sherritt

2023

FINANCIAL RESULTS

Sherritt International Corporation

Message from Sherritt's Chief Executive Officer

Sherritt's legacy of resilience and innovation has long been our hallmark in overcoming adversity. The year 2023 presented us with unique challenges, including a significant operational setback at our ammonia plant due to unplanned maintenance and difficulties implementing the new mine plan at the Moa JV. Yet, despite these setbacks, our timely and strategic response, characterized by decisive and corrective actions, has set us on a path to not only preserve but also improve our business moving forward. With the proactive changes we have implemented and our continued focus to deliver on our strategic objectives, we look forward to delivering improved performance in the quarters and years ahead.

Over the course of 2023, despite increasing overall demand, both nickel and cobalt markets became over supplied. The electric vehicle battery supply chain has become a new arena for geopolitical competition. Last year saw a significant increase in supply influenced by Chinese interests, growing their market share throughout the supply chain they already dominate. With the conversion of Class II nickel increasing the supply of intermediates suitable for electric vehicle markets and Class I London Metal Exchange inventories, nickel prices declined rapidly in the second half of the year.

Despite these dark clouds, there remain reasons to be optimistic. In the near-term, forecasts for 2024 and 2025 point towards a supply to demand recovery driven by the stainless steel and battery sectors' growth, coupled with near-term supply reduction. Over the long-term, significant demand growth is still expected from the energy transition as governments and auto manufacturers implement their climate change and fleet electrification strategies. Supply chains in the electric vehicle value chain are continuing to form and new regulations are being introduced and clarified. Legislation such as the U.S. Inflation Reduction Act, which provides incentives for electric vehicles that meet sourcing requirements for critical materials, could lead to stronger regionalization and bifurcated markets based on geography and usage. These developments, and similar incentives by Canadian and European governments, could have a positive impact on pricing in certain markets, including those that Sherritt serves. We continue to monitor this closely. In the short-term, with recent announcements of nickel supply reductions from higher cost operations moving to care and maintenance, strategic reviews and the uptake of new sales agreements by auto manufacturers, pricing support may have been found at current levels and is expected to increase in support of continued strong long term demand growth from the energy transition markets.

Against the backdrop of lower nickel, cobalt and fertilizer prices, 2023 was an unacceptable year for our Metals business. Our priority is always the safety and wellbeing of our employees but sadly, there were tragic safety incidents at our Moa JV site during the year, two resulting in the loss of Victor Ramirez Figueredo and Disnier Mariño López. With our partner in Cuba, we conducted a rigorous root cause analysis and review of the site's fatality prevention measures. This led to the initiation of additional Safety Strategy sessions aimed at strengthening safety protocols across all operations, along with the implementation of additional actions and measures to bolster safety. We also faced several operational setbacks. At the Moa JV, we were unable to achieve the ore quality targets to meet our new mine planning parameters and needed to substitute to lower grade ore feed until we could access new mining areas, resulting in feed constraints to the refinery and ultimately negatively impacting finished production. At Sherritt's fertilizer business, unplanned maintenance at the ammonia plant impacted operating margins and sales volumes. With our partner in Cuba, we resolved the challenges throughout the year, but with the significant maintenance spending that was required, our costs were much higher than we initially expected and our production fell short. Needless to say, 2023 was a disappointing year in our Metals business.

What gets overshadowed by the performance of last year is that we were successful in accomplishing a number of significant milestones. The successful completion of the first year of the Cobalt Swap agreement marked a breakthrough in the efforts to recover our outstanding Cuban receivables. Additionally, our Power business experienced remarkable growth, surpassing our guidance for electricity production that we had already increased during the year and delivered much needed additional electricity to Cuba during a critical time in electricity shortage while growing its profitability. Moreover, we made substantial progress at our Moa JV. We completed the technical report doubling the mine life and extending it beyond 2040. We completed phase one of the Moa JV's expansion program under budget and ahead of schedule. We advanced phase two of the expansion which remains on track for commissioning and ramp up in 2025, while finding opportunities to defer some of the spending beyond 2024. We are looking forward to the full expansion being complete and realizing an increase in MSP production.

An enhanced ESG profile and continued progression towards our climate change goals is a key strategic priority for Sherritt as current and evolving metals market customers prioritize responsibly sourced inputs. During the year, we advanced several important ESG initiatives. We maintained our conformity with London Metal Exchange's Track B Responsible Sourcing Requirements. We achieved ISO 45001 and ISO 14001 certification and continued to improve our Towards Sustainable Mining score at our Fort Site. We completed a Greenhouse Gas Emissions Baseline Assessment at Energas and initiated assessments at the Moa mine site and Fort Site and our team completed a Task Force on Climate-related Disclosures-aligned risk and opportunity assessment for the Fort Site.

Looking ahead, we are continuing to seek opportunities to optimize our performance and manage near-term market conditions, ensuring our strategic goals remain a top priority. We made progress on this already, deferring capital, containing costs, reducing headcount and, with the support of our partner, optimizing our operating plans. We made improvements to our business, restructuring our Technologies group, streamlining our Metals division and changing leadership to drive operational improvements. Our 2024 guidance reflects the impact of our actions with expected notable decreases to our costs and improved production from our Metals division while maintaining our growth projects on schedule and budget. We see a strong year ahead from our Power business which is also expected to generate increased dividends to Sherritt.

In closing, I extend my gratitude to our partner in Cuba for their efforts working with us to overcome the adversity we faced together last year, our investors for their ongoing support and patience in re-building Sherritt, and the communities we do business in for our social license to operate. Lastly, a heartfelt thank you is extended to our dedicated employees whose passion, exceptional skills, relentless commitment and confidence in the future of Sherritt have been pivotal in turning a corner and setting us firmly on a path to emerge stronger and more resilient. Sherritt is a world leader in the mining and refining of nickel and cobalt, and we are poised to shape a brighter future for both our company and the world we live in.

Leon Binedell

Chief Executive Officer

FOURTH QUARTER AND FULL YEAR 2023 RESULTS AND SELECTED DEVELOPMENTS

- Sherritt's share[(1)] of finished nickel and cobalt production in Q4 2023 at the Moa Joint Venture ("Moa JV") was 3,744 tonnes and 330 tonnes, respectively. During the quarter, Moa mixed sulphides production was impacted by heavy rainfall which required processing lower grade and quality stockpiled material. Full year 2023 finished nickel and cobalt production on a 100% basis was 28,672 tonnes and 2,876 tonnes, respectively, slightly below their annual guidance[(2)] ranges.
- Net direct cash cost ("NDCC")[(3)] was US$7.87/lb in Q4 2023. Full year 2023 NDCC[(3)] of US$7.22/lb was within guidance[(2)].
- Electricity production in Q4 2023 was 225 GWh. Full year 2023 production of 745 GWh exceeded guidance[(2)] due to additional gas from the two gas wells that went into production during Q2 2023 and improved equipment availability.
- Electricity unit operating cost[(3)] in Q4 2023 was $29.16/MWh. Full year 2023 unit operating costs[(3)] of $27.70/MWh was within guidance[(2)].
- Net loss from continuing operations of $53.4 million, or $(0.13) per share in Q4 2023 and $64.3 million, or $(0.16) per share for the full year 2023, was primarily impacted by delayed nickel sales, lower fertilizer sales volumes, lower average-realized prices[(3)], higher maintenance costs, inventory write-downs and an increase in rehabilitation and closure costs related to legacy Oil and Gas assets.
- Adjusted net loss from continuing operations[(3)], was $27.9 million or $(0.07) per share in Q4 2023 and $28.1 million or $(0.07) per share for the full year 2023.
- Adjusted EBITDA[(3)] in Q4 2023 was $(7.0) million and $46.2 million for full year 2023 and included $2.3 million and $14.6 million in inventory write-downs in Q4 and the full year 2023, respectively.
- Available liquidity in Canada as at December 31, 2023 was $63.0 million.
- Completed the first year of the Cobalt Swap[(4)] which included receipt of 2,082 tonnes of cobalt from the Moa JV which was sold by Sherritt realizing cash receipts of $80.3 million, a cash dividend of $64.0 million, and a corresponding reduction in the GNC receivable of $76.0 million.
- Slurry Preparation Plant ("SPP") construction was completed; commissioning and capacity testing is ongoing, and in January 2024, the SPP began processing ore at design capacity. The overall timing and budget of phase two to reach target levels of production remains unchanged and is on schedule for an expected end of year 2024 completion with commissioning and ramp up in 2025.

(1) References to "Sherritt's Share" is consistent with the Corporation's definition of reportable segments for financial statement purposes. Sherritt's Share of "Metals" includes the Corporation's 50% interest in the Moa JV, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan ("Fort Site") and its 100% interests in subsidiaries established to buy, market and sell certain of Moa JV's nickel and cobalt production and the Corporation's cobalt inventory received under the Cobalt Swap agreement ("Metals Marketing"). Sherritt's Share of Power includes the Corporation's 33⅓% interest in Energas S.A. ("Energas"). References to Technologies and Oil and Gas includes the Corporation's 100% interest in these businesses. References to Fort Site directly is to the Corporation's interest in its 100% interest in the utility and fertilizer operations.

(2) "Guidance" refers to 2023 guidance as updated during the year and disclosed in the Corporation's Management Discussion and Analysis for the three months and year ended December 31, 2023 ("MD&A"); for additional information see the Outlook section starting on page 28.

(3) Non-GAAP and other financial measures. In Q4 2023, Sherritt revised its definitions of Combined revenue, Adjusted net (loss) earnings from continuing operations and Adjusted EBITDA to exclude the financial results of its Oil and Gas segment as the segment is not currently exploring for or producing oil and gas and its financial results relate to ancillary drilling services, provided to a customer and CUPET, and environmental rehabilitation costs for legacy assets, which are not reflective of the Corporation's core operating activities or revenue/cash generation potential. Prior period measures have been restated for comparative purposes. For additional information, see the Non-GAAP and other financial measures section of the MD&A starting on page 57.

(4) For additional information on the Cobalt Swap, see Note 12 – Advances, loans receivable and other financial assets of the consolidated financial statements for the year ended December 31, 2023 starting on page 112.

2024 ANNUAL GUIDANCE

Nickel and cobalt production are both expected to increase in 2024 compared to 2023 due to increased feed of mixed sulphides from the Moa mine site to the refinery as a result of access to additional ore sources to improve the blend of feed as well as increased quality and feed rates following the ramp-up of the SPP, and reduced downtime from maintenance. NDCC[(1)] is expected to be lower in 2024 compared to 2023 due to lower expected maintenance activity, cost optimization, and higher expected production and sales, including increased fertilizer by-product sales.

Electricity production is expected to be higher in 2024 compared to 2023 primarily due to the full year receipt of additional gas from the two wells that went into production in Q2 2023. Unit operating cost[(1)] for electricity in 2024 reflects higher planned maintenance activities related to gas turbines, partly offset by the impact of higher electricity production and sales.

Production and costs:

- finished nickel production of 30,000 to 32,000 tonnes (100% basis);
- finished cobalt production of 3,100 to 3,400 tonnes (100% basis);
- NDCC[(1)] of US$5.50 to US$6.00 per pound of nickel sold;
- electricity production of 775 to 825 GWh (33⅓% basis); and
- electricity unit operating cost[(1)] of $32.50 to $34.00 per MWh.

Spending on capital[(1)]:

- sustaining: Metals (Moa JV 50% basis, Fort Site 100% basis) of $40.0 million;
- sustaining: Power (33⅓% basis) of $5.5 million; and
- growth: Metals (Moa JV 50% basis) of $15.0 million.

(1) Non-GAAP financial measures. For additional information see the Non-GAAP and other financial measures section of the MD&A starting on page 57.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER

Subsequent to the quarter end:

- As announced January 15, 2024, Sherritt implemented an organization-wide restructuring and cost-cutting program following a robust internal review conducted during the second half of 2023 to improve operational performance and respond to current market conditions. The changes include:
    - consolidated executive oversight over operations into a single role and appointed Elvin Saruk as Chief Operating Officer;
    - streamlined the Metals division to deliver value in the near-term while ensuring safe and effective operations;
    - restructured Technologies to a reduced scale in line with a narrower focus to deliver essential support and enhancements to internal operations and business development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain; and
    - reduced the Corporation’s Canadian operations headcount by approximately 10%, with annualized employee cost savings of $13.0 million expected to be realized.
- Subsequent to the filing of the attached MD&A, the Moa JV received a $20 million prepayment on a sales agreement for nickel deliveries in 2024.

Q4 2023 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended 2023 December 31	2022 December 31	Change	For the year ended 2023 December 31	2022 December 31	Change
Revenue	**$ 34.8**	$ 48.6	(28%)	**$ 223.3**	$ 178.8	25%
Combined revenue[1]	**140.5**	234.6	(40%)	**652.9**	834.7	(22%)
(Loss) earnings from operations and joint venture	**(43.4)**	(0.1)	nm[2]	**(43.4)**	118.7	(137%)
Net (loss) earnings from continuing operations	**(53.4)**	(7.3)	(632%)	**(64.3)**	63.7	(201%)
Net (loss) earnings for the period	**(53.4)**	(7.0)	(663%)	**(64.6)**	63.5	(202%)
Adjusted EBITDA[1]	**(7.0)**	35.5	(120%)	**46.2**	233.1	(80%)
Adjusted net (loss) earnings from continuing operations	**(27.9)**	8.4	(432%)	**(28.1)**	112.7	(125%)
Net (loss) earnings from continuing operations ($ per share)	**(0.13)**	(0.02)	(550%)	**(0.16)**	0.16	(200%)
Adjusted net (loss) earnings from continuing operations ($ per share)	**(0.07)**	0.02	(450%)	**(0.07)**	0.28	(125%)
Cash (used) provided by continuing operations for operating activities	**(18.1)**	40.3	(145%)	**28.2**	90.3	(69%)
Combined free cash flow[1]	**(39.1)**	43.2	(191%)	**(15.9)**	65.1	(124%)
Average exchange rate (CAD/US$)	**1.362**	1.358	-	**1.350**	1.301	4%

(1) Non-GAAP financial measures. For additional information see the Non-GAAP and other financial measures section of the MD&A starting on page 57.
(2) nm = not meaningful

$ millions, as at	2023 December 31	2022 December 31	Change
Cash and cash equivalents			
Canada	**$ 21.5**	$ 20.3	6%
Cuba[1]	**96.3**	101.7	(5%)
Other	**1.3**	1.9	(32%)
	119.1	123.9	(4%)
Loans and borrowings	**355.6**	350.9	1%
The Corporation's share of cash and cash equivalents in the Moa Joint Venture, not included in the above balances:	**$ 5.9**	$ 21.8	(73%)

(1) As at December 31, 2023, $93.9 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2022 - $96.7 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2023

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 7, 2024, should be read in conjunction with Sherritt's audited consolidated financial statements for the year ended December 31, 2023. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedarplus.ca 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 allow 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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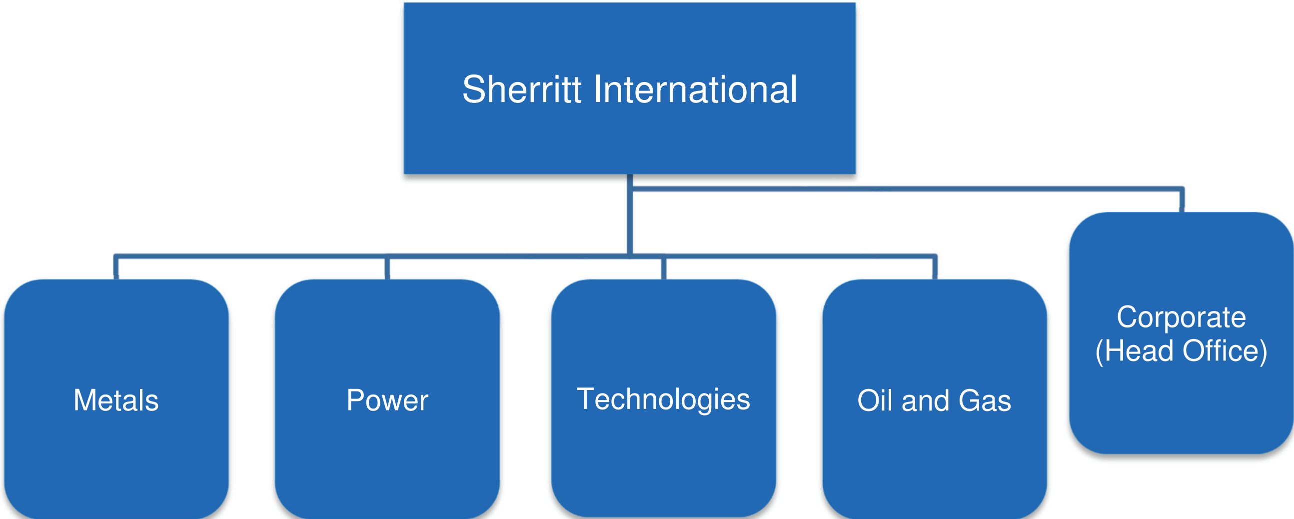
Overview of the business

Sherritt is a world leader in using hydrometallurgical processes to mine and refine nickel and cobalt – metals deemed critical for the energy transition. Sherritt's Moa Joint Venture has a current estimated mine life of 25 years and has embarked on an expansion program focused on increasing annual mixed sulphide precipitate production by 20% or 6,500 tonnes of contained nickel and cobalt (100% basis). The Corporation's Power division, through its ownership in Energas S.A., is the largest independent energy producer in Cuba with installed electrical generating capacity of 506 MW, representing approximately 10% of the national electrical generating capacity in Cuba. The Energas facilities are comprised of two combined cycle plants that produce low-cost electricity from one of the lowest carbon emitting sources of power in Cuba. Sherritt's common shares are listed on the Toronto Stock Exchange under the symbol "S".



METALS

Moa Joint Venture

Sherritt is an industry leader in the mining, hydrometallurgical processing and refining of nickel and cobalt from lateritic ore bodies. Sherritt has a 50/50 partnership with General Nickel Company S.A. ("GNC") of Cuba (the "Moa Joint Venture" or the "Moa JV").

The Moa JV is a vertically integrated joint venture that mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The joint venture has an open pit lateritic ore mine and processing facility in Moa, Cuba where ore is processed into mixed sulphide precipitate ("MSP") containing nickel and cobalt. The MSP is transported to its refining facilities in Fort Saskatchewan, Alberta, Canada. The resulting nickel and cobalt products are sold to various markets, primarily in Europe and Asia. The Moa JV filed an updated National Instrument 43-101 Technical Report on March 31, 2023.

The refinery facilities in Fort Saskatchewan have an annual combined production capacity of approximately 38,200 tonnes (100% basis) of nickel and cobalt.

The Moa JV has a current estimated mine life of 25 years and has embarked on an expansion program focused on increasing annual MSP production by 20% of current production or 6,500 tonnes of contained nickel and cobalt (100% basis). This program capitalizes on the growing demand for high purity nickel and cobalt being driven by the accelerated adoption of electric vehicles and builds on the 29-year successful track record of the Moa Joint Venture.

Fort Site

Sherritt has a wholly-owned fertilizer business in Fort Saskatchewan ("Fort Site") that provides inputs (ammonia, sulphuric acid and utilities) for the Moa Joint Venture's metals refinery, produces agriculture fertilizer for sale in Western Canada and provides fertilizer storage and administrative facilities.

Metals Marketing

The Corporation's Metals Marketing division includes its 100% interest in subsidiaries established to buy, market and sell certain of Moa JV's nickel and cobalt production and the Corporation's cobalt inventory received under the Cobalt Swap[1] agreement.

POWER

Sherritt's power generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by Sherritt through its one-third interest in Energas S.A. ("Energas"), which is a Cuban joint venture 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. In 2022, Cuba's Executive Committee of the Council of Ministers approved the twenty-year extension of the Energas Joint Venture contract with the Cuban government to March 2043.

Raw natural gas is supplied free of charge to Energas by CUPET. 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 other agencies of the Cuban government. Sherritt provided the financing for the construction of the Energas facilities and was being repaid from the cash flows generated by the facilities. Sherritt and its Cuban partners entered the Cobalt Swap agreements in 2022 whereby GNC assumed the liabilities of Energas to repay the construction financing by way of cash and cobalt dividends generated by the Moa JV commencing in 2023. The Cobalt Swap effectively advanced the repayment of and transferred the construction financing into a new financial instrument to be repaid over a five-year term from 2023 through 2027.

The Energas facilities are comprised of two combined cycle plants at Varadero and Boca de Jaruco that produce low-cost electricity from one of the lowest carbon emitting sources of power in Cuba using steam generated from the waste heat captured from the gas turbines. Energas' installed electrical generating capacity is 506 MW, representing approximately 10% of the national electrical generating capacity in Cuba in 2023.

TECHNOLOGIES

Sherritt's wholly-owned Technologies group ("Technologies") is a recognized world leader and pioneer in the development and application of pressure hydrometallurgy for the mining industry, a respected provider of technical services and incubator of industry solutions that increase profitability, improve sustainability, and lessen energy intensity. Technologies provides essential technical support, process optimization and technology development services to improve operations and support growth initiatives at the Moa Joint Venture and the Fort Site operations. Technologies is also a key differentiator and enabler of Sherritt's business development efforts primarily focused on near-term partnerships and development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain. Similarly, it provides technical services and innovative process solutions to third-party metals producers for consulting fees or for economic interest in projects aligned with Sherritt's strategies.

OIL AND GAS

Oil and Gas is not currently producing or exploring for oil and gas in Cuba and its financial results relate to ancillary drilling services, provided to a customer and CUPET, and environmental rehabilitation costs for legacy assets in Spain, which are non-core operating activities of the Corporation. The wells drilled for CUPET provide gas to Energas for power generation.

Sherritt currently has an interest in two production-sharing contracts ("PSCs"), each in the exploration phase, and has continued its efforts to seek an earn-in partner to develop the exploration blocks or to otherwise extract value from Sherritt's interests and expertise in oil and gas in Cuba.

CORPORATE

Corporate provides overall management of the Corporation's joint operations and subsidiaries and general corporate activities related to public companies, including business and market development, management of cash, publicly-traded debt and government relations.

(1) For additional information on the Cobalt Swap, see Note 12 – Advances, loans receivable and other financial assets of the consolidated financial statements for the year ended December 31, 2023.

ACCOUNTING PRESENTATION

Sherritt manages its metals, power, technologies and oil and gas 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
Metals - Moa Joint Venture (Moa JV)	Joint venture	50%	Equity method
Metals - Metals Marketing	Subsidiaries	100%	Consolidation
Power	Joint operation	33⅓%	Share of assets, liabilities revenues and expenses
Oil and Gas	Subsidiaries	100%	Consolidation

For financial statement purposes, the Fort Site, Technologies and Corporate operations (defined below) are a part of Sherritt International Corporation, the parent company, and are not separate legal entities. The Moa JV is accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) of 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 present amounts by reportable segment, based on the Corporation's economic interest.

The Corporation's reportable segments are as follows:

Metals: Includes the Corporation's:

Moa JV: 50% interest in the Moa JV;

Fort Site: 100% interest in the utility and fertilizer operations in Fort Saskatchewan;

Metals Marketing: 100% interests in subsidiaries established to buy, market and sell Moa JV's nickel and cobalt production and the Corporation's cobalt inventory received under the Cobalt Swap agreement.

Power: Includes the Corporation's 33⅓% interest in Energas S.A. (Energas).

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

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

Corporate: Head office, joint-venture management, business and market development.

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, 2023.

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 net earnings/loss from continuing operations per share, combined spending on capital, combined cash provided (used) by continuing operations for operating activities 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 57.

Strategic priorities

The table below lists Sherritt's Strategic Priorities for 2023 and summarizes how the Corporation has performed against those priorities.

Strategic Priorities	Selected Actions	Status to end of 2023
ESTABLISH SHERRITT AS A LEADING GREEN METALS PRODUCER	Execute on plans to expand Moa JV mixed sulphide precipitate intermediate production by 20% or 6,500 tonnes of contained metals annually.	The Slurry Preparation Plant ("SPP") has commenced ramp up with ore feed to the plant commencing in January 2024. The overall timing and budget of phase two to reach target levels of production remains unchanged and is on schedule for an expected end of year 2024 completion with commissioning and ramp up in 2025.
	Complete and file NI 43-101 Technical Report.	Filed Technical Report for the Moa JV in Q1 which indicates that current reserves estimates are sufficient to extend the life of mine 14 years to 2048, including a 110% increase in Proven and Probable reserves for nickel.
	Rank in lowest quartile of HPAL nickel producers for NDCC[(1)].	Full year 2023 NDCC[(1)] of US$7.22/lb ranked Sherritt in the third cost quartile for HPAL nickel producers and all nickel producers.[(2)]
		Improved metals and fertilizer production, reduced maintenance and improved commodity prices will positively impact NDCC[(1)].
LEVERAGE TECHNOLOGIES FOR TRANSFORMATIONAL GROWTH	Support Moa JV expansion, operational improvements, ECOG[(3)] implementation and life of mine extension, and marketing initiatives.	Continued to support the implementation of revised mine plan based on ECOG methodology, improve mining practices and capabilities test work and provide support for on-going process plant improvements and debottlenecking work at Moa and the Fort Site locations.
	Advance Technologies solutions toward commercialization with external partnerships and funding.	Completed the continuous pilot test of the on-going mixed hydroxide precipitate ("MHP") test program, which is supported by a funding commitment from Natural Resources Canada ("NRCan"), as part of Sherritt's strategic objective for expanding midstream processing capacity.
		Advanced venture analysis, flowsheet enhancements and batch test work on next-generation laterite ("NGL") processing technology to support discussions with external parties.
ACHIEVE BALANCE SHEET STRENGTH	Effectively leverage collections on the Cobalt Swap agreement.	Received the total maximum cobalt amount of 2,082 tonnes of cobalt with an in-kind value of US$65.5 million ($88.1 million) and a cash top-up payment of US$48.5 million ($64 million) for a total of US$114 million ($152.1 million) under the Cobalt Swap agreement to complete GNC's first year obligations.
	Maximize available liquidity to support growth strategy.	Amended the syndicated revolving-term credit facility to extend its maturity to April 30, 2025 and added provisions to allow for an increase in the credit limit.
		Signed a new parent company guarantee valid until December 31, 2027 as security for environmental rehabilitation obligations held by the Corporation's Spanish Oil and Gas operations, thereby not impacting available liquidity.
BE RECOGNIZED AS A SUSTAINABLE ORGANIZATION	Deliver on actions identified in the Sustainability Report.	Released 2022 Sustainability Reports. Monitoring progress towards targets and key activities.
	Achieve year-over-year ESG improvements including reduction of carbon intensity.	Completed a baseline GHG and climate-change data collection and risk and opportunity assessment at Energas and advanced assessments at the Moa JV and Fort Site. Studies are expected to be completed in early 2024.
MAXIMIZE VALUE FROM CUBAN ENERGY BUSINESSES	Access additional gas supply to increase electrical power generation.	Power began receiving gas from two new wells in Q2 2023 and Energas is using the additional gas for increased electricity production.

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

(3) Wood Mackenzie, Nickel Industry Costs Operation 2024.

(4) ECOG = Economic cut off grade.

Highlights

FOURTH QUARTER AND FULL YEAR 2023 RESULTS AND SELECTED DEVELOPMENTS

- Sherritt's share[1] of finished nickel and cobalt production in Q4 2023 at the Moa Joint Venture ("Moa JV") was 3,744 tonnes and 330 tonnes, respectively. During the quarter, Moa mixed sulphides production was impacted by heavy rainfall which required processing lower grade and quality stockpiled material. Full year 2023 finished nickel and cobalt production on a 100% basis was 28,672 tonnes and 2,876 tonnes, respectively, slightly below their annual guidance[2] ranges.
- Net direct cash cost ("NDCC")[3] was US$7.87/lb in Q4 2023. Full year 2023 NDCC[3] of US$7.22/lb was within guidance[2].
- Electricity production in Q4 2023 was 225 GWh. Full year 2023 production of 745 GWh exceeded guidance[2] due to additional gas from the two gas wells that went into production during Q2 2023 and improved equipment availability.
- Electricity unit operating cost[3] in Q4 2023 was $29.16/MWh. Full year 2023 unit operating costs[3] of $27.70/MWh was within guidance[2].
- Net loss from continuing operations of $53.4 million, or $(0.13) per share in Q4 2023 and $64.3 million, or $(0.16) per share for the full year 2023, was primarily impacted by delayed nickel sales, lower fertilizer sales volumes, lower average-realized prices[3], higher maintenance costs, inventory write-downs and an increase in rehabilitation and closure costs related to legacy Oil and Gas assets.
- Adjusted net loss from continuing operations[3], was $27.9 million or $(0.07) per share in Q4 2023 and $28.1 million or $(0.07) per share for the full year 2023.
- Adjusted EBITDA[3] in Q4 2023 was $(7.0) million and $46.2 million for full year 2023 and included $2.3 million and $14.6 million in inventory write-downs in Q4 and the full year 2023, respectively.
- Available liquidity in Canada as at December 31, 2023 was $63.0 million.
- Completed the first year of the Cobalt Swap[4] which included receipt of 2,082 tonnes of cobalt from the Moa JV which was sold by Sherritt realizing cash receipts of $80.3 million, a cash dividend of $64.0 million, and a corresponding reduction in the GNC receivable of $76.0 million.
- Slurry Preparation Plant ("SPP") construction was completed; commissioning and capacity testing is ongoing, and in January 2024, the SPP began processing ore at design capacity. The overall timing and budget of phase two to reach target levels of production remains unchanged and is on schedule for an expected end of year 2024 completion with commissioning and ramp up in 2025.

(1) References to "Sherritt's Share" is consistent with the Corporation's definition of reportable segments for financial statement purposes. Sherritt's Share of "Metals" includes the Corporation's 50% interest in the Moa JV, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan ("Fort Site") and its 100% interests in subsidiaries established to buy, market and sell certain of Moa JV's nickel and cobalt production and the Corporation's cobalt inventory received under the Cobalt Swap agreement ("Metals Marketing"). Sherritt's Share of Power includes the Corporation's 33⅓% interest in Energas S.A. ("Energas"). References to Technologies and Oil and Gas includes the Corporation's 100% interest in these businesses. References to Fort Site directly is to the Corporation's interest in its 100% interest in the utility and fertilizer operations.

(2) "Guidance" refers to 2023 guidance as most recently disclosed in the Corporation's Management Discussion and Analysis for the three and nine months ended September 30, 2023; for additional information see the Outlook section.

(3) Non-GAAP and other financial measures. In Q4 2023, Sherritt revised its definitions of Combined revenue, Adjusted net (loss) earnings from continuing operations and Adjusted EBITDA to exclude the financial results of its Oil and Gas segment as the segment is not currently exploring for or producing oil and gas and its financial results relate to ancillary drilling services, provided to a customer and CUPET, and environmental rehabilitation costs for legacy assets, which are not reflective of the Corporation's core operating activities or revenue/cash generation potential. Prior period measures have been restated for comparative purposes. For additional information, see the Non-GAAP and other financial measures section.

(4) For additional information on the Cobalt Swap, see Note 12 – Advances, loans receivable and other financial assets of the consolidated financial statements for the year ended December 31, 2023.

2024 ANNUAL GUIDANCE

Nickel and cobalt production are both expected to increase in 2024 compared to 2023 due to increased feed of mixed sulphides from the Moa mine site to the refinery as a result of access to additional ore sources to improve the blend of feed as well as increased quality and feed rates following the ramp-up of the SPP, and reduced downtime from maintenance. NDCC(1) is expected to be lower in 2024 compared to 2023 due to lower expected maintenance activity, cost optimization, and higher expected production and sales, including increased fertilizer by-product sales.

Electricity production is expected to be higher in 2024 compared to 2023 primarily due to the full year receipt of additional gas from the two wells that went into production in Q2 2023. Unit operating cost(1) for electricity in 2024 reflects higher planned maintenance activities related to gas turbines, partly offset by the impact of higher electricity production and sales.

Production and costs:

- finished nickel production of 30,000 to 32,000 tonnes (100% basis);
- finished cobalt production of 3,100 to 3,400 tonnes (100% basis);
- NDCC(1) of US$5.50 to US$6.00 per pound of nickel sold;
- electricity production of 775 to 825 GWh (33⅓% basis); and
- electricity unit operating cost(1) of $32.50 to $34.00 per MWh.

Spending on capital(1):

- sustaining: Metals (Moa JV 50% basis, Fort Site 100% basis) of $40.0 million;
- sustaining: Power (33⅓% basis) of $5.5 million; and
- growth: Metals (Moa JV 50% basis) of $15.0 million.

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

DEVELOPMENTS SUBSEQUENT TO THE QUARTER

Subsequent to the quarter end:

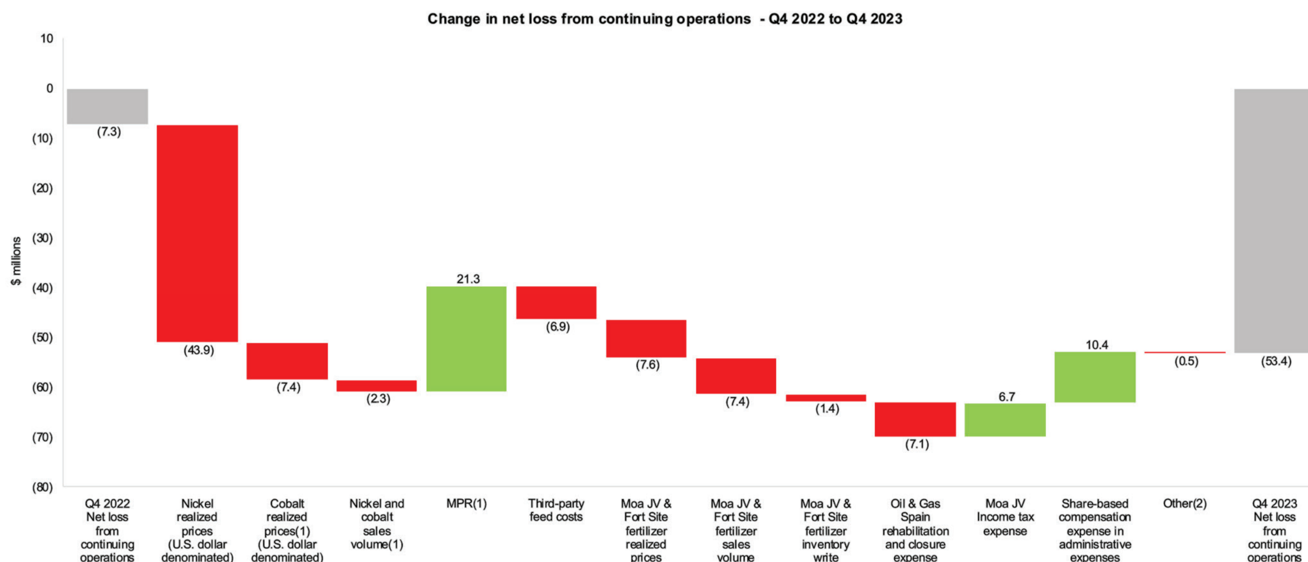
- As announced January 15, 2024, Sherritt implemented an organization-wide restructuring and cost-cutting program following a robust internal review conducted during the second half of 2023 to improve operational performance and respond to current market conditions. The changes include:
  - consolidated executive oversight over operations into a single role and appointed Elvin Saruk as Chief Operating Officer;
  - streamlined the Metals division to deliver value in the near-term while ensuring safe and effective operations;
  - restructured Technologies to a reduced scale in line with a narrower focus to deliver essential support and enhancements to internal operations and business development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain; and
  - reduced the Corporation's Canadian operations headcount by approximately 10%, with annualized employee cost savings of $13.0 million expected to be realized.
- The Moa JV signed a sales agreement for nickel deliveries in 2024 with a $20 million prepayment expected to be received in early February, improving available liquidity.
- As a result of lower realized commodity prices and lower nickel sales volumes over the second half of 2023, coupled with an expected lower pricing environment in the near term, Sherritt continued its prudent approach to managing its liquidity and elected not to pay cash interest due in January 2024 of $3.4 million and added the payment-in-kind interest to the principal amount owed to noteholders on its 10.75% unsecured PIK option notes ("PIK notes").

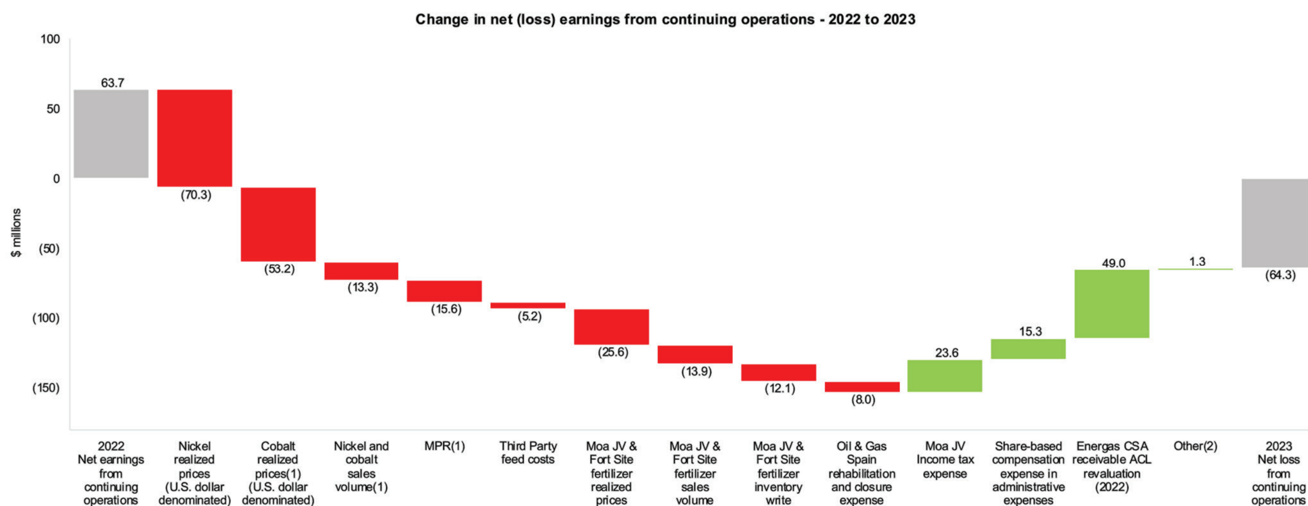
Financial results

$ millions, except as otherwise noted	For the three months ended 2023 December 31	2022 December 31	Change	For the year ended 2023 December 31	2022 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 34.8**	$ 48.6	(28%)	**$ 223.3**	$ 178.8	25%
Combined revenue[1]	**140.5**	234.6	(40%)	**652.9**	834.7	(22%)
(Loss) earnings from operations and joint venture	**(43.4)**	(0.1)	nm[2]	**(43.4)**	118.7	(137%)
Net (loss) earnings from continuing operations	**(53.4)**	(7.3)	(632%)	**(64.3)**	63.7	(201%)
Earnings (loss) from discontinued operations, net of tax	**-**	0.3	(100%)	**(0.3)**	(0.2)	(50%)
Net (loss) earnings for the period	**(53.4)**	(7.0)	(663%)	**(64.6)**	63.5	(202%)
Adjusted net (loss) earnings from continuing operations[1]	**(27.9)**	8.4	(432%)	**(28.1)**	112.7	(125%)
Adjusted EBITDA[1]	**(7.0)**	35.5	(120%)	**46.2**	233.1	(80%)
Net (loss) earnings from continuing operations ($ per share) (basic and diluted)	**$ (0.13)**	$ (0.02)	(550%)	**$ (0.16)**	$ 0.16	(200%)
Net (loss) earnings ($ per share) (basic and diluted)	**(0.13)**	(0.02)	(550%)	**(0.16)**	0.16	(200%)
Adjusted net (loss) earnings from continuing operations[1] ($ per share)	**(0.07)**	0.02	(450%)	**(0.07)**	0.28	(125%)
CASH						
Cash and cash equivalents	**$ 119.1**	$ 123.9	(4%)	**$ 119.1**	$ 123.9	(4%)
Cash (used) provided by continuing operations for operating activities	**(18.1)**	40.3	(145%)	**28.2**	90.3	(69%)
Combined free cash flow[1]	**(39.1)**	43.2	(191%)	**(15.9)**	65.1	(124%)
Distributions received from Moa Joint Venture						
Proceeds from Cobalt Swap - Sherritt share	**1.3**	-	-	**40.2**	-	-
Proceeds from Cobalt Swap - GNC redirected share	**1.3**	-	-	**40.2**	-	-
Cash distributions - Cobalt Swap	**-**	-	-	**64.0**	-	-
Cash distributions - normal course	**-**	57.2	(100%)	**-**	100.6	(100%)
OPERATIONAL DATA						
COMBINED SPENDING ON CAPITAL[1]	**22.5**	$ 28.9	(22%)	**$ 66.5**	$ 80.5	(17%)
PRODUCTION VOLUMES						
Finished nickel (50% basis, tonnes)	**3,744**	4,112	(9%)	**14,336**	16,134	(11%)
Finished cobalt (50% basis, tonnes)	**330**	423	(22%)	**1,438**	1,684	(15%)
Fertilizer (tonnes)	**61,092**	62,254	(2%)	**219,707**	250,147	(12%)
Electricity (gigawatt hours) (33⅓% basis)	**225**	159	42%	**745**	568	31%
AVERAGE EXCHANGE RATE (CAD/US$)	**1.362**	1.358	-	**1.350**	1.301	4%
AVERAGE-REALIZED PRICES (CAD)[1]						
Nickel ($ per pound)	**$ 10.87**	$ 15.55	(30%)	**$ 13.36**	$ 14.93	(11%)
Cobalt ($ per pound)	**17.23**	25.72	(33%)	**17.47**	34.26	(49%)
Fertilizer ($ per tonne)	**414.80**	647.03	(36%)	**548.16**	759.91	(28%)
Electricity ($ per megawatt hour)	**57.96**	58.54	(1%)	**57.45**	56.47	2%
UNIT OPERATING COSTS[1]						
Nickel (NDCC) (US$ per pound)	**$ 7.87**	$ 7.00	12%	**$ 7.22**	$ 5.14	40%
Electricity ($ per megawatt hour)	**29.16**	21.41	36%	**27.70**	19.39	43%

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

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





(1) Mining, processing and refining costs ("MPR") and cobalt by-product credits include the cost and cobalt revenue, respectively, on cobalt sold from Sherritt's 50% share of cobalt received under the Cobalt Swap.

(2) Other primarily relates to changes in Moa Joint Venture royalties, net costs and revenue on sold cobalt from GNC under the Cobalt Swap agreement, foreign exchange gains/losses, depletion, depreciation, amortization, electricity revenue and costs, oil and gas revenue and costs, non-fertilizer inventory write-downs, impairment of property, plant and equipment and administrative expenses excluding share-based compensation expense/recovery.

Consolidated revenue, which excludes revenue from the Moa Joint Venture as it is accounted for under the equity method, for the three months ended December 31, 2023 of $34.8 million compared to $48.6 million in the same period in the prior year primarily due to lower fertilizer average-realized prices[1] and lower fertilizer sales volume, partly offset by higher electricity sales. In the fourth quarter, Sherritt sold 49 tonnes of the total 399 tonnes of cobalt sold during the period.

Consolidated revenue for the year ended December 31, 2023 of $223.3 million compared to $178.8 million in the prior year primarily as a result of the additional sales under the Cobalt Swap agreement and higher electricity sales, partly offset by lower Sherritt fertilizer revenue. In the prior year, prior to the commencement of the Cobalt Swap, Sherritt's 50% share of cobalt revenue was recognized by the Moa JV and included in Sherritt's share of earnings of a joint venture rather than consolidated revenue.

For the three months and year ended December 31, 2023 cobalt revenue under the Cobalt Swap was $2.0 million and $80.1 million, respectively. Sherritt fertilizer revenues of $14.4 million and $64.1 million, respectively, down from $28.7 million and $93.2 million the prior year periods primarily as a result of lower average-realized prices[(1)] and lower ammonia sales volumes in each current year periods. Revenue in Power for the three months and year ended December 31, 2023 of $14.0 million and $47.1 million, respectively, was higher compared to the prior year periods primarily as a result of additional gas from new gas wells that went into production in the second quarter of 2023 and higher equipment availability during the current year.

Combined revenue[(1)], which includes the impact of the Corporation's consolidated financial results and the results of its 50% share of the Moa Joint Venture is a measure management uses to assess the Corporation's financial performance. In addition to the above, combined revenue was primarily impacted by lower nickel revenue as a result of lower sales volumes and lower average-realized prices[(1)] compared to the prior year periods.

The loss from continuing operations for the three months and year ended December 31, 2023 of $53.4 million and $64.3 million, respectively, was primarily impacted by lower nickel, cobalt and fertilizer average-realized prices[(1)] compared to the prior year periods. Nickel sales volume was 22% and 19% lower in the three months and year ended December 31, 2023, respectively compared to the prior year periods. Fertilizer sales volumes for the three months ended December 31, 2023 were 10% lower than the prior year period reflecting unplanned maintenance earlier in the year which resulted in lower ammonia production and lower fertilizer availability during the fall shipping season. Sales volumes for the full year ended December 31, 2023 were relatively unchanged compared to the prior year.

Total MPR costs including Sherritt's share of cost of the Cobalt Swap and Moa JV cobalt sold for the three months ended December 31, 2023 were lower than the prior year period primarily as a result of lower nickel sales volume and input commodity prices. In addition, in the fourth quarter of 2023, a larger portion of production was related to the processing of third-party feed compared to the prior year periods. For the year ended December 31, 2023 total MPR including Sherritt's share of cost of the Cobalt Swap and Moa JV cobalt sold was higher than the prior year period as higher maintenance costs and the impact of higher opening inventory costs on nickel and cobalt sold in the period offset the impact of lower nickel sales volume and lower input commodity prices. In both current year periods, costs were negatively impacted by a stronger U.S. dollar relative to the Canadian dollar.

The impact of the redirected share of cobalt under the Cobalt Swap was not significant on the Corporation's net loss in the current year periods.

As a result of updated cost estimates provided by the operator of Sherritt's legacy Oil and Gas Spain assets, loss from continuing operations includes an increase in rehabilitation and closure costs of $20.0 million and $25.8 million, on a discounted basis, in Q4 and full year 2023, respectively,

Administrative expenses for the three months and year ended December 31, 2023 were lower primarily as result of the decrease in share-based compensation expense. The current year periods reflect recoveries compared to expenses in the prior year period resulting from a reduction in the Corporation's share price compared to an increase in price in the prior year periods. The higher expense in the prior year period was also impacted by the vesting of a higher number of units prior to cash payment in the first quarter of 2023.

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

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	2023	2022	Change
Current assets	**$ 399.0**	$ 429.3	(7%)
Current liabilities	**287.3**	367.6	(22%)
Working capital[(1)]	**111.7**	61.7	81%
Current ratio[(2)]	**1.39:1**	1.17:1	19%
Cash and cash equivalents	**$ 119.1**	$ 123.9	(4%)
Investment in Moa Joint Venture	**646.7**	756.0	(14%)
Non-current advances, loans receivable and other financial assets	**170.2**	207.1	(18%)
Property, plant and equipment	**159.2**	148.6	7%
Total assets	**1,390.6**	1,555.6	(11%)
Loans and borrowings	**355.6**	350.9	1%
Provisions	**128.0**	106.2	21%
Total liabilities	**777.0**	860.7	(10%)
Deficit	**(2,899.6)**	(2,835.0)	(2%)
Shareholders' equity	**613.6**	694.9	(12%)

(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 divided by its current liabilities.

Cash and cash equivalents as at December 31, 2023 were $119.1 million, down from $120.4 million as at September 30, 2023. During Q4 2023, Sherritt drew an additional $40.0 million on its revolving credit facility of which $15.0 million was advanced to the Moa JV for short-term working capital purposes and received $4.0 million proceeds from operating activities from Fort Site including the impact of receipts from fertilizer pre-sales and timing of working capital payments. These amounts were offset primarily by payments of $5.5 million for property, plant and equipment, $9.4 million for interest on the 8.5% second lien secured notes ("Second Lien Notes"), and $4.2 million on rehabilitation and closure costs related to legacy Oil and Gas Spain assets.

On a full year basis, cash and cash equivalents as at December 31, 2023 were down slightly from $123.9 million as at December 31, 2022. During 2023, Sherritt received $80.3 million from the sale of cobalt to third parties and $64.0 million as a top-up cash dividend under the Cobalt Swap. In addition, Sherritt drew a net $13.0 million on its revolving credit facility, repaying $17.0 million related to repurchasing notes in the prior year and advancing $30.0 million to the Moa JV for short-term working capital purposes. Significant cash payments during the year included $24.9 million for share-based compensation; $18.8 million for interest on the Second Lien Notes, $20.1 million for property, plant and equipment, $7.8 million for the repurchase of PIK notes at a discount, and $5.9 million on rehabilitation and closure costs related to legacy Oil and Gas Spain assets. In addition, Energas paid $14.8 million (33⅓ basis) to GNC in the year, in Cuban pesos, in accordance with the Cobalt Swap.

As at December 31, 2023, total available liquidity in Canada, which is composed of cash and cash equivalents in Canada and available credit facilities of $41.5 million was $63.0 million compared to $104.2 million as at September 30, 2023 and $74.8 million as at December 31, 2022.

Subsequent to quarter end, the Moa JV signed a sales agreement for nickel deliveries in 2024 with a $20 million prepayment expected to be received in early February, improving available liquidity.

Advances to the Moa JV are interest bearing, at the Corporation's borrowing rates, and are expected to be repaid during the first half of 2024. Sherritt does not expect to advance further amounts to the Moa JV in 2024. Upon repayment of the amounts outstanding by the Moa JV, and subject to the Moa JV's available liquidity to support operations and expected liquidity requirements, the joint venture will be eligible to commence payment of cobalt dividends pursuant to the Cobalt Swap. At current spot nickel prices, and given the prioritization of the joint venture to repay its outstanding advances, the Corporation expects that under the Cobalt Swap the cobalt dividends anticipated to commence in the second half the year will not meet the annual maximum amount in 2024. As previously disclosed and as defined by the agreement, any short fall in the annual minimum payment amount will be added to the following year.

At the Second Lien Note interest payment date in October 2023, the Corporation was not required to make a mandatory redemption of Second Lien Notes for the two-quarter period ended June 30, 2023 as it did not meet the minimum liquidity threshold as defined in the indenture agreement. For the two-quarter period ended December 31, 2023, the Corporation did not have Excess Cash Flow as defined in the Second Lien Notes indenture agreement and, therefore, will not be required to make a mandatory redemption with its April 2024 interest payment.

Significant factors influencing operations

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

NICKEL

In Q4 2023, nickel prices declined a further 12%, ending the quarter at US$7.39/lb from an opening price of US$8.40/lb. Global macroeconomic factors, including energy-related issues in Europe, China not meeting growth expectations, and U.S. interest rate policies impacting the dollar, influenced these market movements. As well, a significant increase in production by Chinese producers in Indonesia, contributed to a near to mid-term supply surplus putting continued pressure on prices.

In 2023, global nickel demand is expected to have surpassed three million tonnes, driven primarily by China's double-digit growth, accounting for 62% of total global consumption. China's steel and battery sectors are projected to improve significantly in 2024 (+12%) and 2025 (+10%)[(1)]. Forecasts for 2024-2025 point towards a demand recovery driven by the stainless steel and battery sectors, especially in Europe as well as China and Indonesia regions. Battery sector growth is assisted by government incentives, subsidies leading to greater adoption and demand for Electric Vehicles (EVs). EV penetration is expected to rise to 16%, up from 13% in 2022, reaching 25% by 2025[(2)]. Overall, global primary nickel demand is expected to experience increases of 13% in 2024 and 9% in 2025.

Increased production of nickel-matte, intermediate products, and chemicals by Chinese producers operating in Indonesia led global supply to reach approximately 3.4 million tonnes, ~10% increase from 2022[(1)]. The conversion of this supply into Class I nickel, and the fast-track approval granted by the London Metal Exchange ("LME") to Chinese brands, has also resulted in increasing Class I inventories, with an addition of 22 thousand tonnes to LME and 7 thousand tonnes to Shanghai Futures Exchange ("SHFE") inventories in Q4 2023.

In the short term, the supply surplus of both Class I and Class II nickel is expected to continue to hold prices down, although this surplus will be partly offset by supply side reductions from higher cost operations, while factors like the continued demand growth from stainless steel and lithium-ion battery consumption and the need to incentivize new projects with improved environmental performance for future supply may provide upside potential. Additionally, regionalization of supply chains, as well as government incentives and restrictions could play a significant factor in impacting future pricing in certain regions and for certain products.

COBALT

In Q4 2023, the Argus Chemical Grade cobalt price declined 7%, ending the quarter at US$14.25/lb from an opening price of US$15.28/lb as the market continued in over supply. During 2023, cobalt prices declined 32% from the opening price of US$20.90/lb. Despite intermittent price supportive actions from major producers like Glencore and opportunistic buying interventions by the China state-owned Strategic Reserve Bureau ("SRB"), the release of held-up cobalt-hydroxide inventory from recently-approved exports from the Democratic Republic of the Congo ("DRC"), resolution of some of the logistics issues in South Africa and easing of labour strike action in the latter part of the year contributed to the current supply surplus.

China's economic performance in 2023 reflected weak consumer confidence which particularly impacted the primary end-market for batteries. The portable electronics sector, contracted 1% in 2023, following a 5% decline in 2022[(2)]. The sector's recovery, crucial for cobalt demand, is projected to return to 2019 levels by around 2026. The surge in EV adoption is poised to significantly impact lithium-ion battery demand which in turn will increase cobalt demand.

The DRC continues to be the world's largest cobalt producer, contributing 76% of global mined supply in 2023, although this is expected to lessen to 66% by 2030 as Indonesia continues to expand as the second-largest cobalt producer, with forecast growth from 7% in 2023 to 19% by 2030, driven by increased production of cobalt containing MHP[(2)].

The dynamic battery landscape, influenced by emerging cobalt-free chemistries, is impacting near-term demand, but attractive profits are motivating copper and nickel miners to maintain production, resulting in additional cobalt by-product production. The cobalt market is projected to remain oversupplied until 2028, potentially limiting significant price increases in the short to medium term.

FERTILIZER

Fertilizer prices have stayed low due to ample supply of nitrogen fertilizers, and stability in North America's winter demand has kept natural gas prices, a key input, steady. Prices for 2024 are expected to remain relatively unchanged from 2023.

(1) Wood Mackenzie, Global Nickel Investment Horizon Outlook Q4 2023
(2) CRU, Cobalt Market Outlook November 2023 Report

Review of operations

METALS

	For the three months ended					For the year ended				
		2023		2022			**2023**		2022	
$ millions (Sherritt's share), except as otherwise noted		**December 31**		December 31	Change		**December 31**		December 31	Change
FINANCIAL HIGHLIGHTS										
Revenue[1]	**$**	**125.9**	$	223.5	(44%)	**$**	**603.7**	$	795.1	(24%)
Cost of sales[1]		**146.6**		189.5	(23%)		**601.4**		587.8	2%
(Loss) earnings from operations		**(22.0)**		30.5	(172%)		**(2.1)**		197.9	(101%)
Adjusted EBITDA[2]		**(8.7)**		45.1	(119%)		**53.6**		251.8	(79%)
CASH FLOW										
Cash provided by continuing operations for operating activities[2]	**$**	**3.4**	$	81.6	(96%)	**$**	**115.9**	$	171.6	(32%)
Free cash flow[2]		**(14.2)**		57.7	(125%)		**58.9**		107.4	(45%)
PRODUCTION VOLUME (tonnes)										
Mixed Sulphides		**3,514**		4,000	(12%)		**15,084**		16,248	(7%)
Finished Nickel		**3,744**		4,112	(9%)		**14,336**		16,134	(11%)
Finished Cobalt		**330**		423	(22%)		**1,438**		1,684	(15%)
Fertilizer		**61,092**		62,254	(2%)		**219,707**		250,147	(12%)
NICKEL RECOVERY[3] (%)		**89%**		85%	5%		**88%**		87%	1%
SALES VOLUME (tonnes)										
Finished Nickel		**3,511**		4,486	(22%)		**12,888**		15,879	(19%)
Finished Cobalt		**399**		386	3%		**2,720**		1,379	97%
Fertilizer		**55,509**		61,664	(10%)		**170,161**		170,427	-
AVERAGE REFERENCE PRICE (US$ per pound)										
Nickel[4]	**$**	**7.82**	$	11.47	(32%)	**$**	**9.74**	$	11.61	(16%)
Cobalt[5]		**15.69**		23.00	(32%)		**16.30**		30.75	(47%)
AVERAGE-REALIZED PRICE[2]										
Nickel ($ per pound)	**$**	**10.87**	$	15.55	(30%)	**$**	**13.36**	$	14.93	(11%)
Cobalt ($ per pound)		**17.23**		25.72	(33%)		**17.47**		34.26	(49%)
Fertilizer ($ per tonne)		**414.80**		647.03	(36%)		**548.16**		759.91	(28%)
UNIT OPERATING COST[2] (US$ per pound)										
Nickel - net direct cash cost[2]	**$**	**7.87**	$	7.00	12%	**$**	**7.22**	$	5.14	40%
SPENDING ON CAPITAL[2]										
Sustaining	**$**	**19.0**	$	22.3	(15%)	**$**	**51.3**	$	66.7	(23%)
Growth		**2.3**		4.4	(48%)		**11.4**		7.4	54%
	$	**21.3**	$	26.7	(20%)	**$**	**62.7**	$	74.1	(15%)

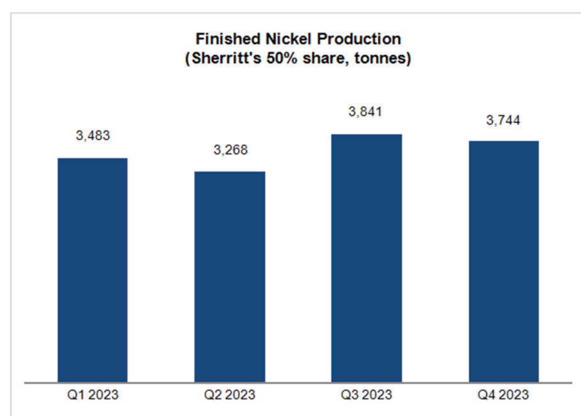
(1) The Financial Highlights, and cash flow amounts for Metals combine the operations of the Moa JV, Fort Site and Metals Marketing. Breakdowns of revenue, Adjusted EBITDA, and the components of free cash flow (cash provided (used) by continuing operations for operating activities and Property, plant and equipment expenditures) for each of these operations are included in the Combined Revenue, Adjusted EBITDA and Free cash flow reconciliations, respectively, in the Non-GAAP and other financial measures section of this MD&A.

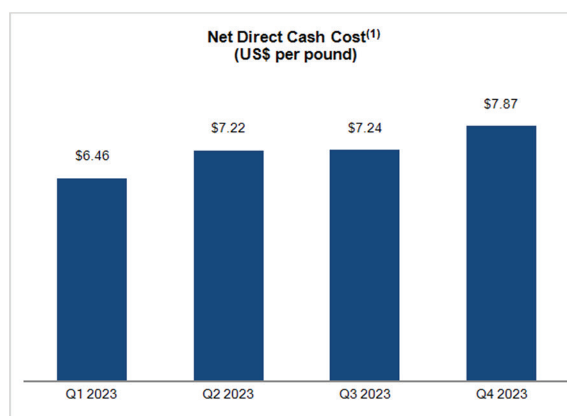
(2) Non-GAAP and other financial measures. For additional information, see the Non-GAAP and other financial measures section.

(3) 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.

(4) Reference source: LME. The average nickel reference price for the year ended December 31, 2022 was impacted by the suspension of nickel trading and disruption events on the LME during the month of March 2022.

(5) Reference source: Average standard-grade cobalt price published by Argus.





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

Metals revenue, cost of sales and NDCC[1] are composed of the following:

	For the three months ended			For the year ended		
	2023	2022		**2023**	2022	
$ millions, except as otherwise noted	**December 31**	December 31	Change	**December 31**	December 31	Change
REVENUE						
Nickel	**$ 84.1**	$ 153.8	(45%)	**$ 379.6**	$ 522.8	(27%)
Cobalt	**15.2**	22.0	(31%)	**104.8**	104.2	1%
Fertilizers	**23.1**	39.9	(42%)	**93.3**	129.5	(28%)
Other	**3.5**	7.8	(55%)	**26.0**	38.6	(33%)
	$ 125.9	$ 223.5	(44%)	**$ 603.7**	$ 795.1	(24%)
COST OF SALES[2]						
Mining, processing and refining (MPR)[3]	**$ 76.4**	$ 118.4	(35%)	**$ 275.0**	$ 349.7	(21%)
Third-party feed costs	**11.9**	7.3	63%	**26.1**	24.8	5%
Finished cobalt cost[4]	**1.8**	-	-	**86.1**	-	-
Fertilizers	**26.3**	28.2	(7%)	**81.9**	78.6	4%
Selling costs	**8.2**	6.3	30%	**29.0**	20.5	41%
Other	**8.7**	14.7	(41%)	**50.6**	60.3	(16%)
	$ 133.3	$ 174.9	(24%)	**$ 548.7**	$ 533.9	3%
NET DIRECT CASH COST[1] (US$ per pound of nickel)						
Mining, processing and refining costs[5]	**$ 7.35**	$ 8.73	(16%)	**$ 8.08**	$ 7.76	4%
Third-party feed costs	**1.14**	0.53	115%	**0.68**	0.54	26%
Cobalt by-product credits[5]	**(1.34)**	(1.63)	18%	**(1.69)**	(2.30)	27%
Net fertilizer by-product credit	**0.31**	(1.19)	126%	**(0.30)**	(1.52)	80%
Net impact of redirected cobalt[6]	**(0.01)**	-	-	**0.09**	-	-
Other[7]	**0.42**	0.56	(25%)	**0.36**	0.66	(45%)
	$ 7.87	$ 7.00	12%	**$ 7.22**	$ 5.14	40%

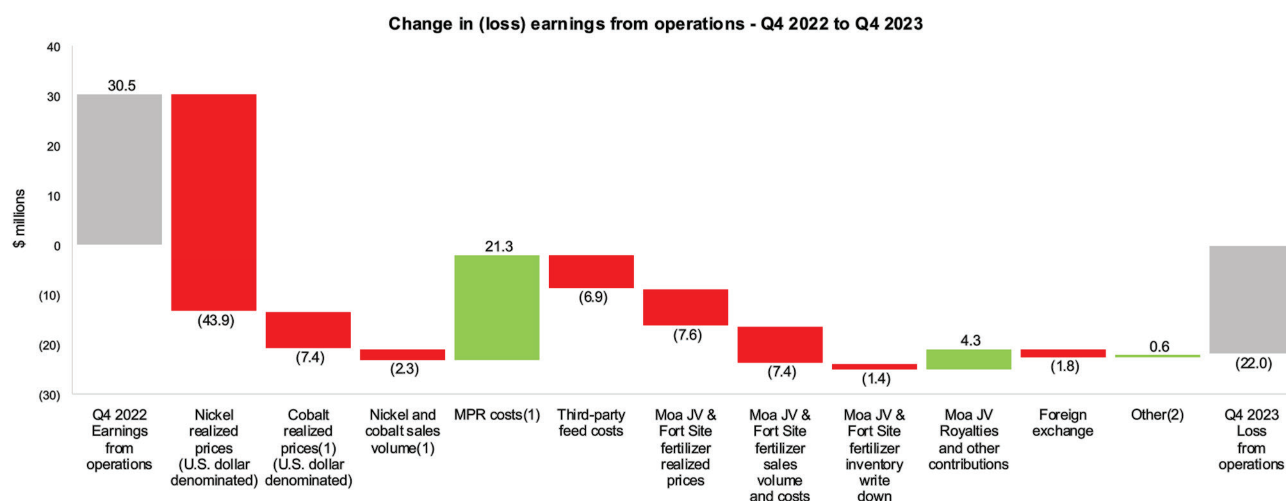
(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.
(2) Excludes depletion, depreciation and amortization and impairment of property, plant and equipment
(3) Effective January 1, 2023, MPR costs exclude the cost of cobalt volumes sold in accordance with the Cobalt Swap.
(4) Finished cobalt cost is based on the settlement value of the cobalt sold. The settlement value is based on an in-kind value of cobalt, calculated at the time of distribution as a cobalt reference price from the month preceding distribution, modified mutually between the Corporation and GNC in consideration of selling costs incurred by the Corporation.
(5) MPR and cobalt by-product credits include the cost and cobalt revenue, respectively, on cobalt sold from Sherritt's 50% share of cobalt received under the Cobalt Swap.
(6) Net impact of redirected cobalt includes the finished cobalt cost less cobalt by-product credits per pound of nickel sold on the cobalt sold from GNC's redirected cobalt received by Sherritt under the Cobalt Swap.
(7) Includes the marketing costs, discounts, and other by-product credits.

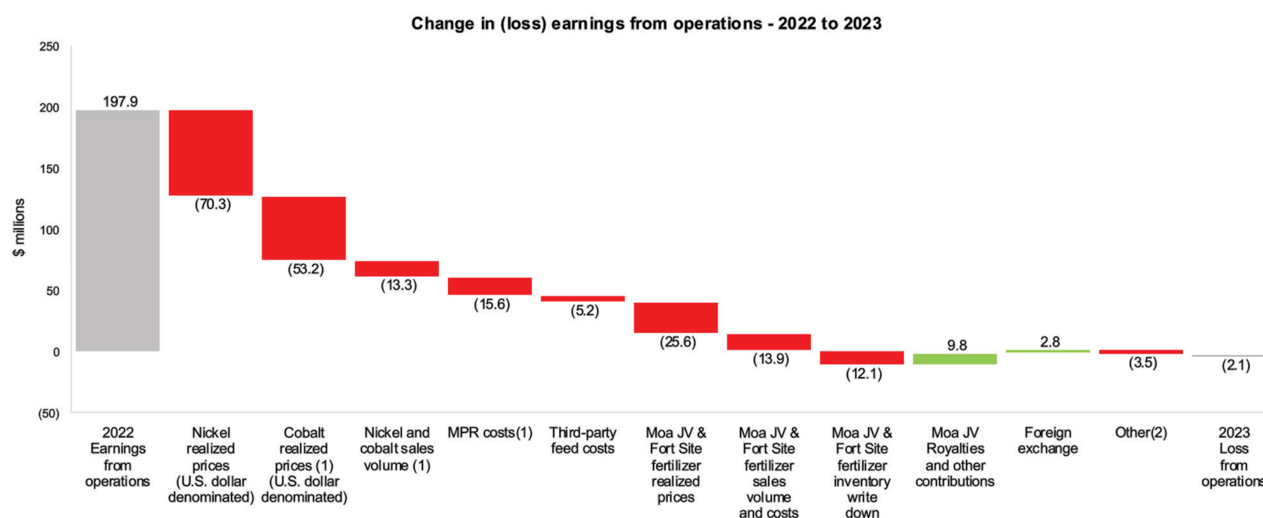
The following table summarizes average prices for key input commodities for the Moa Joint Venture and Fort Site[1]:

	For the three months ended			For the year ended		
	2023	2022		**2023**	2022	
	December 31	December 31	Change	**December 31**	December 31	Change
Sulphur (US$ per tonne)	$ **181.79**	$ 417.64	(56%)	$ **230.30**	$ 454.57	(49%)
Diesel (US$ per litre)	**1.16**	1.33	(13%)	**1.12**	1.15	(3%)
Fuel oil (US$ per tonne)	**483.33**	517.71	(7%)	**466.07**	539.35	(14%)
Natural gas cost ($ per gigajoule)	**2.93**	5.29	(45%)	**2.90**	5.37	(46%)

(1) The above input commodity prices are the average prices incurred during the periods reflected in cost of sales or inventory.

The following graphs summarize the change in (loss) earnings from operations for Metals:





(1) MPR and cobalt by-product credits include the costs and cobalt revenue, respectively, on cobalt sold from Sherritt's 50% share of cobalt received under the Cobalt Swap.

(2) Other is primarily composed of sulphuric acid revenue and costs, non-fertilizer inventory write-downs, impairment of property, plant and equipment, selling costs, administrative costs, net costs and revenue on sold cobalt redirected from GNC to Sherritt under the Cobalt Swap agreement, depletion, depreciation and amortization.

Challenging market conditions accelerated in the fourth quarter 2023 through lower demand and reference prices for nickel. Despite management actions taken to reduce costs and protect margins, unplanned maintenance challenges and lower production due to lower ore grades and poor quality ore sources available negated these efforts, negatively impacting operating cost and margins that ultimately contributed to an adjusted EBITDA[1] of $(8.7) million which also included the impacts of $2.3 million in inventory write-downs. During 2023, in addition to the unplanned maintenance to the ammonia plant in the third and fourth quarters, the Fort Site experienced higher than normal maintenance costs, in part due to the planned biannual acid plant shutdown, which identified a larger than anticipated remedial scope of work. This maintenance work has since been completed and production has returned to levels in line with historical performance.

In further response to expected lower pricing commodity market conditions, subsequent to the year end the Corporation streamlined its Metals business unit to improve operating margins in the near-term while ensuring safe and effective operations by reducing senior management costs, operating headcount and non-essential expenditures. Additional operational improvements are expected to further enhance the performance of Metals going forward. Phase one of the Moa expansion is complete and following its ramp-up, is expected to reduce ore haulage distances, lower carbon intensity from mining and increase annual mixed sulphide precipitate ("MSP") production of contained nickel and cobalt. As outlined in its 2024 guidance for NDCC[1] of US$5.50 – US$6.00 per pound of nickel sold, the Corporation expects through the implemented changes, a meaningful improvement to be realized in costs and operating margins going forward.

Finished nickel revenue for the three months and year ended December 31, 2023 was $84.1 million and $379.6 million down from $153.8 million and $522.8 million, respectively, in the prior year periods primarily as result of lower average-realized prices[1] and lower sales volumes for nickel in each of the current year periods. Average-realized nickel prices[1] were 30% and 11% lower, respectively, in the current year periods.

Finished nickel sales volumes for the three months and year ended December 31, 2023 were 3,511 tonnes and 12,888 tonnes down from 4,486 tonnes and 15,879 tonnes, respectively, in the prior year periods. During Q4 2023, finished nickel sales volumes were in line with finished nickel production volumes with sales volumes improving from Q3 2023. Finished nickel sales volumes during the full year 2023 were lower than finished nickel production volumes due to lower demand for nickel from steel mills after mid-year shutdowns, lower finished metal purchasing in Asia as mixed hydroxide precipitate ("MHP") and matte intermediate availability increased and customers delayed purchases to reduce inventories and their holding and financing costs and sought better prices in a falling price environment. All of this resulted in higher than anticipated inventory build-up at the end of 2023. This inventory is expected to be reduced over the course of 2024.

Finished cobalt revenue, including cobalt sold by Sherritt under the Cobalt Swap and Sherritt's 50% share of cobalt sold by the Moa JV, for the three months and year ended December 31, 2023 was $15.2 million and $104.8 million compared to $22.0 million and $104.2 million, respectively, in the prior year periods. While sales volumes of 399 tonnes and 2,720 tonnes in the current year periods were 3% and 97% higher, respectively, revenue was impacted by 33% and 49% lower average-realized prices[1] in the current year periods, respectively.

Cobalt sales volumes based on Sherritt's 50% share were 375 tonnes in Q4 2023 compared to 386 tonnes in Q4 2022 and 1,692 tonnes for the year ended December 31, 2023 compared to 1,379 tonnes for the prior year. Lower sales in Q4 2023 reflected the impact of lower production. For the full year period, a general improvement in demand in the second and third quarters reflected increased purchases as consumers took the opportunity to restock inventories as prices stabilized at relative lows in the recent price cycle. During this period, Sherritt was able to increase its customer base and reduce its inventory to more typical levels.

Fertilizer revenue for the three months and year ended December 31, 2023 was $23.1 million and $93.3 million compared to $39.9 million and $129.5 million, respectively, in the prior year periods. Sales volumes for the three months ended December 31, 2023 were 10% lower than the prior year period due to the unplanned maintenance earlier in the year which resulted in lower ammonia production and lower fertilizer availability during the fall shipping season. Sales volumes for the full year ended December 31, 2023 were relatively unchanged compared to the prior year. Average-realized prices[1] in the current year periods were 36% and 28% lower compared to the prior year periods, respectively.

Mixed sulphides production at the Moa JV for the three months and year ended December 31, 2023 was 3,514 tonnes and 15,084 tonnes, down 12% and 7%, respectively, from the prior year periods. In Q4 2023, mixed sulphides production was impacted by heavy rainfall which required processing lower grade and quality stockpiled materials. Logistical delays in the delivery of purchased sulphuric acid required during planned sulphuric acid plant maintenance resulted in ore processing reductions at the end of the third quarter and into the early part of the fourth quarter. As well, for the full year 2023, production was impacted by maintenance on the ore thickener and hydrogen plant, lower ore grades and ore blending challenges in the first half of the year, all of which have since been resolved.

Finished nickel production for the three months and year ended December 31, 2023 was 3,744 tonnes and 14,336 tonnes, down from 4,112 tonnes and 16,134 tonnes, respectively, in the prior year periods primarily as a result of lower mixed sulphides feed availability at the refinery. This feed shortfall was partly offset by the higher third-party feed processed in the fourth quarter.

Finished cobalt production for the three months and year ended December 31, 2023 was 330 tonnes and 1,438 tonnes down from 423 tonnes and 1,684 tonnes, respectively, in the prior year periods as a result of lower mixed sulphides feed availability at the refinery.

Full year 2023 finished nickel and finished cobalt production were slightly below their respective guidance(2) ranges for the year.

Fertilizer production for the three months and year ended December 31, 2023 of 61,092 tonnes and 219,707 tonnes was 2% lower and 12% lower, respectively, compared to prior year periods in line with lower metals production and the impact of reduced ammonia plant availability resulting from unplanned maintenance during the current year. Ammonia production returned to normal in Q4.

Mining, processing and refining ("MPR") costs per pound of nickel sold ("MPR/lb"), which includes Sherritt's share of cost of Cobalt Swap and Moa JV cobalt sold, for the three months ended December 31, 2023 was down 16% compared to Q4 2022 as a result of lower input commodity prices, including a 56% decrease in global sulphur prices, a 45% decrease natural gas prices, a 13% decrease in diesel prices, and a 7% decrease in fuel oil prices and the increased ratio of third-party feed to Moa mine feed, partly offset by higher maintenance costs and lower nickel production and sales volumes in the current year period. For the year ended December 31, 2023, MPR/lb was 4% higher than in the prior year as a result of lower nickel production and sales volumes in the current year, higher maintenance costs, and the cost associated with the higher cobalt sales volume, partly offset by lower input commodity prices. For the year ended December 31, 2023, global sulphur, natural gas, diesel and fuel oil prices decreased 49%, 46% and 3% and 14% respectively.

NDCC(1) per pound of nickel sold for the three months ended December 31, 2023 increased to US$7.87/lb from US$7.00/lb in the prior year as lower MPR/lb were offset by higher third-party feed costs and lower fertilizer and cobalt by-product credits(3). Higher MPR/lb for the year ended December 31, 2023, as discussed above, coupled with lower fertilizer and cobalt by-product credits resulted in a higher NDCC(1) of US$7.22/lb compared to US$5.14/lb for the prior year. Lower net fertilizer by-product credits in both current year periods reflected lower production and sales, lower realized prices, as well as higher maintenance costs. In both current year periods, NDCC(1) reflected the impact of lower nickel sales volumes. Annual NDCC per pound of nickel sold was within the guidance(2) range for the year.

Sustaining spending on capital(1) for the three months and year ended December 31, 2023 was $19.0 million and $51.3 million, compared to $22.3 million and $66.7 million, respectively, in the prior year periods primarily due to timing of planned spending at both the Moa JV and Fort Site. Sherritt took a prudent approach and reduced its sustaining spending on capital(1) guidance(2) in Q3 2023 to conserve liquidity in response to the current market conditions. Annual sustaining spending(1) on capital was in line with guidance(2) for the year.

Growth spending on capital(1) for the three months and year ended December 31, 2023 was $2.3 million and $11.4 million, compared to $4.4 million and $7.4 million, respectively, in the prior year periods, most of which was related to spending on the SPP and Sixth Leach Train as part of the Moa JV expansion program in each of the current year periods. Annual growth spending on capital was below guidance(2) for the year and related to the timing of spending for non-critical path items. The project timing and overall budget remains unchanged.

In Q1 2023, the Moa JV released its National Instrument 43-101 Technical Report which indicates that the current reserves estimates, without the current expansion impact, are sufficient to extend the life of mine 14 years to 2048.

(1) Non-GAAP and other financial measures. For additional information see the Non-GAAP and other financial measures section.
(2) Cobalt by-product credits include Sherritt's share of cobalt revenue per pound of nickel sold only.

Moa JV expansion program update

The Moa JV expansion program was specifically designed to minimize the risks of capital overruns and project delays which were anticipated following the COVID-19 pandemic. This low cost and low capital intensity two-phase expansion program remains on budget and on schedule. Phase one of the expansion, the SPP, is expected to reduce ore haulage distances, lower carbon intensity from mining and increase annual MSP production of contained nickel and cobalt through increased throughput over the mine's long life. With completion of phase two of the expansion, the Processing Plant, annual MSP production is targeted to increase by 6,500 tonnes of contained nickel and cobalt (100% basis) and is expected to fill the refinery to nameplate capacity to maximize profitability from the joint venture's own mine feed, displacing lower margin third party feeds and increasing overall finished nickel and cobalt production.

The Moa JV continued to advance the expansion program at the mine site. Progress included:

SPP:

- Construction of the SPP was completed under budget; commissioning and capacity testing is ongoing, and in January 2024 the SPP began processing ore at design capacity.

Processing Plant:

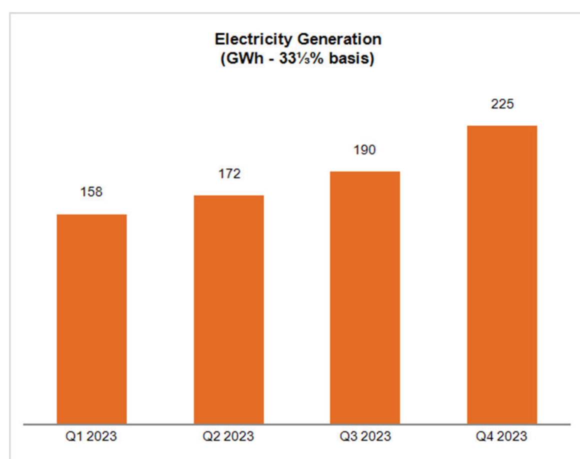
- Civil construction and structural erection is ongoing on those areas not completed in the prior expansion.
- Some of the long-lead items will be delivered in Q1 2024 for the Sixth Leah Train which will allow mechanical construction to commence in Q2 2024; and
- engineering for the Fifth Sulphide Precipitation Train has been completed and ordering of equipment and materials will commence in 2024.
- In response to the current lower nickel price environment, the joint venture optimized the timing of certain capital spending items shifting some phase two spending to beyond 2024. This deferral is not expected to impact the timing of the ramp up of MSP production from the expansion.

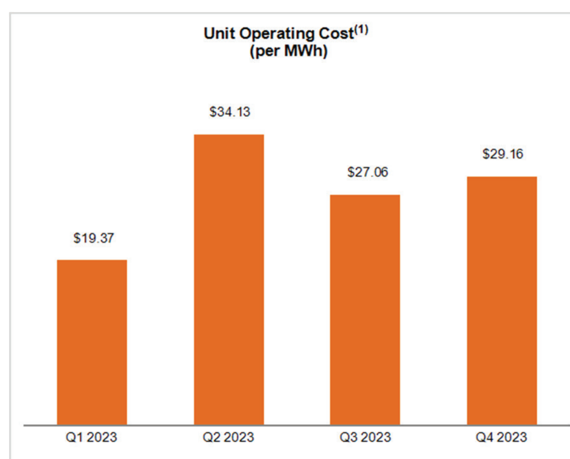
The overall timing and budget to reach target production remains unchanged and is on schedule for an expected end of year 2024 completion with commissioning and ramp up in 2025.

POWER

$ millions (Sherritt's share, 33⅓% basis), except as otherwise noted	For the three months ended 2023 December 31	2022 December 31	Change	For the year ended 2023 December 31	2022 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 14.0**	$ 10.5	33%	**$ 47.1**	$ 37.1	27%
Cost of sales	**7.1**	4.9	45%	**22.7**	24.2	(6%)
Earnings from operations	**5.9**	4.5	31%	**20.7**	8.7	138%
Adjusted EBITDA[1]	**6.6**	6.1	8%	**23.2**	22.3	4%
CASH FLOW						
Cash provided by continuing operations for operating activities[1]	**$ 7.4**	$ 13.5	(45%)	**$ 16.9**	$ 37.4	(55%)
Free cash flow[1]	**6.1**	12.0	(49%)	**13.7**	32.3	(58%)
PRODUCTION AND SALES VOLUME						
Electricity (GWh[2])	**225**	159	42%	**745**	568	31%
AVERAGE-REALIZED PRICE[1]						
Electricity (per MWh[2])	**$ 57.96**	$ 58.54	(1%)	**$ 57.45**	$ 56.47	2%
UNIT OPERATING COST[1]						
Electricity (per MWh)	**29.16**	21.41	36%	**27.70**	19.39	43%
SPENDING ON CAPITAL[1]						
Sustaining	**$ 1.3**	$ 1.6	(19%)	**$ 3.2**	$ 5.1	(37%)

(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).





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

Power revenue is composed of the following:

$ millions (Sherritt's share, 33⅓% basis)	For the three months ended 2023 December 31	2022 December 31	Change	For the year ended 2023 December 31	2022 December 31	Change
Electricity sales	**$ 13.0**	$ 9.4	38%	**$ 42.8**	$ 32.1	33%
By-products and other	**1.0**	1.1	(9%)	**4.3**	5.0	(14%)
	$ 14.0	$ 10.5	33%	**$ 47.1**	$ 37.1	27%

Revenue for the three months and year ended December 31, 2023 was $14.0 million and $47.1 million, respectively, increasing 33% and 27% compared to the prior year periods primarily due to higher production from increased available gas.

Electricity production for the three months and year ended December 31, 2023 was 225 GWh and 745 GWh compared to 159 GWh and 568 GWh, respectively, in the prior year periods. Production increased sequentially throughout the year with electricity production during the fourth quarter reaching the highest level of quarterly production since 2016 resulting in overall annual production exceeding guidance[2] for the year. The increase in electricity production in the current year periods is a result of additional gas from two gas wells that went into production in the second quarter of 2023 and increased equipment availability following planned maintenance to facilitate increased utilisation of the facilities. The gas is provided to Energas free of charge by Union Cubapetroleo ("CUPET") for use in power generation. Opportunities to further increase gas supply for additional power production in 2024 continue to be pursued.

Unit operating costs[1] for the three months and year ended December 31, 2023 were $29.16/MWh, and $27.70/MWh, compared to $21.41/MWh, and $19.39/MWh, respectively, for the prior year periods an increase primarily driven by the timing of planned maintenance activities, partly offset by higher sales volumes. Unit operating costs[1] for 2023 were within guidance[2].

Sustaining spending on capital[1] for the three months and year ended December 31, 2023 was $1.3 million and $3.2 million, respectively, primarily driven by maintenance activities. Spending on capital[1] for 2023 was below guidance[2].

During 2023, Sherritt received $1.4 million of dividends from Energas in Canada and expects dividends to increase in 2024.

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

TECHNOLOGIES

$ millions	For the three months ended 2023 December 31	2022 December 31	Change	For the year ended 2023 December 31	2022 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 0.3**	$ 0.5	(40%)	**$ 1.3**	$ 1.8	(28%)
Cost of sales	**(3.8)**	(4.9)	22%	**(16.7)**	(16.6)	1%
Loss from operations	**$ (3.5)**	$ (4.4)	20%	**$ (15.4)**	$ (14.8)	4%

During the three months ended December 31, 2023, Technologies:

- continued to advance development of strategic growth opportunities for Sherritt, provide technical support, process optimization and technology development services to the Moa JV and the Fort Site and support the Moa JV's expansion program;
- continued to progress near-term partnerships and development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain;
- completed the continuous pilot test of the on-going MHP test program, which is supported by a funding commitment from Natural Resources Canada (NRCan), as part of Sherritt's strategic objective for expanding midstream processing capacity;
- advanced its venture analysis, flowsheet enhancements, and batch test work related to its next-generation laterite ("NGL") processing technology to support discussions with external parties; and
- continued to progress on commercialization activities around proprietary technologies and innovative industry solutions.

Subsequent to the quarter-end, Technologies was restructured to reduce headcount, including management, and decrease costs in line with a narrower focus to deliver essential support and enhancements to internal operations and business development. Business development will primarily focus on near-term partnerships and development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain which Sherritt has been working to advance given its differentiated and specialized technical expertise in hydrometallurgical processing.

CORPORATE

	For the three months ended			For the year ended		
	2023	2022		**2023**	2022	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
EXPENSES						
Administrative expenses	**$ 1.9**	$ 11.7	(84%)	**$ 17.0**	$ 28.1	(40%)

Corporate's administrative expenses are primarily composed of employee costs, share-based compensation expenses (recoveries), legal fees and third-party consulting and audit fees.

Administrative expenses at Corporate for the three months ended December 31, 2023 were $9.8 million lower compared to the prior period primarily due to an $8.5 million decrease in share-based compensation expense. The current period recovery of $1.5 million was primarily due to a $0.12 decrease in the Corporation's share price, while the expense of $7.0 million in the prior period was primarily due to a $0.13 increase in the Corporation's share price on a significantly higher number of vested units prior to cash payment in the first quarter of 2023.

Administrative expenses at Corporate for the year ended December 31, 2023 were $11.1 million lower compared to the prior year primarily due to a $12.2 million decrease in share-based compensation expense. The current period recovery of $1.8 million was primarily due to a $0.21 decrease in the Corporation's share price, while the expense of $10.4 million in the prior year was primarily due to a $0.12 increase in the Corporation's share price on a significantly higher number of vested units prior to cash payment in the first quarter of 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In Q2 2023, Sherritt issued its 2022 sustainability, climate and tailings management reports as well as its sustainability scorecard outlining the Corporation's performance on ESG matters. Highlights included:

- Completed a Task Force on Climate-related Disclosures ("TFCD")-aligned Risk and Opportunity Assessment for the Fort Site.
- Initiated a Greenhouse Gas ("GHG") Emissions Baseline Assessment at Energas.
- Spent approximately $1 million on local community investment projects in 2022.
- Continued support of long-term community development project partnerships with UNICEF and Cowater in Cuba, and the Northern Alberta Institute of Technology at the Fort Site.
- Achieved 100% alignment with the Organisation for Economic Co-operation and Development's ("OECD") 5-Step Framework confirming that the minerals produced by the Moa JV do not originate from or transit through conflict-affected or high-risk areas ("CAHRAs").
- Received confirmation of conformity with the LME's Track B Responsible Sourcing Requirements. Sherritt received independent verification that its minerals are not associated with conflict, or risks such as human rights abuses, forced labour, or corruption.

During 2023, Sherritt:

- Completed GHG Emissions Baseline Assessment at Energas and initiated assessments at the Moa mine site and Fort Site. At Energas, Sherritt identified several potential decarbonization opportunities that would reduce GHG emissions per MWh of power generated in Cuba. Moa mine site and Fort Site assessments are expected to be completed by mid-2024.
- Commenced a TFCD-aligned Risk and Opportunity Assessment for Energas, with results expected in Q1 2024.
- Maintained conformity with LME's Track B Responsible Sourcing Requirements.

- Achieved ISO 45001 and ISO 14001 certification and continued to improve its Towards Sustainable Mining score at the Fort Site.
- Continued to advance Sherritt's community partner programs and progressed on development of its Indigenous Relations and Reconciliation Road Map program.
- With great regret, reported two fatalities at the Moa JV mine site. In response to these incidents, root cause analyses and a Fatality Prevention Gap Analysis was undertaken. Sherritt also initiated a series of Safety Strategy sessions with each of its operations to identify and implement improved safety protocols.

Outlook

2023 PRODUCTION VOLUMES, UNIT OPERATING COSTS AND SPENDING ON CAPITAL GUIDANCE

Production volumes, unit operating costs[3] and spending on capital[3]	2023 Guidance	Year-to-date actual to December 31, 2023	**2024 Guidance**
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished[1]	29,000 - 30,000	28,672	**30,000 - 32,000**
Cobalt, finished[1]	2,900 - 3,100	2,876	**3,100 - 3,400**
Electricity (GWh, 33⅓% basis)[2]	650 - 700	745	**775 - 825**
Unit operating costs[3]			
Metals - NDCC (US$ per pound)	$6.75 - $7.25	$7.22	**$5.50 - $6.00**
Electricity - unit operating cost ($ per MWh)	$27.25 - $28.75	$27.70	**$32.50 - $34.00**
Spending on capital[3]($ millions)			
Sustaining			
Moa Joint Venture (50% basis), Fort Site (100% basis)[1]	$50.0	$51.3	**$40.0**
Power (33⅓% basis)	$4.4	$3.2	**$5.5**
Growth			
Moa Joint Venture (50% basis)[1]	$15.0	$11.4	**$15.0**
Spending on capital[4]	$69.4	$65.9	**$60.5**

(1) 2023 guidance updated November 1, 2023.
(2) 2023 guidance was updated July 26, 2023.
(3) Non-GAAP financial measures. For additional information, see the Non-GAAP and other financial measures section.
(4) Excludes spending on capital of the Metals Marketing, Technologies, Oil and Gas and Corporate segments.

Metals

Nickel and cobalt production are both expected to increase in 2024 compared to 2023 due to increased feed of mixed sulphides from the Moa mine site to the refinery as a result of access to additional ore sources to improve the blend of feed as well as increased quality and feed rates following the ramp-up of the SPP, and reduced downtime from maintenance.

NDCC[1] is expected to be lower in 2024 compared to 2023 due to lower expected maintenance activity, cost optimization, and higher expected production and sales, including increased fertilizer by-product sales. NDCC[1] includes by-product credits and input commodities that are subject to considerable change given the volatility of cobalt, fertilizers, sulphur, diesel and fuel prices. NDCC[1] guidance for 2024 is based on a forecast cobalt reference price of US$15.50 per pound and forecast sulphur price of US$170.00 per tonne including freight and handling.

Sustaining spending on capital[1] of $40.0 million is primarily for tailings management, infrastructure, and the replacement of equipment at the Moa JV. A portion of these costs are expected to be financed by the Moa JV or Sherritt in the case of Fort Site costs.

Growth spending on capital[1] of $15.0 million is primarily for the continued construction of phase two of the expansion program at the Moa JV.

Power

Electricity production is expected to be higher in 2024 compared to 2023 primarily due to the full year receipt of additional gas from the two wells that went into production in Q2 2023. Sherritt continues to look for opportunities with its Cuban partner to increase the amount of gas available for electricity production.

Unit operating cost[2] for electricity in 2024 reflects higher planned maintenance activities related to gas turbines, partly offset by the impact of higher electricity production and sales.

Sustaining spending on capital[1] of $5.5 million at Power is primarily for maintenance and equipment purchases.

Liquidity

As at December 31, 2023, total available liquidity was $160.6 million, which is composed of cash and cash equivalents of $119.1 million and $41.5 million of available credit facilities and excludes restricted cash of $1.4 million.

The main factors that affect liquidity include realized sales prices, timing of collection of receivables, production levels, cash production costs, working capital requirements, capital and environmental rehabilitation expenditure requirements, the timing of distributions (including pursuant to the Cobalt Swap) and advances from/to the Moa JV, the timing of cobalt sales and receipts, repayments of non-current loans and borrowings, credit capacity and debt and equity capital market conditions.

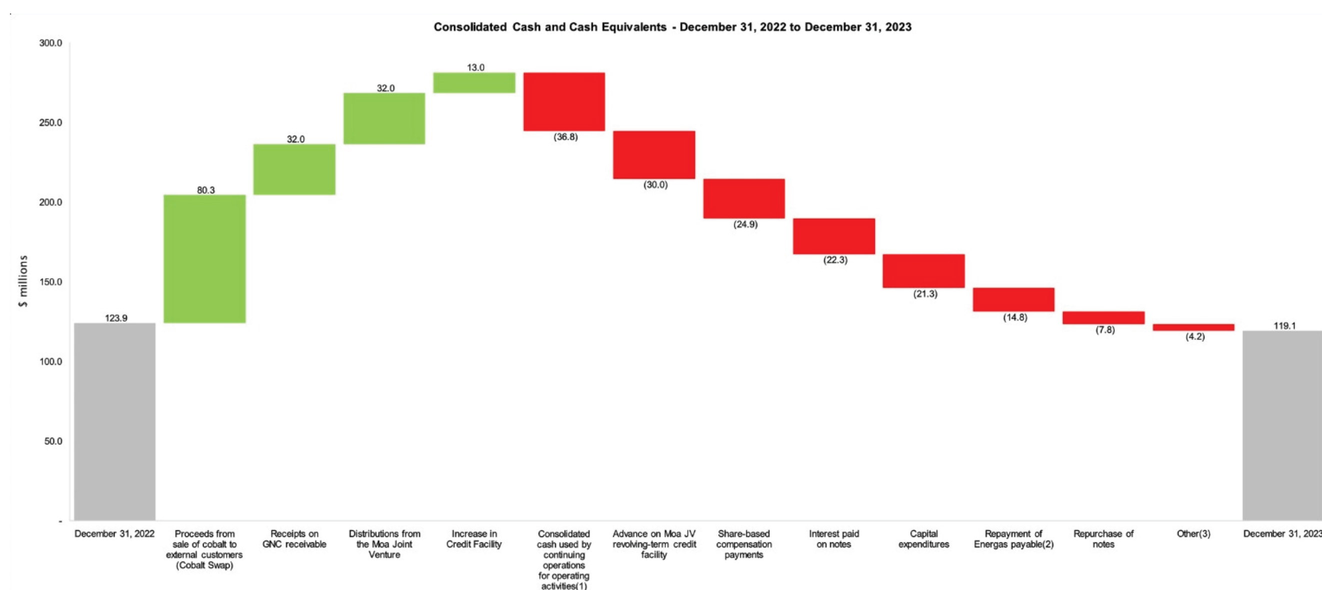
Advances to the Moa JV are interest bearing, at the Corporation's borrowing rates, and are expected to be repaid during the first half of 2024. Sherritt does not expect to advance further amounts to the Moa JV in 2024. Upon repayment of the amounts outstanding by the Moa JV, and subject to the Moa JV's available liquidity to support operations and expected liquidity requirements, the joint venture will be eligible to commence payment of cobalt dividends pursuant to the Cobalt Swap. At current spot nickel prices, and given the prioritization of the joint venture to repay its outstanding advances, the Corporation expects that the cobalt dividends anticipated to commence in the second half of the year, will not meet the annual maximum amount in 2024. As previously disclosed and as defined by the agreement, any short fall in the annual minimum payment will be added to the following year.

During 2023, Sherritt received $1.4 million of dividends from Energas in Canada and expects dividends to increase in 2024.

The Corporation's liquidity requirements are met through a variety of sources, including cash and cash equivalents, cash generated from operations, existing credit facilities, leases and debt and equity capital markets. Refer to the Capital resources section for further details on the 8.50% second lien secured notes due 2026 ("Second Lien Notes"), the PIK Notes and the syndicated revolving-term credit facility ("Credit Facility"), including repurchases of the PIK Notes during the year ended December 31, 2023.

Subsequent to period end, the Corporation completed a restructuring which resulted in a reduction of its workforce by approximately 10% across the Canadian operations, with annual employee cost savings of $13.0 million expected to be realized, and the Moa JV signed a sales agreement for nickel deliveries in 2024 with a $20 million prepayment expected to be received in early February, improving available liquidity.

Cash and cash equivalents as at December 31, 2023 decreased by $4.8 million from December 31, 2022. The components of this change are shown below:



(1) Excludes proceeds from Cobalt Swap, distributions from the Moa JV, share-based compensation payments and interest paid on notes presented separately above.

(2) The repayment of the Energas payable was made in Cuban pesos and did not impact cash in Canada.

(3) Other is composed of the effect of exchange rate changes on cash and cash equivalents, repayment of other financial liabilities, other finance charges, fees paid on repurchase of notes and cash used by discontinued operations.

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

$ millions, as at December 31, 2023	Cash	Cash equivalents	Total
Canada	$ 21.4	$ 0.1	$ 21.5
Cuba[1]	96.3	-	96.3
Other	1.3	-	1.3
	$ 119.0	$ 0.1	$ 119.1
The Corporation's share of cash and cash equivalents in the Moa JV, not included in the above balances:			$ 5.9

(1) As at December 31, 2023, $93.9 million of the Corporation’s cash and cash equivalents was held by Energas (December 31, 2022 - $96.7 million).

SOURCES AND USES OF CASH

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

	For the three months ended			For the year ended		
$ millions	**2023 December 31**	2022 December 31	Change	**2023 December 31**	2022 December 31	Change
Cash provided (used) by operating activities						
Cash provided (used) by operating activities[1]						
Metals - Fort Site	**$ 4.0**	$ (0.1)	nm[4]	**$ (10.0)**	$ 31.9	(131%)
Metals - Metals Marketing[2]	**(1.1)**	(4.1)	73%	**(0.4)**	(5.5)	93%
Power	**7.4**	13.5	(45%)	**19.3**	38.0	(49%)
Technologies	**(3.5)**	(4.5)	22%	**(15.4)**	(14.9)	(3%)
Oil and Gas	**(14.9)**	(1.7)	(776%)	**(9.3)**	(3.5)	(166%)
Corporate[3]	**(2.3)**	(6.0)	62%	**(21.0)**	(21.5)	2%
Distributions from Moa JV						
Proceeds from Cobalt Swap - Sherritt share	**1.3**	-	-	**40.2**	-	-
Proceeds from Cobalt Swap - GNC redirected share	**1.3**	-	-	**40.2**	-	-
Cash distributions - Cobalt Swap	**-**	-	-	**32.0**	-	-
Cash distributions - normal course	**-**	57.2	(100%)	**-**	100.6	(100%)
Interest paid on notes	**(9.4)**	(13.9)	32%	**(22.3)**	(29.1)	23%
Share-based compensation payments	**(0.4)**	-	-	**(24.9)**	(5.8)	(329%)
Other cash (used) provided by operating activities	**(0.5)**	(0.1)	(400%)	**(0.2)**	0.1	(300%)
Cash (used) provided by continuing operations	**(18.1)**	40.3	(145%)	**28.2**	90.3	(69%)
Cash used by discontinued operations	**(0.3)**	(0.3)	-	**(0.9)**	(1.6)	44%
Cash (used) provided by operating activities	**$ (18.4)**	$ 40.0	(146%)	**$ 27.3**	$ 88.7	(69%)
Cash used by investing activities	**$ (20.3)**	$ (6.7)	(203%)	**$ (18.4)**	$ (23.4)	21%
Cash provided (used) by financing activities	**39.5**	(45.8)	186%	**(11.7)**	(93.3)	87%
Effect of exchange rate changes on cash and cash equivalents	**(2.1)**	(1.2)	(75%)	**(2.0)**	6.3	(132%)
Decrease in cash and cash equivalents	**$ (1.3)**	$ (13.7)	91%	**$ (4.8)**	$ (21.7)	78%
Cash and cash equivalents:						
Beginning of the period	**$ 120.4**	$ 137.6	(13%)	**$ 123.9**	$ 145.6	(15%)
End of the period	**$ 119.1**	$ 123.9	(4%)	**$ 119.1**	$ 123.9	(4%)

(1) Non-GAAP financial measure. For additional information, see the Non-GAAP and other financial measures section.
(2) Excluding proceeds from the Cobalt Swap, presented separately above.
(3) Excluding distributions received from Moa JV and interest paid on notes, presented separately above.
(4) Not meaningful (nm).

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

Cash provided by operating activities was lower for the three months and year ended December 31, 2023 compared to the same period in the prior year, primarily as a result of the following:

- Higher cash provided by operating activities at Fort Site for the three months ended December 31, 2023 primarily due to timing of working capital payments. Lower cash provided by operating activities for the year ended December 31, 2023 primarily due to significantly lower average-realized prices for fertilizer and higher maintenance costs, compared to the prior year period;
- Lower cash used by operating activities at Metals Marketing primarily due to timing of customer receipts for the three months and year ended December 31, 2023, compared to the prior year periods;

- Lower cash provided by operating activities at Power primarily due to higher production costs as a result of higher maintenance, partially offset by higher production in the current year periods;
- Higher cash used by operating activities at Oil and Gas primarily due to lower receipts on oil and gas service revenue, additional maintenance activities and higher cash expenditures for liabilities settled on environmental rehabilitation provisions for legacy Spanish Oil and Gas assets for the three months and year ended December 31, 2023, compared to the prior year periods;
- Lower cash used by operating activities at Corporate primarily due to the timing of working capital payments for the three months ended December 31, 2023;
- In the current year, distributions from the Moa JV were in the form of cobalt pursuant to the Cobalt Swap, for which the Corporation received $2.7 and $80.3 million in cash from the sale of cobalt (Sherritt and GNC's redirected share), for the three months and year ended December 31, 2023, respectively. In addition, $32.0 million of cash was distributed during the year ended December 31, 2023 from the Moa JV to GNC and re-directed to the Corporation pursuant to the Cobalt Swap in order for the total value of cobalt and cash distributions to meet the dollar minimum of US$114.0 million.

Included in investing and financing activities for the three months and year ended December 31, 2023 are expenditures on property, plant and equipment and intangible assets, advances to the Moa JV and increases in the Credit Facility. In addition, investing and financing activities for the year ended December 31, 2023 includes receipts on the GNC receivable and repayments of the Energas payable under the Cobalt Swap of $32.0 million and $14.8 million, respectively, and a $7.8 million repurchase of PIK Notes.

RECONCILIATION OF ADJUSTED EBITDA TO CHANGE IN CASH AND CASH EQUIVALENTS

The Corporation's Adjusted EBITDA[1] reconciles to the change in cash and cash equivalents as follows for the three months and year ended December 31, 2023:

$ millions	For the three months ended December 31, 2023	For the year ended December 31, 2023
Adjusted EBITDA[1]	$ (7.0)	$ 46.2
Add (deduct):		
Moa JV Adjusted EBITDA[1]	5.0	(67.2)
Distributions from the Moa JV		
Proceeds from Cobalt Swap - Sherritt share	1.3	40.2
Proceeds from Cobalt Swap - GNC redirected share	1.3	40.2
Cash distributions - Cobalt Swap	-	32.0
Interest received	0.7	2.8
Interest paid	(11.6)	(28.3)
Net change in non-cash working capital	(0.2)	(93.6)
Finished cobalt cost of sales	1.8	86.1
Share-based compensation recovery	(1.9)	(1.5)
Share-based compensation payments	(0.4)	(24.9)
Loss on environmental rehabilitation provisions	20.0	22.9
Inventory write-down/obsolescence	0.8	9.8
Liabilities settled for environmental rehabilitation provisions	(4.2)	(5.9)
Oil and Gas loss from operations, net of depletion, depreciation and amortization	(23.3)	(30.0)
Other[2]	(0.4)	(0.6)
Cash (used) provided by continuing operations for operating activities per financial statements	(18.1)	28.2
Add (deduct):		
Cash used by discontinued operations	(0.3)	(0.9)
Repurchase of notes	-	(7.8)
Increase in loans and borrowings	40.0	13.0
Increase in advances, loans receivable and other financial assets	(15.0)	(30.0)
Repayment of other financial liabilities	(0.5)	(16.8)
Property, plant, equipment and intangible asset expenditures	(5.5)	(21.3)
Receipts of advances, loans receivable and other financial assets	0.2	32.9
Effect of exchange rate changes on cash and cash equivalents	(2.1)	(2.0)
Other[2]	-	(0.1)
Change in cash and cash equivalents	$ (1.3)	$ (4.8)

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

(2) Other is composed of fees paid on repurchases of notes and other finance charges.

The Moa JV's Adjusted EBTIDA is based on revenue, cost of sales and other expenses recognized by the Moa JV based on the accrual method. Moa JV's cash and cobalt distributions to the Corporation are determined based on available cash in excess of liquidity requirements. Determinants of liquidity include anticipated nickel and cobalt prices, planned spending on capital at the Moa JV including growth capital, working capital needs and other expected liquidity requirements. Available cash is also impacted by changes in working capital primarily related to changes in inventory, and timing of receipts and payments, including receipts on nickel and cobalt sales subsequent to shipment.

Capital resources

CAPITAL RISK MANAGEMENT

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), issue subscription receipts exchangeable for common shares and/or other securities, issue warrants exercisable to acquire common shares and/or other securities, issue units of securities comprised of more than one of equity securities, debt securities, subscription receipts and/or warrants, refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investment balances.

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). For amounts payable that are not fixed, including mandatory redemptions discussed below, the amount disclosed is determined by reference to the conditions existing as at December 31, 2023.

Canadian $ millions, as at December 31, 2023	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	$ 169.2	$ 169.2	$ -	$ -	$ -	$ -	$ -
Income taxes payable	2.2	2.2	-	-	-	-	-
Second Lien Notes (includes principal, interest and premium)	304.4	18.8	18.8	266.8	-	-	-
PIK Notes (includes principal and interest)	112.6	-	-	8.4	8.4	8.4	87.4
Credit Facility	65.3	5.5	59.8	-	-	-	-
Other non-current financial liabilities	1.3	-	-	0.1	-	-	1.2
Provisions	214.4	24.4	0.4	2.1	13.9	9.4	164.2
Energas payable[2]	97.3	17.7	15.5	18.2	45.9	-	-
Lease liabilities	13.3	2.6	2.4	1.3	1.3	1.2	4.5
Capital commitments	7.7	7.7	-	-	-	-	-
Total	$ 987.7	$ 248.1	$ 96.9	$ 296.9	$ 69.5	$ 19.0	$ 257.3

(1) Excludes the contractual obligations and commitments of the Moa JV, which are disclosed separately in the Supplementary Information section below and non-recourse to the Corporation.

(2) Repayment of the Energas payable is from Energas to GNC in Cuban pesos in Cuba and does not impact cash in Canada.

SECOND LIEN NOTES

As at December 31, 2023, the outstanding principal amount of the Second Lien Notes is $221.3 million (December 31, 2022 – $221.3 million) and the notes mature on November 30, 2026. Interest is payable semi-annually in cash in April and October.

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 (used) by 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, including cash distributions received by the Corporation from GNC pursuant to the Cobalt Swap and its assumption of the Energas CSA), 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. Expected mandatory Excess Cash Flow redemptions have been included in the calculation of the effective interest rate of the Second Lien Notes.

For the two-quarter period ended December 31, 2023, Excess Cash Flow, as defined in the Second Lien Notes Indenture was negative. As a result, no mandatory redemptions will be required on the interest payment date in April 2024.

The minimum liquidity amount is defined in the Second Lien Notes Indenture as all unrestricted cash, cash equivalents and short-term investments measured in accordance with IFRS, held by the Corporation and its restricted subsidiaries in bank accounts located in Canada, less the principal amount drawn on the syndicated revolving-term credit facility, plus the total amount of cash used on all repurchases of Second Lien Notes and 10.75% unsecured PIK option notes due 2029 during the relevant two-fiscal quarter period. There were no repurchases of notes during the two-quarter period ended December 31, 2023.

The Second Lien Notes 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 Second Lien Notes 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, unsecured debt can be incurred without the use of a basket and restricted payments can be made to the extent the Corporation has sufficient room in an applicable basket, including the "builder basket" as calculated under the Second Lien Notes Indenture. As at December 31, 2023, the Corporation met the required financial ratio and has the capacity to make restricted payments up to $85.9 million.

During the year ended December 31, 2023, the Corporation repurchased nil principal of the Second Lien Notes. During the year ended December 31, 2022, the Corporation repurchased $129.2 million of principal of the Second Lien Notes on the open market at a cost of $114.2 million, plus $1.1 million of accrued interest, resulting in a gain on repurchase of notes of $11.2 million (note 8).

PIK NOTES

As at December 31, 2023, the outstanding principal amount of the PIK Notes is $63.4 million (December 31, 2022 - $70.8 million) and the notes mature on August 31, 2029. Interest is payable semi-annually in cash or in-kind, at Sherritt's election, in January and July. 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, 2023, the Corporation repurchased $11.2 million of principal of the PIK Notes at a cost of $7.8 million, plus $0.1 million of accrued interest, resulting in a gain on repurchase of notes of $3.5 million (note 8). During the year ended December 31, 2022, the Corporation repurchased $19.9 million of principal of the PIK Notes at a cost of $10.9 million, plus $0.7 million of accrued interest, resulting in a gain on repurchase of notes of $9.7 million (note 8).

During the year ended December 31, 2023, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest due in January 2023 of $3.8 million and added the payment-in-kind interest to the principal amount owed to noteholders and the Corporation paid the July 2023 interest payment on the PIK Notes of $3.4 million in cash. During the year ended December 31, 2022, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest of $8.1 million on the PIK Notes and added the payment in-kind interest to the principal amount owed to noteholders.

Subsequent to period end, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest due in January 2024 of $3.4 million and added the payment-in-kind interest to the principal amount owed to noteholders.

CREDIT FACILITY

As at December 31, 2023, the outstanding principal amount of the Credit Facility is $58.0 million (December 31, 2022 - $45.0 million) and the Credit Facility matures on April 30, 2025.

The maximum credit available is $100.0 million and the interest rates are bankers' acceptance plus 4.00%. Borrowings on the Credit Facility are available to fund working capital and capital expenditures. Borrowings under the Credit Facility for 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 trailing 12-month 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 trailing 12-month basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's PIK Notes; and
- Minimum Tangible Net Worth covenant, as defined in the agreement, of $600.0 million plus 50% of positive net earnings. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the Credit Facility, less the principal amount of the Second Lien Notes, less the principal amount of the PIK Notes, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2023, the Corporation was in compliance with all Credit Facility covenants.

As at December 31, 2023, the Corporation has $0.5 million of letters of credit outstanding pursuant to this facility (December 31, 2022 - $0.5 million).

During the year ended December 31, 2023, the Credit Facility was amended to (i) add an accordion feature, which allows additional lenders to join the Credit Facility and increase the maximum credit available by up to $25.0 million, subject to certain conditions, (ii) increase the permitted debt outside of the Credit Facility from $25.0 million to $35.0 million and (iii) extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other significant changes to the terms, financial covenants or restrictions.

In May 2022, Sherritt received consent from its lenders to expand the allowable use of proceeds to include repurchases of its notes.

GUARANTEES

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. During the year ended December 31, 2023, a new parent company guarantee was signed with a four-year term valid until December 31, 2027 and a guaranteed amount of €35.8 million. The parent company guarantee has no impact on the Corporation's available liquidity.

CAPITAL STRUCTURE

$ millions, except as otherwise noted		**2023 December 31**		2022 December 31	Change
Loans and borrowings	**$**	**355.6**	$	350.9	1%
Other financial liabilities[1]		**97.1**		170.2	(43%)
Total debt	**$**	**452.7**	$	521.1	(13%)
Shareholders' equity		**613.6**		694.9	(12%)
Total debt-to-capital[2]		**42%**		43%	(2%)
Common shares outstanding		**397,288,680**		397,288,680	-
Stock options outstanding		**6,612,673**		2,701,741	145%

(1) Other financial liabilities include the Energas payable recognized as a result of the Cobalt Swap, as described in the Liquidity section of this MD&A.

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

COMMON SHARES

As at February 7, 2024, the Corporation had 397,288,680 common shares outstanding. An additional 6,582,573 common shares are issuable upon exercise of outstanding stock options granted to employees 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 2022 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
- Risks Related to Sherritt's Operations in Cuba
- Risks Related to U.S. Government Policy Towards Cuba
- Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments
- Environmental Risks and Liabilities
- Risks in relation 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
- Project Operations – Generally and Capital and Operating Cost Estimates
- Equipment Failure and Other Unexpected Failures

COMMODITY RISK

Sherritt's principal businesses include the sale of several commodities. Revenues, earnings and cash flows from the sale of nickel, cobalt, oil and fertilizers are sensitive to changes in market prices, over which the Corporation has no control. The Corporation's earnings and financial condition depend largely upon the market prices for nickel, cobalt, fertilizer and other commodities, which are volatile. Significant reductions in commodity prices or sustained low commodity prices could have a material adverse effect on the Corporation's business, results of operations and financial performance. The prices for commodities produced by the Corporation can be affected by numerous factors beyond the Corporation's control, including expectations for inflation, speculative activities, relative exchange rates to the U.S. dollar, production activities of mining companies, global and regional supply and demand, supply and market prices for substitute commodities, international trade dynamics and disputes, political and economic conditions, global conflicts and hostilities 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 products and commodities; realized prices for production; global demand for electric vehicles and the anticipated corresponding demand for cobalt and nickel; political and macro-economic factors, including global conflicts and hostilities; 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, including global conflicts and hostilities, as well as 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 forecast 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 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 outstanding Second Lien Notes and Junior Notes at maturity, nor can there be any assurance that Sherritt will be able to refinance its Notes 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 operations in Cuba. Although the risk associated with payment of these obligations may be mitigated by the Cobalt Swap, 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 and Mandatory Repayments” for more information on Sherritt’s loans and borrowings and on the effect of non-compliance with certain debt covenants.

RISKS RELATED TO SHERRITT'S OPERATIONS IN CUBA

The Corporation directly or indirectly holds significant interests in mining, metals processing 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 currency, and high rates of inflation. In addition, in 2021 and thereafter, Cuba has experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's foreign currency liquidity and resulting in prolonged border closures, fuel, 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 designation was renewed by the current administration. On May 16, 2022, the current U.S. administration indicated some measures will be relaxed related to expanding communication, travel and commerce between the U.S and Cuba. However, the relaxation of these measures has been modest and does not affect the former U.S administration's designation of Cuba as a State Sponsor of Terrorism. 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. Cuba may also be adversely impacted by risks associated with the imposition by other countries globally of additional economic restrictions or sanctions, or the indirect impact on Cuba of sanctions imposed on other countries (such as Russia and Belarus, for example) that could have a material adverse effect on Cuba or on Sherritt's ability to operate in Cuba.

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 manufacturers 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 to 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 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 electricity sales made by Energas in Cuba would be made to an agency of the Government of Cuba. 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.

In 2022, Sherritt finalized the Cobalt Swap with its Cuban Partners to recover $368 million of total outstanding receivables. In 2023, the Moa Joint Venture distributed 100% of the annual maximum cobalt volume pursuant to the Cobalt Swap and paid cash distributions in order for the total value of cobalt and cash distributions to meet the annual dollar minimum of US$114.0 million (100% basis) pursuant to the Cobalt Swap. While the Cobalt Swap agreement contains default and retroactive interest provisions in the event that the total outstanding principal amount is not repaid by December 31, 2027, there can be no assurance that it will be repaid by maturity, as cobalt and cash distributions are at the discretion of the Board of Directors of the Moa Joint Venture and subject to its available liquidity and finished cobalt production to make such distributions to the Corporation.

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 directly or indirectly involving Cuba, Cuban enterprises, Cuban-origin goods, 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, and may in certain circumstances restrict the ability of persons subject to the jurisdiction of the U.S. from engaging in transactions with Sherritt more generally. 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, of goods located in or transported from or through Cuba, 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. Persons subject to the jurisdiction of the United States are advised to consult their independent advisors before acquiring common shares of Sherritt.

The Helms Burton Act

Separately from the general provisions of the embargo summarized above, the Helms-Burton Act authorizes sanctions on U.S. or non-U.S. individuals or entities that "traffic" in Cuban property that was confiscated by the Cuban Government 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 former 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, Sherritt has not been subjected to any lawsuits in this regard. 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 current 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 currently 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”.

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 increased its sanctions against Cuba and its trading partners and these measures have had an adverse impact on Cuba and its economy, as well as its ability to conduct international trade. The pace and extent of any future changes are uncertain and beyond Sherritt’s control. There can be no assurance that the general embargo and the Helms-Burton Act will not have a material adverse effect on the Corporation’s business, results of operations or financial performance.

RESTRICTIONS IN DEBT INSTRUMENTS, DEBT COVENANTS AND MANDATORY REPAYMENTS

Sherritt is a party to certain agreements in connection with the syndicated facility, as well as the trust indenture governing the outstanding Second Lien Notes and the Junior Notes (collectively, the indentures). These agreements and loans contain covenants which restrict Sherritt's activities including without limitation, permitted investments, the incurrence of indebtedness, liens, asset sales, payment of distributions and other restricted payments 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 indentures, 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.

ENVIRONMENTAL RISKS AND LIABILITIES

The Corporation is subject to risks related to environmental liability, including liability for reclamation costs and related liabilities, tailings facility failures and toxic gas releases. Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with the effects on the environment resulting from mineral development and production. Environmental regulation and increasing environmental awareness is broadening the scope of environmental stewardship responsibilities. The Corporation may be held responsible for the costs of addressing contamination at, or arising from, current or former activities. The costs associated with such responsibilities and liabilities may be substantial. The payment of such liabilities would reduce funds otherwise available and could have a material adverse effect on the Corporation. Additionally, the Corporation recognizes that material non-compliances would likely impact its social license to operate, the costs of which are indefinable, but may be significant in scope. An example of such liabilities are the environmental rehabilitation obligations associated with the Corporation's legacy Oil and Gas assets in Spain.

As part of the normal course of business, environmental and regulatory authorities may conduct periodic or annual inspections of the Corporation's tailings facility, and as a result of these inspections, the Corporation may be required to modify its tailings management approach, complete additional monitoring work or take remedial actions. Liabilities resulting from non-compliance, damage, regulatory orders or demands, or similar, could adversely and materially affect the Corporation's operations and financial performance.

The Corporation has an obligation under applicable mining, oil and gas and environmental legislation to reclaim certain lands that it disturbs during mining, oil and gas production or other industrial activities. The Corporation is required to provide financial security to certain government authorities or third parties for some of its future reclamation costs. Currently, the Corporation provides this reclamation security by way of bank guarantees, corporate guarantees and irrevocable letters of credit issued under its Syndicated Facility. The Corporation may be unable to obtain adequate financial security or may be required to replace its existing security with more expensive forms of security, including cash deposits, which would reduce cash available for operations. In addition, any increase in costs associated with reclamation and mine closure or termination of oil and gas field operations resulting from changes in the applicable legislation (including any additional bonding requirements) could have a material adverse effect on the Corporation's business, results of operations and financial performance.

In order to adequately prepare for operational changes or closure of its operating sites, Sherritt has estimated environmental rehabilitation provisions that management believes will meet current regulatory requirements. These future provisions are estimated by management using closure plans and other similar plans which outline the requirements that are expected to be carried out to meet the provisions. The provisions are dependent on legislative and regulatory requirements which could change. Given that the estimate of provisions is based on future expectations, a number of assumptions and judgments are made by management in the determination of these provisions which may prove to be incorrect. As a result, estimates may change from time to time and actual payments to settle the provisions may differ from those estimated and such differences may be material.

In 2002 Dynatec acquired Highwood Resources and in 2007 Sherritt International acquired Dynatec and its assets. This purchase included liabilities and reclamation obligations for three closed mine assets that are being administered by Sherritt International Corporation. Reclamation, monitoring, reporting, and contact with regulators is ongoing for each of the sites.

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

DEPLETION OF RESERVES

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

In November 2017 the PSC for Block II (Varadero West) reverted to the Cuban Government. The PSC for the PE-Yumuri Block reverted to the Cuban Government on March 19, 2021. The majority of future oil and gas production will depend on new reserves in Blocks 10 and 6A and/or the ability to obtain and develop additional PSCs. Sherritt cannot provide assurance that its exploration or development efforts will result in any new commercial operations or yield new mineral or oil and gas reserves to replace or increase current reserves.

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, the failure of tailings management facilities and damage to infrastructure, 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 2022 AIF for additional information.

PROJECT OPERATIONS

Generally

Sherritt's business includes the operation of large mining, metals refining projects and electrical generation projects. Unforeseen conditions or developments could arise during the course of these projects that could affect the current and projected level of production, the sustaining capital requirements or operating cost estimates relating to the projects. Such conditions or developments may include, without limitation, shortages of equipment, materials or labour; delays in delivery of equipment or materials; customs issues; labour disruptions; poor labour productivity; community protests; difficulties in obtaining necessary services; delays in obtaining regulatory permits; local government issues; political events; regulatory changes; investigations involving various authorities; adverse weather conditions; unanticipated increases in equipment, material and labour costs; unfavourable currency fluctuations; access to financing; natural or man-made disasters or accidents; and unforeseen engineering, technical and technological design, geotechnical, environmental, infrastructure or geological problems. Any such event could affect production, timely execution and cost estimates.

These risks and uncertainties could have a material adverse effect on the Corporation's business, results of operations and financial performance.

Capital and operating cost estimates

Capital and operating cost estimates made in respect of the Corporation's operations and projects may not prove accurate. Capital and operating costs are estimated based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following, among the other events and uncertainties described herein, could affect the ultimate accuracy of such estimates: unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; expenditures in connection with a failure to meet such scheduled dates; unsatisfactory construction quality resulting in failure to meet such scheduled dates; labour negotiations; unanticipated costs related to sustaining production; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of the Corporation's products); and unanticipated changes in commodity input costs and quantities.

As part of the Life of Mine ("LOM") optimization planning, Moa Nickel has set out a proposed sequence for the development, operation, and closure of its Tailings Management Facilities ("TMFs"), including with respect to the Acid Leach Tailings Facility, the North Extension, phased construction of Area 22 and a long term storage facility thereafter. There can be no assurance that the construction of tailings facilities can be completed within original budget or on a timely basis. Delays to construction can occur as a result of many factors, many of which are outside management's control. Any material delay could require the consideration of alternative or interim solutions and could increase cost, or in the worst case, result in a disruption to operations, all of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

EQUIPMENT FAILURE AND OTHER UNEXPECTED FAILURES

Interruptions in Sherritt's production capabilities would be expected to increase its production costs and reduce its profitability. The Corporation may experience material shutdowns or periods of reduced production because of equipment failures and this risk may be increased by the age of certain of the Corporation's facilities or facilities of third parties in which the Corporation's products are processed. In addition to equipment failures, the Corporation's facilities are also subject to the risk of loss due to unanticipated events such as fires, explosions or adverse weather conditions. The foregoing risks may be heightened in circumstances in which capital expenditure is constrained. Shutdowns or reductions in operations could have a material adverse effect on the Corporation's business, results of operations and financial performance. Remediation of an interruption in production capability could require the Corporation to make large expenditures. Further, longer-term business disruptions could result in a loss of customers. All of these factors could have a material adverse effect on the Corporation's business, results of operations and financial performance.

OTHER RISKS

Below is a list of the other significant business risks as presented in the Corporation's 2022 AIF. Further detail of these and other risks and the strategies designed to manage them can be found in the Corporation's 2022 AIF to the extent not included herein.

- Political, economic, and other risks of foreign operations
- Environment, health, and safety
- Climate change/greenhouse gas emissions
- Community relations and social license to grow and operate
- Sourcing and Supply
- Uncertainty of gas supply to Energas
- Reliance on key personnel and skilled workers
- Uncertainty of resources and reserves estimates
- Risks related to Sherritt's corporate structure
- Foreign exchange and pricing risks
- Credit risk
- 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, 2023 consolidated financial statements.

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.

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.

Measuring the fair value of the GNC receivable and Energas payable

The Corporation estimates the fair value of the GNC receivable and Energas payable at each reporting period using discounted cash flows in a Monte Carlo simulation model, which includes the use of in-kind forecast cobalt prices and discount rates, which are significant unobservable inputs in the case of the GNC receivable, and changes in the fair value of these financial instruments may have a significant impact on the Corporation's financial results.

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 Corporation's environmental rehabilitation provisions are assessed quarterly and measured by discounting the expected cash flows. The applicable discount rates are pre-tax rates that reflect the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rates depend 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 JV represents a joint venture as described in IFRS 11, "Joint Arrangements". 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 the Moa JV

The Corporation accounts for its investment in the Moa JV using the equity method. The Corporation assesses the carrying amount of the Moa JV at each reporting date to determine whether there are any indicators that the carrying amount 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 this investment. Where necessary, management engages qualified third-party professionals to assist in the determination of the recoverable amount.

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).

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.

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.

Measuring the fair value of the GNC receivable and Energas payable

The Corporation measures the GNC receivable and Energas payable at fair value. For purposes of determining fair value, management uses discounted cash flows in a Monte Carlo simulation model, which includes the use of in-kind forecast cobalt prices and discount rates, which are significant unobservable inputs in the case of the GNC receivable and requires assumptions and judgments to be made. Management engages a third-party valuation specialist to assist in the valuation. Changes in these assumptions or judgments may result in a significant change in fair value.

Accounting pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

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. Effective January 1, 2023, the Corporation adopted these requirements. The application of this amendment did not have a material impact on the Corporation's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two") and in August 2023, the Government of Canada released draft legislation to implement a global minimum tax, which has not yet been enacted or substantively enacted.

Amendments to this standard apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements.

Following the amendments to IAS 12, the Corporation has applied the exception available under the amendments to IAS 12 published by the IASB in May 2023 and is not recognizing or disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes given that relevant information is not known or reasonably estimable at this time.

Based on the currently applicable revenue thresholds, the Corporation would not be in scope of the Pillar Two rules. As the legislation has not yet been enacted or substantively enacted in Canada, the Corporation continues to evaluate the impact of the legislation 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 amendments replace 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". The definition of a change in accounting estimates was deleted.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements. The application of this amendment did not have a material impact on the Corporation's consolidated financial statements.

Presentation of Financial Statements and Making Materiality Judgments (Amendments to IAS 1 and IFRS Practice Statement 2)

Amendments to IAS 1 Presentation of Financial Statements change the requirements with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements. The application of these amendments did not have a material impact on the Corporation's consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

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

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

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. 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 October 2022, the IASB finalised issuance of Non-current Liabilities with Covenants, which made amendments to IAS 1 Presentation of Financial Statements. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

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		2023 Dec 31		2023 Sept 30		2023 Jun 30		2023 Mar 31		2022 Dec 31		2022 Sept 30		2022 Jun 30		2022 Mar 31
Revenue	**$**	**34.8**	$	36.4	$	93.5	$	58.6	$	48.6	$	30.2	$	65.9	$	34.1
Share of (loss) earnings of Moa Joint Venture, net of tax		**(14.5)**		(5.0)		11.5		29.9		23.5		22.0		47.4		47.9
Net (loss) earnings from continuing operations		**(53.4)**		(24.8)		0.3		13.6		(7.3)		(26.9)		81.5		16.4
(Loss) earnings from discontinued operations, net of tax[1]		**-**		-		-		(0.3)		0.3		0.6		(0.4)		(0.7)
Net (loss) earnings for the period	**$**	**(53.4)**	$	(24.8)	$	0.3	$	13.3	$	(7.0)	$	(26.3)	$	81.1	$	15.7
Net (loss) earnings per share, basic ($ per share)																
Net (loss) earnings from continuing operations	**$**	**(0.13)**	$	(0.06)	$	0.00	$	0.03	$	(0.02)	$	(0.07)	$	0.21	$	0.04
Net (loss) earnings		**(0.13)**		(0.06)		0.00		0.03		(0.02)		(0.07)		0.20		0.04

(1) (Loss) earnings from discontinued operations, net of tax, relates to expenses in respect of provisions retained by the Corporation.

In general, net earnings or losses of 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 $1.2662 (Q1 2022) to $1.3624 (Q4 2023) and period-end rates ranged between $1.2496 (Q1 2022) to $1.3707 (Q3 2022).

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 2023: $20.0 million loss on environmental rehabilitation provisions. The net impact of the Cobalt Swap on the Corporation's net loss was not material.
- Q3 2023: $7.3 million write-down of inventory, $6.8 million loss on environmental rehabilitation provisions and $0.9 million unrealized foreign exchange gains in continuing operations. The net impact of the Cobalt Swap on the Corporation's net loss was not material;
- Q2 2023: $2.2 million gain on repurchase of notes. The net impact of the Cobalt Swap on the Corporation's net earnings was not material;
- Q1 2023: $1.3 million gain on repurchase of notes, $1.9 million of share-based compensation expense within cost of sales and administrative expenses and $0.9 million of unrealized foreign exchange losses in continuing operations. The net impact of the Cobalt Swap on the Corporation's net earnings was not material;
- Q4 2022: $7.1 million gain on repurchase of notes, $4.0 million gain on modification of Cuban receivables, $2.4 million revaluation gain on the GNC receivable, $4.0 million revaluation loss on the Energas payable, $4.1 million of unrealized foreign exchange losses in continuing operations, $15.0 million loss on environmental rehabilitation provisions and $10.7 million of share-based compensation expense within cost of sales and administrative expenses;
- Q3 2022: $48.5 million revaluation loss on allowances for expected credit losses on Energas conditional sales agreement receivable, $4.6 million of unrealized foreign exchange gains in continuing operations and $2.6 million of share-based compensation recovery within cost of sales and administrative expenses;
- Q2 2022: $13.8 million gain on repurchase of notes, $17.2 million of share-based compensation recovery within cost of sales and administrative expenses and $3.8 million of unrealized foreign exchange gains in continuing operations; and
- Q1 2022: $26.6 million of share-based compensation expense within cost of sales and administrative expenses and $1.1 million of unrealized foreign exchange gains in continuing operations.

Three-year trend analysis

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

$ millions, except per share amounts for the years ended December 31	**2023**	2022	2021
Revenue	**$ 223.3**	$ 178.8	$ 110.2
(Loss) earnings from operations and joint venture	**(43.4)**	118.7	8.5
Net (loss) earnings from continuing operations	**(64.3)**	63.7	(13.4)
Loss from discontinued operations, net of tax	**(0.3)**	(0.2)	(5.0)
Net (loss) earnings for the year	**(64.6)**	63.5	(18.4)
Adjusted EBITDA(1)	**46.2**	233.1	112.2
(Loss) earnings per common share (basic and diluted) ($ per share):			
Net (loss) earnings from continuing operations	**(0.16)**	0.16	(0.03)
Net (loss) earnings for the year	**(0.16)**	0.16	(0.05)
Total assets	**1,390.6**	1,555.6	1,398.0
Non-current liabilities	**489.7**	493.1	591.1
PRODUCTION VOLUMES			
Moa Joint Venture (50% basis)			
Finished nickel (tonnes)	**14,336**	16,134	15,592
Finished cobalt (tonnes)	**1,438**	1,684	1,763
Electricity (gigawatt hours) (33⅓% basis)	**745**	568	450

(1) 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 and fertilizer; 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, gains/losses on sale of assets and changes in estimates on environmental rehabilitation provisions, 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 2023, net loss from continuing operations was negatively impacted by a loss on environmental rehabilitation provisions of $22.9 million, inventory write-down of $9.8 million and a loss on the revaluation of Energas payable of $7.6 million. The aforementioned losses were partially offset by a gain on the revaluation of the GNC receivable of $14.7 million and a gain on the repurchase of notes of $3.5 million.

In 2022, net earnings from continuing operations was positively impacted by a gain on repurchase of notes of $20.9 million, a gain on the modification of Cuban receivables of $4.0 million, a gain on the revaluation of the GNC receivable of $2.4 million. The aforementioned gains were partially offset by a revaluation of allowances for expected credit losses related to the Energas conditional sales agreement of $49.0 million, primarily as a result of the Cobalt Swap, a loss on revaluation of the Energas payable of $4.0 million, an impairment loss of intangible assets of $1.3 million and a loss on environmental rehabilitation provisions of $15.0 million.

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 were 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.

Off-balance sheet arrangements

As at December 31, 2023, the Corporation had no options, futures or forward contracts.

Transactions with related parties

The Corporation and its subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities 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 and purchased from certain jointly controlled entities. For further detail, refer to notes 7 and 22 of the Corporation's consolidated financial statements for the year ended December 31, 2023.

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		2023		2022
Total value of goods and services:				
Provided to Energas	**$**	**46.6**	$	22.9
Provided to Moa Joint Venture		**372.8**		302.6
Purchased from Moa Joint Venture		**844.0**		1,216.0
Net financing income from Energas		**-**		14.4
Net financing income from Moa Joint Venture		**0.8**		0.4

Canadian $ millions, as at December 31		2023		2022
Accounts receivable from Moa Joint Venture	**$**	**44.7**	$	27.4
Accounts payable to Moa Joint Venture		**72.2**		127.8
Advances and loans receivable from Moa Joint Venture		**30.3**		-

Goods and services provided to joint venture primarily relates to services provided by Fort Site to the Moa Joint Venture.

KEY MANAGEMENT PERSONNEL

Key management personnel is composed of the Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Human Resources Officer, Senior Vice Presidents of the Corporation and the former Chief Operating Officer in 2022 prior to retirement. The following is a summary of key management personnel compensation:

Canadian $ millions, for the years ended December 31		2023		2022
Short-term benefits	**$**	**5.0**	$	6.7
Post-employment benefits(1)		**0.3**		0.3
Share-based payments		**4.6**		4.5
	$	**9.9**	$	11.5

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2023 (nil for the year ended December 31, 2022). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2023 (nil for the year ended December 31, 2022).

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, 2023, 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 2023 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, 2023, 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, 2023.

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, 2023 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in annual net (loss) earnings (CAD$ millions) Increase/ (decrease)	Approximate change in annual basic (loss) earnings per share (EPS) Increase/ (decrease)
Prices				
Nickel - LME price per pound[1]	US$	1.00	$ 27	$ 0.07
Cobalt - Argus price per pound[1]	US$	5.00	20	0.05
Fertilizers - price per tonne[1]	$	50.00	8	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(7)	(0.02)
Operating costs[1]				
Natural gas - cost per gigajoule (Moa Joint Venture and Fort Site)	$	1.00	(3)	(0.01)
Fuel oil - cost per tonne (Moa Joint Venture and Fort Site)	US$	50.00	(3)	(0.01)
Sulphur - cost per tonne (Moa Joint Venture and Fort Site)	US$	25.00	(4)	(0.01)

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

INVESTMENT IN MOA JOINT VENTURE

Explanations for the significant changes in the statements of financial position and statements of comprehensive income line items to their respective comparative periods for the Moa JV are included below.

Statements of financial position

Canadian $ millions, 100% basis, as at		**2023 December 31**		2022 December 31	Variance	
Assets						
Cash and cash equivalents	**$**	**11.8**	$	43.6	(31.8)	Decrease is primarily due to cash distributions made under the Cobalt Swap and spending on capital, partially offset by cash provided by operating activities and draws on the credit facility with the Corporation.
Income taxes receivable		**6.4**		-	6.4	
Other current assets		**20.9**		90.1	(69.2)	Decrease is primarily due to cash distributions to shareholders in the prior year that were declared as dividends during 2023, reducing the receivable from shareholders.
Trade accounts receivable, net		**82.6**		178.0	(95.4)	Decrease is primarily due to lower nickel and cobalt realized prices coupled with lower nickel and cobalt sales volumes.
Inventories		**424.7**		399.1	25.6	Increase is primarily due to higher volumes of finished nickel inventories, partially offset by lower volumes of finished cobalt inventories.
Other non-current assets		**23.3**		16.8	6.5	
Property, plant and equipment		**1,089.1**		1,102.8	(13.7)	Decrease is primarily due to depletion, depreciation and amortization, partially offset by capital additions.
Total assets		**1,658.8**		1,830.4	(171.6)	
Liabilities						
Trade accounts payable and accrued liabilities		**117.4**		87.9	29.5	Increase is primarily due to timing of payments to suppliers.
Income taxes payable		**2.8**		4.1	(1.3)	
Other current financial liabilities		**30.4**		0.2	30.2	Increase is primarily due to draws on the revolving-term credit facility with the Corporation.
Loans and borrowings		**23.5**		26.0	(2.5)	
Environmental rehabilitation provisions		**84.9**		84.0	0.9	
Other non-current financial liabilities		**3.7**		4.6	(0.9)	
Deferred income taxes		**18.3**		23.7	(5.4)	
Total liabilities		**281.0**		230.5	50.5	
Net assets of Moa Joint Venture	**$**	**1,377.8**	$	1,599.9	(222.1)	
Proportion of Sherritt's ownership interest		**50%**		50%		
Total		**688.9**		800.0		
Intercompany capitalized interest elimination		**(42.2)**		(44.0)		
Investment in Moa Joint Venture	**$**	**646.7**	$	756.0		

Foreign currency translation differences are included in the financial information of the Moa JV presented in the financial statements and MD&A, as the Corporation’s presentation currency is the Canadian dollar, while the Moa JV’s functional currency is the U.S. dollar. As at December 31, 2023, the U.S. dollar decreased in value relative to the Canadian dollar, resulting in lower assets and liabilities reported in Canadian dollars as compared to December 31, 2022.

Statements of comprehensive income

Canadian $ millions, 100% basis	For the year ended 2023 December 31	2022 December 31	Variance	
Revenue	**$ 884.3**	$ 1,344.2	(459.9)	Decrease is primarily due to lower nickel revenue due to lower nickel sales volumes and realized price as well as a decrease in cobalt revenue primarily due to cobalt distributions pursuant to the Cobalt Swap, which are not recognized as revenue by the Moa JV.
Cost of sales	**(832.7)**	(989.4)	156.7	Decrease is primarily due to a decrease in cobalt cost of sales primarily due to cobalt distributions pursuant to the Cobalt Swap, which are not recognized as cost of sales by the Moa JV coupled with lower sulphur input commodity prices and lower royalties, primarily due to lower mixed sulphide revenue. These amounts are partially offset by an increase in maintenance costs.
Cobalt gain	**5.5**	-	5.5	Cobalt gain represents the difference between the Moa JV's cost to produce finished cobalt internally and the in-kind value of cobalt distributed under the Cobalt Swap, which commenced in 2023.
Impairment of property, plant and equipment	**(3.0)**	-	(3.0)	
Administrative expenses	**(9.9)**	(14.7)	4.8	
Earnings from operations	**44.2**	340.1	(295.9)	
Financing income	**2.3**	0.8	1.5	
Financing expense	**(11.5)**	(19.0)	7.5	
Net finance expense	**(9.2)**	(18.2)	9.0	
Earnings before income tax	**35.0**	321.9	(286.9)	
Income tax expense	**(1.4)**	(48.6)	47.2	Decrease is primarily due to lower taxable earnings in 2023 as compared to 2022 at one of the operating companies of the Moa JV.
Net earnings and comprehensive income of Moa Joint Venture	**$ 33.6**	$ 273.3	(239.7)	
Proportion of Sherritt's ownership interest	**50%**	50%	-	
Total	**16.8**	136.7	(119.9)	
Intercompany elimination	**5.1**	4.1	1.0	
Share of earnings of Moa Joint Venture, net of tax	**$ 21.9**	$ 140.8	(118.9)	

For the year ended December 31, 2023, Moa JV's revenue was positively impacted and cost of sales and other expenses were negatively impacted by a stronger average U.S. dollar relative to the Canadian dollar compared to the same periods in the prior year.

Moa JV commitments

The Moa JV's significant undiscounted commitments, which are non-recourse to the Corporation, are presented below on a 50% basis:

- Environmental rehabilitation commitments of $136.1 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of $58.7 million;
- Loans and borrowings of $11.8 million; and
- Property, plant and equipment commitments of $32.1 million (50% basis), which includes $6.8 million of commitments for growth capital for the ordering of long-lead materials and equipment, and civil and mechanical construction.

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

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 core operations. Combined revenue includes the Corporation's consolidated revenue, less Oil and Gas revenue, and includes the revenue of the Moa JV within the Metals reportable segment on a 50% basis. Revenue of the Moa JV is included in share of earnings of Moa Joint Venture, net of tax, as a result of the equity method of accounting and excluded from the Corporation's consolidated revenue.

Revenue at Oil and Gas is excluded from Combined revenue as the segment is not currently exploring for or producing oil and gas and its financial results relate to ancillary drilling services provided to a customer and CUPET and environmental rehabilitation costs for legacy assets, which are not reflective of the Corporation's core operating activities or revenue generation potential. The exclusion of revenue at Oil and Gas from Combined revenue represents a change in the composition of Combined revenue during the year ended December 31, 2023 to better reflect the Corporation's core operating activities and revenue generation potential and the prior year measure has been restated for comparative purposes.

Management uses this measure to reflect the Corporation's economic interest in its operations prior to the application of equity accounting to help allocate financial resources and provide investors with information that it believes is useful in understanding the scope of Sherritt's business, based on its economic interest, irrespective of the accounting treatment.

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

	For the three months ended			For the year ended		
	2023	2022		**2023**	2022	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
Revenue by reportable segment						
Metals[1]	**$ 125.9**	$ 223.5	(44%)	**$ 603.7**	$ 795.1	(24%)
Power	**14.0**	10.5	33%	**47.1**	37.1	27%
Technologies	**0.3**	0.5	(40%)	**1.3**	1.8	(28%)
Corporate	**0.3**	0.1	200%	**0.8**	0.7	14%
Combined revenue	**$ 140.5**	$ 234.6	(40%)	**$ 652.9**	$ 834.7	(22%)
Adjustment for Moa Joint Venture	**(107.7)**	(188.5)		**(442.2)**	(672.1)	
Adjustment for Oil and Gas	**2.0**	2.5		**12.6**	16.2	
Financial statement revenue	**$ 34.8**	$ 48.6	(28%)	**$ 223.3**	$ 178.8	25%

(1) Revenue of Metals for the three months ended December 31, 2023 is composed of revenue recognized by the Moa JV of $107.7 million (50% basis), which is equity-accounted and included in share of earnings of Moa JV, net of tax, coupled with revenue recognized by Fort Site of $15.3 million and Metals Marketing of $2.9 million, both of which are included in consolidated revenue (for the three months ended December 31, 2022 - $188.5 million, $34.2 million and $0.8 million, respectively). Revenue of Metals for the year ended December 31, 2023 is composed of revenue recognized by the Moa JV of $442.2 million (50% basis), coupled with revenue recognized by Fort Site of $77.9 million and Metals Marketing of $83.6 million (for the year ended December 31, 2022 - $672.1 million, $120.1 million and $2.9 million, respectively).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as (loss) earnings from operations and joint venture, which excludes net finance expense, income tax expense and 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; and gains or losses on disposal of property, plant and equipment of the Corporation and the Moa JV. The exclusion of impairment losses eliminates the non-cash impact of the losses.

Earnings/loss from operations at Oil and Gas (net of depletion, depreciation and amortization, if applicable) is deducted from/added back to Adjusted EBITDA as the segment is not currently exploring for or producing oil and gas and its financial results relate to ancillary drilling services provided to a customer and CUPET and environmental rehabilitation costs for legacy assets, which are not reflective of the Corporation's core operating activities or cash generation potential. The adjustment for earnings/loss from operations at Oil and Gas (net of depletion, depreciation and amortization, if applicable) represents a change in the composition of Adjusted EBITDA during the year ended December 31, 2023 to better reflect the Corporation's core operating activities and cash generation potential and the prior year measure has been restated for comparative purposes.

Management uses Adjusted EBITDA internally to evaluate the cash generation potential of Sherritt's operating divisions on a combined and segment 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 (loss) earnings from operations and joint venture per the financial statements to Adjusted EBITDA:

$ millions, for the three months ended December 31							2023
	Metals[1]	Power	Techno-logies	Oil and Gas	Corporate	Adjustment for Moa Joint Venture	Total
(Loss) earnings from operations and joint venture per financial statements	$ (22.0)	$ 5.9	$ (3.5)	$ (23.3)	$ (1.6)	$ 1.1	$ (43.4)
Add:							
Depletion, depreciation and amortization	2.8	0.7	-	-	0.2	-	3.7
Oil and Gas loss from operations	-	-	-	23.3	-	-	23.3
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	10.5	-	-	-	-	-	10.5
Net finance expense	-	-	-	-	-	1.9	1.9
Income tax recoveries	-	-	-	-	-	(3.0)	(3.0)
Adjusted EBITDA	$ (8.7)	$ 6.6	$ (3.5)	$ -	$ (1.4)	$ -	$ (7.0)

$ millions, for the three months ended December 31							2022
	Metals[1]	Power	Techno-logies	Oil and Gas	Corporate	Adjustment for Moa Joint Venture	Total
Earnings (loss) from operations and joint venture per financial statements	$ 30.5	$ 4.5	$ (4.4)	$ (17.1)	$ (11.6)	$ (2.0)	$ (0.1)
Add:							
Depletion, depreciation and amortization	2.8	1.6	-	-	0.3	-	4.7
Oil and Gas loss from operations	-	-	-	17.1	-	-	17.1
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	11.8	-	-	-	-	-	11.8
Net finance income	-	-	-	-	-	(1.6)	(1.6)
Income tax expense	-	-	-	-	-	3.6	3.6
Adjusted EBITDA	$ 45.1	$ 6.1	$ (4.4)	$ -	$ (11.3)	$ -	$ 35.5

$ millions, for the year ended December 31							**2023**
	Metals[2]	Power	Techno-logies	Oil and Gas	Corporate	Adjustment for Moa Joint Venture	Total
(Loss) earnings from operations and joint venture per financial statements	**$ (2.1)**	**$ 20.7**	**$ (15.4)**	**$ (30.2)**	**$ (16.2)**	**$ (0.2)**	**$ (43.4)**
Add:							
Depletion, depreciation and amortization	**10.6**	**2.5**	**0.1**	**0.2**	**0.9**	**-**	**14.3**
Oil and Gas loss from operations, net of depletion, depreciation and amortization	**-**	**-**	**-**	**30.0**	**-**	**-**	**30.0**
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	**43.6**	**-**	**-**	**-**	**-**	**-**	**43.6**
Impairment of property, plant and equipment	**1.5**	**-**	**-**	**-**	**-**	**-**	**1.5**
Net finance income	**-**	**-**	**-**	**-**	**-**	**(0.5)**	**(0.5)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Adjusted EBITDA	**$ 53.6**	**$ 23.2**	**$ (15.3)**	**$ -**	**$ (15.3)**	**$ -**	**$ 46.2**

$ millions, for the year ended December 31							2022
	Metals[2]	Power	Techno-logies	Oil and Gas	Corporate	Adjustment for Moa Joint Venture	Total
Earnings (loss) from operations and joint venture per financial statements	$ 197.9	$ 8.7	$ (14.8)	$ (16.3)	$ (27.4)	$ (29.4)	$ 118.7
Add (deduct):							
Depletion, depreciation and amortization	10.4	13.6	0.1	0.8	1.1	-	26.0
Oil and Gas loss from operations, net of depletion, depreciation and amortization	-	-	-	15.5	-	-	15.5
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	43.5	-	-	-	-	-	43.5
Net finance expense	-	-	-	-	-	5.1	5.1
Income tax expense	-	-	-	-	-	24.3	24.3
Adjusted EBITDA	$ 251.8	$ 22.3	$ (14.7)	$ -	$ (26.3)	$ -	$ 233.1

(1) Adjusted EBITDA of Metals for the three months ended December 31, 2023 is composed of Adjusted EBITDA at Moa JV of $(5.0) million (50% basis), Adjusted EBITDA at Fort Site of $(2.9) million and Adjusted EBITDA at Metals Marketing of $(0.8) million (for the three months ended December 31, 2022 - $37.3 million, $8.3 million and $(0.5) million, respectively).

(2) Adjusted EBITDA of Metals for the year ended December 31, 2023 is composed of Adjusted EBITDA at Moa JV of $67.2 million (50% basis), Adjusted EBITDA at Fort Site of $(2.6) million and Adjusted EBITDA at Metals Marketing of $(11.0) million (for the year ended December 31, 2022 - $213.7 million, $40.3 million and $(2.2) million, respectively).

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given segment. The average-realized price for power excludes by-product revenue, as this revenue is not earned directly for power generation. Transactions by a Moa JV 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 fertilizer is the weighted-average realized price of ammonia and various ammonium sulphate products.

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							**2023**
	Metals						
	Nickel	Cobalt	Fertilizer	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 84.1**	**$ 15.2**	**$ 23.1**	**$ 14.0**	**$ 4.1**	**$ (107.7)**	**$ 32.8**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(1.0)**			
Revenue for purposes of average-realized price calculation	**84.1**	**15.2**	**23.1**	**13.0**			
Sales volume for the period	**7.7**	**0.9**	**55.5**	**225**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price[(2)(3)(4)]	**$ 10.87**	**$ 17.23**	**$ 414.80**	**$ 57.96**			

$ millions, except average-realized price and sales volume, for the three months ended December 31							2022
	Metals						
	Nickel	Cobalt	Fertilizer	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	$ 153.8	$ 22.0	$ 40.4	$ 10.5	$ 7.9	$ (188.5)	$ 46.1
Adjustments to revenue:							
By-product revenue	-	-	-	(1.2)			
Revenue for purposes of average-realized price calculation	153.8	22.0	40.4	9.3			
Sales volume for the period	9.9	0.9	61.7	159			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price[(2)(3)(4)]	$ 15.55	$ 25.72	$ 647.03	$ 58.54			

$ millions, except average-realized price and sales volume, for the year ended December 31							**2023**
	Metals						
	Nickel	Cobalt	Fertilizer	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 379.6**	**$ 104.8**	**$ 93.3**	**$ 47.1**	**$ 28.1**	**$ (442.2)**	**$ 210.7**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(4.3)**			
Revenue for purposes of average-realized price calculation	**379.6**	**104.8**	**93.3**	**42.8**			
Sales volume for the period	**28.4**	**6.0**	**170.2**	**745**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price[(2)(3)(4)]	**$ 13.36**	**$ 17.47**	**$ 548.16**	**$ 57.45**			

$ millions, except average-realized price and sales volume, for the year ended December 31							2022
	Metals						
	Nickel	Cobalt	Fertilizer	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	$ 522.8	$ 104.2	$ 129.5	$ 37.1	$ 41.1	$ (672.1)	$ 162.6
Adjustments to revenue:							
By-product revenue	-	-	-	(5.0)			
Revenue for purposes of average-realized price calculation	522.8	104.2	129.5	32.1			
Sales volume for the period	35.0	3.0	170.4	568			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(2)(3)(4)	$ 14.93	$ 34.26	$ 759.91	$ 56.47			

(1) Other revenue includes revenue from the 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 Metals, 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.

Metals' 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; cobalt gain/loss; 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.

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					**2023**
	Metals	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 146.6**	**$ 7.1**	**$ 28.6**	**$ (122.2)**	**$ 60.1**
Less:					
Depletion, depreciation and amortization in cost of sales	**(13.3)**	**(0.5)**			
	133.3	**6.6**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(41.8)**	**-**			
Cobalt gain	**-**	**-**			
Impact of opening/closing inventory and other[2]	**(7.8)**	**-**			
Cost of sales for purposes of unit cost calculation	**83.7**	**6.6**			
Sales volume for the period	**7.7**	**225**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	**$ 10.81**	**$ 29.16**			
Unit operating cost (US$ per pound) (NDCC)[5]	**$ 7.87**				

$ millions, except unit cost and sales volume, for the three months ended December 31					2022
	Metals	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 189.5	$ 4.9	$ 22.0	$ (159.7)	$ 56.7
Less:					
Depletion, depreciation and amortization in cost of sales	(14.6)	(1.5)			
	174.9	3.4			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(69.7)	-			
Impact of opening/closing inventory and other[2]	(11.4)	-			
Cost of sales for purposes of unit cost calculation	93.8	3.4			
Sales volume for the period	9.9	159			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	$ 9.48	$ 21.41			
Unit operating cost (US$ per pound) (NDCC)[5]	$ 7.00				

$ millions, except unit cost and sales volume, for the year ended December 31					2023
	Metals	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 601.4**	**$ 22.7**	**$ 57.8**	**$ (416.4)**	**$ 265.5**
Less:					
Depletion, depreciation and amortization in cost of sales	**(54.2)**	**(2.0)**			
	547.2	**20.7**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(224.1)**	**-**			
Cobalt gain	**(2.7)**	**-**			
Impact of opening/closing inventory and other[2]	**(43.5)**	**-**			
Cost of sales for purposes of unit cost calculation	**276.9**	**20.7**			
Sales volume for the period	**28.4**	**745**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	**$ 9.75**	**$ 27.70**			
Unit operating cost (US$ per pound) (NDCC)[5]	**$ 7.22**				

$ millions, except unit cost and sales volume, for the year ended December 31					2022
	Metals	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 587.8	$ 24.2	$ 45.3	$ (494.6)	$ 162.7
Less:					
Depletion, depreciation and amortization in cost of sales	(53.9)	(13.2)			
	533.9	11.0			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(272.3)	-			
Impact of opening/closing inventory and other[2]	(27.7)	-			
Cost of sales for purposes of unit cost calculation	233.9	11.0			
Sales volume for the period	35.0	568			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	$ 6.68	$ 19.39			
Unit operating cost (US$ per pound) (NDCC)[5]	$ 5.14				

(1) Other is composed of the cost of sales of the Oil and Gas and Technologies reportable segments.
(2) Other is primarily composed of royalties and other contributions, sales discounts and other non-cash items.
(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.

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 net earnings/loss from continuing operations less items not reflective of the Corporation's current or future operational performance. These adjusting items include, but are not limited to, inventory write-downs/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 that have not occurred in the past two years and are not expected to recur in the next two years. 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 current or future operational performance.

Net earnings/loss from continuing operations at Oil and Gas is deducted from/added back to adjusted earnings/loss from continuing operations as the segment is not currently exploring for or producing oil and gas and its financial results relate to ancillary drilling services provided to a customer and CUPET and environmental rehabilitation costs for legacy assets, which are not reflective of the Corporation's core operating activities or future operational performance. The adjustment for net earnings/loss from continuing operations at Oil and Gas represents a change in the composition of adjusted net earnings/loss from continuing operations during the year ended December 31, 2023 to better reflect the Corporation's core operating activities and future operational performance and the prior year measure has been restated for comparative purposes.

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 current or future operational performance by adjusting for items or transactions that are not reflective of its current or future operational performance.

The table below reconcile net (loss) earnings from continuing operations and net (loss) earnings from continuing operations per share, both per the financial statements, to adjusted net (loss) earnings from continuing operations and adjusted net (loss) earnings from continuing operations per share, respectively:

			2023		2022
For the three months ended December 31		**$ millions**	**$/share**	$ millions	$/share
Net loss from continuing operations	**$**	**(53.4)**	**$ (0.13)**	$ (7.3)	$ (0.02)
Adjusting items:					
Sherritt - Unrealized foreign exchange loss - continuing operations		**0.9**	**-**	4.1	0.01
Corporate - Gain on repurchase of notes		**-**	**-**	(7.1)	(0.02)
Corporate - Transaction finance charges on repurchase of notes		**-**	**-**	1.1	-
Metals - Moa JV - Inventory write-down/obsolescence		**1.6**	**-**	1.6	-
Metals - Fort Site - Inventory write-down/obsolescence		**0.7**	**-**	0.6	-
Power - Gain on modification of Cuban receivables		**-**	**-**	(2.0)	(0.01)
Power - Loss (gain) on revaluation of GNC receivable		**3.5**	**0.01**	(2.4)	(0.01)
Power - (Gain) loss on revaluation of Energas payable		**(1.3)**	**-**	4.0	0.01
Oil and Gas - Net loss from continuing operations		**20.1**	**0.05**	15.0	0.04
Total adjustments, before tax	**$**	**25.5**	**$ 0.06**	$ 14.9	$ 0.02
Tax adjustments		**-**	**-**	0.8	-
Adjusted net (loss) earnings from continuing operations	**$**	**(27.9)**	**$ (0.07)**	$ 8.4	$ 0.02

			2023		2022
For the year ended December 31		**$ millions**	**$/share**	$ millions	$/share
Net (loss) earnings from continuing operations	**$**	**(64.3)**	**$ (0.16)**	$ 63.7	$ 0.16
Adjusting items:					
Sherritt - Unrealized foreign exchange loss (gain) - continuing operations		**1.1**	**-**	(5.4)	(0.01)
Corporate - Gain on repurchase of notes		**(3.5)**	**(0.01)**	(20.9)	(0.05)
Corporate - Transaction finance charges on repurchase of notes		**-**	**-**	2.3	0.01
Metals - Moa JV - Impairment of property, plant and equipment		**1.5**	**-**	-	-
Metals - Moa JV - Inventory write-down/obsolescence		**4.6**	**0.01**	2.1	0.01
Metals - Fort Site - Inventory write-down/obsolescence		**8.9**	**0.03**	0.6	-
Metals - Metals Marketing - Inventory write-down/obsolescence		**1.1**	**-**	-	-
Metals - Metals Marketing - Cobalt gain		**2.7**	**0.01**	-	-
Power - Trade accounts receivable, net ACL revaluation		**-**	**-**	1.4	-
Power - Gain on modification of Cuban receivables		**-**	**-**	(2.0)	(0.01)
Power - Energas conditional sales agreement ACL revaluation(1)		**-**	**-**	49.0	0.12
Power - Gain on revaluation of GNC receivable		**(14.7)**	**(0.04)**	(2.4)	(0.01)
Power - Loss on revaluation of Energas payable		**7.6**	**0.02**	4.0	0.01
Oil and Gas - Net loss from continuing operations		**26.6**	**0.07**	19.5	0.05
Total adjustments, before tax	**$**	**35.9**	**$ 0.09**	$ 48.2	$ 0.12
Tax adjustments		**0.3**	**-**	0.8	-
Adjusted net (loss) earnings from continuing operations	**$**	**(28.1)**	**$ (0.07)**	$ 112.7	$ 0.28

(1) In the comparative period, Power recognized a non-cash loss of $49.0 million for the year ended December 31, 2022 on the revaluation of the ACL on the Energas CSA as a result of the Cobalt Swap signed by the Corporation subsequent to the comparative period end and, in part, due to the suspension of interest over the five-year period of the agreement.

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 JV prior to payment and includes adjustments to accruals. The Metals segment's spending on capital includes the Fort Site's expenditures, plus the Corporation's 50% share of the Moa JV'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 JV 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 JV'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						**2023**
	Metals	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures[2]	**$ 17.6**	**$ 1.3**	**$ -**	**$ 18.9**	**$ (13.4)**	**$ 5.5**
Intangible asset expenditures[2]	**-**	**-**	**-**	**-**	**-**	**-**
	17.6	**1.3**	**-**	**18.9**	**$ (13.4)**	**$ 5.5**
Adjustments:						
Accrual adjustment	**3.7**	**-**	**(0.1)**	**3.6**		
Spending on capital	**$ 21.3**	**$ 1.3**	**$ (0.1)**	**$ 22.5**		

$ millions, for the three months ended December 31						2022
	Metals	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures[2]	$ 24.0	$ 2.1	$ 0.1	$ 26.2	$ (15.9)	$ 10.3
Intangible asset expenditures[2]	-	-	0.8	0.8	-	0.8
	24.0	2.1	0.9	27.0	$ (15.9)	$ 11.1
Adjustments:						
Accrual adjustment	2.7	(0.5)	(0.3)	1.9		
Spending on capital	$ 26.7	$ 1.6	$ 0.6	$ 28.9		

$ millions, for the year ended December 31						**2023**
	Metals	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures[2]	**$ 57.0**	**$ 3.2**	**$ 0.2**	**$ 60.4**	**$ (40.3)**	**$ 20.1**
Intangible asset expenditures[2]	**-**	**-**	**1.2**	**1.2**	**-**	**1.2**
	57.0	**3.2**	**1.4**	**61.6**	**$ (40.3)**	**$ 21.3**
Adjustments:						
Accrual adjustment	**5.7**	**-**	**(0.8)**	**4.9**		
Spending on capital	**$ 62.7**	**$ 3.2**	**$ 0.6**	**$ 66.5**		

$ millions, for the year ended December 31	Metals	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	2022 Total derived from financial statements
Property, plant and equipment expenditures[2]	$ 64.2	$ 5.1	$ 0.2	$ 69.5	$ (41.8)	$ 27.7
Intangible asset expenditures[2]	-	-	0.8	0.8	-	0.8
	64.2	5.1	1.0	70.3	$ (41.8)	$ 28.5
Adjustments:						
Accrual adjustment	9.9	-	0.3	10.2		
Spending on capital	$ 74.1	$ 5.1	$ 1.3	$ 80.5		

(1) Includes property, plant and equipment and intangible asset expenditures of the Oil and Gas 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 cash provided (used) by continuing operations for operating activities and combined free cash flow

The Corporation defines cash provided (used) by continuing operations for operating activities by segment as cash provided (used) by continuing operations for operating activities for each segment calculated in accordance with IFRS and adjusted to remove the impact of cash provided (used) by wholly-owned subsidiaries. Combined cash provided (used) by continuing operations for operating activities is the aggregate of each segment's cash provided (used) by continuing operations for operating activities including the Corporation's 50% share of the Moa JV's cash provided (used) by continuing operations for operating activities, which is accounted for using the equity method of accounting and excluded from consolidated cash provided (used) by continuing operations for operating activities.

The Corporation defines free cash flow for each segment as cash provided (used) by continuing operations for operating activities by segment, less cash expenditures on property, plant and equipment and intangible assets, including exploration and evaluation assets. Combined free cash flow is the aggregate of each segment's free cash flow or 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, less distributions received from Moa JV, plus cash provided (used) by continuing operations for operating activities for the Corporation's 50% share of the Moa JV, less cash expenditures on property, plant and equipment and intangible assets for the Corporation's 50% share of the Moa JV.

The Corporate segment's cash used by continuing operations for operating activities is adjusted to exclude distributions received from Moa JV. Distributions from the Moa JV excluded from Corporate cash used by continuing operations for operating activities are included in the Adjustment for Moa Joint Venture to arrive at total cash provided (used) by continuing operations for operating activities per the financial statements.

The Metals segment's free cash flow includes the Fort Site and Metals Marketing's free cash flow, plus the Corporation's 50% share of the Moa JV's free cash flow, which is accounted for using the equity method for accounting purposes.

Combined cash provided (used) by continuing operations for operating activities and combined free cash flow are 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, and in the case of combined free cash flow, after funding cash capital requirements, to service current and future working capital needs and service debt.

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

$ millions, for the three months ended December 31								2023
	Metals[1][2]	Power	Technol-ogies	Oil and Gas	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities	**$ 3.4**	**$ 7.4**	**$ (3.5)**	**$ (14.9)**	**$ (12.6)**	**$ (20.2)**	**$ 2.1**	**$ (18.1)**
Less:								
Property, plant and equipment expenditures	**(17.6)**	**(1.3)**	**-**	**-**	**-**	**(18.9)**	**13.4**	**(5.5)**
Intangible expenditures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Free cash flow	**$ (14.2)**	**$ 6.1**	**$ (3.5)**	**$ (14.9)**	**$ (12.6)**	**$ (39.1)**	**$ 15.5**	**$ (23.6)**

$ millions, for the three months ended December 31								2022
	Metals[1][2]	Power	Technol-ogies	Oil and Gas	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities	$ 81.6	$ 13.5	$ (4.5)	$ (1.7)	$ (19.9)	$ 69.0	$ (28.7)	$ 40.3
Less:								
Property, plant and equipment expenditures	(23.9)	(1.5)	-	-	(0.2)	(25.6)	15.9	(9.7)
Intangible expenditures	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Free cash flow	$ 57.7	$ 12.0	$ (4.5)	$ (1.9)	$ (20.1)	$ 43.2	$ (12.8)	$ 30.4

$ millions, for the year ended December 31								2023
	Metals[3][4]	Power	Technol-ogies	Oil and Gas	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities	**$ 115.9**	**$ 16.9**	**$ (16.5)**	**$ (11.1)**	**$ (59.5)**	**$ 45.7**	**$ (17.5)**	**$ 28.2**
Less:								
Property, plant and equipment expenditures	**(57.0)**	**(3.2)**	**-**	**(0.2)**	**-**	**(60.4)**	**40.3**	**(20.1)**
Intangible expenditures	**-**	**-**	**-**	**(1.2)**	**-**	**(1.2)**	**-**	**(1.2)**
Free cash flow	**$ 58.9**	**$ 13.7**	**$ (16.5)**	**$ (12.5)**	**$ (59.5)**	**$ (15.9)**	**$ 22.8**	**$ 6.9**

$ millions, for the year ended December 31								2022
	Metals(3)(4)	Power	Technol- ogies	Oil and Gas	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities	$ 171.6	$ 37.4	$ (15.1)	$ (3.9)	$ (54.6)	$ 135.4	$ (45.1)	$ 90.3
Less:								
Property, plant and equipment expenditures	(64.2)	(5.1)	-	(0.1)	(0.1)	(69.5)	41.8	(27.7)
Intangible expenditures	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Free cash flow	$ 107.4	$ 32.3	$ (15.1)	$ (4.8)	$ (54.7)	$ 65.1	$ (3.3)	$ 61.8

(1) Cash (used) provided by continuing operations for operating activities for the Moa JV, Fort Site and Metals Marketing was $(2.2) million, $4.0 million and $1.6 million, respectively, for the three months ended December 31, 2023 (December 31, 2022 - $85.8 million, $(0.1) million and $(4.1) million, respectively).

(2) Property, plant and equipment expenditures and intangible expenditures for the Moa JV, Fort Site and Metals Marketing was $13.5 million, $4.1 million and nil, respectively, for the three months ended December 31, 2023 (December 31, 2022 - $15.9 million, $8.0 million and nil, respectively).

(3) Cash provided (used) by continuing operations for operating activities for the Moa JV, Fort Site and Metals Marketing was $49.4 million, $(13.4) million and $79.9 million, respectively, for the year ended December 31, 2023 (December 31, 2022 - $145.8 million, $31.3 million and $(5.5) million, respectively).

(4) Property, plant and equipment expenditures and intangible expenditures for the Moa JV, Fort Site and Metals Marketing was $40.3 million, $16.7 million and nil, respectively, for the year ended December 31, 2023 (December 31, 2022 - $41.8 million, $22.4 million and nil, respectively).

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; the Moa Joint Venture expansion program update as it relates to the Slurry Preparation Plant and the Processing Plant; statements set out in the “Outlook” section of this MD&A and certain expectations regarding production volumes and increases, inventory levels, operating costs and capital spending and intensity; sales volumes; revenue, costs and earnings; the availability of additional gas supplies to be used for power generation; the effect of maintenance challenges at the Moa mine, refinery and fertilizer operations; the timing of repayments of the revolving line of credit by the Moa JV, the amount and timing of dividend distributions from the Moa JV, including in the form of finished cobalt or cash under the Cobalt Swap, sales of finished cobalt and associated receipts related to the cobalt received pursuant to the Cobalt Swap; timing and development of strategic growth and commercial opportunities and partnerships in Technologies projects; growing shareholder value; expected annualized employee cost savings on the corporate restructuring in January 2024; the impact of the U.S. sanctions on Cuba; anticipated economic conditions in Cuba; sufficiency of working capital management and capital project funding; strengthening the Corporation’s capital structure 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; compliance with applicable environmental laws and regulations; risks related to the U.S. government policy toward Cuba; and certain corporate objectives, goals and plans for 2024. 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 the 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, security market fluctuations and price volatility; level of liquidity and the related ability of the Moa Joint Venture to pay dividends; access to capital; access to financing; the risk to Sherritt’s entitlements to future distributions (including pursuant to the Cobalt Swap) from the Moa Joint Venture, the impact of global conflicts; changes in the global price for nickel, cobalt, oil, gas, fertilizers or certain other commodities; 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; political, economic and other risks of foreign operations; 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; risk of future non-compliance with debt restrictions and covenant; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; 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; maintaining social license to grow and operate; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; risks to information technologies systems and cybersecurity; identification and management of growth opportunities; the 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 associated with mining, processing and refining activities; risks associated with the operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; the possibility of equipment and other failures; potential interruptions in transportation; uncertainty of gas supply for electrical generation; reliance on key personnel and skilled workers; growth opportunity risks; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to the Corporation’s corporate structure; foreign exchange and pricing risks; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; legal contingencies; risks related to the Corporation’s accounting policies; uncertainty in the ability of the Corporation to obtain government permits; 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 2024; and the ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents.

The Corporation, together with its Moa Joint Venture is 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, 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. 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 31, 2023 for the period ending December 31, 2022, which is available on SEDAR at www.sedarplus.ca.

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, 2023 and 2022

CONSOLIDATED FINANCIAL STATEMENTS

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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 2023 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

Leon Binedell
President and Chief Executive Officer

/s/ Yasmin Gabriel

Yasmin Gabriel
Chief Financial Officer

February 7, 2024

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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, 2023 and December 31, 2022, and the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flow for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (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, 2023, and December 31, 2022, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were 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 these matters.

Assessment of whether Indicators of Impairment Exist – Refer to notes 2, 3 and 14 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), future commodity prices (nickel and cobalt), and the discount rates. 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.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of valuation specialists, our audit procedures related to inputs to the Corporation's market capitalization deficiency assessment (specifically, control premiums, industry-specific factors and corporation-specific factors), future commodity prices (nickel and cobalt), future foreign exchange rates and the discount rate, included the following, among others:

- 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 (nickel and cobalt) by comparing management's forecasts to third-party forecasts.
- Evaluated the reasonableness of the future foreign exchange rates by comparing our independent research of forecasted rates to management's assumed rates.
- Evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates for the discount rate and comparing those to the discount rate selected by management.

Valuation of Level 3 Financial Instruments – Refer to notes 2, 8, 11, 12 and 15 of the Financial Statements

Key Audit Matter Description

The Corporation entered into an agreement to settle its total outstanding Cuban receivables and as a result of the transaction the Corporation recorded a financial asset ("GNC receivable") and a financial liability ("Energas payable") at fair value. The fair value of the financial asset and the financial liability are estimated at each reporting date using a Monte Carlo simulation model which requires management to make significant estimates and assumptions related to forecasted in-kind cobalt prices and discount rates.

While there are several inputs required to determine the fair value of the financial asset and the financial liability, the estimates and assumptions with the highest degree of subjectivity and judgment uncertainty relate to the forecasted in-kind cobalt prices and discount rates. Auditing these assumptions and estimates resulted in an increased extent of audit effort, including the involvement of our valuation specialists.

How the Key Audit Matter Was Addressed in the Audit

With the assistance of our fair value specialists, our audit procedures related to the forecasted in-kind cobalt prices and discount rates, included the following, among others:

- Evaluated the reasonableness of the forecasted in-kind cobalt prices by comparing management's forecasts to third-party information and testing the source information underlying the determination of the forecasted in-kind cobalt prices.
- Evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.

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 7, 2024

Consolidated statements of comprehensive (loss) income

Canadian $ millions, except per share amounts, for the years ended December 31	Note		2023		2022
Revenue	5	$	**223.3**	$	178.8
Cost of sales	6		**(265.5)**		(162.7)
Administrative expenses	6		**(23.1)**		(36.9)
Impairment of intangible assets	14		**-**		(1.3)
Share of earnings of Moa Joint Venture, net of tax	7		**21.9**		140.8
(Loss) earnings from operations and joint venture			**(43.4)**		118.7
Interest income on financial assets measured at amortized cost	8		**0.8**		12.0
Revaluation of allowances for expected credit losses	8		**-**		(49.4)
Other financing items	8		**17.0**		20.6
Financing expense	8		**(36.5)**		(38.6)
Net finance expense			**(18.7)**		(55.4)
(Loss) earnings before income tax			**(62.1)**		63.3
Income tax (expense) recoveries	9		**(2.2)**		0.4
Net (loss) earnings from continuing operations			**(64.3)**		63.7
Loss from discontinued operations, net of tax			**(0.3)**		(0.2)
Net (loss) earnings for the year		$	**(64.6)**	$	63.5
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)	20		**(17.2)**		45.8
Items that will not be subsequently reclassified to profit or loss:					
Actuarial (losses) gains on pension plans, net of tax (nil and nil, respectively)	20		**(0.2)**		0.6
Other comprehensive (loss) income			**(17.4)**		46.4
Total comprehensive (loss) income		$	**(82.0)**	$	109.9
Net (loss) earnings from continuing operations per common share:					
Basic and diluted	10	$	**(0.16)**	$	0.16
Net (loss) earnings per common share:					
Basic and diluted	10	$	**(0.16)**	$	0.16

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

Consolidated statements of financial position

Canadian $ millions, as at	Note	2023 December 31	2022 December 31
ASSETS			
Current assets			
Cash and cash equivalents	11	**$ 119.1**	$ 123.9
Restricted cash		**1.4**	1.4
Advances, loans receivable and other financial assets	12	**79.8**	74.8
Trade accounts receivable, net	11	**151.1**	186.4
Inventories	13	**39.8**	37.7
Prepaid expenses		**7.8**	5.1
		399.0	429.3
Non-current assets			
Investment in Moa Joint Venture	7	**646.7**	756.0
Advances, loans receivable and other financial assets	12	**170.2**	207.1
Property, plant and equipment	14	**159.2**	148.6
Intangible assets	14	**14.5**	13.8
Other non-financial assets		**0.6**	0.8
Deferred income taxes	9	**0.4**	-
		991.6	1,126.3
Total assets		**$ 1,390.6**	$ 1,555.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	15	**$ 56.8**	$ 46.5
Trade accounts payable and accrued liabilities		**169.2**	209.7
Other financial liabilities	15	**22.5**	81.8
Deferred revenue		**12.2**	12.9
Provisions	16	**24.4**	15.7
Income taxes payable		**2.2**	1.0
		287.3	367.6
Non-current liabilities			
Loans and borrowings	15	**298.8**	304.4
Other financial liabilities	15	**74.6**	88.4
Other non-financial liabilities		**12.1**	9.4
Provisions	16	**103.6**	90.5
Deferred income taxes	9	**0.6**	0.4
		489.7	493.1
Total liabilities		**777.0**	860.7
Shareholders' equity			
Capital stock	20	**2,894.9**	2,894.9
Deficit		**(2,899.6)**	(2,835.0)
Reserves	20	**234.1**	233.4
Accumulated other comprehensive income	20	**384.2**	401.6
		613.6	694.9
Total liabilities and shareholders' equity		**$ 1,390.6**	$ 1,555.6

Commitments for expenditures (note 18)

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

Approved by the Board of Directors on February 7, 2024,

/s/ John Warwick

John Warwick
Director

/s/ Sir Richard Lapthorne

Sir Richard Lapthorne
Director

Consolidated statements of cash flow

Canadian $ millions, for the years ended December 31	Note	2023	2022
Operating activities			
Net (loss) earnings from continuing operations		**$ (64.3)**	$ 63.7
Add (deduct):			
Finished cobalt cost of sales	6	**86.1**	-
Depletion, depreciation and amortization	5, 6	**14.3**	26.0
Share-based compensation (recovery) expense	17, 6	**(1.5)**	17.5
Share of earnings of Moa Joint Venture, net of tax	7	**(21.9)**	(140.8)
Impairment of intangible assets	14	**-**	1.3
Inventory write-down/obsolescence	6	**9.8**	0.7
Net finance expense	8	**18.7**	55.4
Income tax expense (recoveries)	9	**2.2**	(0.4)
Loss on environmental rehabilitation provisions	6	**22.9**	15.0
Net change in non-cash working capital	19	**(93.6)**	(10.6)
Interest received		**2.8**	2.8
Interest paid	19	**(28.3)**	(32.0)
Income taxes paid		**(1.1)**	(0.6)
Proceeds from Cobalt Swap	5	**80.3**	-
Distributions received from Moa Joint Venture - Cobalt Swap	7, 19	**32.0**	-
Distributions received from Moa Joint Venture - normal course	7	**-**	100.6
Share-based compensation payments		**(24.9)**	(5.8)
Liabilities settled for environmental rehabilitation provisions	16	**(5.9)**	(0.5)
Other operating items		**0.6**	(2.0)
Cash provided by continuing operations		**28.2**	90.3
Cash used by discontinued operations		**(0.9)**	(1.6)
Cash provided by operating activities		**27.3**	88.7
Investing activities			
Property, plant and equipment expenditures	5	**(20.1)**	(27.7)
Intangible asset expenditures	5	**(1.2)**	(0.8)
Increase in advances, loans receivable and other financial assets	12	**(30.0)**	-
Receipts of advances, loans receivable and other financial assets	12	**32.9**	3.8
Net proceeds from sale of property, plant and equipment		**-**	1.3
Cash used by continuing operations		**(18.4)**	(23.4)
Cash used by investing activities		**(18.4)**	(23.4)
Financing activities			
Repurchase of notes	15	**(7.8)**	(125.2)
Increase in loans and borrowings	15	**13.0**	37.0
Repayment of other financial liabilities		**(16.8)**	(2.9)
Fees paid on repurchase of notes	8	**(0.1)**	(2.2)
Cash used by continuing operations		**(11.7)**	(93.3)
Cash used by financing activities		**(11.7)**	(93.3)
Effect of exchange rate changes on cash and cash equivalents		**(2.0)**	6.3
Decrease in cash and cash equivalents		**(4.8)**	(21.7)
Cash and cash equivalents at beginning of the year		**123.9**	145.6
Cash and cash equivalents at end of the year	11	**$ 119.1**	$ 123.9

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

Consolidated statements of changes in shareholders' equity

Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income	Total
Balance as at December 31, 2021		**$ 2,894.9**	**$ (2,898.5)**	**$ 233.4**	**$ 355.2**	**$ 585.0**
Total comprehensive income:						
Net earnings for the year		-	63.5	-	-	63.5
Foreign currency translation differences on foreign operations, net of tax	20	-	-	-	45.8	45.8
Actuarial gains on pension plans, net of tax	20	-	-	-	0.6	0.6
		-	63.5	-	46.4	109.9
Balance as at December 31, 2022		**2,894.9**	**(2,835.0)**	**233.4**	**401.6**	**694.9**
Total comprehensive loss:						
Net loss for the year		-	(64.6)	-	-	(64.6)
Foreign currency translation differences on foreign operations, net of tax	20	-	-	-	(17.2)	(17.2)
Actuarial losses on pension plans, net of tax	20	-	-	-	(0.2)	(0.2)
		-	(64.6)	-	(17.4)	(82.0)
Stock option plan expense	20	-	-	0.7	-	0.7
Balance as at December 31, 2023		**$ 2,894.9**	**$ (2,899.6)**	**$ 234.1**	**$ 384.2**	**$ 613.6**

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 using hydrometallurgical processes to mine and refine nickel and cobalt – metals deemed critical for the energy transition. Sherritt's Moa Joint Venture has a current estimated mine life of 25 years and has embarked on an expansion program focused on increasing annual mixed sulphide precipitate production by 20% or 6,500 tonnes of contained nickel and cobalt (100% basis). The Corporation's Power division, through its ownership in Energas S.A., is the largest independent energy producer in Cuba with installed electrical generating capacity of 506 MW, representing approximately 10% of the national electrical generating capacity in Cuba. The Energas facilities are comprised of two combined cycle plants that produce low-cost electricity from one of the lowest carbon emitting sources of power 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 7, 2024. The Corporation is listed on the Toronto Stock Exchange under the symbol "S".

2. BASIS OF PRESENTATION AND MATERIAL 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 millions of 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 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 a joint operation have been eliminated on consolidation.

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

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

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 and joint arrangements 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:

- 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 section below:

- The Metals segment is composed of mining, processing and refining activities of nickel and cobalt for the Corporation's 50% interest in the Moa JV 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 of the Fort Site in Fort Saskatchewan and the Corporation's wholly-owned subsidiaries established to buy, market and sell certain of the Moa JV's nickel and cobalt production and the Corporation's cobalt inventories received under the Cobalt Swap agreement;
- 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 group which delivers essential technical support, process optimization and technology development services to improve operations and support growth initiatives at the Moa JV and the Fort Site operations; is a key differentiator and enabler of Sherritt's business development efforts primarily focused on near-term partnerships and development opportunities to expand midstream processing capacity of critical minerals for the electric vehicle supply chain; and provides technical services and innovative process solutions to external parties;
- The Oil and Gas segment is not currently producing or exploring for oil and gas in Cuba and its financial results relate to ancillary drilling services, provided to a customer and Union Cuba Petroleo (CUPET), and environmental rehabilitation costs for legacy assets in Spain, which are non-core operating activities of the Corporation. The wells drilled for CUPET provide gas to Energas for power generation; and
- The Corporate segment represents overall management of the Corporation's joint operations and subsidiaries and general corporate activities related to public companies, including business and market development, management of cash, publicly-traded debt and government relations.

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.

Metals

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

Certain nickel and cobalt sales in the Metals reportable segment 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.

Power

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

The power generation 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 forecast 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.

Oil and Gas

Oil and Gas service revenue is recognized at the time that drilling services and equipment are provided to the customer and the payment terms are 30 days from the date of invoice.

2.7 Joint arrangements

Investment in Moa JV

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 JV 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 amount 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. Energas is recognized as a joint operation and is accounted for by recognizing the Corporation's share of its assets, liabilities, revenues, and expenses.

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 2.11.

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 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 (loss) income.

2.9 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 SPPI 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 SPPI will be measured at fair value through profit or loss ("FVTPL").

The Corporation's financial liabilities are measured at amortized cost, except for financial liabilities subsequently measured or designated at FVTPL.

Financial assets measured at amortized cost:

- Cash held in banks; restricted cash; advances, loans receivable and other financial assets, except for the General Nickel Company ("GNC") receivable, noted below; trade accounts receivable, net

Financial assets measured at FVOCI:

- Cash equivalents

Financial assets measured at FVTPL:

- GNC receivable

Financial liabilities designated at FVTPL:

- Energas payable

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 (loss) income

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

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 (loss) earnings, 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 (loss) earnings within net finance expense.

Financial liabilities designated at fair value through profit or loss upon initial recognition

Financial liabilities included in this category form part of a contract containing one or more embedded derivatives and are initially recognized at fair value and transaction costs are recognized in net (loss) earnings, along with gains and losses arising from changes in fair value. For such financial liabilities, the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income and the remaining amount of change in the fair value of the liability is recognized in net (loss) earnings within net finance expense.

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 instrument. 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 instrument and are amortised over the remaining term of the modified instrument.

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 (loss) earnings within net finance expense.

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 (loss) earnings.

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 lifetime 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 in net (loss) earnings.

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

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

The Corporation recognizes lifetime expected credit losses for trade receivables using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and future economic conditions as at the reporting date, including time value of money where appropriate.

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.

2.10 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 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.

2.11 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 (loss) earnings. 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 2.14.

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 (loss) earnings 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.

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 2043. 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 (loss) earnings. Once operational, the carrying amount of the new service concession intangible asset, including capitalized interest, is amortized on a straight-line basis over the remaining contract term.

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

Amortization

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

Service concession arrangements	20 years[1]
Exploration and evaluation	not amortized during development period

[1] Service concession arrangements were amortized over 12 years prior to the twenty-year extension of the Energas Joint Venture contract which was approved by the Cuban government during the year ended December 31, 2022. As a result of the extension, the estimated useful lives of the service concession arrangements were extended by 20 years.

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 (loss) income.

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.

2.12 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 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 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.

2.13 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 Corporation's shares, or issues shares 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") and Deferred Share Units ("DSUs") are recognized as liabilities at the date of grant.

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 conditions 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 Corporation's shares with the liability expensed over the vesting period. If the Corporation's share price changes between reporting dates, then the fair value of the DSU 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 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.

2.14 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 (loss) income 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 (loss) income.

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 (loss) income 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 (loss) income.

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 (loss) income 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.

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.

Measuring the fair value of the GNC receivable and Energas payable

The Corporation estimates the fair value of the GNC receivable and Energas payable at each reporting period using discounted cash flows in a Monte Carlo simulation model, which includes the use of in-kind forecast cobalt prices and discount rates, which are significant unobservable inputs in the case of the GNC receivable, and changes in the fair value of these financial instruments may have a significant impact on the Corporation's financial results.

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 Corporation's environmental rehabilitation provisions are assessed quarterly and measured by discounting the expected cash flows. The applicable discount rates are pre-tax rates that reflect the current market assessment of the time value of money which is determined based on government bond interest rates and inflation rates. The actual rates depend 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 JV represents a joint venture as described in IFRS 11, “Joint Arrangements”. 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 the Moa JV

The Corporation accounts for its investment in the Moa JV using the equity method. The Corporation assesses the carrying amount of the Moa JV at each reporting date to determine whether there are any indicators that the carrying amount 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 this investment. Where necessary, management engages qualified third-party professionals to assist in the determination of the recoverable amount.

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, (loss) earnings or assets are greater than 10% of the total consolidated revenue, net (loss) earnings, 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 FVTPL.

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.

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.

Measuring the fair value of the GNC receivable and Energas payable

The Corporation measures the GNC receivable and Energas payable at fair value. For purposes of determining fair value, management uses discounted cash flows in a Monte Carlo simulation model, which includes the use of in-kind forecast cobalt prices and discount rates, which are significant unobservable inputs in the case of the GNC receivable and requires assumptions and judgments to be made. Management engages a third-party valuation specialist to assist in the valuation. Changes in these assumptions or judgments may result in a significant change in fair value.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

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. Effective January 1, 2023, the Corporation adopted these requirements. The application of this amendment did not have a material impact on the Corporation's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework ("Pillar Two") and in August 2023, the Government of Canada released draft legislation to implement a global minimum tax, which has not yet been enacted or substantively enacted.

Amendments to this standard apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements.

Following the amendments to IAS 12, the Corporation has applied the exception available under the amendments to IAS 12 published by the IASB in May 2023 and is not recognizing or disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes given that relevant information is not known or reasonably estimable at this time.

Based on the currently applicable revenue thresholds, the Corporation would not be in scope of the Pillar Two rules. As the legislation has not yet been enacted or substantively enacted in Canada, the Corporation continues to evaluate the impact of the legislation 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 amendments replace 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". The definition of a change in accounting estimates was deleted.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements. The application of this amendment did not have a material impact on the Corporation's consolidated financial statements.

Presentation of Financial Statements and Making Materiality Judgments (Amendments to IAS 1 and IFRS Practice Statement 2)

Amendments to IAS 1 Presentation of Financial Statements change the requirements with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments apply for annual periods beginning on or after January 1, 2023. Effective January 1, 2023, the Corporation adopted these requirements. The application of these amendments did not have a material impact on the Corporation's consolidated financial statements.

Accounting pronouncements issued but not yet effective

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

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

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. 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 October 2022, the IASB finalised issuance of Non-current Liabilities with Covenants, which made amendments to IAS 1 Presentation of Financial Statements. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

5. SEGMENTED INFORMATION

The Corporation revised the presentation of its segmented information commencing with the three months ended March 31, 2023 as a result of a change in the information reviewed by the chief operating decision maker ("CODM") due to the Corporation's agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years (the "Cobalt Swap"). Refer to note 12 for further details on the Cobalt Swap. Following the signing of the Cobalt Swap, the former Moa JV and Fort Site reportable segment and Metals Other reportable segment were combined into a single Metals reportable segment reviewed by the CODM, which includes all of the Corporation's mining, refining and sales of nickel and cobalt, including sales of the Corporation's cobalt inventories received under the Cobalt Swap. Segmented information for the prior year was restated in the current year for comparative purposes to reflect the new Metals reportable segment.

Canadian $ millions, for the year ended December 31	Metals[1]	Power	Technologies	Oil and Gas	Corporate	Adjustments for Moa JV	2023 Total
Revenue	$ 603.7	$ 47.1	$ 1.3	$ 12.6	$ 0.8	$ (442.2)	$ 223.3
Cost of sales	(601.4)	(22.7)	(16.7)	(41.1)	-	416.4	(265.5)
Cobalt gain	2.7	-	-	-	-	(2.7)	-
Impairment of property, plant and equipment	(1.5)	-	-	-	-	1.5	-
Administrative expenses	(5.6)	(3.7)	-	(1.7)	(17.0)	4.9	(23.1)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	21.9	21.9
(Loss) earnings from operations and joint venture	(2.1)	20.7	(15.4)	(30.2)	(16.2)	(0.2)	(43.4)
Interest income on financial assets measured at amortized cost							0.8
Other financing items							17.0
Financing expense							(36.5)
Net finance expense							(18.7)
Loss before income tax							(62.1)
Income tax expense							(2.2)
Net loss from continuing operations							(64.3)
Loss from discontinued operations, net of tax							(0.3)
Net loss							$ (64.6)
Supplementary information							
Depletion, depreciation and amortization	$ 54.2	$ 2.5	$ 0.1	$ 0.2	$ 0.9	$ (43.6)	$ 14.3
Property, plant and equipment expenditures	57.0	3.2	-	0.2	-	(40.3)	20.1
Intangible asset expenditures	-	-	-	1.2	-	-	1.2

Canadian $ millions, as at December 31	Metals[1]	Power	Technologies	Oil and Gas	Corporate	Adjustments for Moa JV	2023 Total
Non-current assets[2]	$ 644.6	$ 17.3	$ 0.6	$ 8.2	$ 5.4	$ (502.4)	$ 173.7
Total assets	949.2	362.3	0.8	22.0	196.6	(140.3)	1,390.6

Canadian $ millions, for the year ended December 31	Metals[1]	Power	Technologies	Oil and Gas	Corporate	Adjustments for Moa JV	Total 2022
Revenue	$ 795.1	$ 37.1	$ 1.8	$ 16.2	$ 0.7	$ (672.1)	$ 178.8
Cost of sales	(587.8)	(24.2)	(16.6)	(28.7)	-	494.6	(162.7)
Administrative expenses	(9.4)	(4.2)	-	(2.5)	(28.1)	7.3	(36.9)
Impairment of intangible assets	-	-	-	(1.3)	-	-	(1.3)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	140.8	140.8
Earnings (loss) from operations and joint venture	197.9	8.7	(14.8)	(16.3)	(27.4)	(29.4)	118.7
Interest income on financial assets measured at amortized cost							12.0
Revaluation of allowances for expected credit losses							(49.4)
Other financing items							20.6
Financing expense							(38.6)
Net finance expense							(55.4)
Earnings before income tax							63.3
Income tax recoveries							0.4
Net earnings from continuing operations							63.7
Loss from discontinued operations, net of tax							(0.2)
Net earnings							$ 63.5
Supplementary information							
Depletion, depreciation and amortization	$ 53.9	$ 13.6	$ 0.1	$ 0.8	$ 1.1	$ (43.5)	$ 26.0
Property, plant and equipment expenditures	64.2	5.1	-	0.1	0.1	(41.8)	27.7
Intangible asset expenditures	-	-	-	0.8	-	-	0.8

Canadian $ millions, as at December 31	Metals	Power	Technologies	Oil and Gas	Corporate	Adjustments for Moa JV	2022
Non-current assets[2]	$ 639.5	$ 15.4	$ 0.8	$ 8.1	$ 6.0	$ (507.4)	$ 162.4
Total assets	1,199.6	415.3	1.8	25.9	28.0	(115.0)	1,555.6

(1) Included in the Metals reportable segment is the financial performance on a line-by-line item basis of the Corporation's 50% interest in the Moa JV, its 100% interest in the utility and fertilizer operations in Fort Saskatchewan and its 100% interest in subsidiaries which buy, market and sell certain of the Moa JV's nickel and cobalt production and the Corporation's cobalt inventories received under the Cobalt Swap. The Adjustments for Moa JV reflect the adjustments required in order to reconcile to the Corporation's consolidated statements of comprehensive (loss) income, wherein the financial performance of the Moa JV is included in one line item in the share of earnings of Moa Joint Venture, net of tax due to the equity method of accounting.

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

Geographic information

Canadian $ millions, as at	**2023 December 31 Non-current assets[1]**	**2023 December 31 Total assets[2]**	2022 December 31 Non-current assets[1]	2022 December 31 Total assets[2]
North America	**$ 151.3**	**$ 363.3**	$ 142.5	$ 373.6
Cuba	**22.3**	**923.1**	19.8	970.4
Europe	**0.1**	**50.2**	0.1	72.9
Asia	**-**	**31.0**	-	58.1
Other	**-**	**23.0**	-	80.6
	$ 173.7	**$ 1,390.6**	$ 162.4	$ 1,555.6

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

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

Canadian $ millions, for the years ended December 31	**2023 Total revenue[1]**	2022 Total revenue[1]
North America	**$ 83.6**	$ 125.5
Cuba	**49.2**	37.1
Europe	**17.8**	-
Asia	**60.9**	-
Australia	**10.5**	16.2
Other	**1.3**	-
	$ 223.3	$ 178.8

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

Disaggregation of revenue by product and service type

Revenue in the below table excludes revenue recognized by the Moa JV, which is excluded from consolidated revenue and included within the Corporation's share of earnings of the Moa Joint Venture, net of tax, at the Corporation's 50% interest due to the equity method of accounting. Refer to the Moa JV's statements of comprehensive income in note 7 for revenue recognized by the Moa JV on a 100% basis.

Canadian $ millions, for the years ended December 31	2023 Total revenue	2022 Total revenue
Fertilizer	$ **64.1**	$ 93.2
Cobalt	**80.1**	-
Power generation[1]	**42.8**	32.1
Oil and gas service revenue	**12.6**	16.2
Other	**23.7**	37.3
	$ **223.3**	$ 178.8

(1) Included in power generation revenue for the year ended December 31, 2023 is $31.5 million of revenue from service concession arrangements ($25.2 million for the year ended December 31, 2022).

Deferred revenue primarily relates to payments for fertilizer sales received before shipment by the Fort Site in the Metals reportable segment. All of the deferred revenue as at December 31, 2022 was recognized during the year ended December 31, 2023.

Significant customers

Fort Site in the Metals reportable segment derived $29.0 million of its revenue for the year ended December 31, 2023 ($29.1 million for the year ended December 31, 2022) from a customer that purchases and sells agriculture products.

The Power reportable segment derived $47.1 million of its revenue for the year ended December 31, 2023 ($37.1 million for the year ended December 31, 2022) directly and indirectly from agencies of the Government of Cuba.

No other single customer contributed 10% or more to the Corporation's revenue in 2023 or 2022.

Cobalt revenue

Cobalt revenue relates to cobalt sold by the Corporation to third parties from the cobalt volumes received through distributions under the Cobalt Swap during the year ended December 31, 2023. Refer to note 12 for further details on the Cobalt Swap. The Corporation received $80.3 million of cash from cobalt sales during the year ended December 31, 2023 (December 31, 2022 – nil), with a negligible balance recorded in trade accounts receivable, net (note 11).

6. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the years ended December 31	2023	2022
Employee costs	**$ 67.6**	$ 65.1
Severance	**1.6**	2.8
Depletion, depreciation and amortization of property, plant and equipment and intangible assets	**12.9**	24.3
Raw materials and consumables	**56.0**	99.2
Finished cobalt[1]	**86.1**	-
Repairs and maintenance	**81.5**	43.8
Shipping and treatment costs	**4.0**	2.2
Inventory write-down/obsolescence	**9.8**	0.7
Loss on environmental rehabilitation provisions	**22.9**	15.0
Share-based compensation expense	**-**	3.7
Changes in inventories and other	**(76.9)**	(94.1)
	$ 265.5	$ 162.7

(1) Finished cobalt relates to the cost of finished cobalt distributed to the Corporation pursuant to the Cobalt Swap and sold to external customers during the year ended December 31, 2023. Refer to note 12 for further details on the Cobalt Swap. The value is based on an in-kind value of cobalt, calculated as a cobalt reference price from the month preceding distribution, modified mutually between the Corporation and GNC in consideration of selling costs incurred by the Corporation.

Administrative expenses include the following:

Canadian $ millions, for the years ended December 31	2023	2022
Employee costs	**$ 18.4**	$ 18.9
Severance	**-**	0.2
Depreciation	**1.4**	1.7
Share-based compensation (recovery) expense	**(1.5)**	13.8
Consulting services and audit fees	**4.4**	3.2
Other	**0.4**	(0.9)
	$ 23.1	$ 36.9

7. JOINT ARRANGEMENTS

Investment in Moa Joint Venture

The Corporation indirectly holds a 50% interest in the Moa JV. The operations of the Moa JV 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, 2023, the Moa JV distributed 2,082 tonnes of finished cobalt (100% basis) to the Corporation with an in-kind value of $88.1 million (US$65.5 million) (100% basis) pursuant to the Cobalt Swap. The total volume of cobalt distributions during the year ended December 31, 2023 represented 100% of the annual maximum cobalt volume to be distributed to the Corporation pursuant to the Cobalt Swap. Refer to note 12 for further details on the Cobalt Swap.

During the year ended December 31, 2023, the Moa JV paid cash distributions of $64.0 million (US$48.5 million) (100% basis) of which $32.0 million was paid to the Corporation representing its 50% ownership interest and of which $32.0 million was redirected by GNC to the Corporation to settle the GNC receivable pursuant to the Cobalt Swap, in order for the total value of cobalt and cash distributions to meet the annual dollar minimum of US$114.0 million (100% basis) pursuant to the Cobalt Swap. All comparative figures are nil as the Cobalt Swap commenced on January 1, 2023. During the year ended December 31, 2022, the Moa JV paid cash distributions of $201.2 million, of which $100.6 million were paid to the Corporation representing its 50% ownership interest.

All finished cobalt and cash distributions received in 2023 were declared as dividends during the year ended December 31, 2023. In addition, $74.5 million (US$55.0 million) of cash distributions received in 2022 were declared as dividends during the year ended December 31, 2023.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	**2023 December 31**	2022 December 31
Assets		
Cash and cash equivalents	**$ 11.8**	$ 43.6
Income taxes receivable	**6.4**	-
Other current assets	**20.9**	90.1
Trade accounts receivable, net	**82.6**	178.0
Inventories	**424.7**	399.1
Other non-current assets	**23.3**	16.8
Property, plant and equipment	**1,089.1**	1,102.8
Total assets	**1,658.8**	1,830.4
Liabilities		
Trade accounts payable and accrued liabilities	**117.4**	87.9
Income taxes payable	**2.8**	4.1
Other current financial liabilities(1)	**30.4**	0.2
Loans and borrowings(2)	**23.5**	26.0
Environmental rehabilitation provisions	**84.9**	84.0
Other non-current financial liabilities	**3.7**	4.6
Deferred income taxes	**18.3**	23.7
Total liabilities	**281.0**	230.5
Net assets of Moa JV	**$ 1,377.8**	$ 1,599.9
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**688.9**	800.0
Intercompany capitalized interest elimination	**(42.2)**	(44.0)
Investment in Moa Joint Venture	**$ 646.7**	$ 756.0

(1) Included in other current financial liabilities as at December 31, 2023 is a $30.3 million revolving-term credit facility with the Corporation (December 31, 2022 – nil), of which $30.0 million is the principal balance (December 31, 2022 – nil) to fund working capital.

(2) Included in loans and borrowings is $9.1 million of current financial liabilities (December 31, 2022 - $11.3 million) and $14.4 million of non-current financial liabilities (December 31, 2022 – $14.7 million).

Statements of comprehensive income

Canadian $ millions, 100% basis, for the years ended December 31		2023		2022
Revenue	$	**884.3**	$	1,344.2
Cost of sales[1]		**(832.7)**		(989.4)
Cobalt gain		**5.5**		-
Impairment of property, plant and equipment		**(3.0)**		-
Administrative expenses		**(9.9)**		(14.7)
Earnings from operations		**44.2**		340.1
Financing income		**2.3**		0.8
Financing expense		**(11.5)**		(19.0)
Net finance expense		**(9.2)**		(18.2)
Earnings before income tax		**35.0**		321.9
Income tax expense[2]		**(1.4)**		(48.6)
Net earnings and comprehensive income of Moa JV	$	**33.6**	$	273.3
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**16.8**		136.7
Intercompany elimination		**5.1**		4.1
Share of earnings of Moa Joint Venture, net of tax	$	**21.9**	$	140.8

(1) Included in cost of sales for the year ended December 31, 2023 is depreciation and amortization of $87.3 million ($87.0 million for the year ended December 31, 2022).

(2) Income tax expense for the year ended December 31, 2023 decreased since the comparative period primarily due to a decrease in taxable earnings of the operating companies in the Moa JV.

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 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		2023 December 31		2022 December 31
Current assets[1]	$	**120.6**	$	118.0
Non-current assets		**13.5**		11.4
Current liabilities		**8.9**		8.3
Non-current liabilities		**60.8**		68.5
Net assets	$	**64.4**	$	52.6

(1) Included in current assets is $93.9 million of cash and cash equivalents (December 31, 2022 - $96.7 million).

Canadian $ millions, 33⅓% basis, for the years ended December 31		2023		2022
Revenue	$	**47.1**	$	37.1
(Expenses) income		**(32.4)**		7.7
Net earnings	$	**14.7**	$	44.8

8. NET FINANCE EXPENSE

Canadian $ millions, for the years ended December 31	Note	2023	2022
Interest income on trade accounts receivable, net		$ -	$ 0.4
Interest income on advances and loans receivable		**0.8**	11.6
Interest income on financial assets measured at amortized cost		**0.8**	12.0
Revaluation of allowances for expected credit losses:			
Trade accounts receivable, net	11	**-**	(0.4)
Energas conditional sales agreement receivable	11	**-**	(49.0)
Revaluation of allowances for expected credit losses		**-**	(49.4)
Gain on modification of Cuban receivables		**-**	4.0
Gain on revaluation of GNC receivable	11	**14.7**	2.4
Loss on revaluation of Energas payable	11	**(7.6)**	(4.0)
Gain on repurchase of notes	15	**3.5**	20.9
Other interest income and gains (losses) on financial instruments		**6.4**	(2.7)
Other financing items		**17.0**	20.6
Interest expense and accretion on loans and borrowings		**(35.1)**	(39.9)
Unrealized foreign exchange (loss) gain		**(1.1)**	5.4
Realized foreign exchange gain (loss)		**0.4**	(0.2)
Other interest expense and finance charges		**(0.4)**	(3.6)
Accretion expense on environmental rehabilitation provisions	16	**(0.3)**	(0.3)
Financing expense		**(36.5)**	(38.6)
Net finance expense		**$ (18.7)**	$ (55.4)

Revaluation of allowances for expected credit losses on Energas conditional sales agreement (CSA) receivable and trade accounts receivable from CUPET

On October 13, 2022, the Corporation signed the Cobalt Swap with its Cuban partners to recover its total outstanding Cuban receivables over five years, including the Energas CSA (note 12) and trade accounts receivable from CUPET (note 11), beginning January 1, 2023, which impacted the Corporation's ACLs on the Energas CSA and trade accounts receivable from CUPET during the year ended December 31, 2022.

During the year ended December 31, 2022, the Corporation recognized a revaluation loss on ACLs on the Energas CSA receivable of $48.5 million related to the Cobalt Swap. The ACL used probability-weighted forward-looking scenarios, including a scenario wherein the receivable is repaid under the Cobalt Swap, which was assigned a high probability given the Corporation's expectation that the Cobalt Swap would be signed and was a significant change in estimate during the year. The expected credit loss in this scenario was measured based on the fair value of the GNC receivable recognized during the year ended December 31, 2022, as the Corporation expected the existing Energas CSA receivable to be substantially modified and derecognized, with a GNC receivable recognized at fair value. The use of the fair value of the GNC receivable within the expected credit loss model of the Energas CSA was a significant change in estimate during the year ended December 31, 2022.

Within this high-probability scenario, the fair value on initial recognition of the receivable from GNC attributable to the existing Energas CSA receivable was expected to be lower than the gross carrying value of the Energas CSA receivable, in part as a result of the suspension of interest over the five-year period of the agreement, which reduced cash flows in this scenario and resulted in an expected credit loss. The fair value of the receivable from GNC was determined using a Monte Carlo simulation model, which included the following significant unobservable inputs: forecast in-kind nominal cobalt prices and discount rates.

During the year ended December 31, 2022, the Corporation also recognized a revaluation gain on ACLs on the trade accounts receivable from CUPET of $1.9 million related to the Cobalt Swap, reflecting the expectation of earlier repayment under the Cobalt Swap, which is included in the revaluation of ACLs on trade accounts receivable, net in the table above.

9. INCOME TAXES

Canadian $ millions, for the years ended December 31		2023		2022
Current income tax expense				
Current period	**$**	**2.4**	$	0.8
		2.4		0.8
Deferred income tax expense (recoveries)				
Origination and reversal of temporary differences		**(25.3)**		(10.7)
Non-recognition of tax assets		**25.1**		9.5
		(0.2)		(1.2)
Income tax expense (recoveries)	**$**	**2.2**	$	(0.4)

Barbados

On November 7, 2023, Barbados announced that effective January 1, 2024, the general corporate tax rate in Barbados will increase to 9%. This change is not expected to have a material impact on the Corporation's income tax liability during the year ended December 31, 2024.

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

Canadian $ millions, for the years ended December 31		2023		2022
(Loss) earnings before income tax from continuing operations	**$**	**(62.1)**	$	63.3
Less: share of earnings of Moa Joint Venture		**(21.9)**		(140.8)
Parent companies and subsidiaries loss before income tax		**(84.0)**		(77.5)
Income tax recoveries at the combined basic rate of 23.4% (2022 - 23.5%)		**(19.7)**		(18.2)
Increase (decrease) in taxes resulting from:				
Difference between Canadian and foreign tax rates		**(2.7)**		7.2
Non-recognition of tax assets		**25.2**		9.7
Other items		**(0.6)**		0.9
	$	**2.2**	$	(0.4)

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

Canadian $ millions, for the year ended December 31, 2023		Opening Balance		Recognized in net loss		Recognized in other comp-rehensive loss		Closing Balance
Deferred tax assets								
Property, plant and equipment	**$**	**0.7**	**$**	**(0.4)**	**$**	**-**	**$**	**0.3**
Other financial reserves		**0.1**		**-**		**-**		**0.1**
Deferred tax assets		**0.8**		**(0.4)**		**-**		**0.4**
Set off against deferred tax liabilities		**(0.8)**						**-**
	$	**-**					**$**	**0.4**
Deferred tax liabilities								
Property, plant and equipment and intangible assets	**$**	**(0.3)**	**$**	**-**	**$**	**-**	**$**	**(0.3)**
Cuban tax contingency reserve		**(1.0)**		**-**		**-**		**(1.0)**
Other financial reserves		**0.1**		**0.6**		**-**		**0.7**
Deferred tax liabilities		**(1.2)**		**0.6**		**-**		**(0.6)**
Set off against deferred tax assets		**0.8**						**-**
Net deferred tax (liabilities) assets	**$**	**(0.4)**	**$**	**0.2**	**$**	**-**	**$**	**(0.2)**

Canadian $ millions, for the year ended December 31, 2022	Opening Balance	Recognized in net earnings	Recognized in other comp-rehensive income	Closing Balance
Deferred tax assets				
Property, plant and equipment	$ 0.7	$ -	$ -	$ 0.7
Other financial reserves	0.7	(0.6)	-	0.1
Deferred tax assets	1.4	(0.6)	-	0.8
Set off against deferred tax liabilities	(1.4)			(0.8)
	$ -			$ -
Deferred tax liabilities				
Property, plant and equipment and intangible assets	$ (1.0)	$ 0.7	$ -	$ (0.3)
Cuban tax contingency reserve	(1.0)	-	-	(1.0)
Other financial reserves	(1.0)	1.1	-	0.1
Deferred tax liabilities	(3.0)	1.8	-	(1.2)
Set off against deferred tax assets	1.4			0.8
Net deferred tax (liabilities) assets	$ (1.6)	$ 1.2	$ -	$ (0.4)

As at December 31, 2023, the Corporation had taxable temporary differences of $409.9 million (December 31, 2022 - $532.1 million) associated with investments in subsidiaries and the Moa JV 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, 2023, the Corporation had non-capital losses of $996.4 million (December 31, 2022 - $962.2 million) and capital losses of $1,129.3 million (December 31, 2022 - $1,128.5 million) which may be used to reduce future taxable income. The Corporation has not recognized a deferred tax asset on $996.4 million (December 31, 2022 - $962.2 million) of non-capital losses, $1,129.3 million (December 31, 2022 - $1,128.5 million) of capital losses and $138.4 million (December 31, 2022 - $234.4 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, 2023	Expiry	Non-capital losses
Canada	2026-2043	**$ 820.8**
Other jurisdictions	Various	**175.6**

10. (LOSS) EARNINGS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the years ended December 31	**2023**	2022
Net (loss) earnings from continuing operations	**$ (64.3)**	$ 63.7
Loss from discontinued operations, net of tax	**(0.3)**	(0.2)
Net (loss) earnings for the year - basic and diluted	**$ (64.6)**	$ 63.5
Weighted-average number of common shares - basic and diluted[(1)]	**397.3**	397.3
Net (loss) earnings from continuing operations per common share:		
Basic and diluted	**$ (0.16)**	$ 0.16
Loss from discontinued operations, net of tax, per common share:		
Basic and diluted	**$ (0.00)**	$ (0.00)
Net (loss) earnings per common share:		
Basic and diluted	**$ (0.16)**	$ 0.16

(1) The determination of the weighted-average number of common shares - diluted excludes 6.6 million shares related to stock options that were anti-dilutive for the year ended December 31, 2023 (2.7 million that were anti-dilutive for the year ended December 31, 2022).

11. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at		2023 December 31		2022 December 31
Cash equivalents[(1)]	$	**0.1**	$	0.2
Cash held in banks		**119.0**		123.7
	$	**119.1**	$	123.9

(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 $21.5 million as at December 31, 2023 (December 31, 2022 - $20.3 million).

The Corporation's cash balances are deposited with major financial institutions rated investment grade by independent rating agencies, except for institutions located in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $96.3 million as at December 31, 2023 (December 31, 2022 - $101.6 million).

As at December 31, 2023, $93.9 million of the Corporation's cash and cash equivalents was held by Energas in Cuban bank deposit accounts (December 31, 2022 - $96.7 million). These funds are for use locally by the joint operation, including repayment of Energas' payable to GNC (note 15), and for payments under the Energas Payment Agreement (Moa Swap) to facilitate foreign currency payments for the operating and maintenance costs of Energas, as well as to cover future payments owed to Sherritt, including dividends.

Fair value measurement

As at December 31, 2023, the carrying amounts of cash and cash equivalents; restricted cash; trade accounts receivable, net; 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			2023 December 31				2022 December 31
		Hierarchy level		**Carrying value**		**Fair value**		Carrying value		Fair value
Liabilities:										
8.50% second lien secured notes due 2026[(1)]	15	1	**$**	**235.6**	**$**	**179.3**	$	233.6	$	185.9
10.75% unsecured PIK option notes due 2029[(1)]	15	1		**63.2**		**43.1**		70.8		38.9

(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

Canadian $ millions, as at		2023 December 31		2022 December 31
Trade accounts receivable	**$**	**100.0**	$	155.8
Allowance for expected credit losses		**(18.9)**		(19.5)
Accounts receivable from Moa Joint Venture		**44.7**		27.4
Other		**25.3**		22.7
	$	**151.1**	$	186.4

Aging of trade accounts receivable, net

Canadian $ millions, as at	2023 December 31	2022 December 31
Not past due	$ 118.3	$ 169.9
Past due no more than 30 days	24.7	4.4
Past due for more than 30 days but no more than 60 days	1.5	3.3
Past due for more than 60 days	6.6	8.8
	$ 151.1	$ 186.4

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.

		For the year ended December 31, 2023		
Canadian $ millions	As at 2022 December 31	Revaluation[1]	Foreign exchange and other non-cash items	As at 2023 December 31
Lifetime expected credit losses				
Trade accounts receivable, net	$ (19.5)	$ -	$ 0.6	$ (18.9)

		For the year ended December 31, 2022			
Canadian $ millions	As at 2021 December 31	Revaluation[1]	Derecognition	Foreign exchange and other non-cash items	As at 2022 December 31
Lifetime expected credit losses					
Trade accounts receivable, net	$ (21.8)	$ (0.4)	$ 2.2	$ 0.5	$ (19.5)
Energas conditional sales agreement[2]	(8.0)	(49.0)	57.0	-	-

(1) Revaluation of allowances for expected credit losses are recognized within net finance expense (note 8).

(2) Included in the $49.0 million revaluation loss presented above is a $48.5 million loss on revaluation of the allowance for expected credit losses on the Energas CSA recognized during the year ended December 31, 2022 as a result of the Cobalt Swap, as disclosed in note 8.

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 directed the Corporation to arrange for the performance of certain construction activity on behalf of Energas and contained design specifications for each new construction phase. The Corporation retains title to the constructed assets until the loan is fully repaid. The facility bore interest at 8.0%. Income generated by the constructed assets was 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 was presented net of its one-third share of Energas' liabilities as a result of the Corporation's one-third interest in Energas, a joint operation.

As a result of the Cobalt Swap signed on October 13, 2022 and substantial modification of the financial asset, the Energas conditional sales agreement was derecognized during the year ended December 31, 2022.

Fair value hierarchy

The GNC receivable (note 12) is a financial instrument subsequently measured at FVTPL and the Energas payable (note 15) is a financial instrument designated at FVTPL at initial recognition, as it contains an embedded derivative. Their fair values are determined using discounted cash flows in a Monte Carlo simulation model, which uses inputs, some of which are not based on observable market data and require significant judgment. As a result, the GNC receivable and Energas payable are included in Level 3 of the fair value hierarchy. The Monte Carlo simulation model includes the following inputs: forecast in-kind nominal cobalt prices, forecast cobalt price volatility, forecast cobalt volumes, forecast foreign exchange rates, discount rates and available amounts for cash payments. Forecast in-kind nominal cobalt prices and the discount rate are significant unobservable inputs for the GNC receivable. The Corporation's valuation process, including its valuation policy and procedures for fair value measurements included in Level 3, is determined by the Corporation's management and fair value is calculated each reporting period with the assistance of a third-party valuation specialist. Fair value measurement, and changes in fair value from period to period, are reviewed for reasonability by management each reporting period.

The following significant unobservable inputs were used to determine the fair value of the GNC receivable as at December 31, 2023:

- Forecast in-kind nominal cobalt prices from US$12/lb to US$17/lb (December 31, 2022 - US$18/lb to US$24/lb). A $10 increase in forecast in-kind nominal cobalt prices would increase the fair value by $12.5 million (December 31, 2022 - $10.1 million), while a $10 decrease in forecast in-kind nominal cobalt prices would decrease the fair value by $15.8 million (December 31, 2022 - $7.7 million). The settlement of the GNC receivable is based on an in-kind value of cobalt, calculated as a cobalt reference price from the month preceding distribution, modified mutually between the Corporation and GNC in consideration of selling costs incurred by the Corporation.
- Discount rate of 11% (December 31, 2022 – 12%). A 5 percentage point increase in the discount rate would decrease the fair value by $24.8 million (December 31, 2022 - $27.7 million), while a 5 percentage point decrease in the discount rate would increase the fair value by $29.1 million (December 31, 2022 - $32.1 million).

The following is a reconciliation of the fair value of the GNC receivable upon initial recognition to December 31, 2022 and from December 31, 2022 to December 31, 2023:

Canadian $ millions, for the years ended	Note	**2023 December 31**	2022 December 31
Balance, beginning of the year (prior year - balance upon initial recognition)		**$ 279.1**	$ 280.2
Gain on revaluation of GNC receivable in net finance expense	8	**14.7**	2.4
Settlements		**(76.0)**	(3.5)
Balance, end of the year	12	**$ 217.8**	$ 279.1

The following is a reconciliation of the fair value of the Energas payable upon initial recognition to December 31, 2022 and from December 31, 2022 to December 31, 2023:

Canadian $ millions, for the years ended	Note	**2023 December 31**	2022 December 31
Balance, beginning of the year (prior year - balance upon initial recognition)		**$ 82.6**	$ 79.6
Loss on revaluation of Energas payable in net finance expense	8	**7.6**	4.0
Settlements		**(14.8)**	(1.0)
Balance, end of the year	15	**$ 75.4**	$ 82.6

12. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	2023 December 31	2022 December 31
Advances and loans receivable			
GNC receivable[1]	11	**$ 217.8**	$ 279.1
Moa JV revolving-term credit facility		**30.3**	-
Other financial assets			
Finance lease receivables		**1.9**	2.8
		250.0	281.9
Current portion of advances, loans receivable and other financial assets[2]		**(79.8)**	(74.8)
Non-current portion of advances, loans receivable and other financial assets		**$ 170.2**	$ 207.1

(1) As at December 31, 2023, the non-current portion of the GNC receivable agreement is $169.2 million (December 31, 2022 - $205.2 million).

(2) Included in the current portion of advances, loans receivable and other financial assets as at December 31, 2023 is the current portion of the GNC receivable of $48.6 million (December 31, 2022 - $73.9 million) and the current portion of the Moa JV revolving-term credit facility of $30.3 million (December 31, 2022 – nil), of which $30.0 million is the principal balance (December 31, 2022 – nil) to fund working capital.

GNC receivable

The principal balance of the GNC receivable as at December 31, 2023 was $292.0 million (December 31, 2022 - $368.0 million), reflecting finished cobalt and cash settlements of $76.0 million during the year ended December 31, 2023.

On October 13, 2022, the Corporation signed the Cobalt Swap with its Cuban partners to recover its total outstanding Cuban receivables over five years, beginning January 1, 2023. Under the agreement, the Moa JV, at the discretion of its Board of Directors, will prioritize payment of dividends in the form of finished cobalt to each partner (Sherritt and GNC), up to an annual maximum volume of cobalt, with any additional dividends in a given year to be distributed in cash. All of GNC's share of these cobalt dividends, and potentially additional cash dividends, will be redirected to Sherritt as payment to recover the receivables until an annual dollar limit, including the collection of any prior year shortfalls, has been reached.

Under the terms of the Cobalt Swap, GNC agreed to assume certain liabilities of amounts owed to Sherritt by Energas S.A. (Energas) and CUPET in order to fully repay outstanding amounts over a five-year period. As a result of signing the agreement on October 13, 2022, GNC became party to the contractual provisions of the agreement and the existing receivables from Energas and CUPET were modified. The modification was determined to be a substantial modification and the existing receivables for amounts owing from Energas and CUPET were derecognized, with a GNC receivable recognized at fair value on initial recognition in the consolidated statements of financial position.

The principal balance of the GNC receivable as at December 31, 2022 was $368.0 million, representing the former Energas CSA receivable of $336.3 million, including accrued interest, and the former trade accounts receivable from CUPET of $31.7 million (collectively, Energas/CUPET liabilities). The Corporation retains title to the power generating assets financed by the former Energas CSA described below, now assumed by GNC, until the GNC receivable is fully repaid.

As a result of the exchange, Sherritt no longer has the responsibility for collection on the amounts solely from Energas and CUPET. Energas and CUPET will remain liable for payment of the Energas/CUPET liabilities, as applicable, only to the extent not satisfied by GNC. On distribution of any redirected amounts from GNC in cobalt or cash to Sherritt, GNC will receive an equivalent payment from Energas/CUPET denominated in Cuban pesos. As a result of the Corporation's one-third interest in Energas, a joint operation, and recognition of its share of liabilities, the Corporation recognized one-third of Energas' liability to GNC at fair value on initial recognition in its consolidated statement of financial position as at December 31, 2022.

No interest will accrue on the Corporation's GNC receivable over the five-year period. In the event that the total outstanding receivables are not fully repaid by December 31, 2027, interest will accrue retroactively at 8.0% from January 1, 2023 on the unpaid principal amount as at December 31, 2027, and the unpaid principal and interest amounts will become due and payable by GNC to Sherritt.

Under the Cobalt Swap, over the five years beginning January 1, 2023, the Moa JV, at the discretion of its Board of Directors, will dividend a maximum of 2,082 tonnes of finished cobalt annually to the joint venture partners. Accordingly, Sherritt will receive a maximum of 1,041 tonnes of finished cobalt dividends per year in respect of its 50% share of the Moa JV. GNC will redirect its 50% share of the total Moa JV dividends, up to 1,041 tonnes of finished cobalt per year, to Sherritt as repayment towards the outstanding receivables, provided that the total cobalt volume redirected has a value of at least US$57.0 million, subject to the following:

- if the total annual finished cobalt dividend redirected by GNC has a value of less than US$57.0 million, GNC's share of any cash distributions from the Moa JV in such year will be redirected to Sherritt until the value of physical cobalt and cash distributions in the aggregate totals US$57.0 million;
- if the maximum cobalt volume distributed (1,041 tonnes) is not met in a given year, the volume deficit will be added to the threshold in the following year; and
- any shortfall in the annual minimum payment will also be added to the following year, such that the full repayment is made within five years.

The settlement of the outstanding receivables is based on an in-kind value of cobalt, calculated as a cobalt reference price from the month preceding distribution, modified mutually between the Corporation and GNC in consideration of selling costs incurred by the Corporation. Upon receipt of the finished cobalt dividends, the title to both Sherritt and GNC's redirected share of the finished cobalt will be transferred immediately to Sherritt and the physical product will be moved to a Sherritt warehouse in Fort Saskatchewan, from which Sherritt will sell the finished cobalt in the open market.

Moa JV revolving-term credit facility

As at December 31, 2023, $30.0 million of principal amount was drawn by the Moa JV (December 31, 2022 – nil) to fund working capital.

The Moa JV revolving-term credit facility is provided by the Corporation to the Moa JV to fund working capital and capital expenditures. The maximum credit available is $75.0 million and the interest rates are bankers' acceptance plus 4.00%. Borrowings on the facility are available to fund working capital and capital expenditures of $45.0 million and $30.0 million, respectively.

During the year ended December 31, 2023, the Moa JV revolving-term credit facility was amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other changes to the terms or restrictions above.

13. INVENTORIES

Canadian $ millions, as at	**2023 December 31**	2022 December 31
Raw materials	**$ -**	$ 0.1
Materials in process	**1.2**	0.3
Finished products	**9.7**	14.6
	10.9	15.0
Spare parts and operating materials	**28.9**	22.7
	$ 39.8	$ 37.7

For the year ended December 31, 2023, the cost of inventories included in cost of sales was $177.0 million, including $86.1 million of finished cobalt inventories received pursuant to the Cobalt Swap and sold to customers ($82.1 million and nil for the year ended December 31, 2022, respectively).

14. NON-FINANCIAL ASSETS

Property, plant and equipment

Canadian $ millions, for the year ended December 31	Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	Total 2023
Cost				
Balance, beginning of the year	$ 59.8	$ 608.2	$ 13.9	$ 681.9
Additions	-	20.1	0.5	20.6
Additions and changes in estimates to environmental rehabilitation provisions	-	4.3	-	4.3
Disposals and derecognition	-	(2.8)	-	(2.8)
Effect of movements in exchange rates	0.7	(7.0)	-	(6.3)
Balance, end of the year	$ 60.5	$ 622.8	$ 14.4	$ 697.7
Depletion, depreciation and impairment losses				
Balance, beginning of the year	$ 59.8	$ 468.4	$ 5.1	$ 533.3
Depletion and depreciation	-	12.7	1.2	13.9
Disposals and derecognition	-	(2.6)	-	(2.6)
Effect of movements in exchange rates	0.7	(6.8)	-	(6.1)
Balance, end of the year	$ 60.5	$ 471.7	$ 6.3	$ 538.5
Net book value	$ -	$ 151.1	$ 8.1	$ 159.2

Canadian $ millions, for the year ended December 31	Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	Total 2022
Cost				
Balance, beginning of the year	$ 59.8	$ 584.0	$ 13.6	$ 657.4
Additions	-	27.7	0.2	27.9
Additions and changes in estimates to environmental rehabilitation provisions	(0.2)	(15.2)	-	(15.4)
Disposals and derecognition	-	(8.2)	-	(8.2)
Effect of movements in exchange rates	0.2	19.9	0.1	20.2
Balance, end of the year	$ 59.8	$ 608.2	$ 13.9	$ 681.9
Depletion, depreciation and impairment losses				
Balance, beginning of the year	$ 59.5	$ 443.2	$ 3.8	$ 506.5
Depletion and depreciation	-	13.2	1.3	14.5
Impairments	-	0.3	-	0.3
Disposals and derecognition	-	(6.9)	-	(6.9)
Effect of movements in exchange rates	0.3	18.6	-	18.9
Balance, end of the year	$ 59.8	$ 468.4	$ 5.1	$ 533.3
Net book value	$ -	$ 139.8	$ 8.8	$ 148.6

Extension of Energas' power generation contract

During the year ended December 31, 2022, Cuba's Executive Committee of the Council of Ministers approved the twenty-year extension of the Energas Joint Venture contract with the Cuban government to March 2043, which was set to expire in March 2023. As a result, the estimated useful lives of property, plant and equipment and intangible assets in the Power reportable segment were extended.

Canadian $ millions		Plant, equipment and land
Assets under construction, included in above		
As at December 31, 2023	**$**	**30.6**
As at December 31, 2022		24.1

Intangible assets

Canadian $ millions, for the year ended December 31										**2023**
		Contractual arrange-ments		**Exploration and evaluation**		**Service concession arrange-ments**		**Other**		**Total**
Cost										
Balance, beginning of the year	**$**	**27.0**	**$**	**115.9**	**$**	**235.1**	**$**	**9.1**	**$**	**387.1**
Additions		**-**		**0.4**		**1.0**		**-**		**1.4**
Effects of movements in exchange rates		**-**		**(0.2)**		**(5.4)**		**-**		**(5.6)**
Balance, end of the year	**$**	**27.0**	**$**	**116.1**	**$**	**230.7**	**$**	**9.1**	**$**	**382.9**
Amortization and impairment losses										
Balance, beginning of the year	**$**	**26.9**	**$**	**108.6**	**$**	**228.7**	**$**	**9.1**	**$**	**373.3**
Amortization		**-**		**-**		**0.4**		**-**		**0.4**
Impairments		**-**		**-**		**-**		**-**		**-**
Effect of movements in exchange rates		**-**		**-**		**(5.3)**		**-**		**(5.3)**
Balance, end of the year	**$**	**26.9**	**$**	**108.6**	**$**	**223.8**	**$**	**9.1**	**$**	**368.4**
Net book value	**$**	**0.1**	**$**	**7.5**	**$**	**6.9**	**$**	**-**	**$**	**14.5**

Canadian $ millions, for the year ended December 31										2022
		Contractual arrange-ments		Exploration and evaluation		Service concession arrange-ments		Other		Total
Cost										
Balance, beginning of the year	**$**	27.0	**$**	114.2	**$**	220.4	**$**	9.1	$	370.7
Additions		-		1.2		-		-		1.2
Effect of movements in exchange rates		-		0.5		14.7		-		15.2
Balance, end of the year	$	27.0	$	115.9	$	235.1	$	9.1	$	387.1
Amortization and impairment losses										
Balance, beginning of the year	**$**	26.5	**$**	107.3	**$**	203.5	**$**	9.1	$	346.4
Amortization		0.4		-		11.1		-		11.5
Impairments		-		1.3		-		-		1.3
Effect of movements in exchange rates		-		-		14.1		-		14.1
Balance, end of the year	$	26.9	$	108.6	$	228.7	$	9.1	$	373.3
Net book value	$	0.1	$	7.3	$	6.4	$	-	$	13.8

Exploration and evaluation

Exploration and evaluation assets include three oil production-sharing contracts (PSCs) with the Government of Cuba, respectively referred to as Block 6A, Block 8A and Block 10, in the Oil and Gas segment. 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, 2022, the Corporation recognized an impairment loss of $1.3 million related to Block 8A, as the Corporation no longer expects to explore this area. The Block 10 contract expires in 2043 and the Block 6A contract expires in 2045.

Service concession arrangements

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

15. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

			For the year ended December 31, 2023			
			Cash flows	Non-cash changes		
Canadian $ millions	Note	As at 2022 December 31	**Increase in other loans and borrowings**	**Repurchase of notes**	**Other**	**As at 2023 December 31**
8.50% second lien secured notes due 2026	11	$ 233.6	**$ -**	**$ -**	**$ 2.0**	**$ 235.6**
10.75% unsecured PIK option notes due 2029	11	70.8	**-**	**(7.8)**	**0.2**	**63.2**
Syndicated revolving-term credit facility		46.5	**13.0**	**-**	**(2.7)**	**56.8**
		$ 350.9	**$ 13.0**	**$ (7.8)**	**$ (0.5)**	**$ 355.6**
Current portion of loans and borrowings		(46.5)				**(56.8)**
Non-current portion of loans and borrowings		$ 304.4				**$ 298.8**

		For the year ended December 31, 2022			
		Cash flows	Non-cash changes		
Canadian $ millions	As at 2021 December 31	Increase in other loans and borrowings	Repurchase of notes	Other	As at 2022 December 31
8.50% second lien secured notes due 2026	$ 354.5	$ -	(114.2)	$ (6.7)	$ 233.6
10.75% unsecured PIK option notes due 2029	82.6	-	(11.0)	(0.8)	70.8
Syndicated revolving-term credit facility	7.4	37.0	-	2.1	46.5
	$ 444.5	$ 37.0	$ (125.2)	$ (5.4)	$ 350.9
Current portion of loans and borrowings	-				(46.5)
Non-current portion of loans and borrowings	$ 444.5				$ 304.4

8.50% second lien secured notes due 2026 ("Second Lien Notes")

As at December 31, 2023, the outstanding principal amount of the Second Lien Notes is $221.3 million (December 31, 2022 – $221.3 million) and the notes mature on November 30, 2026. Interest is payable semi-annually in cash in April and October.

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 (used) by 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, including cash distributions received by the Corporation from GNC pursuant to the Cobalt Swap and its assumption of the Energas CSA), 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. Expected mandatory Excess Cash Flow redemptions have been included in the calculation of the effective interest rate of the Second Lien Notes.

For the two-quarter period ended December 31, 2023, Excess Cash Flow, as defined in the Second Lien Notes Indenture, was negative. As a result, no mandatory redemptions will be required on the interest payment date in April 2024.

The minimum liquidity amount is defined in the Second Lien Notes Indenture as all unrestricted cash, cash equivalents and short-term investments measured in accordance with IFRS, held by the Corporation and its restricted subsidiaries in bank accounts located in Canada, less the principal amount drawn on the syndicated revolving-term credit facility, plus the total amount of cash used on all repurchases of Second Lien Notes and 10.75% unsecured PIK option notes due 2029 during the relevant two-fiscal quarter period. There were no repurchases of notes during the two-quarter period ended December 31, 2023.

The Second Lien Notes 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 Second Lien Notes 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, unsecured debt can be incurred without the use of a basket and restricted payments can be made to the extent the Corporation has sufficient room in an applicable basket, including the "builder basket" as calculated under the Second Lien Notes Indenture. As at December 31, 2023, the Corporation met the required financial ratio and has the capacity to make restricted payments up to $85.9 million.

During the year ended December 31, 2023, the Corporation repurchased nil principal of the Second Lien Notes. During the year ended December 31, 2022, the Corporation repurchased $129.2 million of principal of the Second Lien Notes on the open market at a cost of $114.2 million, plus $1.1 million of accrued interest, resulting in a gain on repurchase of notes of $11.2 million (note 8).

Other non-cash changes consists of gains/losses on revision of cash flows and interest and accretion of a 7% premium. This premium is due upon the earlier of optional redemption and maturity of the notes and is accreted over the life of the instrument.

10.75% unsecured PIK option notes due 2029 ("PIK Notes")

As at December 31, 2023, the outstanding principal amount of the PIK Notes is $63.4 million (December 31, 2022 - $70.8 million) and the notes mature on August 31, 2029. Interest is payable semi-annually in cash or in-kind, at Sherritt's election, in January and July. 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, 2023, the Corporation repurchased $11.2 million of principal of the PIK Notes at a cost of $7.8 million, plus $0.1 million of accrued interest, resulting in a gain on repurchase of notes of $3.5 million (note 8). During the year ended December 31, 2022, the Corporation repurchased $19.9 million of principal of the PIK Notes at a cost of $10.9 million, plus $0.7 million of accrued interest, resulting in a gain on repurchase of notes of $9.7 million (note 8).

During the year ended December 31, 2023, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest due in January 2023 of $3.8 million and added the payment-in-kind interest to the principal amount owed to noteholders and the Corporation paid the July 2023 interest payment on the PIK Notes of $3.4 million in cash. During the year ended December 31, 2022, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest of $8.1 million on the PIK Notes and added the payment in-kind interest to the principal amount owed to noteholders.

Subsequent to period end, in accordance with the terms of the PIK Notes Indenture, the Corporation elected not to pay cash interest due in January 2024 of $3.4 million and added the payment-in-kind interest to the principal amount owed to noteholders.

Other non-cash changes consist of the gain on repurchase of notes, net of capitalized interest and accretion. Accrued and unpaid interest on these notes is capitalized to the principal balance semi-annually in January and July at the election of the Corporation.

Syndicated revolving-term credit facility ("Credit Facility")

As at December 31, 2023, the outstanding principal amount of the Credit Facility is $58.0 million (December 31, 2022 - $45.0 million) and the Credit Facility matures on April 30, 2025.

The maximum credit available is $100.0 million and the interest rates are bankers' acceptance plus 4.00%. Borrowings on the Credit Facility are available to fund working capital and capital expenditures. Borrowings under the Credit Facility for 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 trailing 12-month 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 trailing 12-month basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's PIK Notes; and

- Minimum Tangible Net Worth covenant, as defined in the agreement, of $600.0 million plus 50% of positive net earnings. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the Credit Facility, less the principal amount of the Second Lien Notes, less the principal amount of the PIK Notes, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2023, the Corporation has $0.5 million of letters of credit outstanding pursuant to this facility (December 31, 2022 - $0.5 million).

During the year ended December 31, 2023, the Credit Facility was amended to (i) add an accordion feature, which allows additional lenders to join the Credit Facility and increase the maximum credit available by up to $25.0 million, subject to certain conditions, (ii) increase the permitted debt outside of the Credit Facility from $25.0 million to $35.0 million and (iii) extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other significant changes to the terms, financial covenants or restrictions.

In May 2022, Sherritt received consent from its lenders to expand the allowable use of proceeds to include repurchases of its notes.

Other non-cash changes consist of accretion and a gain due to revisions of cash flows.

Other financial liabilities

Canadian $ millions, as at	Note	**2023 December 31**	2022 December 31
Energas payable[1]	11	**$ 75.4**	$ 82.6
Lease liabilities		**11.0**	12.6
Share-based compensation liability	6, 17	**6.7**	34.6
Other financial liabilities		**4.0**	40.4
		97.1	170.2
Current portion of other financial liabilities[2]		**(22.5)**	(81.8)
Non-current portion of other financial liabilities		**$ 74.6**	$ 88.4

(1) As at December 31, 2023, the non-current portion of the Energas payable is $59.0 million (December 31, 2022 - $68.2 million).

(2) As at December 31, 2023, the current portion of other financial liabilities includes the current portions of the Energas payable of $16.4 million (December 31, 2022 - $14.4 million), a share-based compensation liability of $4.2 million (December 31, 2022 - $28.2 million) and nil other financial liability (December 31, 2022 - $37.2 million) to the Moa JV for distributions received that had not yet been declared as dividends, which was extinguished upon declaration as dividends.

Energas payable

During the year ended December 31, 2023, $14.8 million (US$11.0 million) (33⅓% basis) of cash was paid by Energas to GNC in Cuban pesos. The outstanding principal balance of the Energas payable as at December 31, 2023 is $97.3 million (December 31, 2022 - $112.1 million) (33⅓% basis).

No interest accrues on Energas' payable to GNC over the five-year period of the Cobalt Swap. In the event that the Energas payable is not fully repaid to GNC by December 31, 2027, interest will accrue retroactively at 8.0% from January 1, 2023 on the unpaid principal amount as at December 31, 2027, and the unpaid principal and interest amounts will become due and payable by Energas to GNC.

Lease liabilities

		For the year ended December 31, 2023				
		Cash flows		Non-cash changes		
Canadian $ millions	As at 2022 December 31	**Principal repayments (note 23)**	**Interest paid (notes 19 and 23)**	**Effect of movement in exchange rates**	**Other**	**As at 2023 December 31**
Lease liabilities	$ 12.6	**$ (2.0)**	**$ (0.7)**	**$ -**	**$ 1.1**	**$ 11.0**

		For the year ended December 31, 2022				
		Cash flows		Non-cash changes		
Canadian $ millions	As at 2021 December 31	Principal repayments (note 23)	Interest paid (notes 19 and 23)	Effect of movement in exchange rates	Other	As at 2022 December 31
Lease liabilities	$ 14.2	$ (1.9)	$ (0.8)	$ -	$ 1.1	$ 12.6

16. PROVISIONS, GUARANTEES AND CONTINGENCIES

Canadian $ millions, as at	**2023 December 31**	2022 December 31
Environmental rehabilitation provisions	**$ 125.7**	$ 103.6
Other provisions	**2.3**	2.6
	128.0	106.2
Current portion of provisions(1)	**(24.4)**	(15.7)
Non-current portion of provisions	**$ 103.6**	$ 90.5

(1) As at December 31, 2023, the current portion of provisions includes a current environmental rehabilitation provision of $23.4 million related to the Corporation's legacy Spanish Oil and Gas operations (December 31, 2022 – $14.7 million).

Environmental rehabilitation provisions

Provisions for environmental rehabilitation obligations are recognized in respect of Fort Site, 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	2023	2022
Balance, beginning of the year		**$ 103.6**	$ 103.8
Change in estimates		**27.2**	(0.4)
Gain on settlement of environmental rehabilitation provisions		**(0.2)**	(0.1)
Utilized during the year		**(5.9)**	(0.5)
Accretion	8	**0.3**	0.3
Effect of movement in exchange rates		**0.7**	0.5
Balance, end of the year		**$ 125.7**	$ 103.6

Change in estimates includes the impact of an increase in discount rates, which ranged from 3.1% to 7.8% as at December 31, 2023 (as at December 31, 2022 – discount rates from 3.3% to 7.2%), and were applied to expected future cash flows to determine the carrying value of the environmental rehabilitation provisions, and an increase in the environmental rehabilitation provision related to the Corporation's legacy Spanish Oil and Gas operations of $25.8 million during the year ended December 31, 2023 ($12.4 million for the year ended December 31, 2022) due to an increase in estimated rehabilitation costs for specialized decommissioning work and additional decommissioning activities required by regulators which were finalized during the fourth quarter of 2023.

The Corporation has estimated that it will require approximately $212.1 million in undiscounted cash flows to settle these obligations. The payments are expected to be funded by cash provided by operating activities.

Guarantees

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. During the year ended December 31, 2023, a new parent company guarantee was signed with a four-year term valid until December 31, 2027 and a guaranteed amount of €35.8 million. The parent company guarantee has no impact on the Corporation's available liquidity.

Contingencies

A number of the Corporation's subsidiaries have operations located in Cuba. The United States of America 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 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. 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. 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, Sherritt has not been subjected to any lawsuits in this regard. 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 (loss) earnings, cash flow or financial position.

17. SHARE-BASED COMPENSATION PLANS

Equity-settled stock option plan

The Corporation maintains a stock option plan, pursuant to which shares of the Corporation may be issued as compensation. Eligible participants are those persons designated from time to time by the Human Resources Committee (“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.

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 4,282,796 as at December 31, 2023. Under the stock option plan, the exercise price of each option equals the volume-weighted average trading price of the Corporation’s shares 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 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.

In February 2023, the Corporation’s Board of Directors approved the grant of stock options to executive officers with an exercise price of $0.53 and a maximum life of 7 years. The options vest and become exercisable in three equal amounts on the annual anniversary date of the grant of the options. The number of these options granted during the year ended December 31, 2023 was 3,982,732 (nil during the year ended December 31, 2022).

Canadian $, except as noted, for the year ended December 31		**2023**
Share price at grant date	$	0.53
Exercise price		0.53
Risk-free interest rate (based on 7-year Government of Canada bonds)		3.42%
Expected volatility		70%
Expected dividend yield		0%
Expected life of options		7 years
Weighted-average fair value of options granted during the period	$	0.36

Expected volatility is estimated based on the average historical share price volatility for a period equal to the expected life of the option. The expected life of the option is estimated to equal its legal life at the time of grant. The expected dividend yield is determined by comparing the expected dividend payment to the share price at grant date.

The following is a summary of stock option activity:

Canadian $, except number of options, for the years ended December 31			**2023**			2022
	Number of options		**Weighted-average exercise price**	Number of options		Weighted-average exercise price
Outstanding, beginning of the year	**2,701,741**	**$**	**1.40**	4,120,191	$	1.78
Granted	**3,982,732**		**0.53**	-		-
Expired	**(71,800)**		**5.14**	(1,418,450)		2.50
Outstanding, end of the year	**6,612,673**	**$**	**0.83**	2,701,741	$	1.40
Options exercisable, end of the year	**2,629,941**	**$**	**1.29**	2,701,741	$	1.40

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

As at December 31					2023
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number exercisable	Exercisable weighted-average exercise price
$0.53 - $1.20	**5,653,208**	**5.1**	**$ 0.62**	**1,670,476**	**$ 0.83**
$1.21 - $2.11	**645,467**	**2.8**	**1.63**	**645,467**	**1.63**
$2.12 - $3.00	**283,899**	**0.6**	**2.99**	**283,899**	**2.99**
$3.01 - $3.70	**30,099**	**0.0**	**3.70**	**30,099**	**3.70**
Total	**6,612,673**	**4.6**	**$ 0.83**	**2,629,941**	**$ 1.29**

As at December 31, 2023, 6,612,673 stock options (December 31, 2022 – 2,701,741) remained outstanding for which the Corporation has recognized a share-based compensation expense of $0.7 million for the year ended December 31, 2023 (expense of nil for the year ended December 31, 2022).

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) RSUs with no performance conditions, which vest at the end of three years and ii) PSUs subject to performance conditions, which vest at the end of three years.

Cash payments for share-based units are primarily made in the first quarter of each year and are dependent upon the market value of the Corporation's shares on the settlement date, and in the case of PSUs, cash payments are also dependent upon the achievement of the performance conditions described below. The market value of the Corporation's shares as at December 31, 2023 and December 31, 2022 was $0.29 and $0.50, respectively.

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 shares multiplied by the number of RSUs held by the participant. RSUs are issued subject to vesting conditions, which are set by the Committee of the Board of Directors. 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 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, 2023 was 15,178,344 (December 31, 2022 – 31,424,431).

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 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 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 Committee. The vesting of PSUs granted prior to 2023 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 for grants made in 2021 or the Corporation's total shareholder return relative to benchmark indices composed of mining companies for grants made in 2022 (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) and a service condition. The value of PSUs that vest will vary from 0% to 200% based on the achievement of the market and non-market performance conditions. The number of PSUs subject to these performance conditions outstanding as at December 31, 2023 was 11,192,177 (December 31, 2022 – 31,424,431).

During the year ended December 31, 2023, the Corporation's Board of Directors approved the grant of PSUs to certain employees, the vesting of which will be subject to the achievement of the Corporation's total shareholder return relative to individual constituents of a benchmark mining index (a market condition) (the "disaggregated RTSR performance condition") and a service condition. Performance will be based on the percentile return of the Corporation as compared to the constituents within the index. The value of PSUs that vest will vary from 0% to 200% based on the achievement of the market performance condition. The number of PSUs subject to this performance condition outstanding as at December 31, 2023 was 5,750,554 (December 31, 2022 – nil).

DSUs

Under the terms of the Non-Executive Directors' DSU Plan, 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 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 total of 6,334,403 DSUs are outstanding and vested as at December 31, 2023, granted between 2013 and 2023.

A summary of the RSUs, PSUs and DSUs outstanding as at December 31, 2023 and 2022 and changes during the year ended is as follows:

For the year ended December 31			2023
	RSUs	PSUs	DSUs
Outstanding, beginning of the year	**31,424,431**	**31,424,431**	**5,695,560**
Granted	**4,172,489**	**5,936,876**	**1,478,906**
Exercised	**(20,061,555)**	**(20,061,555)**	**(840,063)**
Forfeited	**(357,021)**	**(357,021)**	**-**
Outstanding, end of the year	**15,178,344**	**16,942,731**	**6,334,403**
Units exercisable, end of the year	**n/a**	**n/a**	**6,334,403**

For the year ended December 31			2022
	RSUs	PSUs	DSUs
Outstanding, beginning of the year	32,985,216	32,985,216	4,800,812
Granted	5,238,226	5,238,226	1,216,684
Exercised	(6,506,942)	(3,448,703)	(321,936)
Forfeited	(292,069)	(3,350,308)	-
Outstanding, end of the year	31,424,431	31,424,431	5,695,560
Units exercisable, end of the year	n/a	n/a	5,695,560

During the year ended December 31, 2023, the Corporation recognized a share-based compensation recovery of $2.2 million for cash-settled share-based units, during which time the market value of the Corporation's shares decreased by $0.21 and additional units vested. During the year ended December 31, 2022, the Corporation recognized a share-based compensation expense of $17.5 million for cash-settled share-based units, during which time the market value of the Corporation's shares increased by $0.12 and additional units vested.

Share-based compensation liability

Canadian $ millions, as at	Note	**2023 December 31**	2022 December 31
Share-based compensation liability	15	**$ 6.7**	$ 34.6
Current portion of share-based compensation liability		**(4.2)**	(28.2)
Non-current portion of share-based compensation liability		**$ 2.5**	$ 6.4

Share-based compensation (recovery) expense

		For the year ended	
Canadian $ millions	Note	**2023 December 31**	2022 December 31
Share-based compensation (recovery) expense	6	**$ (1.5)**	$ 17.5

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 Corporation's shares at the time of grant. The following summarizes the weighted-average grant date fair values for the RSUs, PSUs and DSUs granted during the year:

Canadian $, for the years ended December 31	**2023**	2022
RSU	**$ 0.52**	$ 0.60
PSU	**0.53**	0.60
DSU	**0.51**	0.45

The intrinsic value of cash-settled share-based compensation awards vested and outstanding as at December 31, 2023 was $6.7 million (December 31, 2022 - $34.6 million).

18. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at December 31	**2023**
Property, plant and equipment commitments	**$ 7.7**

19. SUPPLEMENTAL CASH FLOW INFORMATION

Working capital is defined as the Corporation's current assets less current liabilities and was $111.7 million as at December 31, 2023 ($61.7 million - December 31, 2022).

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		2023		2022
Trade accounts receivable, net	**$**	**(45.2)**	$	(11.0)
Inventories		**(10.5)**		(7.2)
Prepaid expenses		**(2.8)**		(0.9)
Trade accounts payable and accrued liabilities		**(37.0)**		7.4
Deferred revenue		**1.9**		1.1
	$	**(93.6)**	$	(10.6)

Interest paid

Interest paid includes the following:

Canadian $ millions, for the years ended December 31	Note		2023		2022
Interest paid on lease liabilities	15, 23	**$**	**(0.7)**	$	(0.8)
Interest paid on Second Lien Notes			**(18.8)**		(29.1)
Interest paid on PIK Notes			**(3.5)**		-
Other interest paid			**(5.3)**		(2.1)
		$	**(28.3)**	$	(32.0)

Non-cash transactions

Finished cobalt cost of sales expense is a non-cash expense added back to net (loss) earnings from continuing operations in the Corporation's consolidated statements of cash flow prepared using the indirect method as the Corporation received finished cobalt inventories for no consideration pursuant to the Cobalt Swap and in satisfaction of its GNC receivable.

During the year ended December 31, 2023, investing activities excluded $44.0 million of non-cash settlements of the GNC receivable, which was partially settled through receipts of finished cobalt inventories pursuant to the Cobalt Swap. During the year ended December 31, 2023, an additional $32.0 million of the GNC receivable was settled through receipts of cash, presented within Receipts of advances, loans receivables and other financial assets in the consolidated statements of cash flow. Refer to note 12 for further details on the Cobalt Swap. All comparative figures are nil as the Cobalt Swap commenced on January 1, 2023.

20. SHAREHOLDERS' EQUITY

Capital stock

The Corporation's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. There were no changes in the Corporation's outstanding common shares during the years ended December 31, 2023 and 2022.

Reserves

Canadian $ millions, for the years ended December 31		2023		2022
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	**$**	**11.2**	$	11.2
Stock option plan expense		**0.7**		-
Balance, end of the year		**11.9**		11.2
Total reserves, end of the year	**$**	**234.1**	$	233.4

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

Accumulated other comprehensive income

Canadian $ millions, for the years ended December 31		2023		2022
Foreign currency translation reserve				
Balance, beginning of the year	**$**	**406.2**	$	360.4
Foreign currency translation differences on foreign operations, net of tax		**(17.2)**		45.8
Balance, end of the year		**389.0**		406.2
Actuarial (losses) gains on pension plans				
Balance, beginning of the year		**(4.6)**		(5.2)
Actuarial (losses) gains on pension plans, net of tax		**(0.2)**		0.6
Balance, end of the year		**(4.8)**		(4.6)
Total accumulated other comprehensive income	**$**	**384.2**	$	401.6

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Cuba risk

During the years ended December 31, 2023, and December 31, 2022, Cuba experienced continued U.S. sanctions, impacting the country's economy and hampering the country's foreign currency liquidity. The foregoing may contribute to increased economic risk to the Corporation.

As a result of the Cobalt Swap, the Corporation no longer has the responsibility for collection of receivable amounts solely from Energas and CUPET, which are dependent upon Cuba's economy, and instead will collect from GNC, the Corporation's Moa JV partner. GNC receives distributions from the Moa JV, which is less dependent upon Cuba's economy as it earns foreign currency from nickel and cobalt sales to customers outside of Cuba.

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, discussed below in the commodity price risk section.

Credit risk

Sherritt's sales of nickel, cobalt, fertilizers and electricity expose the Corporation to the risk of non-payment by customers. Sherritt manages this risk by monitoring the creditworthiness of its customers, 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 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 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	2023 December 31	2022 December 31
Cash		**$ 96.4**	$ 101.7
Trade accounts receivable, net		**10.0**	7.2
Advances and loans receivable[1]		**217.8**	279.2
Total		**$ 324.2**	$ 388.1

(1) Advances and loans receivable excludes the Moa JV revolving-term credit facility with the Corporation as the counterparty is an operating company within the Moa JV that is located in Bahamas. Advances and loans receivable includes the GNC receivable pursuant to the Cobalt Swap of $217.8 million (December 31, 2022 - $279.1 million) (note 12), which the Corporation recovers from GNC. Although GNC is located in Cuba, it is less dependent upon Cuba's economy, as GNC earns foreign currency from the Moa JV, whose nickel and cobalt sales are with customers outside of Cuba.

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.

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, 2023. 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[1]	11	**n/a**	**$ 170.0**	**$ (18.9)**	**$ 151.1**

(1) For trade accounts receivable, net, 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.

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, timing of collection of receivables, production and sales volumes, cash production costs, distributions from the Moa JV (including pursuant to the Cobalt Swap), working capital requirements, capital expenditure requirements, repayments of non-current loans and borrowings 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 provided by operating activities and distributions from the Moa JV (including pursuant to the Cobalt Swap), 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, 2023, 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.

Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices and interest rates.

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 (loss) income.

Based on financial instrument balances as at December 31, 2023, 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 $2.3 million, respectively, on the Corporation's net (loss) earnings.

Based on financial instrument balances as at December 31, 2023, 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 $4.3 million, respectively, on the Corporation's other comprehensive (loss) income.

Commodity price risk

The Corporation is exposed to fluctuations in certain commodity prices. Realized prices for finished products and costs for input commodities are the most significant factors affecting the Corporation's revenue and earnings. Revenue, earnings and cash flows from the sale of nickel, cobalt and fertilizers 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. The Corporation has not entered into such agreements during the years ended December 31, 2023 or 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 JV. 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 JV.

Interest rate risk

The Corporation is exposed to interest rate risk based on its outstanding loans and borrowings, and 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 as at December 31, 2023, a 1.0% decrease or increase in the market interest rate would not have a material impact on the Corporation's net (loss) earnings. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

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	2023 December 31	2022 December 31
Capital stock	**$ 2,894.9**	$ 2,894.9
Deficit	**(2,899.6)**	(2,835.0)
Loans and borrowings	**355.6**	350.9
Other financial liabilities	**97.1**	170.2
Available credit facilities	**41.5**	54.5

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 Second Lien Notes Indenture and Credit Facility agreement, 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.

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 on an undiscounted basis. For amounts payable that are not fixed, including mandatory redemptions of the Second Lien Notes (note 15), the amount disclosed is determined by reference to the conditions existing as at December 31, 2023.

Canadian $ millions, as at December 31, 2023	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	$ 169.2	$ 169.2	$ -	$ -	$ -	$ -	$ -
Income taxes payable	2.2	2.2	-	-	-	-	-
Second Lien Notes (includes principal, interest and premium)	304.4	18.8	18.8	266.8	-	-	-
PIK Notes (includes principal and interest)	112.6	-	-	8.4	8.4	8.4	87.4
Credit Facility	65.3	5.5	59.8	-	-	-	-
Other non-current financial liabilities	1.3	-	-	0.1	-	-	1.2
Provisions	214.4	24.4	0.4	2.1	13.9	9.4	164.2
Energas payable	97.3	17.7	15.5	18.2	45.9	-	-
Lease liabilities	13.3	2.6	2.4	1.3	1.3	1.2	4.5
Total	$ 980.0	$ 240.4	$ 96.9	$ 296.9	$ 69.5	$ 19.0	$ 257.3

The Moa Joint Venture's significant undiscounted commitments, which are non-recourse to the Corporation, are presented below on a 50% basis:

- Environmental rehabilitation commitments of $136.1 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of $58.7 million;
- Loans and borrowings of $11.8 million; and
- Property, plant and equipment commitments of $32.1 million.

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

22. RELATED PARTY TRANSACTIONS

The Corporation and its subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities 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 and purchased from 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		**2023**		2022
Total value of goods and services:				
Provided to Energas	**$**	**46.6**	$	22.9
Provided to Moa JV		**372.8**		302.6
Purchased from Moa JV		**844.0**		1,216.0
Net financing income from Energas		**-**		14.4
Net financing income from Moa JV		**0.8**		0.4

Canadian $ millions, as at	Note		**2023 December 31**		2022 December 31
Accounts receivable from Moa JV	11	**$**	**44.7**	$	27.4
Accounts payable to Moa JV			**72.2**		127.8
Advances and loans receivable from Moa JV	12		**30.3**		-

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

Key management personnel

Key management personnel are composed of the Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Human Resources Officer, Senior Vice Presidents of the Corporation and the former Chief Operating Officer in 2022 prior to retirement. The following is a summary of key management personnel compensation:

Canadian $ millions, for the years ended December 31		**2023**		2022
Short-term benefits	**$**	**5.0**	$	6.7
Post-employment benefits[(1)]		**0.3**		0.3
Share-based payments		**4.6**		4.5
	$	**9.9**	$	11.5

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2023 (nil for the year ended December 31, 2022). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2023 (nil for the year ended December 31, 2022).

23. 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 15 and 21.

Amounts recognized in the consolidated statements of comprehensive (loss) income:

Canadian $ millions, for the years ended December 31		**2023**		2022
Expenses for variable lease payments not included in the measurement of lease liabilities	**$**	**1.7**	$	1.6
Expenses relating to short-term leases		**2.7**		2.1

Amounts recognized in the consolidated statements of cash flow:

Canadian $ millions, for the years ended December 31	Note	2023	2022
Interest paid on lease liabilities	15, 19	$ **0.7**	$ 0.8
Principal repayments on lease liabilities	15	**2.0**	1.9
Included in net (loss) earnings from continuing operations:			
Variable lease payments not included in initial measurement of lease liabilities		**1.7**	1.6
Payments for short-term leases (for which no lease liability is recognized)		**2.7**	2.1
		$ **7.1**	$ 6.4

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 12.

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, 2023	Receivable in 1 year	Receivable in 1-2 years	Receivable in 2-3 years	Receivable in 3-4 years	Receivable in 4-5 years	Receivable in 5 years	Total	Unearned finance income	Net investment in the lease (note 12)
Undiscounted lease receipts on finance leases	**$ 1.0**	**$ 1.0**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2.0**	**$ 0.1**	**$ 1.9**

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