	\$ -
Deferred tax liabilities				
Property, plant and equipment and intangible assets	\$ (1.2)	\$ 0.2	\$ -	\$ (1.0)
Cuban tax contingency reserve	(1.0)	-	-	(1.0)
Other financial reserves	(1.1)	0.1	-	(1.0)
Deferred tax liabilities	(3.3)	0.3	-	(3.0)
Set off against deferred tax assets	1.9			1.4
Net deferred tax liabilities	\$ (1.4)	\$ (0.2)	\$ -	\$ (1.6)

Notes to the consolidated financial statements

Canadian \$ millions, for the year ended December 31, 2020

	Opening Balance	Recognized in net income	Recognized in total comp- rehensive income	Closing Balance
Deferred tax assets				
Property, plant and equipment	\$ 0.7	\$ 0.5	\$ -	\$ 1.2
Other financial reserves	0.7	-	-	0.7
Deferred tax assets	1.4	0.5	-	1.9
Set off against deferred tax liabilities	(1.4)			(1.9)
	\$ -		\$ -	\$ -

Deferred tax liabilities

Property, plant and equipment and intangible assets	\$ (3.6)	\$ 2.4	\$ -	\$ (1.2)
Cuban tax contingency reserve	(11.7)	11.6	(0.9)	(1.0)
Other financial reserves	(1.6)	0.5	-	(1.1)
Deferred tax liabilities	(16.9)	14.5	(0.9)	(3.3)
Set off against deferred tax assets	1.4			1.9
Net deferred tax (liabilities) assets	\$ (15.5)	\$ 15.0	\$ (0.9)	\$ (1.4)

As at December 31, 2021, the Corporation had temporary differences of \$394.6 million (December 31, 2020 - \$384.6 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, 2021, the Corporation had non-capital losses of \$948.2 million (December 31, 2020 - \$870.8 million) and capital losses of \$1,128.8 million (December 31, 2020 - \$1,128.6 million) which may be used to reduce future taxable income. The Corporation has not recognized a deferred tax asset on \$948.2 million of non-capital losses, \$1,128.8 million (December 31, 2020 - \$1,128.6 million) of capital losses and \$252.2 million (December 31, 2020 - \$195.0 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, 2021	Expiry	Non-capital losses
Canada	2026-2041	\$ 756.7
Other jurisdictions	Various	191.5

10. DISCONTINUED OPERATIONS

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

Canadian \$ millions, for the years ended December 31	2021	2020
(Loss) earnings from discontinued operations, net of tax - Ambatovy Joint Venture	\$ (0.6)	\$ 107.9
Loss from discontinued operations, net of tax - Other discontinued operations	(4.4)	-
(Loss) earnings from discontinued operations, net of tax	\$ (5.0)	\$ 107.9

Ambatovy Joint Venture

On August 31, 2020, the Corporation completed a transaction resulting in the extinguishment of all of Sherritt's obligations under the Corporation's Ambatovy Joint Venture partner loans, plus all accrued and unpaid interest in respect thereof, in exchange for the Ambatovy Joint Venture Interests.

During the year ended December 31, 2020, the Ambatovy Joint Venture Interests met the criteria to be classified as discontinued operations and as a result, the share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax in the comparative period.

During the year ended December 31, 2021, Sherritt ceased being the operator of the Ambatovy Joint Venture.

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

Canadian \$ millions, for the years ended December 31	2021	2020
Share of loss of an associate, net of tax	\$ -	\$ (49.9)
Interest income on Ambatovy Joint Venture subordinated loans receivable	-	4.4
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable	-	(68.7)
Interest income on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	-	3.6
Revaluation of allowance for expected credit losses on Ambatovy Joint Venture subordinated loans receivable - post-financial completion	-	(47.4)
Revenue on Ambatovy Joint Venture operator fee receivable	-	1.2
Revaluation of Ambatovy Joint Venture operator fee receivable	-	1.8
Realized foreign exchange gain on monetary assets	-	4.2
Loss from discontinued operations, net of tax	\$ -	\$ (150.8)

The loss on disposal of the Ambatovy Joint Venture Interests, net of tax, for the year ended December 31, 2021 relates to transaction and other closing costs. The gain on disposal of the Ambatovy Joint Venture Interests, net of tax, for the year ended December 31, 2020 primarily relates to the extinguishments of the Ambatovy Joint Venture partner loans, including accrued interest, and the Ambatovy Joint Venture operator fee receivable, the reclassification of accumulated other comprehensive income on disposal of foreign operation and transaction and other closing costs. The (loss) gain on disposal of the Ambatovy Joint Venture Interests, net of tax, and loss from discontinued operations, net of tax are presented net in the consolidated statements of comprehensive income (loss) within (loss) earnings from discontinued operations, net of tax as follows:

Canadian \$ millions, for the years ended December 31	2021	2020
(Loss) gain on disposal of the Ambatovy Joint Venture Interests, net of tax	\$ (0.6)	\$ 258.7
Loss from discontinued operations, net of tax	-	(150.8)
(Loss) earnings from discontinued operations, net of tax – Ambatovy Joint Venture	\$ (0.6)	\$ 107.9

The Corporation's consolidated statements of cash flow include cash used by discontinued operations. Included in cash used by discontinued operations are cash transaction costs related to the exchange of the Ambatovy Joint Venture Interests of \$3.6 million for the year ended December 31, 2021 (\$3.0 million for the year ended December 31, 2020).

Other discontinued operations

For the year ended December 31, 2021, the Corporation recognized \$4.4 million of loss from discontinued operations, net of tax as a result of revisions to the estimated future costs of provisions retained by the Corporation (nil for the year ended December 31, 2020). Cash used by discontinued operations includes payments of \$2.1 million made in respect of one of the provisions during the year ended December 31, 2021 (note 17) (\$4.3 million in cash used by discontinued operations for the year ended December 31, 2020).

Notes to the consolidated financial statements

11. (LOSS) EARNINGS PER SHARE

Canadian \$ millions, except share amounts in millions and per share amounts in dollars, for the years ended December 31	2021	2020
Net loss from continuing operations	\$ (13.4)	\$ (85.7)
(Loss) earnings from discontinued operations, net of tax	(5.0)	107.9
Net (loss) earnings for the year - basic and diluted	\$ (18.4)	\$ 22.2
Weighted-average number of common shares - basic and diluted⁽¹⁾	397.3	397.3
Net loss from continuing operations per common share:		
Basic and diluted	\$ (0.03)	\$ (0.22)
(Loss) earnings from discontinued operations, net of tax, per common share:		
Basic and diluted	\$ (0.01)	\$ 0.27
Net (loss) earnings per common share:		
Basic and diluted	\$ (0.05)	\$ 0.06

(1) The determination of the weighted-average number of common shares - diluted excludes 4.1 million shares related to stock options, nil shares related to the warrants from the 2016 debenture extension and nil shares related to the cobalt-linked warrants that were anti-dilutive for the year ended December 31, 2021 (9.0 million, 10.4 million and 47.2 million, respectively, that were anti-dilutive for the year ended December 31, 2020).

12. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian \$ millions, as at	2021 December 31	2020 December 31
Cash equivalents ⁽¹⁾	\$ 16.1	\$ 41.0
Cash held in banks	129.5	126.4
	\$ 145.6	\$ 167.4

(1) The financial instrument fair value measurement hierarchy for cash equivalents is level 1.

Cash and cash equivalents of the Corporation and its wholly-owned subsidiaries held in Canada was \$64.2 million as at December 31, 2021 (December 31, 2020 - \$84.8 million).

The Corporation's cash balances are deposited with major financial institutions rated A or higher by Standard and Poor's except for institutions located in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was \$80.6 million as at December 31, 2021 (December 31, 2020 - \$80.0 million).

As at December 31, 2021, \$78.9 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2020 - \$75.0 million). These funds are for use locally by the joint operation and will be transferred to the Corporation upon foreign exchange approval.

The Corporation's cash equivalents consist of Government of Canada treasury bills and demand deposits redeemable upon 31 days request. The demand deposits are with major financial institutions. As at December 31, 2021, the Corporation had nil in Government of Canada treasury bills and \$16.1 million in demand deposits (December 31, 2020 - \$25.0 and \$16.0 million, respectively) included in cash and cash equivalents.

Cuban currency unification

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

There was no impact to the functional currencies of the Corporation's Cuban entities as a result of currency unification and the U.S. dollar remains the functional currency of these Cuban entities. The Corporation recognized a realized foreign exchange gain of \$10.0 million within financing expense upon payment of a Cuban tax liability during the year ended December 31, 2021 as a result of currency unification and confirmation received from the Government of Cuba (note 8). During the year ended December 31, 2021, the Corporation also incurred lower labour and other service costs at its Cuban entities as a result of currency unification. The Corporation continues to monitor the impact of currency unification on its Cuban operations. All Cuban receivables remain owing to the Corporation and are denominated in U.S. dollars.

Fair value measurement

As at December 31, 2021, the carrying amounts of cash and cash equivalents; 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 values different from their fair values:

Canadian \$ millions, as at	Note	Hierarchy level	Carrying value	2021	2020	
				December 31	December 31	December 31
				Fair value	Carrying value	Fair value
Liabilities:						
8.50% second lien secured notes due 2026 ⁽¹⁾	16	1	\$ 354.5	\$ 196.3	\$ 358.4	\$ 185.9
10.75% unsecured PIK option notes due 2029 ⁽¹⁾	16	1	\$ 82.6	\$ 28.9	\$ 75.0	\$ 16.9

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

Trade accounts receivable, net, and unbilled revenue

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

Canadian \$ millions, as at	2021	2020
	December 31	December 31
Trade accounts receivable, net	\$ 190.7	\$ 139.8
Unbilled revenue	-	0.5
	\$ 190.7	\$ 140.3

Trade accounts receivable, net

Canadian \$ millions, as at	Note	2021	2020
		December 31	December 31
Trade accounts receivable		\$ 174.0	\$ 128.7
Allowance for expected credit losses	22	(21.8)	(21.4)
Accounts receivable from joint operation	23	-	0.3
Accounts receivable from Moa Joint Venture	23	18.2	13.8
Other		20.3	18.4
		\$ 190.7	\$ 139.8

Aging of trade accounts receivable, net

Canadian \$ millions, as at	2021	2020
	December 31	December 31
Not past due	\$ 152.1	\$ 108.5
Past due no more than 30 days	4.7	2.6
Past due for more than 30 days but no more than 60 days	8.5	2.2
Past due for more than 60 days	25.4	26.5
	\$ 190.7	\$ 139.8

Notes to the consolidated financial statements

Allowance for expected credit losses

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

Canadian \$ millions	For the year ended December 31, 2021			
	As at 2020 December 31	Revaluation (note 8)	Foreign exchange and other non-cash items	As at 2021 December 31
Lifetime expected credit losses				
Trade accounts receivable, net	\$ (21.4)	\$ (0.8)	\$ 0.4	\$ (21.8)

Canadian \$ millions	For the year ended December 31, 2020				
	As at 2019 December 31	Revaluation	Debt-to-equity conversion	Foreign exchange and other non-cash items	As at 2020 December 31
Lifetime expected credit losses					
Trade accounts receivable, net	\$ (19.1)	\$ (3.0)	\$ -	\$ 0.7	\$ (21.4)
Ambatovy Joint Venture subordinated loans receivable	(71.2)	(68.7)	144.7	(4.8)	-
Ambatovy Joint Venture subordinated loans receivable - post-financial completion	(33.2)	(47.4)	81.7	(1.1)	-
Moa Joint Venture expansion loans receivable	(6.8)	6.4	-	0.4	-

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian \$ millions, as at	Note	2021 December 31	2020 December 31
Advances and loans receivable			
Energas conditional sales agreement ⁽¹⁾	22, 23	\$ 204.7	\$ 197.0
Other financial assets			
Commodity put options		-	5.7
Finance lease receivables	24	3.6	4.5
		208.3	207.2
Current portion of advances, loans receivable and other financial assets ⁽²⁾		(18.1)	(37.6)
Non-current portion of advances, loans receivable and other financial assets		\$ 190.2	\$ 169.6

(1) As at December 31, 2021, the non-current portion of the Energas conditional sales agreement is \$187.4 million (December 31, 2020 – \$165.9 million).

(2) Included in the current portion of advances, loans receivable and other financial assets is the Energas conditional sales agreement of \$17.3 million (December 31, 2020 – \$31.1 million).

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 revolving-term credit facility

The Moa Joint Venture revolving-term credit facility is provided by the Corporation to the Moa Joint Venture to fund working capital and capital expenditures. During the year ended December 31, 2020, the Moa Joint Venture revolving-term credit facility was renewed and its maturity extended to April 30, 2022. The maximum credit available remained at \$45.0 million and the interest rates remained at prime plus 3.00% or bankers' acceptance plus 4.00%.

On October 28, 2021, the Moa Joint Venture revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from \$45.0 million to \$75.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the facility are available to fund working capital and capital expenditures of \$45.0 million and \$30.0 million, respectively. As at December 31, 2021, no amounts were drawn on the facility (December 31, 2020 – nil).

Commodity put options

During the year ended December 31, 2020, the Corporation purchased \$5.8 million of put options on 4,125 metric tonnes of nickel, or 344 metric tonnes per month, at a strike price of US\$6.50/lb. These put options were in effect for a 12-month period starting January 1, 2021. The Corporation also purchased \$3.5 million of put options on 3,094 metric tonnes of nickel, or 344 metric tonnes per month, at a strike price of US\$7.00/lb. These put options were in effect for a nine-month period starting April 1, 2021. Any cash settlements were completed on a monthly basis against the average monthly nickel price on the LME and involved no physical delivery. The hedging strategy was designed to provide Sherritt with cash flow security in 2021 against downward changes in nickel prices by providing a floor but no cap on 25% of Sherritt's share of 2021 nickel production in the first quarter and 50% of Sherritt's share of 2021 nickel production in the second to fourth quarter of 2021. The put options are derivatives measured at fair value through profit or loss. The financial instrument fair value measurement hierarchy for commodity put options is level 2.

14. INVENTORIES

Canadian \$ millions, as at	2021 December 31	2020 December 31
Raw materials	\$ 0.1	\$ -
Materials in process	0.4	0.3
Finished products	8.6	4.1
	9.1	4.4
Spare parts and operating materials	21.2	22.6
	\$ 30.3	\$ 27.0

For the year ended December 31, 2021, the cost of inventories included in cost of sales was \$64.2 million (\$58.7 million for the year ended December 31, 2020).

15. NON-FINANCIAL ASSETS

Property, plant and equipment

Canadian \$ millions, for the year ended December 31

2021

	Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	Total
Cost				
Balance, beginning of the year	\$ 168.6	\$ 679.0	\$ 13.5	\$ 861.1
Additions	0.2	9.6	0.1	9.9
Additions and changes in estimates to environmental rehabilitation provisions	3.3	(3.5)	-	(0.2)
Disposals and derecognition	(106.2)	(97.6)	-	(203.8)
Effect of movements in exchange rates	(6.1)	(3.5)	-	(9.6)
Balance, end of the year	\$ 59.8	\$ 584.0	\$ 13.6	\$ 657.4
Depletion and depreciation				
Balance, beginning of the year	\$ 167.8	\$ 524.5	\$ 2.4	\$ 694.7
Depletion and depreciation	0.5	19.4	1.4	21.3
Disposals and derecognition	(102.8)	(98.4)	-	(201.2)
Effect of movements in exchange rates	(6.0)	(2.3)	-	(8.3)
Balance, end of the year	\$ 59.5	\$ 443.2	\$ 3.8	\$ 506.5
Net book value	\$ 0.3	\$ 140.8	\$ 9.8	\$ 150.9

Canadian \$ millions, for the year ended December 31

2020

	Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	Total
Cost				
Balance, beginning of the year	\$ 164.7	\$ 682.2	\$ 13.3	\$ 860.2
Additions	0.9	10.1	4.7	15.7
Additions and changes in estimates to environmental rehabilitation provisions	(1.4)	10.0	-	8.6
Disposals and derecognition	1.8	(16.1)	(4.5)	(18.8)
Effect of movements in exchange rates	2.6	(7.2)	-	(4.6)
Balance, end of the year	\$ 168.6	\$ 679.0	\$ 13.5	\$ 861.1
Depletion, depreciation and impairment losses				
Balance, beginning of the year	\$ 164.4	\$ 483.9	\$ 3.3	\$ 651.6
Depletion and depreciation	0.6	28.6	1.7	30.9
Impairments	-	30.2	-	30.2
Disposals and derecognition	-	(10.2)	(2.6)	(12.8)
Effect of movements in exchange rates	2.8	(8.0)	-	(5.2)
Balance, end of the year	\$ 167.8	\$ 524.5	\$ 2.4	\$ 694.7
Net book value	\$ 0.8	\$ 154.5	\$ 11.1	\$ 166.4

Expiry of the Puerto Escondido/Yumuri production-sharing contract

The Puerto Escondido/Yumuri production-sharing contract with an agency of the Government of Cuba expired in March 2021, resulting in the derecognition of \$197.3 million of cost and accumulated depreciation of property, plant and equipment. The net book value of the property, plant and equipment was nil upon expiry.

Impairment of Oil assets

During the year ended December 31, 2020, the Corporation recognized a total impairment loss of \$115.6 million in the Oil and Gas segment, consisting of a \$95.0 million impairment loss on exploration and evaluation assets included within intangible assets and a \$20.6 million impairment loss on capital spare parts included within property, plant and equipment. The impairment loss on exploration and evaluation assets is discussed within the intangible assets section below.

During the year ended December 31, 2020, the Corporation completed its analysis and testing of samples obtained from the Block 10 well. Testing confirmed that water was present and entering the well from the loss circulation zone, which was located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well was possible. As a result, the Corporation suspended the well.

The impairment loss of \$20.6 million on capital spare parts was due to the well suspension noted above and uncertainty on the timing of future exploration activities in Cuba. The recoverable amount was measured based on value in use using the present value of expected future cash flows of the capital spare parts, which resulted in a recoverable amount of nil.

Impairment of Power assets

During the year ended December 31, 2020, the Corporation recognized an impairment of \$9.4 million on the Varadero 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 6.6% was used to discount cash flows in the valuation model and the recoverable amount was calculated to be \$3.2 million. Key assumptions in the valuation model included operating cash flows, capital expenditures, available gas supply and discount rate.

Canadian \$ millions	Plant, equipment and land
Assets under construction, included in above	
As at December 31, 2021	\$ 8.5
As at December 31, 2020	9.1

Intangible assets

Canadian \$ millions, for the year ended December 31	2021				
	Contractual arrange- ments	Exploration and Evaluation	Service concession arrange- ments	Other	Total
Cost					
Balance, beginning of the year	\$ 27.0	\$ 113.4	\$ 221.3	\$ 9.1	\$ 370.8
Additions	-	0.8	-	-	0.8
Effects of movements in exchange rates	-	-	(0.9)	-	(0.9)
Balance, end of the year	\$ 27.0	\$ 114.2	\$ 220.4	\$ 9.1	\$ 370.7
Amortization					
Balance, beginning of the year	\$ 26.2	\$ 107.3	\$ 190.7	\$ 9.1	\$ 333.3
Amortization	0.3	-	13.4	-	13.7
Effect of movements in exchange rates	-	-	(0.6)	-	(0.6)
Balance, end of the year	\$ 26.5	\$ 107.3	\$ 203.5	\$ 9.1	\$ 346.4
Net book value	\$ 0.5	\$ 6.9	\$ 16.9	\$ -	\$ 24.3

Notes to the consolidated financial statements

Canadian \$ millions, for the year ended December 31

2020

	Contractual arrange- ments	Exploration and Evaluation	Service concession arrange- ments	Other	Total
Cost					
Balance, beginning of the year	\$ 27.0	\$ 107.7	\$ 225.7	\$ 9.1	\$ 369.5
Additions	-	3.4	-	-	3.4
Effect of movements in exchange rates	-	2.3	(4.4)	-	(2.1)
Balance, end of the year	\$ 27.0	\$ 113.4	\$ 221.3	\$ 9.1	\$ 370.8
Amortization and impairment losses					
Balance, beginning of the year	\$ 25.9	\$ 12.3	\$ 180.6	\$ 9.1	\$ 227.9
Amortization	0.3	-	14.3	-	14.6
Impairments	-	95.0	-	-	95.0
Effect of movements in exchange rates	-	-	(4.2)	-	(4.2)
Balance, end of the year	\$ 26.2	\$ 107.3	\$ 190.7	\$ 9.1	\$ 333.3
Net book value	\$ 0.8	\$ 6.1	\$ 30.6	\$ -	\$ 37.5

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 26 to 28 years. Exploration and evaluation assets include capitalized expenditures on these three blocks, and primarily consist of geological, geophysical and engineering expenditures.

During the year ended December 31, 2020, the Corporation recognized an impairment loss of \$95.0 million on exploration and evaluation assets in the Oil and Gas segment, as discussed within the property, plant and equipment section above. The recoverable amount was measured based on value in use using the present value of the well's expected future cash flows, which resulted in a recoverable amount of nil. The impairment loss consists of all exploration and evaluation assets related to the well asset, including drilling materials and equipment, as well as geological and engineering expenses.

Service concession arrangements

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

16. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

Canadian \$ millions	Note	For the year ended December 31, 2021					As at December 31 2021
		As at 2020 December 31	Cash flows		Non-cash changes		
			Repurchase of notes	Fees paid	Other		
8.50% second lien secured notes due 2026	12	\$ 358.4	\$ (4.6)	\$ -	\$ 0.7	\$ 354.5	
10.75% unsecured PIK option notes due 2029	12	75.0	-	-	7.6	82.6	
Syndicated revolving-term credit facility		8.0	-	(0.6)	-	7.4	
		\$ 441.4	\$ (4.6)	\$ (0.6)	\$ 8.3	\$ 444.5	
Current portion of loans and borrowings		(8.0)				-	
Non-current portion of loans and borrowings		\$ 433.4			\$	\$ 444.5	

Canadian \$ millions	For the year ended December 31, 2020					As at December 31 2020
	Non-cash changes					
	As at December 31 2019	Recognition/ (Extinguish -ment)	Effect of movement in exchange rates	Other		
8.00% senior unsecured debentures due 2021	\$ 164.4	(166.2)	\$ -	\$ 1.8	\$ -	-
7.50% senior unsecured debentures due 2023	187.8	(189.5)	-	1.7	-	-
7.875% senior unsecured debentures due 2025	201.9	(203.6)	-	1.7	-	-
Ambatovy Joint Venture partner loans	151.5	(155.5)	0.4	3.6	-	-
8.50% second lien secured notes due 2026	-	357.5	-	0.9	358.4	-
10.75% unsecured PIK option notes due 2029	-	75.0	-	-	75.0	-
Syndicated revolving-term credit facility	8.0	-	-	-	8.0	-
	\$ 713.6	(282.3)	\$ 0.4	\$ 9.7	\$ 441.4	
Current portion of loans and borrowings	(159.5)				(8.0)	
Non-current portion of loans and borrowings	\$ 554.1				\$ 433.4	

8.50% second lien secured notes due 2026

During the year ended December 31, 2020, the Corporation issued 8.50% second lien secured notes (“Second Lien Notes” with a principal amount of \$357.5 million maturing on November 30, 2026. Interest is payable semi-annually, in April and October, in cash. The indenture governing the Second Lien Notes (the “Second Lien Notes Indenture”) requires mandatory redemptions from excess cash (subject to the minimum liquidity condition noted below and the other terms and conditions set forth in the Second Lien Notes Indenture). The mandatory excess cash flow redemption provision is in effect beginning with the two-quarter period ending June 30, 2021 and mandatory redemptions are based on excess cash flow (a measure calculated based on cash provided by (used in) operating activities excluding Energas, less sustaining property, plant and equipment expenditures excluding Energas, plus all cash distributed by Energas to the Corporation held in Canada), which mandatory redemption shall be required to be made only if the Corporation has minimum liquidity of \$75.0 million calculated in accordance with the Second Lien Notes Indenture. Refer to note 22 for a maturity analysis of the Corporation’s contractual obligations and commitments, which includes expected mandatory excess cash flow redemptions. Expected mandatory excess cash flow redemptions have been included in the calculation of the effective interest rate of the Second Lien Notes.

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

The Second Lien Notes Indenture provides for a 7% premium on (i) any optional early redemptions made at the election of the Corporation prior to maturity as mentioned above, and (ii) on repayment on the maturity date, provided that the aggregate amount of all premium payments paid by Sherritt with respect to the foregoing shall collectively not be less than \$25.0 million. Mandatory redemptions do not incur a premium and ultimately do not affect the timing of when this 7% premium is paid. This premium is due upon the earlier of optional redemption and maturity of the 8.50% second lien secured notes due 2026 and is accreted over the life of the instrument.

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

During the year ended December 31, 2021, the Corporation repurchased \$7.0 million of principal of the 8.50% second lien secured notes due 2026 on the open market at a cost of \$4.6 million, plus \$0.2 million of accrued interest, resulting in a gain on repurchase of notes of \$2.1 million (note 8).

As at December 31, 2021, the outstanding principal amount of the 8.50% second lien secured notes due 2026 is \$350.5 million.

Other non-cash changes on the 8.50% second lien secured notes due 2026 consists of the gain on repurchase of notes, net of a loss upon revision of forecasted mandatory redemptions and accretion of a 7% premium.

Notes to the consolidated financial statements

10.75% unsecured PIK option notes due 2029

During the year ended December 31, 2020, the Corporation issued 10.75% unsecured PIK option notes with a principal amount of \$75.0 million maturing on August 31, 2029. Interest is payable semi-annually in cash or in-kind, at Sherritt's election. Expected payments of interest in-kind until the maturity of the note have been included in the calculation of the effective interest rate.

During the year ended December 31, 2021, the Corporation elected not to pay cash interest of \$7.6 million on the 10.75% unsecured PIK option notes due 2029 and added the payment-in-kind interest to the principal amount owed to noteholders.

As at December 31, 2021, the outstanding principal amount of the 10.75% unsecured PIK option notes due 2029 is \$82.6 million.

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

Syndicated revolving-term credit facility

On October 28, 2021, the syndicated revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from \$70.0 million to \$100.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the credit facility are available to fund working capital and capital expenditures. Spending on capital expenditures cannot exceed \$75.0 million in a fiscal year. This restriction does not apply to capital expenditures of Moa Nickel S.A. 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 facility is subject to the following financial covenants and restrictions:

- Net Available Cash covenant, as defined in the agreement, of \$25.0 million. The amount compared against this covenant is composed of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus undrawn amounts on the credit facility;
- Senior Secured Net Debt-to-EBITDA covenant, as defined in the agreement, of less than 2:1. Senior Secured Net Debt is calculated as first-lien debt, or amounts drawn on the credit facility, any derivative liability and any additional security ranked equal to first-lien debt, less cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada up to \$25.0 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis;
- EBITDA-to-Interest Expense covenant, as defined in the agreement, of not less than 1.5:1 prior to September 30, 2022 and not less than 2:1 thereafter. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's 10.75% unsecured PIK option notes due 2029; and
- Minimum Tangible Net Worth covenant, as defined in the agreement, of \$600.0 million plus 50% of positive net earnings. In the event of expiration of the Corporation's current contract term for power generation from Energas in March 2023, the Minimum Tangible Net Worth covenant decreases to \$550.0 million plus 50% of positive net earnings, effective upon the date of expiration, if applicable. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the credit facility, less the principal amount of the 8.50% second lien secured notes due in 2026, less the principal amount of the 10.75% unsecured PIK option notes due in 2029, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2021, the Corporation has \$9.9 million of letters of credit outstanding pursuant to this facility (December 31, 2020 - \$2.5 million). As at December 31, 2021, \$8.0 million was drawn on this facility (December 31, 2020 - \$8.0 million).

Effective June 30, 2020, the Corporation did not renew a \$47.0 million letter of credit issued to support its share of the environmental rehabilitation obligations held by its Spanish Oil and Gas operations. On October 29, 2021, the environmental rehabilitation obligations held by the Corporation's Spanish Oil and Gas operations were secured by a parent company guarantee of €31.5 million until December 31, 2023, with no impact on the Corporation's available liquidity.

Other financial liabilities

Canadian \$ millions, as at	Note	2021 December 31	2020 December 31
Lease liabilities		\$ 14.2	\$ 15.7
Share-based compensation liability	6, 18	22.8	10.5
Other financial liabilities		3.9	3.3
		40.9	29.5
Current portion of other financial liabilities		(7.4)	(4.8)
Non-current portion of other financial liabilities		\$ 33.5	\$ 24.7

Lease liabilities

Canadian \$ millions	As at 2020 December 31	For the year ended December 31, 2021				As at 2021 December 31
		Cash flows		Non-cash changes		
		Principal repayments (note 24)	Interest paid (notes 20 and 24)	Effect of movement in exchange rates	Other	
Lease liabilities	\$ 15.7	\$ (1.5)	\$ (0.9)	\$ -	\$ 0.9	\$ 14.2

Canadian \$ millions	As at 2019 December 31	For the year ended December 31, 2020				As at 2020 December 31
		Cash flows		Non-cash changes		
		Principal repayments (note 24)	Interest paid (notes 20 and 24)	Effect of movement in exchange rates	Other	
Lease liabilities	\$ 14.8	\$ (1.8)	\$ (0.9)	\$ -	\$ 3.6	\$ 15.7

17. PROVISIONS AND CONTINGENCIES

Canadian \$ millions, as at	Note	2021 December 31	2020 December 31
Environmental rehabilitation provisions		\$ 103.8	\$ 109.9
Other provisions	10	4.2	2.2
		108.0	112.1
Current portion of provisions		(3.2)	(1.9)
Non-current portion of provisions		\$ 104.8	\$ 110.2

Environmental rehabilitation provisions

Provisions for environmental rehabilitation obligations are recognized in respect of Fort Site mining operations, Oil and Gas and Power 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	2021	2020
Balance, beginning of the year		\$ 109.9	\$ 97.9
Change in estimates		0.1	8.6
Gain on settlement of environmental rehabilitation provisions		(1.2)	(0.3)
Utilized during the year	20	(1.1)	-
Accretion	8	0.3	0.3
Effect of movement in exchange rates		(4.2)	3.4
Balance, end of the year		\$ 103.8	\$ 109.9

The Corporation has estimated that it will require approximately \$137.3 million in undiscounted cash flows to settle these obligations. The payments are expected to be funded by cash generated from operations. Discount rates from 1.08% to 5.45% were applied to expected future cash flows to determine the carrying value of the environmental rehabilitation provisions.

Notes to the consolidated financial statements

Other provisions

The following is a reconciliation of other provisions:

Canadian \$ millions, for the years ended December 31	Note	2021	2020
Balance, beginning of the year		\$ 2.2	\$ 6.5
Change in estimates		4.1	-
Utilized during the year	10	(2.1)	(4.3)
Balance, end of the year		\$ 4.2	\$ 2.2

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

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 (loss), cash flow or financial position.

18. SHARE-BASED COMPENSATION PLANS

Cash-settled share-based compensation plans

On an annual basis, the Corporation's Board of Directors approves the grant of cash-settled share-based units to certain employees. The units are in the form of: i) Restricted Share Units ("RSUs") with no performance conditions, which vest at the end of three years and ii) Performance Share Units ("PSUs") subject to performance conditions, which vest at the end of three years.

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, 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.

Under the plan, each RSU 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 statements 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 number of RSUs subject to no performance conditions outstanding at December 31, 2021 was 32,985,216 (December 31, 2020 – 29,404,740).

PSUs

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. Under the plan, each PSU 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 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 composed of mining and oil and gas companies (a market condition); and (ii) certain specified internal measures related to achieving strategic objectives and unit cost of production compared to budget (non-market conditions). 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, 2021 was 32,985,216 (December 31, 2020 – 30,070,740).

Deferred Share Units (DSUs)

Under the terms of the Non-Executive Directors' DSU 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, 2021 and 2020 and changes during the year ended is as follows:

For the year ended December 31	2021		
	RSU	PSU	DSU
Outstanding, beginning of the year	29,404,740	30,070,740	4,211,397
Granted	6,321,768	6,321,768	910,192
Exercised	(2,229,187)	(1,158,080)	(320,777)
Forfeited	(512,105)	(2,249,212)	-
Outstanding, end of the year	32,985,216	32,985,216	4,800,812
Units exercisable, end of the year	n/a	n/a	4,800,812

For the year ended December 31	2020		
	RSU	PSU	DSU
Outstanding, beginning of the year	12,469,485	14,567,709	3,051,329
Granted	22,459,993	22,459,993	1,160,068
Exercised	(2,241,657)	(1,130,342)	-
Forfeited	(3,283,081)	(5,826,620)	-
Outstanding, end of the year	29,404,740	30,070,740	4,211,397
Units exercisable, end of the year	n/a	n/a	4,211,397

For cash-settled share-based compensation plans, the Corporation recorded a compensation expense of \$13.8 million for the year ended December 31, 2021 (\$8.6 million for the year ended December 31, 2020). The carrying amount of liabilities associated with cash-settled share-based compensation plans is \$22.8 million as at December 31, 2021 (December 31, 2020 - \$10.5 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:

Notes to the consolidated financial statements

Canadian \$, for the years ended December 31		2021	2020
RSU	\$	0.60	\$ 0.14
PSU		0.60	0.14
DSU		0.49	0.16

The intrinsic value of cash-settled share-based compensation awards vested and outstanding as at December 31, 2021 was \$22.8 million (December 31, 2020 - \$10.5 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 6,915,878 at December 31, 2021. 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		2021		2020
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of the year	8,978,031	\$ 1.97	9,432,219	\$ 2.17
Forfeited	-	-	(143,799)	1.25
Expired	(4,857,840)	2.14	(310,389)	8.33
Outstanding, end of the year	4,120,191	\$ 1.78	8,978,031	\$ 1.97
Options exercisable, end of the year	4,120,191	\$ 1.78	8,824,930	\$ 1.98

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

As at December 31		Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Exercisable weighted-average exercise price
Range of exercise prices	Number outstanding				
\$0.68 - \$1.20	2,093,989	4.4	\$ 0.83	2,093,989	\$ 0.83
\$1.21 - \$2.11	1,129,302	4.4	1.76	1,129,302	1.76
\$2.12 - \$3.00	516,100	2.4	3.00	516,100	3.00
\$3.01 - \$5.14	240,200	1.3	4.96	240,200	4.96
\$5.15 - \$6.04	140,600	0.2	6.04	140,600	6.04
Total	4,120,191	3.9	\$ 1.78	4,120,191	\$ 1.78

As at December 31, 2021, nil options with tandem SARs (December 31, 2020 – nil) and 4,120,191 options without tandem SARs (December 31, 2020 – 8,978,031) remained outstanding for which the Corporation has recognized a share-based compensation expense of \$0.1 million for the year ended December 31, 2021 (recovery of \$0.4 million for the year ended December 31, 2020). The carrying amount of liabilities associated with stock options with tandem SARs is nil as at December 31, 2021 (December 31, 2020 – nil).

19. COMMITMENTS FOR EXPENDITURES

Canadian \$ millions, as at December 31

2021

Property, plant and equipment commitments	\$	6.0
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20. SUPPLEMENTAL CASH FLOW INFORMATION

Working capital is defined as the Corporation's current assets less current liabilities and was \$168.1 million as at December 31, 2021 (\$211.8 million - December 31, 2020).

Net change in non-cash working capital

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

Canadian \$ millions, for the years ended December 31		2021	2020
Trade accounts receivable, net, and unbilled revenue	\$	(47.6)	\$ 12.0
Inventories		(5.5)	6.6
Prepaid expenses		(0.3)	(1.0)
Trade accounts payable and accrued liabilities		68.3	(15.7)
Deferred revenue		8.1	2.7
	\$	23.0	\$ 4.6

Interest received

Interest received includes the following:

Canadian \$ millions, for the years ended December 31		2021	2020
Interest received on finance lease receivables	\$	0.3	\$ 0.3
Interest received on Energas conditional sales agreement		4.0	44.6
Other interest received		1.3	1.1
	\$	5.6	\$ 46.0

Interest paid

Interest paid includes the following:

Canadian \$ millions, for the years ended December 31	Note	2021	2020
Interest paid on lease liabilities	16, 24	\$ (0.9)	\$ (0.9)
Interest paid on 8.50% second lien secured notes due 2026		(30.0)	(5.0)
Other interest paid		(1.8)	(1.4)
		\$ (32.7)	\$ (7.3)

Other operating items

Other operating items includes the following:

Canadian \$ millions, for the years ended December 31	Note	2021	2020
Add (deduct) non-cash items:			
Other items		\$ 2.8	\$ 3.0
Cash flows arising from changes in:			
Environmental rehabilitation provisions	17	(1.1)	-
Other finance charges		(0.7)	(1.1)
Realized foreign exchange (loss) gain		(0.3)	0.5
		\$ 0.7	\$ 2.4

Notes to the consolidated financial statements

21. SHAREHOLDERS' EQUITY

Capital stock

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

Canadian \$ millions, except share amounts, for the years ended December 31	2021		2020	
	Number	Capital stock	Number	Capital stock
Balance, beginning of the year	397,284,652	\$ 2,894.9	397,282,785	\$ 2,894.9
Warrants exercised - 2016 debenture extension ⁽¹⁾	4,028	-	1,867	-
Balance, end of the year	397,288,680	\$ 2,894.9	397,284,652	\$ 2,894.9

(1) During the year ended December 31, 2016, 19.1 million warrants were granted to Noteholders of the previously existing senior unsecured debentures with a fair value of \$0.43 per warrant which totaled \$8.2 million. During the year ended December 31, 2021, the 2016 debenture warrants expired and were not exercised. As at December 31, 2021, nil warrants related to the 2016 debenture extension were outstanding (December 31, 2020 - 10.4 million).

Reserves

Canadian \$ millions, for the years ended December 31	2021		2020	
Stated capital reserve				
Balance, beginning of the year		\$ 222.2		\$ 222.2
Balance, end of the year		222.2		222.2
Share-based compensation reserve⁽¹⁾				
Balance, beginning of the year		\$ 11.1		\$ 11.5
Stock option plan expense (recovery)		0.1		(0.4)
Balance, end of the year		11.2		11.1
Total reserves, end of the year		\$ 233.4		\$ 233.3

(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	2021		2020	
Foreign currency translation reserve				
Balance, beginning of the year		\$ 364.7		\$ 500.9
Foreign currency translation differences on foreign operations, net of tax		(4.3)		(6.5)
Reclassification of accumulated other comprehensive income on disposal of foreign operation ⁽¹⁾		-		(129.7)
Balance, end of the year		360.4		364.7
Actuarial losses on pension plans				
Balance, beginning of the year		(6.0)		(5.1)
Actuarial gains (losses) on pension plans, net of tax		0.8		(0.9)
Balance, end of the year		(5.2)		(6.0)
Total accumulated other comprehensive income		\$ 355.2		\$ 358.7

(1) During the year ended December 31, 2020, the Corporation completed a transaction (note 10). As a result of the transaction, \$129.7 million of accumulated other comprehensive income relating to the Ambatovy Joint Venture was reclassified to the gain on disposal of the Ambatovy Joint Venture Interests, net of tax within (loss) earnings from discontinued operations, net of tax (note 10).

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

COVID-19 and Cuba risk

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

The Corporation continues to monitor the impact of the COVID-19 pandemic, including the impact on economic activities in Canada, Cuba and globally. During the years ended December 31, 2021 and December 31, 2020, the Corporation took a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. Government-ordered restrictions resulted in health and safety measures being put in place at operations in Canada and Cuba.

Operations at these sites continued during the years ended December 31, 2021 and December 31, 2020, with COVID-19 having a limited impact on mining and refining activities and no material impact on finished nickel and cobalt production at the Moa Joint Venture and Fort Site during the years ended December 31, 2021 and December 31, 2020.

During the year ended December 31, 2021, Cuba experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's foreign currency liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. The foregoing may contribute to increased political, economic and related risks to the Corporation. See the discussion of risks associated with COVID-19 in "Risk Factors – Liquidity and Access to Capital" and "Risk Factors – Political, Economic and Other Risks of Foreign Operations" in the Corporation's Annual Information Form.

The timing and amount of receipts of Cuban energy payments were negatively impacted during the year ended December 31, 2021, as they are dependent upon Cuba's economy, which has been impacted by restrictions on tourism as a result of COVID-19, as well as U.S. sanctions limiting Cuba's access to foreign currency and Cuban currency unification. The uncertainty on the timing and amount of receipts of Cuban energy payments impacts judgments made by the Corporation, including those relating to determining the collection and carrying values of Cuban trade accounts receivable for the Oil and Gas and Power segments (note 12), and the Energas conditional sales agreement (note 13), in addition to the recoverable values of the Corporation's non-current non-financial assets in Cuba (note 15). The carrying values of trade accounts receivable for the Oil and Gas and Power segments and the Energas conditional sales agreement within the Corporation's consolidated statements of financial position reflect the Corporation's exposure to credit risk. The net carrying value represents the Corporation's best estimate of amounts collectible as at the reporting date.

As a result of the COVID-19 pandemic, the Corporation's financial position, performance and cash flows could be impacted by COVID-19 and the full extent of the impact cannot be reasonably estimated at this time. For the years ended December 31, 2021 and December 31, 2020, there have been no significant impacts from COVID-19 on the Corporation, other than the items described above.

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. The Corporation reduces the business-cycle risks inherent in its commodity operations through industry diversification and the limited use of options, discussed below in the liquidity risk and commodity price risk sections.

Notes to the consolidated financial statements

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.

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	Note	2021 December 31	2020 December 31
Cash		\$ 80.7	\$ 80.1
Trade accounts receivable, net, and unbilled revenue		40.4	47.5
Advances and loans receivable	13, 23	204.7	197.0
Total		\$ 325.8	\$ 324.6

The table above reflects the Corporation's maximum credit exposure to Cuban counterparties.

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 2.11.

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, 2021. 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	\$ 212.5	\$ (21.8)	\$ 190.7
Energas conditional sales agreement ⁽³⁾	13	2	204.7	-	204.7
Other financial assets ⁽²⁾	13	1	3.6	-	3.6

- (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 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.

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, derivatives and debt and equity capital markets.

Based on management's assessment of its financial position and liquidity profile as at December 31, 2021, the Corporation will be able to satisfy its current and non-current obligations as they come due.

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, income taxes payable and provisions are presented in the following table:

Canadian \$ millions, as at December 31, 2021	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	\$ 196.0	\$ 196.0	\$ -	\$ -	\$ -	\$ -	-
Income taxes payable	0.9	0.9	-	-	-	-	-
8.50% second lien secured notes due 2026 (includes principal, interest and premium)	527.0	29.8	29.8	29.8	29.8	407.8	-
10.75% unsecured PIK option notes due 2029 (includes principal and interest)	194.4	-	-	-	-	-	194.4
Syndicated revolving-term credit facility	8.8	0.4	0.4	8.0	-	-	-
Provisions	141.5	3.2	5.2	0.4	0.5	0.2	132.0
Lease liabilities	18.1	2.6	2.5	2.4	2.4	1.3	6.9
Other	0.3	-	0.3	-	-	-	-
Total	\$ 1,087.0	\$ 232.9	\$ 38.2	\$ 40.6	\$ 32.7	\$ 409.3	\$ 333.3

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 includes the following, which are not reflected in the table above and are non-recourse to the Corporation:

- Environmental rehabilitation commitments of \$88.3 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of \$32.0 million;
- Income taxes payable of \$6.6 million;
- Lease liabilities of \$0.5 million;
- Loans and borrowings of \$11.8 million; and
- Property, plant and equipment commitments of \$30.3 million.

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

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).

Notes to the consolidated financial statements

Based on financial instrument balances as at December 31, 2021, a weakening or strengthening of \$0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately \$2.6 million, respectively, on the Corporation's net earnings (loss).

Based on financial instrument balances as at December 31, 2021, 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 \$3.8 million, respectively, on the Corporation's 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, fertilizer 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. During the year ended December 31, 2020, the Corporation entered into put options on nickel, all of which expired by December 31, 2021 and settled in January 2022. The Corporation has not entered into such agreements during the year ended December 31, 2021 for 2022. Sherritt also reduces the business-cycle risks inherent in its commodity operations through industry diversification.

The Corporation has certain provisional pricing agreements at the Moa Joint Venture. These provisionally-priced transactions are periodically adjusted to actual prices 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 Moa Joint Venture.

Interest rate risk

The Corporation is exposed to interest rate risk based on its outstanding loans and borrowings, 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, and current and non-current advances and loans receivable at December 31, 2021, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate would not have a material impact on the Corporation's net earnings (loss). 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, 2021, a \$0.50 decrease in the price of the Corporation's common shares could increase the Corporation's net earnings (loss) by approximately \$22.0 million. A \$0.50 increase in the price of the Corporation's common shares could decrease the Corporation's net earnings (loss) by approximately \$24.5 million.

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	2021 December 31	2020 December 31
Capital stock	\$ 2,894.9	\$ 2,894.9
Deficit	(2,898.5)	(2,880.1)
Loans and borrowings	444.5	441.4
Other financial liabilities	40.9	29.5
Available credit facilities	82.1	59.5

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.

Subject to the limitations within the indenture and revolving credit agreements, 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 (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 loans and borrowings 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 facility 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.

23. RELATED PARTY TRANSACTIONS

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities and formerly to 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.

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 is included in notes 2.2 and 7.

Canadian \$ millions, for the years ended December 31	2021	2020
Total value of goods and services:		
Provided to joint operation	\$ 15.7	\$ 12.7
Provided to Moa Joint Venture	254.2	204.1
Provided to associate ⁽¹⁾	-	1.2
Purchased from Moa Joint Venture	835.6	618.2
Net financing income from joint operation	14.4	14.4
Net financing income from Moa Joint Venture	0.5	4.4
Net financing income from associate ⁽¹⁾	-	8.0

(1) During the year ended December 31, 2020, the Corporation completed a transaction and the Ambatovy Joint Venture Interests met the criteria to be classified and presented as discontinued operations (note 10). As a result of the transaction, components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the loss from discontinued operations, net of tax (note 10).

Canadian \$ millions, as at	Note	2021 December 31	2020 December 31
Accounts receivable from joint operation	12	\$ -	\$ 0.3
Accounts receivable from Moa Joint Venture	12	18.2	13.8
Accounts payable to Moa Joint Venture		122.0	66.7
Advances and loans receivable from joint operation	13, 22	204.7	197.0

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.

Notes to the consolidated financial statements

Key management personnel

Key management personnel are composed of the Board of Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Commercial Officer, Chief Human Resources 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		2021	2020
Short-term benefits	\$	7.2	\$ 10.5
Post-employment benefits ⁽¹⁾		0.3	0.3
Termination benefits		5.3	-
Share-based payments		5.6	4.0
	\$	18.4	\$ 14.8

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2021 (\$0.3 million for the year ended December 31, 2020). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2021 (nil for the year ended December 31, 2020).

24. LEASES

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 22.

Amounts recognized in the consolidated statements of comprehensive loss:

Canadian \$ millions, for the years ended December 31		2021	2020
Expenses for variable lease payments not included in the measurement of lease liabilities	\$	1.7	\$ 1.7
Expenses relating to short-term leases		1.9	3.3

Amounts recognized in the consolidated statements of cash flows:

Canadian \$ millions, for the years ended December 31	Note	2021	2020
Interest paid on lease liabilities	16, 20	\$ 0.9	\$ 0.9
Principal repayments on lease liabilities	16	1.5	1.8
Included in net loss from continuing operations:			
Variable lease payments not included in initial measurement of lease liability		1.7	1.7
Payments for short-term leases (for which no lease liability is recognized)		1.9	3.3
		\$ 6.0	\$ 7.7

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.

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, 2021	Receivable	Receivable	Receivable	Receivable	Receivable	Receivable	Total	Unearned finance income	Net investment in the lease (note 13)
	in 1 year	in 1-2 years	in 2-3 years	in 3-4 years	in 4-5 years	in 5 years			
Undiscounted lease receipts on finance leases	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.1	\$ -	\$ -	\$ 4.1	\$ 0.5	\$ 3.6

2022 strategic priorities



Sherritt's near-term focus builds on recent momentum and market opportunities

2022 Guidance

	Moa JV (100%)
Finished nickel production	32,000 – 34,000 tonnes
Finished cobalt production	3,400 – 3,700 tonnes
Net direct cash cost ⁽¹⁾	US\$4.00 – \$4.50/lb
Spending on capital ⁽¹⁾⁽²⁾	C\$75M
	Power (33 1/3%)
Electricity production	450 – 500 GWh
Unit Cost per MWh ⁽¹⁾	C\$26.50 – \$28.00
Spending on capital ⁽¹⁾⁽²⁾	C\$5M

Shareholder Information

INVESTOR INQUIRIES

Investor Relations
Sherritt International Corporation
22 Adelaide St. West
Suite 42nd Floor
Toronto, Ontario, Canada
M5H 4E3

Telephone: 416-935-2451
Toll-free: 1-800-704-6698
Fax: 416-935-2283
Email: Investor@sherritt.com
Website: www.sherritt.com

TRANSFER AGENT AND REGISTRAR

TSX Trust Company
P.O. Box 700 Station B
Montreal, Quebec, Canada
H3B 3K3

Telephone: 416-682-3860
Toll-free (N. America) 1-800-387-0825
Fax: 514-985-8843
Toll-free (N. America) 1-888-249-6189
Email: shareholderinquiries@tmx.com
Website: www.tsxtrust.com

AUDITORS

Deloitte LLP, Toronto

STOCK EXCHANGE LISTING

Toronto Stock Exchange – TSX:S
Common Shares - S

1. Non-GAAP financial measures, see the Non-GAAP and other financial measures section of the MD&A for details.
2. Spending on capital is for sustainable expenditures only. Spending is based on Sherritt's interest – Moa JV - 50% of expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities; Power is 33-1/3%.



Sherritt International Corporation
22 Adelaide Street West, Suite 4220
Toronto, ON M5H 4E3

For further investor information contact:
Telephone: 416.935.2451
Toll-free: 1.800.704.6698

www.sherritt.com

