

AIF

2021 Annual Information Form

Sherritt International Corporation
For the year ended December 31, 2021
Dated as of March 24, 2022

sherritt

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Sherritt International Corporation Annual Information Form

For the year ended December 31, 2021

Dated as of March 24, 2022

Introduction

This annual information form (“**Annual Information Form**” or “**AIF**”) contains important information that will help you make an informed decision about investing in Sherritt International Corporation. It describes Sherritt International Corporation, its businesses and activities as well as risks and other factors that affect its business.

The information contained in this Annual Information Form relates to Sherritt International Corporation, its subsidiaries, and its proportionate interest in joint ventures for the year ended December 31, 2021, where applicable, unless otherwise indicated.

The information, including any financial information, disclosed in this Annual Information Form is stated as of December 31, 2021 or for the year ended December 31, 2021, as applicable, unless otherwise indicated. In this Annual Information Form, references to the “**Corporation**” or “**Sherritt**” are to Sherritt International Corporation together with its subsidiaries, and its proportionate interest in joint ventures. References to “**management**” are, unless otherwise indicated, to senior management of the Corporation.

Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in Canadian dollars and references to “**\$**” are to Canadian dollars. As of December 31, 2021 and March 24, 2022, the United States/Canada Dollar exchange rates, as reported by the Bank of Canada, were US\$0.79/Cdn.\$1.00 and US\$0.80/Cdn.\$1.00, respectively.

Forward-Looking Statements

This Annual Information Form contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “potential”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include but are not limited to, statements regarding strategies, plans and estimated production amounts resulting from expansion of mining operations at the Moa Joint Venture; growing and increasing nickel and cobalt production; extending the Moa life of mine; conversion of mineral resources to reserves; commercializing Technologies projects; growing shareholder value; updating technical reports and optimizing mine planning and performance; operating costs and capital spending; sales volumes; revenue, costs and earnings; supply, demand and pricing outlook in the nickel, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt’s strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; anticipated payments of outstanding receivables, including re-directed distributions from the Corporation’s Moa Joint Venture partner; the impact of U.S. sanctions on Cuba; anticipated economic conditions in Cuba; the anticipated renewal of a joint venture agreement; sufficiency of working capital and capital project funding; drill plans and results on exploration wells; strengthening the Corporation’s capital structure and reducing annual interest expenses; 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; development and exploration wells and enhanced oil recovery in Cuba; environmental risks and liabilities; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; collection of accounts receivable; availability of regulatory and creditor approvals and waivers; collection of accounts receivable; risks related to U.S. Government policy towards Cuba; and certain corporate objectives, goals and plans for 2022. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this Annual Information Form not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the impact of infectious diseases (including the COVID-19 pandemic), the impact of global conflicts, changes in the global price for nickel, cobalt, oil, gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; the risk to Sherritt’s entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; identification and management of growth opportunities; risk of future non-compliance with debt restrictions and covenants; Sherritt’s ability to replace depleted mineral reserves; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in Cuba; risks associated with mining, processing and refining activities; risks related to Sherritt’s operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation and supply chain; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; growth opportunity risks; the possibility of equipment and other failures; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamations costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; maintaining the Corporation’s social license to grow and operate; risks relating to community relations; 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; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of*

Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2022; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents.

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

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 Annual Information Form 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 Annual Information Form 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.

Scientific and Technical Information

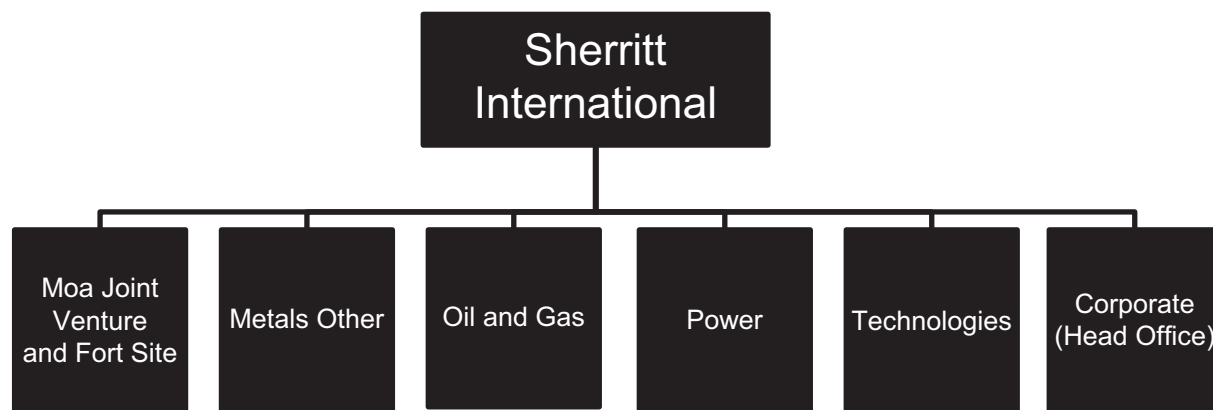
Proven and Probable Mineral Reserves and Measured, Indicated and Inferred Mineral Resources have been estimated in accordance with the *Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines* published in November 2019 by the Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") and with the *CIM Definition Standard* published in May 2014 and incorporated in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") by Canadian securities regulatory authorities.

Glossary of Terms

Please see Schedule 'A' of this AIF for a glossary of certain terms and abbreviations used in this document.

1. OVERVIEW OF THE BUSINESS

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



Moa Joint Venture and Fort Site

Sherritt is an industry leader in the mining, 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”). In addition, Sherritt has a wholly-owned fertilizer business, sulphuric acid, utilities, fertilizer storage and administrative facilities in Fort Saskatchewan, Alberta, Canada (“Fort Site”) that provide additional sources of income.

The Moa Joint Venture mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The Moa Joint Venture is a vertically-integrated joint venture that mines lateritic ore by open pit methods and processes them at its facilities at Moa, Cuba into mixed sulphides containing nickel and cobalt. The mixed sulphides are transported to the refining facilities in Fort Saskatchewan, Alberta. The resulting nickel and cobalt products are sold to various markets, primarily in Europe, Japan and China. At the current depletion rates, the concessions of the Moa Joint Venture are planned to be mined until at least 2034. The Corporation has announced an expansion strategy centered on growing finished nickel and cobalt production by 15 to 20% per year from the 34,710 tonnes (100% basis) produced in 2021 and extending the life of mine at Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade. The refinery facilities in Fort Saskatchewan have an annual production capacity of approximately 35,000 (100% basis) tonnes of nickel and approximately 3,800 (100% basis) tonnes of cobalt.

The Fertilizers’ facilities at Fort Saskatchewan provide inputs (ammonia, sulphuric acid and utilities) for the Moa Joint Venture’s metals refinery, produce agriculture fertilizer for sale in Western Canada and provides additional fertilizer storage and administrative facilities.

Metals Other

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

Oil and Gas

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

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

Sherritt’s commercial PSCs expired during 2021 and it currently has an interest in three PSCs, each in the exploration phase. Sherritt has continued its efforts to seek an earn-in partner to develop these exploration blocks or to otherwise extract value from our interests and expertise in oil and gas in Cuba.

1. OVERVIEW OF THE BUSINESS (cont.)

In addition, Sherritt holds working-interests in several oil fields and the related production platform located in the Gulf of Valencia in Spain. These fields ceased production on June 15, 2021 and are currently in the abandonment and reclamation phase.

Power

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

Raw natural gas is supplied free of charge to Energas by CUPET as part of its obligations as outlined in the Association Agreement (as defined below). 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 is being repaid from the cash flows generated by the facilities.

The Energas facilities are comprised of two combined cycle plants at Varadero and Boca de Jaruco that produce electricity 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 2021 and providing a low cost, clean source of power.

The Corporation continues to be in discussion with its Cuban partners to extend its power generation agreement with Energas, which expires in March 2023. A feasibility study on the extension was approved by the Energas Joint Venture Board and a formal application for the extension was submitted to the Cuban government on March 11, 2022. Approval from the Cuban government is anticipated to take up to three months.

Technologies

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

Corporate

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

1.1 THREE-YEAR HISTORY

2021

Moa Joint Venture Expansion Plans

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

During the three months ended December 31, 2021, the Moa Joint Venture completed a feasibility study for a new slurry preparation plant ("**SPP**") at Moa and planned expenditures were approved by its Board of Directors. The SPP, which is estimated to cost US\$27.0 million and be completed in early 2024, will deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining and increased annual nickel and cobalt contained in mixed sulphides production of approximately 1,700 tonnes commencing in mid-2024.

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

Production Results

The Moa Joint Venture met its revised targets for finished nickel and cobalt production and achieved unit costs that were below target for the year. Finished nickel production for 2021 was 31,184 tonnes on a 100% basis, largely flat from 31,506 tonnes produced in 2020. Finished cobalt production for 2021 was 3,526 tonnes on a 100% basis, up 5% from 3,370 tonnes produced in 2020. Mixed sulphides production for 2021 was 32,997 tonnes on a 100% basis, down 5% from 34,858 tonnes produced in 2020. However, Moa Joint Venture and Fort Site revenue in 2021 increased by 32% to \$560.6 million from \$425.5 million last year due primarily to higher realized prices.

Power production in 2021 was 450 gigawatt hours, down 25% from 602 gigawatt hours in 2020. Although 2021 production was impacted by the timing of maintenance activities previously deferred and lower availability of natural gas supply, the Power business unit met its guidance for the year. Unit operating costs in 2021 were lower than guidance for the year.

Syndicated Revolving-Term Credit Facility (the “Syndicated Facility”)

In the fourth quarter of 2021, Sherritt amended its Syndicated Facility with its lenders, increasing the maximum amount of credit available to \$100.0 million from \$70.0 million and extending the maturity to April 2024. Under the new terms, borrowings on the Syndicated Facility are available to fund capital expenditures as well as for working capital purposes. Spending on capital expenditures cannot exceed \$75.0 million in a fiscal year. Capital expenditure restrictions do not apply to planned spending of Moa Nickel S.A. The financial covenants and restrictions to which the Syndicated Facility is subject remain materially unchanged from 2020. The increase in the credit facility is indicative of Sherritt’s strengthened financial position and favourable outlook in light of improved nickel and cobalt markets.

As at December 31, 2021, Sherritt was in full compliance with the financial covenants of the Syndicated Facility.

Other Events

On June 1, 2021, Leon Binedell, a 25-year mining industry veteran with a history of building shareholder value, was appointed President and CEO of Sherritt International Corporation.

On August 4, 2021, the Corporation announced the appointment of Greg Honig as Chief Commercial Officer, Yasmin Gabriel as Chief Financial Officer, and Chad Ross as Chief Human Resources Officer.

On September 20, 2021, the Corporation released its 2020 Sustainability Report, outlining the Corporation’s performance on environmental, social and governance (ESG) matters and upgraded targets and commitments, including achieving net-zero emissions by 2050, obtaining 15% of overall energy from renewable sources by 2030, reducing nitrogen oxide emission intensity by 10% by 2024, and increasing the number of women in the workforce to 36% by 2030.

On November 10, 2021, the Corporation announced the appointment of Dr. Peter Hancock, a mining industry executive with more than 30 years of experience overseeing nickel mining operations, developing and commercializing process technologies, and ramping up nickel projects, to the Corporation’s Board of Directors.

On December 15, 2021, the Corporation announced the planned retirement of Chief Operating Officer, Steve Wood, effective April 30, 2022. As a result of Mr. Wood’s planned retirement, the Corporation announced a number of promotions to its leadership team, naming Dan Rusnell as Senior Vice President, Metals, Elvin Saruk as Head of Growth Projects in addition to his accountabilities as Senior Vice President for Oil, Gas and Power, and Greg Honig as responsible for Marketing and the Technologies group in addition to his accountabilities as Chief Commercial Officer.

Since the start of 2021, Sherritt received a total of \$52.8 million in direct and re-directed distributions from the Moa Joint Venture and its partner. Collections against overdue amounts owed to Sherritt by its Cuban energy partners continue to be adversely impacted by a combination of factors, including the ongoing effects of U.S. sanctions against Cuba and Cuba’s reduced access to foreign currency on account of the global pandemic which has eliminated almost all tourism revenue over the past two years. Total overdue scheduled receivables at December 31, 2021 were US\$156.0 million, up from US\$152.5 million at September 30, 2021.

Sherritt’s share of production, unit costs, and spending on capital for each of its business units in 2021 were in line with guidance for the year, indicative of ongoing commitments to operational excellence and efforts to mitigate the spread of COVID-19 through additional health and safety measures designed to protect employees, suppliers, and other stakeholders at its operations in Canada and Cuba.

Effective June 30, 2020, the Corporation did not renew a \$47.0 million letter of credit issued to support its share of the environmental rehabilitation obligations held by its Spanish operations. During the year ended December 31, 2021, the environmental rehabilitation

1. OVERVIEW OF THE BUSINESS (cont.)

obligations held by the Corporation's Spanish Oil and Gas operations were secured by a parent company guarantee of €31.5 million until December 31, 2023, with no impact on the Corporation's available liquidity.

2020

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

The Transaction resulted in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 (the "**Old Notes**") in the aggregate principal amount of \$588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) new 8.50% second lien secured notes due in 2026 (the "**Second Lien Notes**") in an aggregate principal amount of \$357.5 million, (ii) new 10.75% unsecured payment-in-kind ("**PIK**") option notes due in 2029 (the "**Junior Notes**") in an aggregate principal amount of \$75.0 million and (iii) early consent cash consideration of \$15.5 million. The Transaction resulted in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by \$155.6 million and an extension of the 2021, 2023 and 2025 maturities under the Old Notes to a maturity of 2026 under the Second Lien Notes and a maturity of 2029 under the Junior Notes. In aggregate, the Transaction reduced the Corporation's total debt by \$300.8 million and reduced cash annual interest payments by more than \$15.0 million, without any dilution of its common shares.

As noted above, the Transaction also resulted in the extinguishment of all of Sherritt's obligations under the Corporation's Ambatovy Joint Venture partner loans, plus all accrued and unpaid interest in respect thereof, in exchange for the Corporation's remaining 12% interest in the Ambatovy Joint Venture and its loans and operator fee receivable from the Ambatovy Joint Venture (collectively, the "**Ambatovy Joint Venture Interests**"). As of August 31, 2020, as a result of the implementation of the Transaction the Corporation no longer had an interest in the Ambatovy Joint Venture.

Production Results

Finished nickel production at the Moa Joint Venture in 2020 was 31,506 tonnes on a 100% basis, largely in line with guidance for the year. Finished cobalt production at the Moa Joint Venture in 2020 was 3,370 tonnes on a 100% basis, consistent with guidance for the year. Finished nickel and cobalt production in 2020 were negatively impacted by railway service disruption in the first quarter, an extended plant shutdown in the third quarter due to additional found work scope and reduced contractor availability due to COVID-19, and by unplanned repairs to autoclaves in the fourth quarter. Production totals achieved at the Moa Joint Venture in 2020 benefitted from additional health and safety measures implemented in the first quarter to prevent the spread of COVID-19.

Production for the Oil and Gas business in Cuba on a gross working interest was 2,947 barrels of oil per day, largely in the guidance for the year. Oil production in Cuba in 2020 was impacted by natural reservoir declines at Puerto Escondido/Yumuri.

Power production in 2020 was 602 gigawatt hours of electricity, exceeding guidance for the year. Higher production for 2020 was largely due to the decision to defer maintenance activities initially planned for the year as a result of reduced liquidity.

Sherritt's unit costs for each of its business units in 2020 were largely in line with guidance for the year, indicative of ongoing commitments to operational excellence and employee health and safety, particularly in light of the COVID-19 global pandemic.

Syndicated Facility

Sherritt amended its \$70.0 million Syndicated Facility on February 21, 2020, and extended it in the second and third quarters of 2020. On November 27, 2020, Sherritt renewed and extended this facility to April 30, 2022. The renewal builds on the Balance Sheet Initiative and related efforts to strengthen its capital structure and improve the Corporation's liquidity. In this most recent renewal, Sherritt maintained the size of the facility while extending the term beyond one year and agreeing to more flexible financial covenants. As at December 31, 2020, Sherritt had drawn approximately \$8.0 million against the facility.

Interest on the credit facility is based on bankers' acceptance plus 400 basis points. The credit facility has a number of financial covenants, including:

- Net available cash being greater than \$25.0 million. This total is calculated as cash in Canada plus undrawn amounts on the credit facility.
- Senior Secured Net Debt /EBITDA (earnings before interest, depreciation and amortization) of less than 2.0x. Senior secured net debt is calculated as first-lien debt, or amounts drawn on the credit facility, less cash held in Canada up to \$25.0 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis.

-
- EBITDA/ Interest greater than 1.5x. The payment-in-kind (PIK) interest relating to the \$75.0 million junior note offered as an additional consideration as part of the balance sheet initiative is excluded from this interest calculation.
 - Minimum Tangible Net Worth of \$600.0 million plus 50% of future positive net income. Tangible net worth is total assets less intangible assets less total loans and borrowings.

As at December 31, 2020, Sherritt was in full compliance with the financial covenants of the amended credit facility. The amended credit facility also includes an accordion feature that allows other lenders to join the syndicate pending appropriate approvals, and increase the size of the facility by \$10.0 million to \$80.0 million.

Other Events

On November 23, 2020, the Corporation announced that its President and Chief Executive Officer, David Pathe, had informed the Board of Directors of his desire to step down from his role in 2021 that the Corporation launched a search for his successor, and Mr. Pathe agreed to stay on until a replacement was in place to ensure an orderly transition.

In 2020, Sherritt received US\$77.0 million in Cuban energy payments as part of its overdue receivables agreements with its Cuban partners, which was amended in 2020. Payments were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in 2020. Total overdue scheduled receivables as at December 31, 2020 were US\$145.9 million, compared to US\$158.4 million as at December 31, 2019.

Sherritt implemented a number of additional health and safety measures and work processes in 2020 designed to protect employees, suppliers and other stakeholders at its operations in response to the spread of COVID-19. As a result of the additional measures, Sherritt had minimal impact to its nickel, cobalt, power, and oil production in 2020. The additional measures will remain in effect through the duration of the pandemic.

2019

Oil and Gas and Power

Sherritt's Cuban partners ratified an overdue receivables agreement for the repayment of US\$150.0 million from Energas S.A., and made US\$21.1 million in payments under the plan through December 31, 2019.

Production Results

Finished nickel production at the Moa Joint Venture in 2019 was 33,108 tonnes on a 100% basis, exceeding guidance for the year. Finished cobalt production at the Moa Joint Venture in 2019 was 3,376 tonnes in line with guidance for the year. Production totals achieved by the Moa Joint Venture in 2019 benefitted from operational excellence initiatives completed over the preceding 18 months, and included efforts to improve ore access and increase equipment reliability. These initiatives were supplemented by specific mitigation strategies to offset the negative impact that reduced diesel fuel supply in Cuba and the disruption of railway service in Canada had on operations in the fourth quarter. Nickel production at the Ambatovy Joint Venture in 2019 was below guidance due to a number of factors, including unplanned shutdowns and maintenance activities needed to replace or repair major pieces of equipment.

Production for the Oil and Gas business in Cuba on a gross working interest was 4,175 barrels of oil per day, exceeding guidance for the year. While oil production in Cuba in 2019 was impacted by natural reservoir declines, the level of decline was not as rapid in the first half of the year as was anticipated. Power production in 2019 was 736 gigawatt hours, exceeding guidance for the year. Higher production for 2019 was largely due to increased availability of natural gas supply for power generation activities in the second half of the year than was previously anticipated.

1. OVERVIEW OF THE BUSINESS (cont.)

1.2 Strategic Priorities

The table below lists Sherritt's strategic priorities for 2022.

Strategic Priorities	2022 Actions
Establish Sherritt as a leading green metals producer	<ul style="list-style-type: none">■ Accelerate plans to expand Moa JV nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced in 2021.■ Rank in lowest quartile of HPAL nickel producers for NDCC.■ Expand sales into battery supply chain.
Leverage Technologies for transformational growth	<ul style="list-style-type: none">■ Support Moa JV expansion, operational improvements, and life of mine extension.■ Advance Technologies solutions toward commercialization.■ Develop innovative processing solutions to address marketplace needs.
Achieve balance sheet strength	<ul style="list-style-type: none">■ Maximize collections of overdue Cuban receivables.■ Maximize available liquidity to support growth strategy.■ Continue to optimize costs to reflect operating footprint.
Be recognized as a sustainable organization	<ul style="list-style-type: none">■ Deliver on actions identified in the Sustainability Report.■ Achieve year-over-year ESG improvements including reduction of carbon intensity.■ Deliver on 'Diversity and Inclusion' global framework.
Maximize value from Cuban energy business	<ul style="list-style-type: none">■ Secure additional gas supply to increase Power production.■ Extend economically beneficial Energas power generation contract beyond 2023.■ Maximize value from Oil and Gas business.

2. CORPORATE STRUCTURE

2.1 Name and Incorporation

Sherritt International Corporation, formerly Sherritt International Corp., was incorporated on October 4, 1995 by articles of incorporation under the *Business Corporations Act* (New Brunswick). The articles of incorporation were amended in 1995 and in 2004 to provide for the Corporation's current name and capital structure. The articles provide for an authorized capital consisting of an unlimited number of Shares.

On June 14, 2007, Sherritt and Dynatec were amalgamated under the *Business Corporations Act* (New Brunswick), with the amalgamated corporation named Sherritt International Corporation.

On August 1, 2007, Sherritt continued under the *Business Corporations Act* (Ontario) by filing articles of continuance.

On December 1, 2010, Sherritt amalgamated with two of its wholly-owned subsidiaries, with the amalgamated corporation named Sherritt International Corporation.

On June 3, 2016, Sherritt continued under the *Canada Business Corporations Act* by filing articles of continuance.

On August 31, 2020, Sherritt amalgamated under the *Canada Business Corporations Act* with one of its wholly-owned subsidiaries and filed articles of arrangement.

Sherritt International Corporation's registered and head office is at Bay-Adelaide Centre, East Tower, 22 Adelaide St. West, Suite 4220, Toronto, ON M5H 3E4.

2.2 Intercorporate Relationships

Name	Jurisdiction	% of Voting Securities Held (directly or indirectly)
Energas S.A.	Cuba	33 ¹ / ₃
International Cobalt Company Inc.	Bahamas	50
Moa Nickel S.A.	Cuba	50
Sherritt International Oil and Gas Limited	Alberta	100
SICOG Oil and Gas Limited	Barbados	100
The Cobalt Refinery Company Inc.	Alberta	50

3. DESCRIPTION OF THE BUSINESS

3.1 Nickel Operations

Moa Joint Venture and Fort Site

For the year ended December 31, 2021, the Moa Joint Venture (50% basis), the Fort Site (100% basis) incurred earnings from operations of \$98.3 million on revenue of \$560.6 million compared to earnings from operations of \$3.9 million on revenue of \$425.5 million for the year ended December 31, 2020.

Spending on capital⁽¹⁾ of \$37.7 million at the Moa Joint Venture (50% basis) and the Fort Site (100% basis) focused on sustaining capital for mining and production equipment. During 2021, the Moa Joint Venture and the Fort Site did not incur exploration and development expenditures, which was consistent with 2020.

(1) Non-GAAP measure. For additional information, see section 11.3 “Non-GAAP and other financial measures”.

MARKET OVERVIEW

Nickel

Nickel is a heavy silver-coloured metal whose principal economic value lies in its resistance to corrosion and oxidation, with excellent strength and toughness at high temperatures. The properties of nickel also facilitate the deployment of the entire spectrum of clean energy technologies – geothermal, batteries for electric vehicles and energy storage, hydrogen, hydro, wind and concentrating solar power – making nickel one of the elements that plays a critical enabling role in the energy transition required to reduce carbon emissions.

Nickel demand is strongly influenced by world macro-economic conditions, which in turn influence the state of the world stainless steel industry, the single largest consumer of nickel, accounting for almost 70% of primary nickel consumption worldwide in 2021. After stainless steel, the lithium ion rechargeable battery market is an important driver of future nickel demand. For 2021, CRU Group (“CRU”) reported primary nickel demand for batteries at approximately 10% of total demand growing to approximately 28% over the next 10 years. Nickel is also used in the production of industrial materials, including non-ferrous steels, alloy steels, plated goods, catalysts and chemicals. Last year, China was responsible for over 58% of the world consumption of primary nickel production.

In 2021, the Moa Joint Venture produced 31,184 tonnes or approximately 1.2% of annual world refined nickel production. Current world supply of refined nickel is estimated to be approximately 2.65 million tonnes per annum. World nickel supply is broadly classified into primary and secondary nickel. Primary nickel is further subdivided into refined nickel (Class I) having a minimum nickel content of 99.8%, and charge nickel (Class II) having a nickel content of less than 99.8%. The main physical forms of Class I nickel are electrolytic nickel (cathode and rondelles), pellets, briquettes, granules and powder. Class II nickel includes ferronickel, nickel pig iron (“NPI”), nickel oxide sinter and utility nickel. Secondary nickel is the nickel contained in scrap metal, principally stainless steel scrap. World nickel supply has also most recently been strongly impacted by the expansive growth of NPI, in particular, the rapid growth of productivity in Indonesia. NPI is the lowest purity of what is considered refined nickel (as low as 2% nickel content) and is primarily used in China and Indonesia to make stainless steel. Wood Mackenzie estimates that NPI production in China decreased 18% from 506,000 tonnes of nickel equivalent in 2020 to 414,000 tonnes in 2021. This decrease was more than offset by a more than 45% increase in Indonesian NPI output from 613,000 tonnes of nickel equivalent to 886,000 tonnes. Total worldwide NPI production was estimated to be approximately 1,300,000 tonnes of nickel equivalent in 2021, making 2021 a new record year for world NPI production, with NPI production representing almost 48% of total nickel production.

Most major refined nickel producers supply nickel at grades ranging from 98.4% to 99.9% in purity. The Moa Joint Venture’s sintered nickel briquettes, produced at a minimum of 99.8% purity, are well suited for stainless steel, alloy steel production and battery chemical applications, and are expected to continue to be sold to such industries. The Moa Joint Venture’s “steel grade” (unsintered) nickel briquettes having a typical purity of 99.5% nickel are well suited for stainless steel production and foundry use. In 2017, the Moa Joint Venture introduced a “dissolving grade” nickel powder having a typical purity of 99.8% nickel suitable for battery chemical applications.

Nickel prices hit a seven-year high in the fourth quarter of 2021, climbing to US\$9.59/lb on November 24. The price increase was driven by improving market fundamentals, including strong demand from across multiple industries, consumer stockpiling, reduced exchange inventory levels, and ongoing supply disruptions caused by COVID-19. Rising nickel prices and favourable market conditions were jolted by the rapid spread of the Omicron variant and concerns of its impact on the global economy in early December, causing prices to soften slightly through to the end of the quarter. Nickel prices closed the year at US\$9.49/lb, representing a 27% increase for 2021 relative to the closing price of 2020 of US\$7.50/lb. Since the start of 2022, nickel prices have accelerated their recent momentum, reaching the highest price in more than 10 years. In January, the prices reached a high US\$10.89/lb on January 21 supported by tightly balanced nickel market. In February 2022, the significant and unpredictable event of the Russian invasion of Ukraine, which together

with resulting economic sanctions, export bans and other consequences, resulted in further upward pressure on nickel prices with a high of US\$11.84/lb on February 24. In March 2022, unprecedented trading and pricing activity led the London Metals Exchange (“LME”) to halt nickel trading on March 8 until March 16, with the settlement price on March 7 of US\$19.50/lb. Upon recommencement of trading, newly implemented restrictions on maximum daily price movements prevented an official settlement price from occurring until March 22, with the settlement price of US\$13.97/lb. It is anticipated that nickel prices will remain robust through the end of 2022 based on forecasts provided by industry analysts.

Strong nickel demand in the fourth quarter was reflected by the continued decrease in inventory levels since the start of 2021. In the fourth quarter, nickel inventory levels on the London Metals Exchange (“LME”) fell by 35% from 157,062 tonnes on September 30 to 101,886 tonnes on December 31. Similarly, inventory levels on the Shanghai Futures Exchange fell 35% to 2,406 tonnes at the end of the quarter, down from 3,728 tonnes at the end of the prior quarter. Industry analysts, including Wood Mackenzie and S&P Global, have forecast continued strong demand and market tightness through to the end of 2022. LME nickel inventories continued to decline in 2022, falling below 100,000 tonnes on January 10, reaching 76,830 tonnes on March 7 before the halt in trading, and reaching 73,578 tonnes on March 22, the lowest level since November 2019. Visibility of market fundamentals, including inventory levels, in the mid-term is limited given the economic uncertainty caused by the pandemic, Indonesia’s on-going plans to curtail exports in an effort to support domestic refining and processing activities, and the impacts of the Russian invasion of Ukraine. The long-term outlook for nickel remains bullish on account of the strong demand expected from the stainless steel sector, the largest market for nickel, and the electric vehicle battery market. Some market observers, such as Wood Mackenzie, have forecast a prolonged nickel supply deficit beginning in 2025 due to recent developments in the electric vehicle market and insufficient nickel production coming on stream in the near term. Over the past year, multiple automakers and governments have announced plans for significant investments to expand electric vehicle production capacity to meet growing demand as well as more aggressive timelines to phase out the sale of internal combustion engines. In 2021, more than 6.5 million plug-in electric vehicles were sold despite the global pandemic. Industry observers estimate that the number of electric vehicles sold in 2022 will grow to 8.6 million units. CRU has forecast that electric vehicles sales will grow to 17.4 million units by 2025. As a result of its unique properties, high-nickel cathode formulations remain the dominant choice for long-range electric vehicles manufactured by automakers with Class 1 nickel being an essential feedstock in the battery supply chain. Sherritt is particularly well positioned given our Class 1 production capabilities and the fact that Cuba possesses the world’s fourth largest nickel reserves.

Cobalt

Cobalt is a hard, lustrous, grey metal that is used in the production of high temperature, wear-resistant super alloys, catalysts, paint dryers, cemented carbides, magnetic alloys, pigments, rechargeable batteries and chemicals. The cobalt market is much smaller and more specialized than the nickel market.

The relative importance of the different uses of cobalt has changed over the years, with demand for older, more established uses, such as pigment, magnets and carbides showing only modest, if any, growth over the period. Many of these traditional uses are strongly reliant on industrial growth for demand increases, so demand for these uses tends to rise and fall with global economic performance. Demand from the superalloy sector continues to consume significant cobalt metal; however, growth in the chemical sector, primarily in battery chemicals, has been the driving force behind recent demand for cobalt. The world’s reliance on global communications in the form of mobile phones and tablet technology triggered increased cobalt consumption for batteries almost twenty years ago. More recently, and into the foreseeable future, the driving force for cobalt demand will be the use of lithium-ion batteries in electric vehicles to enable the electrification of transport, and in energy storage systems for renewable energy generation.

In 2021, more than 70% of the world’s mined cobalt production came from the “copper belt” located in the Democratic Republic of the Congo (DRC). Australia, Canada, Cuba, Russia and the Philippines were responsible for 14% of the world’s mined supply. According to CRU, of the world supply of refined cobalt in 2021, only 19% was produced as metal in form of cathode or powder for use in lithium-ion batteries. In the longer term, significant increases in supply are possible from new large-scale international projects targeting copper and nickel production. Indonesia currently accounts for 2% of the world production and is projected to reach 15% of world production in 5 years due to the build out of laterite HPAL (“high pressure acid leach”) operations.

The Moa Joint Venture produces finished cobalt (briquettes and powder) at 99.9% purity, which exceeds the current LME cobalt specification. Based on data from CRU, worldwide supply of primary mined cobalt for 2021 was 159,382, a growth of 12% compared to 2020 at 142,209 tonnes. The Moa Joint Venture is among the leading suppliers of cobalt to world markets supplying 3,536 tonnes or approximately 2.22% of world mined primary cobalt in 2021 and approximately 11.5% of the world’s 30,775 tonnes of cobalt metal supply.

The cobalt market is generally traded on the widely accepted Fastmarkets MB standard-grade pricing, with LME and CME futures (started December, 2020) contracts remaining a secondary pricing mechanism. The Fastmarkets MB Standard Grade cobalt price in

3. DESCRIPTION OF THE BUSINESS (cont.)

2021 averaged US\$24.34/lb, 56% higher than the average price for 2020 at US\$15.58/lb. During 2021, the price ranged between US\$15.60/lb and US\$33.78/lb, with these prices also representing the starting and ending prices for the year, respectively.

Cobalt prices rose steadily in the fourth quarter of 2021, closing on December 31 at US\$33.78/lb, up 30% from US\$25.88/lb at the end of the prior quarter according to data collected by Fastmarkets MB. Higher cobalt prices in the fourth quarter of 2021 were primarily driven by increased buying from electric vehicle battery manufacturers. Cobalt is a key component of rechargeable batteries providing energy stability. Higher cobalt prices in the fourth quarter of 2021 were also impacted by increased stockpiling by consumers and ongoing supply logistics disruptions in South Africa, where cobalt produced in the Democratic Republic of Congo, the source of almost two-thirds of the world's supply, is sent before being shipped internationally. Industry observers, such as CRU, expect cobalt prices to continue to be robust in the near term as limited new sources of supply have been announced to fill expected demand over the next five years. The outlook for cobalt over the long term remains bullish as demand is expected to grow to approximately 280,000 tonnes by 2025, representing a compound annual growth rate of 12.6% according to CRU.

MOA JOINT VENTURE

The Moa Joint Venture is a vertically-integrated nickel and cobalt mining, processing, refining and marketing joint venture between subsidiaries of Sherritt and GNC, a Cuban company. The operations of the Moa Joint Venture are carried on through three companies:

- Moa Nickel S.A. ("**Moa Nickel**")—owns and operates the Moa, Cuba mining and processing facility
- The Cobalt Refinery Company Inc. ("**CRC**")—owns and operates the Fort Saskatchewan, Alberta metals refinery
- International Cobalt Company Inc. ("**ICCI**")—located in Nassau, Bahamas, acquires mixed sulphides from Moa Nickel and other third party feeds, contracts with CRC for the refining of such purchased materials and then markets finished nickel and cobalt.

Sherritt and GNC each hold 50% of the issued and outstanding shares of each of these companies, the financial results of which are equity accounted into Sherritt's consolidated financial statements.

Moa Nickel mines lateritic ore by open pit methods and processes it at its facilities at Moa into mixed sulphides containing nickel and cobalt. The mixed sulphides are purchased, free on board, from Moa Nickel by ICCI pursuant to the terms and conditions of an agreement (the "**Mixed Sulphides Supply Agreement**"), which expires June 30, 2027, between Moa Nickel and ICCI. Under the terms of the Mixed Sulphides Supply Agreement, as amended, Moa Nickel and ICCI can negotiate an extension of the agreement. In the event negotiations are unsuccessful the agreement terminates on December 31, 2027.

The mixed sulphides from Moa Nickel are transported by ocean freight to Canada and then by rail to Fort Saskatchewan. CRC refines this material together with other nickel and cobalt feed materials purchased by ICCI pursuant to the terms and conditions of a tolling agreement between ICCI and CRC, which expires June 30, 2027, with ICCI retaining ownership of the product throughout the refining process. Under the terms of the 2016 Tolling Agreement, as amended, ICCI and CRC can negotiate an extension of the agreement. In the event negotiations are unsuccessful, the agreement terminates on December 31, 2027.

Once the mixed sulphides and other feed materials are refined by CRC, the resulting nickel and cobalt products are sold by ICCI, directly or indirectly, to various markets, primarily in Europe, Japan and China. ICCI does not sell nickel and cobalt into the United States due to an embargo against Cuba. For further information, please see 3.7 "*Risk Factors—Risks related to U.S. Government Policy Towards Cuba*".

In 2021, approximately 95% of the nickel input and 93% of the cobalt input for CRC's refinery were derived from mixed sulphides from Moa Nickel. Under the terms of the Mixed Sulphides Supply Agreement, the price paid by ICCI to Moa Nickel is discounted from, in the case of nickel, the official LME cash price and, in the case of cobalt, the price received from ICCI customers. ICCI also purchases other nickel and cobalt feed materials from third parties for refining at CRC's refinery and subsequently sells the finished products in international markets.

Status under Cuban Law

Under the terms of its constitution, the Cuban state is the unconditional owner of all land and natural resources lying within Cuban territory, and in accordance with section 15 thereof, it is authorized to sell land in Cuba when it is in the interest of the development of the country. The property and assets of the Moa Joint Venture were conveyed through a deed of sale, which was approved by the Executive Committee of the Council of Ministers. The deed of sale was later registered in the registry of property of Cuba, and Moa Nickel was registered in the commercial registry and the registry of the Chamber of Commerce of the Republic of Cuba. The Moa Joint Venture also received mining concessions by means of decree or resolution granting exploration and mining rights.

The resolution of the Executive Committee of the Council of Ministers forming the Moa Joint Venture provides specific protection and guarantees over and above any future laws that the Government of Cuba may introduce, such as the current Foreign Investment Law of Cuba (“**Law 118**”). Law 118 authorizes the government of Cuba to enter into international economic associations (including joint ventures) with foreign investors for the exploitation of natural resources and the development of industrial projects in Cuba. Law 118 provides a variety of guarantees for foreign investors including: (1) a guarantee that their assets cannot be expropriated, except in the public interest and in such case that indemnification must be provided in freely convertible currency equal to the commercial value of the property taken, (2) the right to have such “commercial value” determined by an expert if the parties to the international economic association cannot agree on such a price, and (3) a guarantee of the free transference abroad in freely convertible currency of net profits or dividends received from the investment as well as funds received by way of indemnification from the Cuban State.

The Cuban government also required the Moa Joint Venture to obtain an environmental permit setting operating standards in connection, amongst others, with its water and air discharges and a permit to operate bank accounts for each currency in which the joint venture does business in Cuba.

Marketing and Sales

ICCI owns and sells the nickel and cobalt toll refined by CRC. ICCI uses the Fastmarkets MB cobalt prices as reference prices for sales contracts in 2021, as the transition to the LME cobalt prices has not been fully adopted. For further information on LME and Fastmarkets MB pricing, please refer to “*Description of the Business–Nickel Operations–Market Overview–Cobalt*”. Sherritt may act, from time to time, as a distributor for ICCI.

ICCI’s primary markets for nickel and cobalt products are Europe and Asia. Products are transported by truck, rail and ship.

The following table sets out the Corporation’s 50% share of sales volumes from the Moa Joint Venture, as well as its average–realized prices⁽¹⁾ for the periods indicated:

Sales Volumes (50% Basis) and Average–realized Prices⁽¹⁾

	Year Ended December 31, 2021	Year Ended December 31, 2020
Sales (tonnes)		
Nickel ⁽²⁾	15,603	15,687
Cobalt	1,775	1,678
Average–realized Prices (dollars per pound)		
Nickel ⁽²⁾	\$ 10.30	\$ 8.16
Cobalt	\$ 25.88	\$ 17.84

Note:

- (1) Non–GAAP ratio. For additional information, see section 11.3 “Non–GAAP and other financial measures”
- (2) Excludes 600 tonnes of finished nickel purchased from and sold to a third party as it was not internally produced

FERTILIZERS

The Fort Site is comprised of Sherritt’s 100%–owned fertilizer and utilities operation located in Fort Saskatchewan which provide inputs for the metals refinery and produces agricultural fertilizer for sale in western Canada.

Canada

The Fort Site produces ammonia, sulphuric acid and utilities for use in the refinery’s hydrometallurgical process and for sale to third parties. The refining of nickel and cobalt produces as a by–product crystalline ammonium sulphate, a fertilizer. Additionally, Sherritt produces a premium grade, granular ammonium sulphate fertilizer for the agricultural market. The Fort Site also serves as a back–up hydrogen supply for CRC’s refinery.

Revenue from the Fort Site is derived from the sale of ammonia and ammonium sulphate fertilizers principally into the Western Canadian market. Fertilizer revenue also includes third party sulphuric acid sales and the sale of CO₂, a by–product of ammonia production. Demand for fertilizer products is seasonal, consisting of a spring season and a fall season. Sales volumes are typically higher during the spring. The seasonality of the fertilizer business is reflected in Sherritt’s cash and cash equivalent position throughout the course of the year, which fluctuates based on the timing of fertilizer pre–sales receipts and product deliveries.

3. DESCRIPTION OF THE BUSINESS (cont.)

The posted reference price for Sherritt ammonia averaged \$1,155.26 per tonne during 2021, 64% higher than the posted reference price of \$704.51 per tonne in 2020. The average Western Canadian posted reference price for Sherritt's ammonium sulphate fertilizer product (20.5 granular ammonium sulfate) was \$544.29 per tonne during 2021, 61% higher than the posted reference price of \$337.91 per tonne in 2020.

Including ammonia, granular ammonium sulphate and 50% of the crystalline ammonium sulphate from CRC's refinery, Sherritt's Canadian operations sold 168,782 tonnes of fertilizer products in 2021, modestly lower than 187,922 tonnes sold in 2020. Nitrogen fertilizer prices in Western Canada are strongly influenced by world prices. Ammonia and ammonium sulphate prices in Western Canada are driven by market conditions in Western Canada and the U.S. Pacific Northwest. These products are transported in bulk by surface means.

MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

Moa Joint Venture

Mining Concessions

Moa Nickel received its original mining concessions in the province of Holguin near the town of Moa pursuant to a decree of the Executive Committee of the Council of Ministers of the Republic of Cuba dated November 30, 1994 (the "1994 Decree"). The mining concessions initially included a land area of 4,964 ha. As a result of the original concessions, as well as concessions granted subsequent to the 1994 Decree, the current area of the resource concessions at Moa as at December 31, 2021 are as follows:

	Concession Type	Area (ha)	Expiry
Camarioca Norte	Exploitation	2,007	2030
Camarioca Sur	Exploitation	2,367	2030
Cantarrana	Exploitation	871	2043
La Delta ⁽¹⁾	Exploitation	1,300	2043
Moa Occidental ⁽²⁾		962	
<i>Zona A and Zona Septentrional</i> ⁽³⁾	Exploitation	943	—
<i>Scrap Yard</i> ⁽³⁾	Exploitation	2	—
<i>Extension to Zona A, Sector II</i>	Exploitation	8	2032
<i>Extension to Block O-30</i>	Exploitation	9	2032
Moa Oriental ⁽³⁾	Exploitation	1,531	—
Yagrumaje Oeste	Exploration	569	2038
Playa la Vaca—Zona Septentrional II	Exploration	754	
<i>Zona Septentrional III</i>	Exploration	225	2045
<i>Playa la Vaca</i>	Exploration	529	
Santa Teresita ⁽⁴⁾	Exploration	925	—
Industrial Raw Materials			
Calcium Carbonate ⁽³⁾	Exploitation	805	—
Serpentine Quarry	Exploitation	9	2024
Total		12,100	

Notes:

- (1) In the South Sector of La Delta, the agreement limits the exploitation until 25 years after the initial approval for environmental reasons.
- (2) Moa Occidental sub-totaled for clarity of expiry dates.
- (3) The rights expire when the resources inside the concession are depleted.
- (4) Conversion to a concession for exploitation is pending the evaluation of the exploration results followed by ONRM approval. The Mineral Reserve and Resources estimates assume that this concession will be converted by the ONRM into an exploitation concession.

The expansion of both the Moa and Fort Site facilities, pursuant to the terms and conditions of an expansion agreement dated March 3, 2005 between GNC and the Corporation (the "Expansion Agreement"), is based upon the commitment by GNC to ensure that a competent Cuban governmental authority grants mineral concessions of economic limonite reserves in the Moa area sufficient to permit Moa Nickel to operate at the expanded capacity for a period of no less than 25 years.

Moa Nickel pays the Cuban state a 5% royalty and the municipality of Moa a 1% territorial contribution of the net sales value (free on board Moa port, Cuba) of the nickel and cobalt contained in mixed sulphides delivered to the refinery in Fort Saskatchewan (on a 100%

basis) as determined by a number of factors including recovery rates and prevailing reference prices. In addition, Moa Nickel pays an annual canon of US\$2.00, US\$5.00 or US\$10.00 for each hectare of each concession depending on whether the area is a prospecting, exploration or exploitation area.

More information with respect to the Moa Joint Venture is contained in “*Schedule B–Technical Information*” attached hereto.

Mineral Reserves and Mineral Resources

The Mineral Resources and Reserves data below are derived from the technical report entitled “NI 43–101 Technical Report–Moa Nickel Project, Cuba” dated June 6, 2019 (the “**Moa Technical Report**”) after accounting for mining depletion. Resource models have been reviewed by Bryce Reid, P.Eng., a “qualified person” (as such term is defined in NI 43–101) who is an employee of the Corporation.

The following table provides a summary of the Proven and Probable Reserves for the consolidated Moa Joint Venture (100% basis) as of December 31, 2021.⁽¹⁾

Reserve Classification ⁽²⁾	Tonnage (MT)	Ni (%)	Co (%)	Contained Metal	
				Ni (kt)	Co (kt)
Proven	38.9	1.17	0.13	455.3	51.1
Probable	9.5	1.13	0.12	107.5	11.6
Total Proven and Probable Reserves	48.5 ⁽³⁾	1.16	0.13	563.4	62.9

Notes:

- (1) Proven and Probable Reserve estimate, as at December 31, 2020, was 49.4 million tonnes.
- (2) Cut-off grades vary. All assumptions, parameters, and methods used to estimate the mineral resources and reserves are disclosed in the Moa Technical Report.
- (3) Totals may not sum exactly due to each component number being rounded to its nearest decimal.

This year the estimated tonnage for the Proven and Probable Reserves is 0.9 million tonnes lower than as at the end of the prior year, due to mining and adjustments.

Measured and Indicated Resources account for environmental encumbrances by excluding them from the resource base.

The following table provides a summary of the Mineral Resources that are inclusive of Mineral Reserves for the consolidated Moa Joint Venture (100% basis) as of December 31, 2021.

Moa Joint Venture Mineral Resources Inclusive of Mineral Reserves

Resources Classification ⁽¹⁾	Tonnage (MT)	Ni (%)	Co (%)	Ni (kt)	Co (kt)
Measured	103.7	1.02	0.13	1,062.3	134.1
Indicated	45.6	0.94	0.12	430.2	54.2
Total Measured and Indicated	149.3	1.00	0.13	1,492.5	188.4⁽²⁾
Inferred	32.3	0.89	0.13	288.8	41.6

Note:

- (1) All assumptions, parameters, and methods used to estimate the mineral resources and reserves are disclosed in the Moa Technical Report.
- (2) Totals may not sum exactly due to each component number being rounded to its nearest decimal.

Due to the uncertainty which may be attached to Inferred Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability.

Historically, Sherritt has reported Moa Nickel’s Mineral Resources using a fixed cutoff that conforms to the approach used by Cuba’s Oficina Nacional de Recursos Minerales (“**ONRM**”), which defines the limonite zone as the layer of ore where nickel concentration exceeds 1% and iron concentration exceeds 35%. Sherritt continues to use the 1%Ni /35%Fe cutoff for reporting the Mineral Reserves of the Moa Joint Venture, except in the Zona A and Moa Oriental concessions where ONRM has approved the use of a 0.9%Ni /35%Fe cutoff. In 2013, Moa Nickel was granted the right to mine some of the saprolite underlying limonite in many of its deposits, for feed to the process plant. This recognizes current practices of including dilution at the bottom of the limonite ore zone to maximize metal production.

As described in detail in the current Moa Technical Report, in a shift from historical practice, the project’s resources are now defined using an economic (rather than a fixed) cutoff that takes into account the revenue generated by both nickel and cobalt, as well as the

3. DESCRIPTION OF THE BUSINESS (cont.)

costs incurred as a result of deleterious elements, principally Mg and Al. Applying an economic cut-off has increased Mineral Resources, and Moa's mine life has the potential for significant extension if the estimates are upgraded to Proven and Probable Mineral Reserves categories. For additional information in relation to the Moa Technical Report and increased resources, please see the Corporation's press release dated June 26, 2019 entitled "Sherritt Confirms Mineral Reserves and Outlines Increased Mineral Resources at Moa JV".

A program is underway to evaluate the full implementation of an economic cut-off grade and define what constitutes economic ore, resulting in the potential upgrading of Resources to Reserves. The program consists of metallurgical test work and an engineering study to evaluate the processing of saprolites and low-grade limonite. The program is expected to be completed in the fourth quarter of 2022 and is anticipated to result in an updated NI 43-101 *Technical Report* to be issued.

The current Mineral Reserves provide very strong assurances of adequate plant feed for years to come. Cost control is well managed by virtue of Sherritt's and GNC's management of the Moa Joint Venture. At current world prices for nickel and cobalt, the nickel equivalent cutoff being used to define the limonite zone for mining purposes yields a head grade of nickel plus cobalt that is above the economic breakeven cutoff where revenue meets operating, processing and general and administrative costs.

For further detail regarding the extent to which the estimates of Mineral Resources and Reserves may be materially affected by external factors, please refer to section 3.7 "*Risk Factors-Uncertainty of Resources and Reserve Estimates*".

3.2 Oil and Gas

The Corporation explores for oil and gas fields in Cuba. Cuban oil production ceased on March 20, 2021 with the expiry of the Puerto Escondido/Yumuri Production Sharing Contract. In addition, the Casablanca field and associated fields reached end of life and ceased production on June 15, 2021. As of this date, Sherritt does not have any oil nor gas production.

In 2021, the Corporation's Oil and Gas operations generated revenues of \$15.6 million compared with \$24.9 million during 2020, resulting in a loss from operations of \$11.6 million during 2021, compared to a loss from operations of \$136.4 million during 2020. The Corporation invested \$1.0 million in Oil and Gas capital projects during 2021 and \$1.6 million during 2020, all of which were funded by cash flows generated by the Corporation's Oil and Gas operations.

While the Corporation continues to fund its Oil and Gas operations through internally-generated cash flows, it is continuing to seek strategic partnerships in connection with funding future exploration and development costs for new and existing projects or to otherwise extract value from our interests and expertise in oil and gas in Cuba.

WORLDWIDE PRODUCTION

The following table sets out the average daily production volumes of crude oil and natural gas for the Corporation for the past three years.

Production Volumes (boepd)

	Year Ended December 31		
	2021	2020	2019
Gross Working-Interest Production			
Cuba	2,202	2,947	4,175
Other Countries	42	98	335
Total Gross Working-Interest Production		3,045	4,510
Net Working-Interest Production Cuba:			
Cost recovery oil	893	1,480	856
Profit oil	95	109	226
Total Cuba	988	1,589	1,082
Other Countries	42	98	335
Total Net Working-Interest Production	1030	1,687	1,417

OPERATIONS IN CUBA

Within Cuba, the Corporation holds and operates exploration PSCs with CUPET, the Cuban state oil company. As operator under the terms of the PSCs, SICOG Oil and Gas Limited ("**SICOG**") enters into long-term leasehold arrangements with the Cuban state for the

use of all land required for petroleum operations for the duration of the term of the PSCs. The Corporation indirectly holds 100% working-interests in three exploration PSCs in Cuba, as described in the following table, covering a total of approximately 168,600 net ha:

Block	Location	Current Status
Block 8A	Central Cuba	Exploration Phase
Block 10	Fold and thrust region – north coast of Cuba	Exploration Phase
Block 6A	Fold and thrust region – north coast of Cuba	Exploration Phase

The term of the Puerto Escondido/Yumuri PSC expired on March 19, 2021. The Corporation has no rights or obligations in respect of crude oil production or liabilities from Puerto Escondido/Yumuri as of March 20, 2021.

Exploration Prospects

During 2014 the Corporation was awarded two new PSCs, with effective dates of January 9, 2015, covering Blocks 8A and 10 in Cuba. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. Sherritt does not intend to make further investments in Block 10 at this time without first securing an earn-in partner.

On January 9, 2015 the Corporation was awarded a new PSC, Block 8A, in the west central part of Cuba to the immediate southeast of Havana. It is currently in its first exploration subperiod with work commitments including 100km of 2D seismic. In January 2020, an extension to the first subperiod was granted with an expiry of January 2021 and a contract term to 27 years. In December 2020, an additional extension to the first subperiod was granted with an expiry of January 2023 and a contract term to 29 years.

On November 1, 2017, the Corporation was awarded a new PSC, Block 6A, on the north coast of Cuba, west of Havana. The commitments during the first subperiod consist of the collection of existing geological and geophysical information and the reprocessing and interpretation of approximately 267 kilometres of 2D seismic. In January 2020, an extension to the first subperiod was granted with an expiry of January 2021 and a contract term to 26 years. In December 2020, an additional extension to the first subperiod was granted to November 2022 and a contract term to 28 years.

Sales to Cuba

Historically, all profit oil and cost-recovery oil allocated to SICOG under the PSCs has been sold to agencies of the government of Cuba at the first point of sale. In 2021, the selling prices for the Corporation's share of production have been based on 74% to 75% of the USGC HSFO reference price. The USGC HSFO reference price reflects consumption and supply of heavier oil products (such as heating oil, fuel oil and transportation fuels) in the U.S. Gulf Coast region and global consumption and supply of crude oil. The selling contracts are typically made for one-year terms and are re-negotiated on an annual basis.

The following table sets out average historical oil prices for USGC HSFO, WTI and the realized price from sales by the Corporation to agencies of the government of Cuba in the past two years.

	Year Ended December 31	
	2021	2020
Prices (\$ per bbl):		
WTI Benchmark (US\$)	68.16	39.13
USGC HSFO Benchmark (US\$)	60.39	35.15
Realized price (US\$)	42.24	25.57

Cuban Payment Arrangements

During 2021, SICOG received US\$12.3 million from the applicable Cuban government agency for oil payments, resulting in an overdue balance at December 31, 2021 of US\$27.3 million. As at December 31, 2020, the overdue amount was US\$25.1 million.

OTHER INTERNATIONAL OPERATIONS

Spain

The Corporation holds a 14.5% working-interest in the Casablanca oil field and a 15.6% working-interest in the Rodaballo oil field, a 29% working-interest in the Boquerón oil field, and an 18.4% working-interest in the Barracuda oil field, all located in the Gulf of

3. DESCRIPTION OF THE BUSINESS (cont.)

Valencia, offshore Spain. These fields ceased production on June 15, 2021. The Casablanca platform and associated fields are currently undergoing platform preparation and permitting that will be followed by the plug and abandonment of the wells and the ultimate dismantling of production facilities.

3.3 Power

CUBA

The Corporation holds a one-third interest in Energas, a Cuban joint venture corporation established to operate facilities for the processing of raw natural gas and the generation of electricity for sale and delivery to the Cuban national electrical grid system. The remaining two-thirds interest in Energas is held equally by two Cuban agencies, CUPET and UNE.

The Corporation has financed, constructed and commissioned each of the four integrated gas treatment and three power generation facilities as well as all expansions to the facilities which are located near the Varadero, Boca de Jaruco, and Puerto Escondido oil fields located in Cuba. As at December 31, 2021, these facilities had a total installed capacity of 506 MW.

The Energas joint venture is authorized as an international economic association pursuant to foreign investment laws in Cuba to engage in the generation of electricity for sale to the Cuban electrical grid. Resolutions confirming the authorization and validity of the establishment of Energas and its capacity to construct and operate electrical power generation plants and to sell electricity to Cuban agencies have been issued by the Executive Committee of the Council of Ministers. Energas is registered with the Chamber of Commerce of Cuba and has obtained a customs registration number that allows it to import supplies and materials to the country during the construction phase or expansion of any project and has also registered with the Office of National Tax Administration. The Cuban government also requires that Energas obtain environmental licenses relating to the commissioning and operation of the plant sites operated by Energas and a permit to operate bank accounts for each currency in which Energas does business in Cuba.

Association Agreement

The establishment and operation of Energas is governed by an association agreement entered into among Sherritt, CUPET and UNE, the joint venture partners of Energas (“**Association Agreement**”). The terms of the Association Agreement specify the obligations of each of the joint venture partners—the Corporation provides financing for the capital costs associated with the procurement, construction and commissioning of each power generation project that is approved by the shareholders of Energas and authorized by the Executive Committee of the Council of Ministers. CUPET, as part of their obligations under the Association Agreement, supplies gas as feedstock for the facilities at no cost to Energas, and UNE purchases the electricity produced by Energas under long-term fixed-price contracts.

Under the terms of the Association Agreement, all management decisions concerning Energas require the unanimous agreement of the joint venture partners. Day-to-day operations of Energas are the responsibility of the General Manager of Energas, who is appointed by Sherritt, until such time as it has recovered all its financing costs, and thereafter by mutual agreement of the joint venture partners.

On December 15, 2016, the Executive Committee of the Council of Ministers of the Republic of Cuba issued a Resolution extending the operating term of the Energas Varadero power generation facilities, and the related land rights until March 30, 2023.

The following table provides information in respect of each phase of development of the power generation facilities operated by Energas.

Phase	Location	Start Date	End of Term	Capacity (MW)	Economic Unit	Description
1	Varadero	1998	2023	65	Base	2 gas turbines, gas processing facility
2	Varadero	1998	2023	33	Base	1 gas turbine, gas processing facility
3	Varadero	2003	2023	75	Base	Combined cycle facility with supplementary firing
4	Boca de Jaruco	1999	2023	33	Base	1 gas turbine, gas processing facility
5	Puerto Escondido	2006	2023	20	Expansion	1 gas turbine, gas processing facility
6	Boca de Jaruco	2006	2023	65	Expansion	2 gas turbines, pipeline
7	Boca de Jaruco	2007	2023	65	Expansion	2 gas turbines
8	Boca de Jaruco	2014	2023	150	Expansion	Combined cycle facility with supplementary firing
Total capacity				506		

Pursuant to the terms of the Association Agreement, the operations of Energas have been divided into two economic units. The first economic unit (“**Base**”) comprises phases 1 through 4 noted above and the second economic unit (“**Expansion**”) comprises Phases 6 through 8 noted above.

The profits from each of the Base and Expansion economic units are paid out in the following order of priority: first, to the Corporation in repayment of financing costs for the construction of the facilities; second, to the government of Cuba for land rights granted in connection with the power plant sites; and finally, subject to mutual agreement, to the Energas shareholders in the form of dividends. In the event there is a shortage in the supply of natural gas that results in the curtailment of operations at the Expansion facilities, the joint venture partners of Energas have agreed to contribute their respective dividends from the Base facilities, to the extent required, to ensure that the Corporation recovers its financing costs pertaining to the Expansion facilities.

During 2005, Energas completed the repayment of financing in respect of the construction of the Base facilities. Subsequently, payment was made to the government of Cuba for the land rights to these facilities. As a result, the profits from the Base facilities are distributed to the joint venture partners of Energas in the form of dividends. Regular dividend payments commenced during 2006 and profits from the Base facilities are subject to a Cuban profit tax.

As for the Expansion economic unit, the profits from the Expansion facilities are used for repayment to the Corporation for all financing costs for the construction of the facilities and an agreed annual amount is paid to the government of Cuba for land rights during the term of the Association Agreement.

The Corporation believes that, to the extent its share of dividends from Energas are reinvested in construction of the Expansion facilities, the Corporation is entitled to receive reinvestment credits. Such credits are payable in cash directly to the Corporation funded by income taxes paid by Energas to the extent of the Corporation’s one third interest. The Cuban tax authority has indicated they will make payments to Sherritt in accordance with the Cuban tax authority’s interpretation of the amount entitled, however during 2021, no payments were received.

Energas and UNE have entered into an agreement providing for the purchase by UNE of all of the electric power generated by Energas from the Base facilities up to a maximum of 1,680 gigawatt hours per year. The purchase obligation commenced in October 1998, when the first phase of the Varadero facility commenced commercial production, and will continue as long as the Association Agreement is in effect. The electricity tariff was US\$0.045/kWh prior to completion of the repayment of financing and payment of land rights. The tariff is now US\$0.038/kWh. A second agreement provides for the purchase by UNE of all of the electricity generated from the Expansion facilities up to a maximum of 1,180 gigawatt hours per year. Under this second agreement, the electricity tariff is set at US\$0.045/kWh during the period prior to repayment of financing for the Expansion facilities and payment of land rights. Subsequently, the tariff will be US\$0.038/kWh.

In addition to the agreements with UNE, Energas has entered into agreements with other agencies of the government of Cuba, on the basis of international reference prices, for the purchase and sale of sulphur, LPG and natural gas condensates which are recovered from the processing of raw gas.

During 2021, the Corporation’s Power division had a loss from operations of \$0.6 million on revenue of \$28.3 million compared to a loss from operations of \$5.6 million in 2020 on revenue of \$37.2 million. Total spending on capital⁽¹⁾ during 2021 in respect of power operations were \$0.1 million and were primarily directed towards sustaining capital for Cuban operations.

(1) Non-GAAP measure. For additional information, see section 11.3 “Non-GAAP and other financial measures section”.

Locations

Energas does not own the surface land rights for its power facilities in Cuba, but has entered into leases with the Cuban State for the duration of the term of the joint venture.

Varadero

The Varadero facility is located approximately 140 kilometres east of Havana, Cuba. The facility consists of two integrated raw gas processing plants, three gas turbines and associated electric generators, a heat exchange system for generating high-pressure steam, and a steam turbine and associated electric generator. In addition, the Varadero site includes an electrical substation and transformers to facilitate connection of the facility to the Cuban national grid system and an integrated maintenance facility. The aggregate net power capacity of this facility is approximately 173 MW. Sherritt’s share of 2021 electricity sales was 109,454 MWh. In 2020, Sherritt’s share of electricity sales was 172,175 MWh.

The two integrated gas plants at the Varadero site have a combined rated capacity of approximately 50 MMcfpd of raw gas inlet, which would yield approximately 43 MMcfpd of sweet gas, 60 Tpd of sulphur, 438 bopd of LPG, and 226 bopd of condensate.

3. DESCRIPTION OF THE BUSINESS (cont.)

Boca de Jaruco and Puerto Escondido

The Boca de Jaruco facilities, located approximately 50 kilometres east of Havana, Cuba, consist of a raw gas processing plant and five gas turbines and associated electric generators, a heat exchange system for generating high pressure steam and a steam turbine and associated electric generator. The aggregate net power capacity of this facility is approximately 313 MW. The gas plant has a rated capacity of approximately 12 MMcfpd of raw gas inlet, which would yield approximately 10 MMcfpd of processed natural gas and 58 bopd of condensate. The Boca de Jaruco site also includes an electrical substation and transformers to facilitate connection to the Cuban national grid system and an integrated administrative and maintenance facility.

The Puerto Escondido facilities, located approximately 75 kilometres east of Havana, Cuba consist of two integrated raw gas processing plants and a gas turbine and associated electrical generator with a net power capacity of 20 MW. The gas plant has a rated capacity of 70 MMcfpd of raw gas inlet, yielding approximately 61.5 MMcfpd of processed natural gas, 400 bopd of condensate and 475 bopd of LPG. The Puerto Escondido site also includes an electrical substation and transformers to facilitate connection to the Cuban national grid system.

In 2021, Sherritt's share of electricity sales at the Boca de Jaruco and Puerto Escondido sites was 340,464 MWh. In 2020, Sherritt's share of electricity sales was 429,893 MWh. The reduction in sales was largely due to performance of delayed maintenance from 2020.

Under the terms of the Association Agreement, Energas has assumed responsibility for the processing of all the gas produced in the regional vicinity of the Yumuri, Puerto Escondido and Seboruco oil fields, including the portion of gas used by CUPET for the supply of domestic fuel to Havana for which CUPET pays a tariff to Energas.

Cuban Payment Arrangements

During 2021, Sherritt's Power division received payment of US\$32.7 million for overdue receivables, resulting in an overdue balance at December 31, 2021 of US\$128.7 million. As at December 31, 2020, the overdue amount was US\$120.8 million.

In 2019, Sherritt's Cuban partners ratified a new overdue receivables agreement (the Agreement) under which Sherritt will receive Cuban energy payments from Energas averaging US\$2.5 million per month effective May 2019. The Agreement recognized and acknowledged 100% of the amounts owed at this time to Sherritt. In addition, the Agreement provides that Sherritt will receive 100% of available distributions from the Moa Joint Venture once each partner has received a minimum amount of dividend. In 2021, Sherritt received US\$14.0 million in dividend redistributions, which were subsequently reinvested into Energas to support operational and maintenance liquidity expenditures. During 2021, Sherritt received a total of US\$28.3 million under this agreement, which is included in the US\$32.7 million total payment referenced above.

In January, 2021 the Cuban government commenced a unification process of its two currencies, the "national peso" (CUP) and the "convertible peso" (CUC). This currency unification and accompanying monetary reforms have had a negative effect on the average monthly energy payment under the overdue receivables agreement. Reduced local payments required at Moa meant less total local currency requirements and the average monthly amount decreased from US\$2.5 million to US\$1.3 million in 2021. Cuban energy payments were also affected by the impact of COVID-19 and the ongoing U.S. sanctions to limit Cuba's access to foreign currency in 2021 Sherritt anticipates variability in the timing and the amount of energy payments through 2022.

Gas Supply from CUPET

Under the terms of the Association Agreement, CUPET is obligated to supply, at no cost to Energas, gas that is owned by CUPET and is produced in association with crude oil from oil fields in the regional vicinity of the Varadero, Boca de Jaruco, Yumuri and Puerto Escondido plant sites (the "Oilfields") up to maximum plant capacity. CUPET's obligation to supply such gas is subject to its pre-existing obligation to supply clean, processed gas from the Puerto Escondido, Yumuri and Canasí fields for domestic fuel to Havana. Energas does not own the gas reserves in the Oilfields, nor does it control the rate or manner in which such gas reserves are produced. Continuing shortages in gas supply occurred throughout 2021 at both the Varadero and Boca de Jaruco plant sites (see section 3.7 "Risk Factors–Uncertainty of Gas Supply to Energas").

3.4 Technologies

Sherritt's Technologies business provides technical support, process optimization and technology development services to the Moa Joint Venture and Fort Site operations and identifies opportunities for the Corporation to commercialize its research and development for natural resource-based industries. Technologies has a particular focus on making next generation lateritic ore mining more economically viable and more sustainable and on the hydrometallurgical recovery of non-ferrous metals. Technologies is comprised of project managers, research scientists, engineers, technologists and support staff focused on the development and commercial

application of hydrometallurgical technologies and the use of high pressure autoclaves in other applications in support of the Corporation's business units as well as provision of such technologies to existing and emerging external producers. The group also aids in identifying opportunities for the Corporation as a result of its international activities and research and development initiatives. Sherritt is well-known for its in-depth expertise in high temperature, high pressure hydrometallurgy, in particular in leaching (gold, copper, nickel, cobalt, zinc, platinum group metals and uranium) and hydrogen reduction (nickel and cobalt). More than 40 commercial plants worldwide have adopted Technologies' hydrometallurgical processes for the treatment of a wide range of ores, concentrates, mattes and other feed materials for the recovery of non-ferrous and precious metals. Hydrometallurgical and high pressure autoclave processes are developed, tested and demonstrated extensively at Technologies' laboratory and pilot plant facilities, the data from which forms the basis for Technologies' engineers to design commercial plants.

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

The primary activities of Sherritt Technologies in 2021 centred on supporting development of the Moa JV's expansion strategy. Efforts included supporting a change in mine planning whereby an economic cut-off grade will be used to potentially upgrade resources into reserves and significantly expand the life of mine at Moa.

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

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

Discussions with external parties regarding the potential use of Sherritt's process have identified multiple, distinct scenarios for the application of this technology. External industry expertise has been engaged to assist in further developing these specific opportunities. Piloting of the new catalyst system, which allows for full upgrading instead of partial upgrading, is scheduled to occur during 2022, and will be designed to test the multiple product and processing scenarios.

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

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

In 2021, Sherritt launched a number of studies in addition to several studies already underway to support the commercialization path of this innovative, new technology. More specifically, discussions have started with external parties on a variety of potential commercialization routes and identification of optimal laterite ore and copper concentrate sources. External industry expertise has

3. DESCRIPTION OF THE BUSINESS (cont.)

been engaged to assist in further developing specific opportunities within the copper complex concentrate market. The process allows for different copper products, as well as nickel and cobalt intermediates, to be considered, depending on specific project drivers and circumstances.

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

3.5 Environment, Health and Safety and Sustainability

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) CONSIDERATIONS

Sherritt is committed to incorporating ESG best practices into its environmental, health, safety, sustainability and governance processes. The Corporation believes that it is important for the global economy to become more sustainable. Management strives to have a positive impact on the world and create a supportive corporate environment. A crucial element of Sherritt’s sustainability strategy is strong governance. Sherritt has an independent chairperson, and a majority of board members are independent.

Sherritt’s Board of Directors (the “**Board**”) has overall responsibility for oversight of the company’s ESG and corporate social responsibility initiatives and four sub-committees to support the Board of Directors with respect to ESG matters: the Audit Committee, the Human Resources Committee, the Nominating and Corporate Governance Committee and the Reserves, Operations & Capital Committee. Various corporate and employee conduct policies lay out the principles that guide employee behaviour in the workplace.

The Reserves, Operations & Capital Committee’s (the “**ROC Committee**”) mandate includes the oversight, monitoring and reviewing of Sherritt’s sustainability policies, management systems, programs and performance. The ROC Committee assists Sherritt’s Board of Directors in its oversight of EHS&S issues by providing corporate direction to, and monitoring and reviewing of, environment, health and safety, security, stakeholder relations, tailings facility performance, and other sustainability management systems, policies, programs and targets. The ROC Committee oversees the management of the Corporation in setting the Corporation’s general strategy and direction with respect to ESG matters, including the identification, assessment and prioritization of material and strategically significant ESG matters. The ROC Committee is also responsible for considering climate-related issues when reviewing and guiding management plans of action, among other considerations. This committee meets at least four times per year, visits our operating sites (physically, or when not so permitted, virtually), and receives information from corporate and divisional management on a quarterly basis, and more often when required. The committee chair reports to the Board on significant issues. The mandate of the ROC can be found on the Corporation’s website.

The Environment, Health, Safety and Sustainability (“**EHS&S**”) oversight is included within the respective board and executive mandates of the joint ventures that Sherritt is involved in. There are dedicated environment, health and safety committees at the board level for the Moa Joint Venture, and experienced Sherritt executives serve on these committees. At Energas, EHS&S matters are reviewed by the Energas board, which includes directors from Sherritt’s senior management team. In 2021, changes to the committee structures were approved by the Board to consolidate several committees, and also to more clearly include review of ESG and EHS&S matters.

Corporate accountability for oversight of the Sustainability Framework at Sherritt is currently the responsibility of the Chief Operating Officer (COO). Reporting to the COO, the Director, EHS&S implements governance and assurance measures, recommends strategy and standards, and oversees performance and reporting. The COO works closely with the management teams at all divisions and joint venture operations to ensure that business plans are aligned with the corporate strategic plans, to ensure compliance with local laws and conformance with company standards and to ensure that a continually improving approach to EHS&S is in place across our locations. Each division is led by a senior executive who reports to the COO. These individuals are accountable for all operational matters at their respective operating sites, including sustainability.

In 2021, management refreshed the five-year sustainability strategy and identified ESG improvements as a key pillar with a view to continue to improve performance and increasingly align with industry best practices. In 2021, the Corporation established an ESG taskforce, which recommended a set of actions to improve the Company’s performance across a range of key ESG performance indicators. Bloomberg is currently the only rating agency assessing Sherritt’s sustainability disclosures and providing an ESG score. Sherritt’s Bloomberg ESG score has improved steadily since 2014.

Management believes that Sherritt has suitable and appropriate ESG management initiatives through policies, programs, and due diligence management systems, which include, for example, the Environment, Health, Safety and Sustainability Policy, Human Rights Policy, as well as several policies related to corporate and employee conduct and the supporting due diligence systems. For example,

in 2021, Sherritt introduced a mineral supplier code of conduct which addresses topics such as safety, human rights, bribery and corruption, among others. It also reinforces Sherritt’s commitment to ethical mineral production and supply and encourages Sherritt’s business associates to work with the Corporation to seek ways to protect human rights, reduce environmental impacts, support the communities in which Sherritt works and collectively achieve economic growth. Management seeks to continually improve the Corporation’s ESG initiatives and performance through strategic and operating plans and embed ESG related aspects in investment and capital spend decisions.

More information on Sherritt’s ESG performance is available in Sherritt’s 2020 Sustainability Report. Sherritt’s 2021 Sustainability Report is expected to be published in the third quarter of 2022.

The EHS&S functions are managed within a sustainability framework that establishes expectations through policies, standards, and management systems. The sustainability framework was introduced in 2013 and is regularly updated via policy revisions, new standards, and independent assessments that align with industry best practices.

SUSTAINABILITY FRAMEWORK

Sherritt’s sustainability framework (the “**Framework**”) provides a focused and practical approach to prioritizing, managing and measuring sustainability performance. The Framework consists of a core commitment to sustainability and a series of issue-specific commitments, which are supported by management systems with standards and guidelines to inform planning, implementation, measurement, reporting and assurance of sustainability efforts across Sherritt. All of the Corporation’s operations are in the process of ensuring they meet the requirements of these minimum standards for sustainability management.

The Framework addresses the sustainability issues most material to the achievement of the Corporation’s goals and future business needs. To develop the Framework sustainability issues important to the Corporation’s business were identified based on potential risks, corporate policies and a review of current and emerging sustainability issues facing the natural resources sector.

Each issue was analyzed on the basis of the level of expected business impact and degree of stakeholder interest. Generally, the most material sustainability issues are addressed in individual commitments in the Framework shown below. These issues are reviewed periodically to ensure emerging issues are properly identified and captured in the Framework.

In 2021, Sherritt continued to develop and update Sustainability Framework policies and standards with the intention of maintaining best practices and alignment with the industry at large. This process will continue into 2022–2023 as new standards emerge and external expectations evolve.



The standards designed to support the Framework align with international good practice, including the requirements of the Towards Sustainable Mining (“**TSM**”) program, the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency

3. DESCRIPTION OF THE BUSINESS (cont.)

Initiative, the Incident Command System, and the ISO 45001 and ISO 14001 standards. Sherritt's approach to sustainability is also informed by the United Nations Sustainable Development Goals, and the Organization of Economic Co-Operation and Development.

Five Year Goals and Targets

As an integral part of Sherritt's overall framework, the Corporation has adopted the following goals to enhance its environmental, health, safety and sustainability performance. The goals are as follows:

- Goal 1 Achieve Level A requirements in Towards Sustainable Mining (TSM) protocols across all operations
- Goal 2 Strengthen our safety culture, behaviour and performance
- Goal 3 Improve environmental management across operations
- Goal 4 Create community benefit footprints that support local priorities and the Sustainable Development Goals
- Goal 5 Improve diversity & inclusion at all levels throughout the Corporation
- Goal 6 Be recognized as a "preferred supplier" of responsibly produced products

In 2021, the Corporation focused on benchmarking assessments and finalized organization-wide and division-level targets for the goals. These targets are disclosed in the 2020 Sustainability Report. Sherritt's divisions have established multi-year sustainability and business plans that support the achievement of the sustainability goals. Performance against the goals is reported in the annual sustainability report. The goals are re-evaluated at a minimum every five years.

Memberships

Sherritt is a member of the Mining Association of Canada ("MAC"). As a condition of membership, the Corporation is required to implement and report on TSM at its Canadian operations. TSM's management protocols and associated guidance cover the following areas: Indigenous and Community Relations, Climate Change, Tailings Management, Biodiversity Conservation Management, Safety and Health, Crisis Management and Communications Planning, Child and Forced Labour, Mine Closure, and Water Stewardship. As Sherritt's Framework was initially designed to align with TSM, the Corporation has already made progress on implementing TSM at facilities in Canada and Cuba. Sherritt first began to report on implementation progress to MAC in 2019. Sherritt's joint venture refinery completed external verification on TSM conformance in 2021, and site-level results will be made public through MAC.

The Corporation also gleans insights into sustainability trends and developments through its membership in Fertilizer Canada, the Devonshire Initiative, the Prospectors and Developers Association of Canada, the Nickel Institute, the Cobalt Institute, and the Responsible Minerals Initiative; and meets the membership obligations of the Voluntary Principles Initiative. In addition, a number of Sherritt employees hold committee or Board positions within these organizations.

Sustainability Reporting

The Corporation discloses its annual sustainability performance in an online report. The latest report, which contains 2020 data, was prepared in accordance with the Global Reporting Initiative's Standards (Core Option). Sherritt's 2020 sustainability report was published in September 2021 and is available at sustainability.sherritt.com. The 2021 report is expected to be published in the third quarter of 2022.

ENVIRONMENT, HEALTH AND SAFETY

Environmental

In addition to meeting the commitments articulated in Sherritt's Framework, the Corporation's operations are also subject to certain EH&S laws and conventions in various jurisdictions. These laws and conventions cover areas such as employee health and safety; air quality; soil quality; ground water quality; water quality and availability; the protection and enhancement of the environment (including the protection of plants and wildlife); development approvals; the generation, handling, use, storage, transportation, release, disposal and cleanup of regulated materials, including wastes; and the reclamation and restoration of mining properties after mining is completed, among others. The consequences of a breach of EH&S laws can be serious and could include the temporary suspension of operations, the imposition of fines, other penalties (including administrative penalties and regulatory prosecution), and government orders, which could potentially have a material adverse effect on operations.

The Corporation's compliance with relevant environmental laws begins with its assessment of environmental impacts before it initiates major new projects or undertakes significant changes to existing operations. Once planning and development have been completed,

the Corporation's various operations must remain in compliance with their licenses, permits and other commitments. Throughout its operations, the Corporation actively investigates and implements continuous improvement opportunities to mitigate any effects of the operations on the environment as well as on the health and safety of workers and local community. The Corporation is in material compliance with the applicable environmental laws and conventions relating to its current operations.

In Cuba, Moa Nickel has been working under specific operating standard regimes since 1994, which provide for Moa Nickel to work with the Cuban authorities in understanding, assessing and mitigating Moa Nickel's effects on the environment. Cuban agencies conduct periodic inspections to ensure that Moa Nickel is in compliance with the site-specific operating standard issued by the Cuban regulatory authorities.

At the Corporation's Oil, Gas and Power operations, the Cuban regulator conducts ground water and air quality surveys several times per year to monitor compliance with standards under Cuban law.

The Corporation holds an operating approval under the *Alberta Environmental Protection and Enhancement Act* for the refinery in Fort Saskatchewan which is valid until January 31, 2031. In December 2020, the regulator provided a draft operating approval for the Fort Saskatchewan site, which was finalized in January 2021. No significant concerns were noted with the provisions and conditions of the operating licence and plans are in place to ensure continued compliance.

Environmental management activities are coordinated with other companies in the Fort Saskatchewan area through the refinery's active involvement with the Northeast Capital Industrial Association ("**NCIA**"). The NCIA endorses principles which promote sustainable industrial growth and high quality of life, and works with provincial authorities. Anticipated and actual changes to federal and provincial legislation regarding emission, which will require that certain air emissions from the refinery be reduced, which will require capital expenditures on the part of the Corporation. For more information on some of these requirements, see "*Greenhouse Gas Emission Frameworks*" below.

The Corporation includes provisions in its financial statements for environmental rehabilitation obligations based on estimates of future site restoration costs, estimated remaining lives of properties, environmental laws and regulations, and estimated lives of reserves. The current estimate of the Corporation's share of the total anticipated undiscounted future cost of abandonment and reclamation costs to be incurred over the life of the Corporation's various assets and investments is estimated at approximately \$137.3 million (excluding operating expenses). See Note 17 to the Corporation's audited consolidated financial statements as at December 31, 2021. The Corporation's reclamation of its mine sites is continuous and on-going. The Corporation has received certain indemnifications from its predecessor, Viridian Inc., with respect to any claims for environmental damage relating to the operations at the Fort Site prior to 1994 and with respect to any claims in relation to the Corporation's fertilizer business prior to 1996. The Corporation has assumed Viridian's obligations to GNC in respect of environmental indemnities, but has also received indemnification from Viridian to the same extent, with respect to matters occurring prior to the commencement of operations of the Moa Joint Venture in 1994.

The Corporation and Moa Nickel have been indemnified by GNC with respect to a number of environmental matters. More particularly, damage arising from claims concerning identified or latent conditions relating to the operation of Moa Nickel facilities prior to the formation of the Moa Joint Venture, including health-related claims and required remediation of environmental damage done prior to the formation of the Moa Joint Venture, are subject to indemnification by GNC.

Moa Nickel is obliged to maintain a financial reserve for the purpose of reforestation of the areas that Moa Nickel has mined. Moa Nickel is not responsible for the reforestation of areas mined prior to November 30, 1994.

The Power division's Varadero, Boca de Jaruco and Puerto Escondido plant sites are subject to regulation under Cuban environmental laws. The area in the vicinity of these sites has been used for the development and production of petroleum and natural gas and other industrial activity for many years. Baseline environmental surveys conducted prior to commencement of operations have confirmed the presence of pre-existing ground water contamination at each of the Varadero, Boca de Jaruco and Puerto Escondido plant sites. The Corporation believes that Energas has no liability under Cuban law for any pre-existing contamination at these sites.

The voluntary commitments articulated in Sherritt's Framework that relate to environmental management include the implementation of the TSM Climate Change, Tailings Management, and Water Stewardship protocols and the implementation of ISO 14001 environmental management system (EMS) standard.

The management of mine waste, specifically tailings management, remains a material issue for Sherritt, the Moa Joint Venture and the mining industry as a whole. Sherritt is committed to working with its joint venture partner to advance tailings management practices to more closely align with global industry standards for the facilities operated by the Moa Joint Venture in Cuba. Sherritt has disclosed detailed information regarding the tailings management facilities operated by the Moa Joint Venture along the Church of England guidelines in its 2020 Sustainability Report and tailings management report.

3. DESCRIPTION OF THE BUSINESS (cont.)

Water

The growing global population is putting pressure on freshwater availability and quality, and these concerns are expected to increase due to climate change. Sherritt understands and shares these emerging concerns. Water is central to our metallurgical process for producing nickel and to the generation of steam at Energas, and it is managed carefully. Where feasible, process water is recycled or reused within the process itself. Runoff is controlled through diversions and catchments to minimize any release to the environment. At each operating site, baseline studies are conducted, risks are assessed and stakeholders are engaged to involve them in the water management planning.

Pumping water for use in our processes takes a considerable amount of energy, and Sherritt's operations are continually taking steps to identify how to optimize practices and minimize the amount of water and energy used.

Sherritt's operations also conduct monitoring to help ensure that they are not contaminating surface water or groundwater resources with process discharges. All of the water discharges comply with the appropriate jurisdictional regulatory requirements and are monitored and controlled as necessary to ensure compliance and to protect the receiving environment. The monitoring programs are also designed to help detect any unanticipated problems and manage risk beyond regulatory obligations.

Sherritt's approach to water management varies across its operations, depending on technical requirements, local climate, water bodies and stakeholder interests. Building on the range of water management practices and initiatives in place, Sherritt developed a corporate Water Standard that the sites will implement in 2022.

More information on Sherritt's approach and performance related to water can be found in the 2020 Sustainability Report.

Greenhouse Gas Emission Frameworks

Federal

The most recent periodic conferences of the parties to the United Nations Framework Convention on Climate Change (the "**Convention**") have not resulted in a legally binding GHG emissions reduction commitment to succeed the Kyoto Protocol, which expired at the end of 2012. However, most nations, including China, Brazil, India and Canada entered into a commitment referred to as the Paris Agreement in December 2015, under which countries submit voluntary mitigation targets and plans and revisit those targets and plans every five years. Under the Paris Agreement, the Canadian federal government has proposed to reduce its emissions by 40–45% below 2005 levels by 2030.

On December 9, 2016, the Government of Canada, eight provinces (including Alberta) and three territories signed the Pan-Canadian Framework on Clean Growth and Climate Change (the "**Climate Change Framework**"). The key feature of the Climate Change Framework is a federal benchmark for pricing for carbon pollution. To meet the benchmark, provinces and territories can implement either: (i) an explicit price-based system (e.g., a carbon tax, or Alberta's carbon levy tied to a performance-based emissions system); or (ii) a cap-and-trade system. For price-based systems, the benchmark carbon price would start at a minimum of \$10 per tonne in 2018, rising to \$50 per tonne in 2022. In contrast, jurisdictions that adopt cap-and-trade are expected to achieve: (i) emissions reductions of at least 30% below 2005 levels by 2030; and (ii) declining annual caps to at least 2022 that correspond, at a minimum, to the projected emissions reductions resulting from the carbon price that year in price-based systems. As a backstop, the federal government adopted the *Greenhouse Gas Pollution Pricing Act in 2018* which is in effect in provinces and territories that do not meet the benchmark.

The federal backstop has two parts:

1. a pollution price on fuel, known as the fuel charge; and
2. a pollution price for industry, known as the Output-Based Pricing System ("**OBPS**")

The federal fuel charge took effect in April 2019 in Ontario, New Brunswick, Manitoba, and Saskatchewan, and began to apply in Alberta on January 1, 2020.

On June 28, 2019, the Government of Canada published the *Output-Based Pricing System Regulation* ("**OBPS**"). The OBPS regulation took effect on January 1, 2019, in Ontario, New Brunswick, Manitoba, and Prince Edward Island, and covers two sectors in Saskatchewan. The federal price on carbon pollution (both the fuel charge and the OBPS) came into effect on July 1, 2019, in the Yukon and Nunavut.

In late 2020, the Government of Canada announced that the carbon tax will increase from its current \$30 per tonne of greenhouse gas (GHG) emissions to \$170 per tonne in 2030—an increase of 467% over 10 years.

The carbon tax is set at \$40 per tonne of CO₂-equivalent for the 2021 compliance year and rises to \$50 per tonne for 2022. The recent announcement, if implemented into law, will increase the carbon tax by \$15 per tonne per year starting in 2023 until the tax reaches \$170 per tonne in 2030.

Alberta

The Technology Innovation Emissions Reduction Regulation (“TIER”) became effective January 1, 2020. This regulation sets benchmarks based on 2013–15 performance of either the mix of Alberta facilities producing the same product, or the facility emissions intensity for unique producers. TIER includes both direct emissions and indirect ones related to the import of electricity, process heat, or hydrogen using Alberta specific standard intensities. For 2021 the carbon price was set at \$40/tonne, rising to \$50/tonne in 2022. Future prices have not been announced. It is anticipated that for the next several years, the refinery and the Fort Site will continue to comply with TIER by purchasing credits and will consider emerging GHG emission efficiency options as they are developed. The 2021 GHG emissions by the refinery and the Fort Site will not be available until later in the year. In 2020, the GHG emissions by the refinery and the Fort Site were 334 kt CO₂e in total or 43 kt CO₂e greater than the legislated limit. Accordingly, the refinery and the Fort Site purchased 43 kt of credits.

Other Jurisdictions

The Power division has registered a project with the United Nations clean development mechanism which allows GHG emission-reduction projects in developing countries to earn certified emission reduction (“**CER**”) credits, each equivalent to one tonne of CO₂. These CERs can be traded and sold, and used to meet certain emission reduction targets. The mechanism is intended to stimulate sustainable development and emission reductions and to provide flexibility in meeting certain emission reduction targets. The Energas Varadero Conversion from Open Cycle to Combined Cycle Project, United Nations Framework Convention on Climate Change Project 0918, achieved a verified GHG reduction of 342,235 metric tonnes CO₂ equivalent from January 2007 to June 2008. Verification of a further 638,392 CER credits for the period from July 1, 2008 to December 31, 2010 has been completed. Verification of CER credits for the period from January 1, 2011 to the present has been suspended for the time being as a result of low market prices for CERs. No sales of CERs were recorded in 2021.

The process of registering the 150 MW Boca de Jaruco Combined Cycle Project with United Nations authorities has been suspended until market prices for CERs have improved. This suspension remained in effect in 2021.

With greater clarity on emissions regulations, the Corporation can better plan for impacts to operations. The regulation of greenhouse gasses is a topic of global importance and will be in discussion nationally and internationally for the foreseeable future. It remains that the Corporation’s Canadian operations involve large facilities, so the setting of emissions targets (whether in the manner described above or otherwise) may well affect them and may have a material adverse effect on the Corporation’s business, results of operations and financial performance. In addition to directly emitting GHGs, the Corporation’s operations require large quantities of power. Current or future taxes on or regulation of power producers or the production of oil and gas or other fuel products may also add to the Corporation’s operating costs. The increased regulation of GHG emissions may also reduce the demand for the Corporation’s products.

To monitor the potential impact of, and opportunities arising out of, climate change, the Corporation has conducted a number of meetings with politicians and regulators at both the federal and provincial levels and closely monitors the regulatory activities of these governments. The Corporation’s facilities have implemented programs for the collection of emissions data as part of an overall environmental monitoring system. Any eventual costs related to emissions targets may be partially offset by credits earned through internal measures and research and development projects. The Corporation has already engaged in one such project utilizing waste exhaust heat to generate power for Energas facilities in Cuba, resulting in a reduction of GHG emissions. The environmental benefits achieved through the reduction of GHG emissions at the Energas operations were recognized by the granting of Kyoto Clean Development Mechanism status for the Phase 3 facilities of Energas pursuant to the provisions of the Kyoto Protocol.

Climate Change

Sherritt recognizes that it has a role to play in helping to address the global climate challenge, which includes working to reduce the Corporation’s carbon footprint as well as supporting the transition to a circular and low-carbon economy. The minerals and technology Sherritt develops are also enabling the transition to global decarbonization.

The Corporation has been developing innovative solutions for a low-carbon world, as well as engaging in climate-related risk mitigation activities, and building governance structures for some time. However, the Corporation recently developed a comprehensive climate strategy and targets, and has aligned its disclosure with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These are the first steps in Sherritt’s ambitious journey to do its part to tackle climate change and position the enterprise for success in the low-carbon future.

3. DESCRIPTION OF THE BUSINESS (cont.)

Sherritt's senior management has considered climate-related risks and opportunities in the strategic planning process and in conjunction with overall ESG oversight, and the Board recognizes the risks associated with climate change. Sherritt's climate-related disclosures are reviewed using internal governance processes and disclosure procedures that are similar to those used for financial disclosures. Risk management and assurance activities associated with climate change are conducted through the Audit Committee of the Board. The COO, who reports directly to the President and Chief Executive Officer, is presently accountable for climate change management. This position is also accountable for ensuring environmental, health, safety and sustainability performance meets corporate requirements, including implementation of the climate plan.

Sherritt supports the global climate change goals outlined in the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. The Corporation recognizes the important role it can play in the shift to a low-carbon economy and has established a climate plan with targets for reducing its carbon footprint and the mining industry's carbon footprint, with the ultimate goal of achieving net zero greenhouse gas emissions by 2050.

The Corporation conducts internal and external assurance on climate change disclosures. Following assurance, applicable management teams use the results to inform future actions and strategic plans.

The COO is presently responsible for delivering the Corporation's climate plan and overseeing the progress of related committees and task forces. In 2021, management refreshed its strategic initiative focused on building a sustainable organization. As part of this initiative, the climate plan was strengthened and management established aspirational and interim targets related to climate change.

Sherritt's plan to contribute to global climate action, to adapt to a low-carbon economy and to continue to responsibly produce the materials essential for society is built around five pillars:

1. Identify climate change-related risks and opportunities;
2. Adapt to a changing climate;
3. Mitigate impacts by reducing greenhouse gas emissions and improving energy efficiency;
4. Innovate with technological and operational solutions; and
5. Transparently disclose our progress.

Assessing climate change-related risks and opportunities is part of the Corporation's risk management and strategy development processes. Effective and strategic management of climate change-related risks and opportunities across all aspects of Sherritt's business is vital to its continued ability to operate.

When relevant, meetings chaired by the COO, include discussions on operational approaches to decarbonization, including capital investments to improve energy efficiency and reduce greenhouse gas emissions, and strategies to incorporate more renewables into our energy mix. Sherritt's capital allocation processes prioritize the production of commodities essential to the transition to a low-carbon economy.

Sherritt works with industry associations and partners to support predictable policy mechanisms aimed at achieving cost-efficient emissions reductions. The Corporation continues to strive to incorporate changes in local regulations and carbon pricing sensitivities into its business planning for existing assets, innovation pipelines, new investments and as part of its marketing activities. Sherritt's ongoing work plan and the increasing requirements it placed on its operations give substance to its corporate approach and commitments on climate change.

All Sherritt operations are implementing the new TSM Climate Change Protocol.

An initiative was launched in 2020 to increase the use of renewable energy at the Moa Nickel site. To date, two electric scissor lift units, two small pick-up trucks, four minivans, and one electric forklift two electric vans have been deployed. Work has also commenced on a feasibility study for the installation of a 20 MW solar panel power plant of solar panels at the Moa Nickel site. Solar panels are also being installed in remote camps to supply electrical power and lighting needs. At the Fort Site a compact electric vehicle has been deployed and a five-year small electric vehicle ("EV") replacement plan was approved with the objective of replacing 20% of the fleet with EVs by the end of the 5-year period.

Meetings chaired by the COO include reviews of Sherritt's innovation pipeline and discussions on how the Corporation's technologies can contribute to industrial decarbonization efforts.

More information on Sherritt's approach and performance related to climate change can be found in the 2020 Sustainability Report.

HEALTH & SAFETY

In addition to meeting the commitments articulated in Sherritt's sustainability Framework, the Corporation is also subject to legal requirements governing the occupational health and safety of the workforce. The Corporation believes that safe operations are essential for a productive and engaged workforce and sustainable growth. The Corporation is committed to workplace incident prevention and makes expenditures towards the necessary human and financial resources and site-specific systems to ensure compliance with its health and safety policies. Sherritt continuously enhances health and safety and tailings management systems to improve how significant risks are identified, controlled, and monitored.

Sherritt's approach to workplace health and safety includes involving its stakeholders, such as Sherritt's employees and the communities in which it operates, along with customers, investors, partners and service providers. The Corporation's commitment to health and safety extends throughout the entire enterprise, starting with the Board.

The basis of Sherritt's enterprise-wide health and safety program includes life safety rules, fatality prevention standards, visible felt leadership and management systems. Over a number of years, the Corporation has also been working on establishing enterprise-wide standards aligned with international best practice. The Corporation updates these standards regularly as part of its commitment to continuous improvement, operational excellence and a stronger safety culture. Life safety rules are in place to minimize the risk of fatalities by identifying and communicating critical safety rules. These rules were established at all operations and continue to be applied through training and orientation, awareness campaigns and disciplinary measures. A set of eight fatality prevention standards were developed to systematically eliminate fatal risks arising from common hazards. These include Light Vehicles, Heavy Mobile Equipment, Working at Heights, Hazardous Materials and Confined Spaces, among others. These standards are at various stages of implementation across our operations. This phased approach to implementation is due to the unique challenges of each site.

The Corporation's visible felt leadership program is intended to drive leaders at all levels of the organization to be visible in the operations modelling safe behaviours and constructively interacting with the workforce to find ways in which work can be performed more safely. The workforce should feel each leader's personal commitment to health and safety and view the leader as a safety coach.

In terms of management systems, the Corporation is pursuing a three-pronged approach to address critical mining risks through TSM, align with international best practice through ISO 45001 (occupational health and safety) standards, and address risks associated with hazardous materials and pressurized vessels through the implementation of process safety management standards that align with the CSA Z767 Process Safety Management Standard.

The Corporation tracks a series of leading indicators designed to increase safe behaviours, improve performance and strengthen safety culture. These indicators include visible felt leadership interactions, proactive health and safety communications, workplace inspections and training. Sherritt also has a significant potential incident standard in place, which requires tracking and specific management actions for any workplace incident that, under slightly different circumstances, could have resulted in a fatality.

At the corporate level, assurance of Sherritt's health and safety programs is conducted through regular executive reviews, peer comparisons, internal audits and independent assessments.

In 2021, Sherritt divisions did not experience any work-related or community fatalities. The Total Recordable Injuries frequency rate was 0.34 and its Lost-Time Injuries frequency rate was 0.14. Although this constitutes peer leading performance, the Corporation endeavours to continually improve its management systems, capabilities, and performance.

The COVID-19 pandemic that started in early 2020 created unprecedented challenges for society and businesses. From the onset of the pandemic, Sherritt focused on implementing measures to ensure the health, safety and wellness of its employees and the communities where it operates.

In early 2020, Sherritt activated an Executive Steering Committee to manage and oversee the company's response to the COVID-19 pandemic and that oversight continued in 2021. Additionally, working groups were established to implement site and divisional plans and controls.

Throughout 2021 Sherritt implemented a number of protocols and protective measures at its sites to prevent the transmission of COVID-19 to its employees and surrounding communities. The actions taken included but were not limited to the following:

- Maintained alignment with Canadian and local public health guidance and the Cuban civil defence pandemic crisis plan;
- Restricted site access to employees supporting essential business operations;
- Enhanced screening at all site entry points;
- Implemented physical distancing measures and increased frequency of deep cleaning and sanitization of surfaces; and

3. DESCRIPTION OF THE BUSINESS (cont.)

- Implemented measures to support employee physical and mental health, including the expansion of mental health benefits for employees;

Sherritt worked closely with national and local health authorities and the Mining Association of Canada to align plans and actions. The Corporation continues to monitor and regularly assess risks and adopts measures that are in line with local and national public health guidance to ensure the health and safety of its employees.

More information on Sherritt's approach and performance related to occupational health & safety can be found in the 2020 Sustainability Report.

RESPONSIBLE PRODUCTION AND SUPPLY OF MINERALS

Sherritt is committed to extracting and producing minerals that meet its stakeholders' social, ethical, environmental and human rights expectations and to advancing that commitment with its joint venture partners and their suppliers and customers.

Sherritt's responsible sourcing strategy considers the sourcing, production and supply of minerals. The Corporation's Human Rights Policy and Environment, Health, Safety and Sustainability Policy identify its commitments and expectations. Sherritt works collaboratively with its partners, experts, industry consortia, peers and customers to fully understand the properties and potential impacts of Sherritt's products throughout their supply chains and life cycles.

The Corporation continues to make progress against plans to ensure it has the appropriate policies and due diligence management systems in place to address the requirements of the Organisation for Economic Co-operation and Development (OECD)'s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Sherritt remains engaged with the Mining Association of Canada, the Responsible Minerals Initiative, the London Metal Exchange, the Nickel Institute and the Cobalt Institute in order to align with recognized responsible sourcing initiatives, standards and frameworks. Sherritt advocates for the adoption of all of these requirements by its partners, subsidiaries and joint venture organizations.

Sherritt has a robust management system in place to manage environmental and social risks and to meet or exceed performance targets.

In 2021 Sherritt updated the Conflict-Affected and High-Risk Areas (CAHRA) assessment of the Moa Joint Venture mineral feed supplies, which concluded that the Moa Joint Venture does not source from, operate in, or transit through any conflict-affected or high-risk areas. The company completed an independent OECD-aligned audit of its subsidiaries and Moa Joint Venture responsible sourcing policies and due diligence management systems. In addition, Sherritt's subsidiaries now require mineral feed suppliers to adhere to its supplier code of conduct and supplier due diligence declarations, which aligns with OECD recommendations.

Sherritt remained an active upstream member of the Responsible Minerals Initiative, the Cobalt Institute, and the Nickel Institute.

More information on Sherritt's approach and performance related to responsible mineral production and supply can be found in the 2020 Sustainability Report.

DIVERSITY AND INCLUSION

With the goal of improving diversity at all levels of the company and ensuring a culture of inclusion, Sherritt launched a five-year diversity and inclusion ("D&I") global framework in 2019. The Corporation is making a concerted effort to cultivate and foster an inclusive, diverse, and equitable workplace to ensure all employees have a positive experience and to effectively support recruitment and retention.

In 2021, Sherritt successfully completed 85% of the objectives set out in year two of the five-year framework, which were focused on building the foundation for its drive towards a more inclusive, diverse and respectful workplace. Additionally, Sherritt was able to get started on other initiatives achieving overall progress on 49% of the five-year framework. As of December 31, 2021, there were 21% women in the workforce at Sherritt showing a continued increase since 2019. In 2021, Sherritt's female directors constituted 33% of independent directors, which increased to 50% of independent directors (43% of all directors) with the appointment of Chih-Ting Lo to the Board in March 2022.

The Sherritt Board oversees the D&I strategy. Accountabilities for delivering on the framework rest with the senior leadership team and are executed through the Global D&I Steering Committee and the D&I committees at each location.

The local D&I committees and employee resource groups collaborated to provide many events, communities, and resources at Sherritt's operations and offices. The Fort Site focused on increasing diversity through external partnerships and recruitment processes resulting in gender diversity of 80% male and 20% female at the end of 2021. This is an improvement from 83% male and 17% female at the end of 2020.

More information on Sherritt's approach and performance related to diversity and inclusion can be found in the 2020 Sustainability Report.

COMMUNITY INVESTMENT

Sherritt's Community Investment initiatives focus on projects which support socio-economic development, public health and safety and natural and cultural heritage in the communities in which the Corporation operates.

Sherritt's community investment initiatives aim to maximize the shared benefits of our activities. Through its work, the Corporation aims to contribute to long-term mutual prosperity. It takes a respectful approach to engaging with local stakeholders and supporting the development of sustainable communities. Sherritt recognizes that a significant part of its role is to help build human and institutional capacity wherever it operates so that local communities can achieve their development goals.

In 2021 Sherritt invested almost \$1.0 million in host communities and countries. This includes contributions to the Native Women's Resource Centre and Anduhyaun Inc emergency shelter in Toronto, WinSETT for the development of women centred training, the Capital Region United Way, the Edmonton Boyle Street Society to support the overdose response team, the Edmonton Bent Arrow Healing Society to support the construction of an urban Sweat Lodge, and the Trans-Canada Trail.

In 2021 there were numerous investments in Cuban communities that aligned with local needs. The company contributed to the five-year partnership with Cowater to co-fund the electrification of rural towns through a renewable energy in the province of Holguin. A donation was made to UNICEF to support immunization efforts and improve the capacity of approximately 90 vaccination centres throughout Cuba, including the municipality of Moa. The donation, benefitted almost 3 million people, including approximately 350,000 children, helped to curb the spread of COVID-19, and support future vaccination needs. In Matanzas and Santa Cruz del Norte, Sherritt donated plastic bins for garbage collection, pumps and installation material to improve water supply, and freezers for public health and educational centres. In Moa, Sherritt donated air conditioning equipment to public health, educational centres, and a children's cultural centre, and freezers to improve refrigeration capacity in community daycares. In Cardenas, Sherritt donated humidifiers and oxygen gas to cover the necessities of Intensive Care Units in Cardenas Hospital (CAD \$9,366).

3.6 Employees

At December 31, 2021, the Corporation, including its subsidiaries and joint ventures, employed 3311 individuals as set forth in the following table:

Moa Joint Venture and Fort Site ⁽¹⁾	2770
Oil and Gas ⁽²⁾	136
Power ⁽³⁾	293
Technologies	55
Corporate	41
Havana ⁽⁴⁾	16
Total	3311

Notes:

- (1) Includes Sherritt and GNC employees seconded to the Moa Joint Venture (100% basis)
- (2) Includes employees of the entities through which the Corporation carries on its Oil and Gas business.
- (3) Includes employees of Energas.
- (4) Includes employees in the Havana office supporting Cuban operations.

The table above does not include contractors or service providers.

Sherritt's operations require employees and contractors with a high degree of specialized technical, management and professional skills, such as engineers, trades people and plant and equipment operators. In some geographic areas, the Corporation competes with other local industries for these skilled workers. For example, in its Cuba operations, the Corporation is dependent on the government for the provision of skilled workers.

3. DESCRIPTION OF THE BUSINESS (cont.)

3.7 Risk Factors

Before making any investment decision, investors should carefully consider all the information contained in this Annual Information Form. An investment in securities of the Corporation is subject to certain risks, including risks related to the business of the Corporation, risks related to mining operations and oil and natural gas operations and risks related to the Corporation's securities described below and in this Annual Information Form. These risks may not be the only risks faced by the Corporation. Additional risks and uncertainties not presently known by the Corporation or which are presently considered immaterial may also adversely impact the Corporation's business, results of operations, and financial performance.

MARKET CONDITIONS AND LIQUIDITY

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, oil, gas, fertilizer and other commodities, which are volatile. Significant reductions in commodity prices or sustained low commodity prices could have a material adverse effect on the Corporation's business, results of operations and financial performance. The prices for commodities produced by the Corporation can be affected by numerous factors beyond the Corporation's control, including expectations for inflation, speculative activities, relative exchange rates to the U.S. dollar, production activities of mining and oil and gas companies, global and regional supply and demand, supply and market prices for substitute commodities, international trade dynamics and disputes, political and economic conditions, global conflicts and hostilities, and production costs in major producing regions. The prices for these commodities have fluctuated widely in recent years and can be extremely volatile. The impact on commodities by factors such as the foregoing can be significant and unpredictable, as evidenced by events so far in 2022. In February 2022, the Russian invasion of Ukraine and resulting economic sanctions, export bans and other consequences, significantly impacted commodity markets. In March 2022, unprecedented trading and pricing activity on the London Metals Exchange ("LME") nickel contract led to the LME halting nickel trading for a prolonged period of time, from March 8 to March 16, and only establishing a new settlement price by March 22, creating a period of uncertainty in the market. Forecasts of commodity prices can prove to be inaccurate as factors such as supply and demand fundamentals (including the potential growth in the electric vehicle market), speculative market participation by financial entities, and structural and economic changes may not behave as predicted.

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

Securities Market Fluctuations and Price Volatility

The securities markets in Canada and elsewhere can experience significant price and volume volatility which can affect the prices of Sherritt's securities. The prices of Sherritt's securities have been, and may continue to be, affected by this market volatility, as well as varying in response to a number of other events and factors. These factors may include, but are not limited to: the price of commodities; political and macro-economic factors, 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 forecasted market prices).

Liquidity and Access to Capital

Sherritt's ability to fund its capital and operating expenses and to meet its financial obligations depends on being able to generate sufficient cash flow from its operations and its ability to obtain additional financing and/or refinance its existing credit facilities and

loans on terms that are acceptable to the Corporation. As noted in the risk factor entitled “*Commodity Risk*” above, Sherritt’s earnings and financial condition are highly dependent upon the market prices for nickel, cobalt, oil, gas and other commodities, which are highly volatile in nature. Depending upon commodity prices in particular, Sherritt may find itself unable to access sufficient capital to fund its operations in the manner required for the long-term viability of the business and/or remain in compliance with its debt covenants. There can be no assurance that Sherritt will have sufficient funds to repay its 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 Oil and Gas, Moa Joint Venture and Power operations in Cuba. This exposure to the Cuban government and its potential inability to timely or fully pay such amounts could have a material adverse effect on the Corporation’s financial condition and results of operations. Please see the risk factor entitled “*Risks Related to Sherritt’s Operations in Cuba*” for additional information. Please see the risk factor entitled “*Restrictions in Debt Instruments and Debt Covenants*” for more information on Sherritt’s loans and borrowings and on the effect of non-compliance with certain debt covenants.

INFECTIOUS DISEASES (COVID-19)

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

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

RESTRICTIONS IN DEBT INSTRUMENTS AND DEBT COVENANTS

Sherritt is a party to certain agreements in connection with the Syndicated Facility, as well as the trust indenture governing the Second Lien Notes and the Junior Notes (collectively, the “**Indenture**”). These agreements and loans contain covenants which could have the effect of restricting Sherritt’s ability to react to changes in Sherritt’s business or to local and global economic conditions. In addition, Sherritt’s ability to comply with these covenants and other terms of its indebtedness may be affected by changes in the Corporation’s business, local or global economic conditions or other events beyond the Corporation’s control. Failure by Sherritt to comply with any of the covenants contained in the Indenture, the Syndicated Facility or any future debt instruments or credit agreements, could materially adversely affect the Corporation’s business, results of operations, and financial performance.

3. DESCRIPTION OF THE BUSINESS (cont.)

RISKS RELATED TO SHERRITT'S OPERATIONS IN CUBA

The Corporation directly or indirectly holds significant interests in mining, metals processing, exploration for crude oil and the generation of electricity in Cuba. The operations of the Cuban businesses and the ability of the Cuban government to fulfil payment obligations to the Corporation may be affected by economic and other pressures on Cuba. Risks include, but are not limited to, fluctuations in official or convertible currency exchange rates, access to foreign exchange, and high rates of inflation. In addition, in 2021, Cuba experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's foreign currency liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. The former U.S. administration increased its sanctions against Cuba and its trading partners and these measures had an adverse impact on Cuba and its economy, as well as its ability to conduct international trade. On January 12, 2021, the former administration designated Cuba as a State Sponsor of Terrorism, and on May 25, 2021 that was renewed by the current administration. There can be no assurance that the current U.S. administration will relax these measures. Changes in regulations and political attitudes are beyond the control of Sherritt and may adversely affect its business. Operations may be affected in varying degrees by such factors as Cuban government regulations with respect to currency conversion, production, project approval and execution, price controls, import and export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine and plant safety. On January 1, 2021, Cuba began its transition from a dual to a single currency regime. The impact is potentially adverse and remains uncertain, however, Sherritt is continuing to monitor and assess the potential impacts of the transition as it evolves. 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, 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 sales of Sherritt's oil production in Cuba was made to an agency of the Government of Cuba, as are all electricity sales made by Energas. The access of the Cuban government to foreign exchange is severely limited. As a consequence, from time to time, the Cuban agencies have had difficulty in discharging their foreign currency obligations. During such times, Sherritt has worked with these agencies in order to ensure that Sherritt's operations continue to generate positive cash flow to the extent possible. However, there is a risk, beyond the control of Sherritt, that receivables and contractual performance due from Cuban entities will not be paid or performed in a timely manner, or at all. Overdue receivables owed by Cuban entities to Sherritt increased from US\$145.9 million at the beginning of 2021 to US\$156.0 million as at December 31, 2021. In addition, if any of these agencies or the Cuban government are unable or unwilling to conduct business with Sherritt, or satisfy their obligations to Sherritt, Sherritt could be forced to close some or all of its Cuban businesses, which could have a material adverse effect upon Sherritt's results of operations and financial performance.

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

RISKS RELATED TO U.S. GOVERNMENT POLICY TOWARDS CUBA

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

The U.S. Embargo

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

The Helms-Burton Act

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

The Helms–Burton Act authorizes damage lawsuits to be brought in U.S. courts by U.S. claimants against those “trafficking” in the claimants’ confiscated property. All Presidents of the United States in office since the enactment of the Helms–Burton Act have suspended the right of claimants for successive six–month periods until the U.S. administration ceased such suspensions and allowed Title III to come into effect on May 2, 2019. Since that time a number of lawsuits have been filed pursuant to Title III in the United States against companies in the U.S., Canada and elsewhere. The Corporation has received letters in the past from U.S. nationals claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, including in relation to claims certified by the U.S. Foreign Claims Settlement Commission. However, no lawsuits against Sherritt have been initiated or threatened. In the event that any such lawsuits were to be filed, Sherritt does not believe that its operations would be materially affected because Sherritt’s minimal contacts with the United States would likely deprive any U.S. court of personal jurisdiction over Sherritt. Furthermore, even if personal jurisdiction were exercised, any successful U.S. claimant would have to seek enforcement of the U.S. court judgment outside the U.S. in order to reach material Sherritt assets. Management believes it unlikely that a court in Canada or in any country in which Sherritt has material assets would enforce a Helms–Burton Act judgment against it.

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

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

3. DESCRIPTION OF THE BUSINESS (cont.)

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

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

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

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

RISKS TO INFORMATION TECHNOLOGIES SYSTEMS AND CYBERSECURITY

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

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

IDENTIFICATION AND MANAGEMENT OF GROWTH OPPORTUNITIES

In order to manage its current operations and any future growth effectively, Sherritt must examine opportunities to replace and expand its reserves through the exploration of its existing properties and through acquisitions of interests in new properties or of interests in companies which own such properties. The Corporation’s growth strategy depends on pursuing a range of expansion opportunities, including without limitation, process technology solutions, development projects, commercial implementation opportunities, life of mine extension opportunities and the conversion of mineral resources to reserves. In addition to the risks noted above, factors that could, alone or in combination, prevent the Corporation from successfully achieving these opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and

successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, commissioning, procurement, construction, commissioning, ramp-up to commercial scale production and completion; and securing regulatory and government approvals. There can be no assurance that any opportunity will be successful, commercially viable, or will generate any meaningful revenues, savings or earnings, as the case may be for the Corporation. The Corporation will incur costs in pursuing any particular opportunity, which may be significant.

The development of Sherritt's business may also be in part dependent on management's ability to identify, acquire and develop suitable acquisition opportunities in both new and existing markets. In certain circumstances, acceptable acquisition opportunities might not be available. Sherritt may also not be able to identify suitable partners with whom it could pursue such opportunities. Acquisitions involve a number of risks, which may include, without limitation: (i) the possibility that the Corporation, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that the Corporation may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and personnel of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (vii) the potential disruption of the Corporation's ongoing business and the distraction of management from its day-to-day operations.

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

DEPLETION OF RESERVES

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

In November 2017 the PSC for Block II (Varadero West) reverted to the Cuban Government. Furthermore, the PSC for the PE-Yumuri Block 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, 8A and 6A and/or the ability to obtain and develop additional PSCs. Sherritt cannot provide assurance that its exploration or development efforts will result in any new commercial operations or yield new mineral or oil and gas reserves to replace or increase current reserves.

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.

3. DESCRIPTION OF THE BUSINESS (cont.)

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 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*" for additional information.

SOURCING AND SUPPLY

Sherritt's operations depend on an uninterrupted flow of materials, supplies, equipment, services and finished products. Due to the geographic location of many of Sherritt's properties and operations, this flow is highly dependent on third parties for the provision of rail, port, marine, shipping and other transportation services. Sherritt negotiates prices for the provision of these services in circumstances where it may not have viable alternatives to using specific providers, or have access to regulated rate setting mechanisms. Contractual disputes, demurrage charges, classification of commodity inputs and finished products, rail, marine and port capacity and infrastructure issues, availability of vessels and rail cars, weather problems, labour disruptions or other factors could have a material adverse effect on Sherritt's ability to transport materials according to schedules and contractual commitments and could have a material adverse effect on the Corporation's business, results of operations and financial performance.

The global demand for some of the equipment and related goods used in Sherritt's operations vary and may exceed supply. COVID-19 and global conflicts and hostilities, such as Russia's invasion of Ukraine in February, 2022, and resulting sanctions and restrictions, have had a material adverse impact on the global supply chain. Furthermore, due to increased U.S. sanctions on Cuba the Corporation's ability to obtain certain equipment and supplies, including fuel, in that country may be limited. If equipment or other supplies cannot be procured on a timely or competitive basis, Sherritt's growth activities, production, development or operations could be negatively affected.

In particular, the Corporation's metals process plants rely on access to rail, port and marine shipping for certain raw material inputs and for the export of products and fertilizers. These services are owned and operated by third parties, and in the case of rail and port access and in certain other circumstance, the Corporation may rely on a single supplier with no commercially reasonable alternative.

UNCERTAINTY OF GAS SUPPLY TO ENERGAS

Energas does not own the gas reserves contained in the Oilfields located in the vicinity of the Energas plant sites, nor does it control the rate or manner in which such gas reserves are produced. CUPET reserves the right to produce crude oil from such fields at such rates as the Government of Cuba deems appropriate in the national interest, which may affect the future supply of gas to Energas. Although the Corporation believes that generation of electricity will remain a key priority of the Government of Cuba and that the Oilfields will be operated in a manner which optimizes gas production, gas reserves are being depleted and there can be no certainty that sufficient quantities of gas will be available to operate the Energas facilities at maximum or economic capacity for the duration of the term of the Energas joint venture. Adequate future supplies of gas may depend, in part, upon the successful development of new oil fields in the vicinity of the Energas plant sites as the existing fields are being depleted or access to other viable fuel resources and

the continuation of production practices designed to optimize the recovery of oil and gas reserves. No independent reserve report has been prepared with respect to gas reserves in Cuba, due to a lack of available technical information from CUPET.

RELIANCE ON KEY PERSONNEL AND SKILLED WORKERS

Sherritt's operations require employees and contractors with a high degree of specialized technical, management and professional skills, such as engineers, trades people and plant and equipment operators. In some geographic areas, the Corporation competes with other local industries for these skilled workers. For example, in its Cuba operations, the Corporation is dependent on the government for the provision of skilled workers. This challenge is further intensified by high expectations, from the Cuban government and local communities, for Sherritt to provide local employment.

If Sherritt is unable to find an adequate supply of skilled workers, a decrease in productivity or an increase in costs may result which could have a material adverse effect on the Corporation's business, results of operations and financial performance. The success of Sherritt's operations and activities is dependent to a significant extent on the efforts and abilities of its senior management team, as well as outside contractors, experts and its partners. The loss of one or more members of senior management, key employees, contractors or partners, if not effectively replaced in a timely manner, could have a material adverse effect on the Corporation's business, results of operations and financial performance.

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. 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.

UNCERTAINTY OF RESOURCES AND RESERVE ESTIMATES

Sherritt has reserves of nickel, cobalt, oil and gas. Stated reserves numbers are estimates that depend on statistical inferences drawn from drilling, which may prove to be unreliable. Future production could differ from reserve estimates for the following reasons:

- mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- declines in the market price of nickel, cobalt, oil and gas or increases in operating costs and processing costs may render the production of some or all of Sherritt's reserves uneconomic;
- the grade or quality of reserves may vary significantly from time to time and there is no assurance that any particular level of nickel, cobalt, oil or gas may be recovered from the reserves; and
- legislative changes and other political changes in jurisdictions in which Sherritt operates may result in changes to Sherritt's ability to exploit reserves.

Any of these or other factors may require Sherritt to reduce its reserve estimates, reduce its production rates, or increase its costs. Past drilling results are not necessarily indicative of future drill results. Should the market price of any of the above commodities fall, or unit operating costs prove to be higher than expected, Sherritt could be required to materially write down its investment in its resource properties or delay or discontinue production or the development of projects.

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. Furthermore, environmental and regulatory authorities

3. DESCRIPTION OF THE BUSINESS (cont.)

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.

Sherritt has estimated environmental rehabilitation provisions which 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. Because 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.

The provision for costs incurred due to the October 31, 2013 breach at the Obed Mountain mine remains subject to uncertainties. While Sherritt believes that the remediation measures are effectively completed, remaining costs, including costs of ongoing monitoring obligations remain subject to uncertainty, given that the final report confirming satisfaction of the requirements of the relevant Environmental Protection Order has not yet been filed and uncertainties surrounding any future cost projections are inherently subject to uncertainty.

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 senior credit facilities. 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 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 RELATED TO SHERRITT'S CORPORATE STRUCTURE

The Corporation holds its interest in certain operating companies, joint ventures or partnerships in Canada, Cuba, and Spain through one or more wholly-owned intermediary holding companies located in jurisdictions outside Canada, including the Bahamas, British Virgin Islands, Barbados, Spain and the Netherlands. Certain payments, including payment of dividends or other distributions by these subsidiaries to the Corporation is subject to statutory regimes applicable to those entities. There can be no assurance that the applicable Canadian government, or some or all of the holding company jurisdictions will not adopt laws and/or regulations more restrictive than those currently in effect which could have a material adverse effect on the Corporation's financial performance. Furthermore, the Corporation's offshore subsidiaries may face heightened scrutiny from tax authorities from time to time. While these jurisdictions have experienced political stability for some time, the Corporation continues to regularly monitor changes to applicable laws and regulations.

POLITICAL, ECONOMIC AND OTHER RISKS OF FOREIGN OPERATIONS

Sherritt has operations located in Cuba and Spain, as well as corporate entities located in various other jurisdictions. There can be no assurance that assets of companies operating in industries which are deemed of national or strategic importance in the countries in which the Corporation operates or has assets, including energy, mineral and petroleum exploration, development and production, will not be nationalized. Changes in policy that alter laws regulating the mining, oil and gas or energy sectors could have a material adverse effect on the Corporation. There can be no assurance that the Corporation's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

Sherritt is also subject to other political, economic and social risks relating to foreign operations which include, but are not limited to, forced modification or cancellation of existing contracts or permits, currency fluctuations and devaluations, unfavourable tax enforcement, changing political conditions, political unrest, civil strife, uncertainty regarding the interpretation and/or application of applicable laws in foreign jurisdictions, reliance on foreign advisors and consultants, and changes in governmental regulations or policies with respect to, among other things, currency, production, price controls, profit repatriation, export controls, labour, taxation,

trade, and environmental, health and safety matters or the personnel administering those regulations or policies. Any of these risks could have a material adverse effect on the Corporation's business, results of operations and financial performance.

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 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.

FOREIGN EXCHANGE AND PRICING RISKS

Many of Sherritt's businesses operate in currencies other than Canadian dollars and their products may be sold at prices other than prevailing spot prices at the time of sale. Sherritt is also sensitive to foreign exchange exposures when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product-pricing currency. The Moa Joint Venture derives the majority of its revenue from nickel and cobalt sales that are typically based on U.S. dollar reference prices over a defined period of time and collected in currencies other than U.S. dollars in accordance with sales terms that may vary by customer and sales contract. Similarly, Oil and Gas and Power derives substantially all of their revenues from sales in denominated in U.S. dollars. Additionally, input commodities for the Moa Joint Venture, the Fort Site and other operating costs for the Moa Joint Venture, the Fort Site and the Corporation's other operations are denominated in U.S. dollars. Accordingly, fluctuations in Canadian dollar exchange rates and price movements between the date of sale and final settlement may have a material adverse effect on the Corporation's business, results of operations and financial performance.

ENVIRONMENT, HEALTH AND SAFETY

Legislative Risks

The Corporation's worldwide operations are subject to extensive EH&S laws including but not limited to: employee health and safety; air quality; soil quality; ground water quality; water quality and availability; the protection and enhancement of the environment (including the protection of plants and wildlife); land-use zoning; development approvals; the generation, handling, use, storage, transportation, release, disposal and cleanup of regulated materials, including wastes; and the reclamation and restoration of mining properties after mining is completed. The Corporation's operations are regulated by a variety of federal, provincial legislation and local by-laws and codes. A breach of EH&S laws may result in the temporary suspension of operations, the imposition of fines, other penalties (including administrative penalties and regulatory prosecution) and government orders, which could potentially have a material adverse effect on operations.

3. DESCRIPTION OF THE BUSINESS (cont.)

EH&S laws require the Corporation to obtain certain operating licenses and impose certain standards and controls on the Corporation's activities, and on the Corporation's distribution and marketing of its products. Compliance with EH&S laws and operating licenses can require significant expenditures, including expenditures for pollution control equipment, cleanup costs and damages arising out of contaminated properties or as a result of other adverse environmental occurrences. There can be no assurance that the costs to ensure future or current compliance with EH&S laws would not materially affect the Corporation's business, results of operations or financial performance.

Sherritt believes that its projects currently are in material compliance with applicable laws. The Corporation endeavours to comply with international best practice at all of its operations, however, not all applicable laws conform with international best practice and accordingly there can be no assurance that certain operations will comply with international best practice from time to time or that international best practice will remain the same.

New or amended EH&S laws may further require the protection and enhancement of the environment, and, as a consequence, mining activities may be even more closely regulated. Such legislation and changes to legislation, as well as future interpretations of laws and increased enforcement, may require substantial increases in mining equipment and operating costs and delays, interruptions or a termination of operations, the extent of which cannot be predicted.

The potential impact of evolving regulations, including on product demand and methods of production and distribution, is not possible to predict. However, the Corporation closely monitors developments and evaluates the impact such changes may have on the Corporation's financial condition, product demand and methods of production and distribution. Independently and through involvement in various associations, the Corporation responds to potential changes to EH&S laws by participating, as appropriate, in the public review process, thus ensuring the Corporation's position is understood and considered in the decision-making process. The Corporation seeks to anticipate and prepare for public and regulatory concerns well in advance of such projects. Communication with regulators and the public is considered a key tool in gaining acceptance and approval for new projects.

Risk of Injury and Environmental Damage

The Corporation believes that safe operations are essential for a productive and engaged workforce and sustainable growth. The Corporation is committed to workplace incident prevention and makes expenditures towards the necessary human and financial resources and site-specific systems to ensure compliance with its health and safety policies. Any injuries that may occur are investigated to determine root cause and to establish necessary controls with the goal of preventing recurrence. While the Corporation has implemented extensive health and safety initiatives to ensure the safety of its employees, contractors and surrounding communities, there can be no assurance that such measures will eliminate the occurrence of accidents or other incidents which could result in personal injury or property damage or result in regulatory fines or civil suits.

There are certain risks associated with the failure of the tailings storage facilities, which include but are not limited to: environmental impacts, biological and land use impacts, material property and economic loss, serious health and safety impacts, community impacts, regulatory censure, and public concern. The Corporation believes that it is taking every reasonable precaution, including working with its joint venture partner, to prevent such failures however, there can be no assurance that such incidents will not occur or that such incidents would not have a material adverse effect on the Corporation's business, results of operations or financial performance.

CLIMATE CHANGE/GREENHOUSE GAS EMISSIONS

The Corporation's operations are subject to various laws regarding greenhouse gas emissions and climate change in the jurisdictions in which it operates. In Alberta, where the Moa Joint Venture's refinery is located, the TIER regulations, which replaced Alberta's Carbon Competitiveness Incentive Regulation on January 1, 2020, apply to facilities that emit 100,000 tonnes CO₂e or more per year. The levy increased to \$40/tCO₂e in 2021 and will increase to \$50/tCO₂e in 2022. These and similar requirements could significantly increase the cost of the operations either through the investment in pollution reduction equipment or carbon price payments. Alberta has also adopted a carbon levy which applies to the sale, importing, flaring etc. of fuels and committed to phasing-out coal-fired electricity by 2030, which could increase the Corporation's operating costs directly, through the purchase of electricity and indirectly should similar changes impact the Corporation's suppliers and customers in Alberta and elsewhere. In addition, uncertainty around when and how regulations may change or be adopted is not an ideal operating environment.

Over the last few years the frequency and impact of extreme weather events, such as hurricanes and severe storms in Cuba pose increasing operating risks to the Corporation's facilities. 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 maintains comprehensive disaster plans and its 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.

Among other sustainability goals, the Corporation has committed to reducing its GHG emissions to net zero by 2050. The Corporation's ability to lower GHG emissions is subject to numerous risks and uncertainties, and may expose the Corporation to certain additional and/or heightened financial and operational risks. A reduction in GHG emissions relies on, among other things, the Corporation's ability to implement technologies and improve energy efficiency at all of its facilities, future development and growth opportunities, development and deployment of new technologies, investment in low-carbon power and transition to low-carbon fuels. In the event that the Corporation is unable to implement these strategies and technologies as planned without negatively impacting expected operations or business plans, or in the event that such strategies or technologies do not perform as expected, we may be unable to meet our GHG targets or goals on current timelines, or at all. In addition, achieving the Corporation's emission reduction targets and goals could require significant capital expenditures and resources, with the potential that the costs required to achieve these targets and goals materially differ from the Corporation's original estimates and expectations, which differences may be material.

Please refer to the section "*Greenhouse Gas Emissions Frameworks*" for more information on this topic.

COMMUNITY RELATIONS AND SOCIAL LICENSE TO GROW AND OPERATE

The Corporation's relationship with the communities in which it operates is critical to ensure the future success of its existing operations and the further development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain organizations and individuals are vocal critics of the resource industries and their practices. Adverse publicity generated by such organizations or individuals related to extractive industries generally, or to the Corporation's operations specifically, could have an adverse effect on the Corporation's reputation or financial condition and may impact its relationship with the communities in which it operates. While the Corporation is committed to sustainable practices and has implemented certain initiatives with respect thereto, there is no guarantee that the Corporation's efforts will mitigate this potential risk.

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, covering some exposure through receivables insurance, documentary credit and seeking prepayment or other forms of payment security from customers with an unacceptable level of credit risk. There are also certain credit risks that arise due to the fact that all sales of electricity in Cuba is made to agencies of the Cuban government (see "*Risks Related to Sherritt's Operations in Cuba*"). 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.

COMPETITION IN PRODUCT MARKETS

The business of mining, processing and refining is intensely competitive and even if commercial quantities of mineral resources are developed, a profitable market may not exist for the sale of these commodities. Sherritt competes with companies that may have greater assets and financial resources, and may be able to sustain larger losses than Sherritt to develop or continue business. The Corporation's competitive position is determined by its costs in comparison to those of other producers in the world. If Sherritt's costs increase relative to its competitors, its earnings may be adversely affected.

FUTURE MARKET ACCESS

Sherritt's access to markets in which it operates may be subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries and the actions of interest groups to restrict the import of certain commodities. There can be no assurance that Sherritt's access to these markets will not be restricted.

INTEREST RATE CHANGES

The Corporation's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage its liquidity and capital requirements. The Corporation has incurred indebtedness that bears interest at fixed and floating rates. There can be no assurance that the Corporation will not be adversely affected by interest rate changes.

INSURABLE RISK

Sherritt employs risk management practices to reduce and mitigate operational risks and other hazard risks and exposures, although it is impossible to completely protect its operations from all such risks. The Corporation places types and an amount of insurance that it considers consistent with industry practice to the extent coverage is available and cost effective. Such coverage includes third party

3. DESCRIPTION OF THE BUSINESS (cont.)

liability insurance and property and business interruption insurance. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the Corporation's insurance policies may not provide coverage for all losses related to the Corporation's business. The occurrence of losses, liabilities or damage not covered by insurance policies could have a material adverse effect on the Corporation's business, results of operations and financial performance.

Sherritt cannot be certain that insurance will be available to the Corporation, that appropriate insurance will be available on terms and conditions acceptable to the Corporation. The difficulty in obtaining certain levels of insurance has increased over time as a result of severe tailings losses around the world, reduced market capacity due to the limited participation of insurers in certain industries and also to Cuba-based risks. To the extent that the occurrence of "natural catastrophes" world-wide has increased, coverage for weather-related events such as hurricanes and cyclones may become more difficult to obtain on terms and conditions satisfactory to the Corporation. In the event that the Corporation is deemed liable for a failure of its tailings facility, the Corporation's losses might not be covered by insurance policies. In some cases, coverage is not available or considered too expensive relative to the perceived risk. The Corporation may also become liable for damages arising from unforeseen events which it cannot insure or chooses to self-insure. Costs incurred to repair uninsured damage or to pay associated liabilities may have a material adverse effect on the Corporation's business, results of operation and financial performance.

LABOUR RELATIONS

Some of the Corporation's employees are unionized. Strikes, lockouts or other work stoppages could have a material adverse effect on the Corporation's business, results of operations and financial performance. In addition, any work stoppage or labour disruption at key customers or service providers could impede the Corporation's ability to supply products, to receive critical equipment and supplies for its operations or to collect payment from customers encountering labour disruptions. Work stoppages or other labour disruptions could increase the Corporation's costs or impede its ability to operate one or more of its operations.

LEGAL RIGHTS

In the event of a dispute arising in respect of Sherritt's foreign operations, Sherritt may be subject to the exclusive jurisdiction of foreign courts or arbitration tribunals or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or international arbitration. If Sherritt is unsuccessful in enforcing its rights under the agreements to which it is a party, it could have a material adverse effect on Sherritt's business, results of operations and financial performance.

LEGAL CONTINGENCIES

Sherritt may become party to legal claims arising in the ordinary course of business, including as a result of activities of joint ventures in which it has an interest. There can be no assurance that unforeseen circumstances resulting in legal claims will not result in significant costs.

ACCOUNTING POLICIES

The Corporation's audited consolidated financial statements for the year ended December 31, 2021, filed on SEDAR, were prepared using accounting policies and methods prescribed by IFRS as issued by the International Accounting Standards Board. Significant accounting policies under IFRS are described in more detail in the notes to the audited consolidated financial statements.

Sherritt has internal controls over financial reporting. These controls are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. These controls cannot provide absolute assurance with respect to the reliability of financial reporting and financial statement preparation.

GOVERNMENT PERMITS

Government approvals and permits are currently required in connection with a number of the Corporation's activities and further approvals and permits may be required. The duration and success of the Corporation's efforts to obtain permits are contingent upon many variables outside of the Corporation's control. Obtaining government permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed the Corporation's estimates or that the Corporation will be able to maintain such permits. To the extent such approvals are not obtained or maintained, the Corporation may be prohibited from proceeding with planned drilling, exploration, development or operation of properties which could have a material adverse effect on the Corporation's business, results of operations and financial performance.

GOVERNMENT REGULATION

The Corporation's activities are subject to various laws governing exploration, development, production, environment, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining, drilling and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Corporation believes that its activities are currently carried out in all material respects in accordance with applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Corporation's properties or otherwise have a material adverse effect on the Corporation's business, results of operations and financial performance.

ANTI-CORRUPTION AND BRIBERY

Sherritt is subject to Canada's *Corruption of Foreign Public Officials Act* ("**CFPOA**"), as well as various local anti-corruption laws. The CFPOA prohibits Canadian (and Canadian-controlled) corporations and their intermediaries from making or offering to make an improper payment of any kind to any kind of foreign public official, or any other person for the benefit of foreign public official, where the ultimate purpose is to obtain or retain a business advantage.

Sherritt's Anti-Corruption Policy prohibits the violation of the CFPOA and other applicable anti-corruption laws. Some of the Corporation's operations are located in jurisdictions where governmental and commercial corruption presents a significant risk. The Corporation uses a risk-based approach to mitigate risks associated with corruption which includes training for employees and the logging of government payments and interactions. Despite the safeguards the Corporation has put in place, there can be no assurance that violations of the CFPOA or other applicable anti-corruption law by the Corporation, its employees or agents will not occur. Such violations of the CFPOA could result in substantial civil and criminal penalties and could have a material adverse effect on the business, operations or financial results of the Corporation.

Controls Relating to Corporate Structure Risk

The Corporation has adopted several measures to ensure control of its wholly-owned subsidiaries and oversight of its non-controlled joint ventures. These measures are overseen by the Board, and implemented by the Corporation's senior management. Some of these measures are listed below.

Corporation's Control and Oversight of Subsidiaries and Joint Ventures

The Corporation's corporate structure has been designed to ensure that the Corporation controls, or has a measure of direct oversight over the operations of its subsidiaries and material joint ventures. Sherritt's subsidiaries which are engaged in its Oil and Gas and Power businesses in Cuba and elsewhere are wholly-owned by the Corporation and the Corporation directly controls the appointment of all the directors of these subsidiaries. In the case of the Corporation's material joint venture in Cuba, the Corporation directly controls the appointment of a number of directors which reflects its proportional ownership interest of its subsidiaries. The directors of the Corporation's subsidiaries or joint ventures who are appointed by the Corporation are ultimately accountable to the Corporation (as the shareholder appointing him or her), and therefore are accountable to the Board and senior management.

Appointment of Local Management

The Corporation's foreign subsidiaries which are engaged in its Oil and Gas and Power businesses are typically managed by a senior officer or employee of the Corporation who holds the most senior title or second most senior title in the local organization.

In addition, in the case of its material joint ventures, Sherritt has personnel seconded from the Corporation to the local organization and resident in the local jurisdiction, which provides a degree of oversight and control in the day-to-day operations which would not be present in a passive investment.

Strategic Direction

The Board is responsible for the overall stewardship of the Corporation and, as such, supervises the management of the business and affairs of the Corporation. More specifically, the Board is responsible for reviewing the strategic business plans and corporate objectives, and approving acquisitions, dispositions, investments, capital expenditures and other transactions and matters that are thought to be material to the Corporation including those of its material subsidiaries and joint ventures.

Internal Controls over Financial Reporting

For significant operations in the foreign jurisdictions over which the Corporation has operational control ("**foreign operations**"), internal controls over financial reporting are designed to operate in accordance with Canadian business, accounting and internal

3. DESCRIPTION OF THE BUSINESS (cont.)

control standards and practices. These foreign operations are subject to the same internal reporting processes, policies and timelines as the Corporation's domestic operations, specifically:

- (i) Foreign operations, specifically in Cuba, are under the senior leadership of persons or expatriates familiar with Canadian business, accounting and internal control standards and practices;
- (ii) The Corporation has established and oversees entity-wide policies and procedures which are generally applicable to all domestic and foreign operations;
- (iii) Each of the Corporation's foreign operations has its own audit committee which includes representation from the Corporation's management or from Canadian-based senior management;
- (iv) Foreign operations have a compliance department which undertakes periodic reviews of operations in accordance with the Corporation's compliance program. This program is directly overseen by corporate management who report to the Corporation's Audit Committee;
- (v) Each of the Corporation's foreign operations has an established National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") internal control over financial reporting evaluation program (overseen by corporate management) designed to address risks and identify controls specific to the local business, cultural and accounting environment;
- (vi) As part of its quarterly reporting process, the Corporation's foreign operations' management are required to provide corporate management with certifications based on Form 52-109F2, quarterly, and Form 52-109F1, annually. These certifications confirm that internal controls over financial reporting for the foreign operations are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of the foreign operations in accordance with the Corporation's generally accepted accounting principles. In addition, the foreign operations' management are required to report to corporate management any material weaknesses in internal control over financial reporting design and/or operating effectiveness;
- (vii) Internal control over financial reporting design and operating effectiveness at the foreign operations is evaluated annually by applying the Committee of Sponsoring Commissions of the Treadway Commission (COSO-2013) framework consistent with the Corporation's domestic operations;
- (viii) The Corporation's management reviews the foreign operations' reporting documents, certifications, disclosure controls and procedures checklists and internal control over financial reporting design/results of effectiveness testing memos and provides reports, as necessary, to the Board;
- (ix) Reporting documents containing material information of the foreign operations are reviewed quarterly by the Corporation's senior management and the Audit Committee;
- (x) Management undertakes independent, periodic reviews of the foreign operations' NI 52-109 compliance and reports to the Audit Committee;
- (xi) Periodic internal control reviews of the foreign operations are initiated by the Board using the Corporation's independent internal audit department (separate from the Corporation's NI 52-109 internal control over financial reporting compliance program) in accordance with identified priorities as per the annual internal audit plan; and
- (xii) The Corporation has established, among other policies governing operating activities, a code of conduct, reportable concerns and foreign anti-corruption policies which are applicable to the foreign operations.

The Corporation has also taken steps to ensure that it is collecting the information required to comply with the *Extractive Sectors Transparency Measures Act* ("**ESTMA**") which came into force on June 1, 2015 and applies to the parts of the Corporation's business engaged in extractive activities.

Fund Transfers to the Corporation

Cash management is overseen by the Corporation's Canadian-based treasury department and in accordance with the Corporation's Delegation of Authority Policy. In addition to the internal control procedures identified above, the Corporation has implemented the following controls specific to the flow of funds between Canada and its foreign operations:

- (i) the Corporation's treasury department oversees or reviews the cash management policies specific to the foreign operations; and

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- (ii) annually, operating effectiveness of cash management controls for the Corporation and its foreign operations are evaluated and, as necessary, results are reported to the Board as part of the Corporation's annual CEO/CFO certification process.

The Corporation's Anti-Corruption Policy contains specific references to prohibited uses of funds in foreign countries. Funds are transferred by the foreign subsidiaries to the Corporation pursuant to a variety of methods. In the case of wholly-owned subsidiaries, the Corporation has majority control of the boards of directors and therefore through the actions of the shareholders or boards of directors, is able to determine if and when funds are distributed. Funds are typically distributed, when available and appropriate, to the shareholders by way of dividends. Other distributions are made to repay principal and interest in accordance with various agreements between the Corporation and the subsidiaries or joint ventures.

In addition, the foreign subsidiaries may transfer funds to the Corporation for chargeback of costs undertaken on behalf of the foreign subsidiaries via intercompany invoices by the Corporation and repayment of loans related to project funding. The method of transfer varies and is dependent on the funding arrangement established between the Corporation and the applicable foreign subsidiary.

Removal of Directors of Subsidiaries

The removal of directors of subsidiaries is done in accordance with the laws of the jurisdiction in which the particular subsidiary is incorporated.

The agreements governing the operations of the Corporation's joint ventures set out the rights of the shareholders relating to the appointment and removal of directors of the applicable boards which are generally based on the Corporation's proportional ownership interest in each joint venture company.

Records Management of the Corporation and its Subsidiaries

The original minute books and corporate seals, where applicable, of the material foreign subsidiaries and joint ventures are kept at the offices of their representative agent in the local jurisdiction and/or the Corporation's head office in Toronto.

The corporate records of the material foreign subsidiaries and joint venture are maintained at their registered offices or operating sites. In certain circumstances, e.g., transaction record books, copies are also maintained at the Corporation's head office in Toronto.

4. DIVIDENDS

Dividends are payable on the Shares of the Corporation if and when declared by the Board.

Dividends are, and future dividends will be, designated as "eligible dividends" within the meaning given to that term in subsection 89(1) of the *Income Tax Act* (Canada).

As part of a comprehensive initiative to manage liquidity, the Board suspended the \$0.01 per share quarterly dividend, effective September 2015. The Corporation has not declared any dividends since that time.

5. CAPITAL STRUCTURE

The Corporation's authorized share capital consists of an unlimited number of Shares. Each Share is entitled to one vote with respect to matters brought before shareholders for approval. In the event of dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, holders of the Shares will be entitled to receive the remaining property and assets of the Corporation.

The Corporation also has two series of notes outstanding:

- (a) the 8.50% Second Lien Notes (\$350.5 million in aggregate principal outstanding) issued August 31, 2020 pursuant to a trust indenture dated August 31, 2020 between the Corporation and AST Trust Company of Canada, as trustee and collateral agent.
- (b) the 10.75% unsecured Junior Notes (\$87.0 million as of January 31, 2022 in aggregate principal outstanding) issued August 31, 2020 pursuant to a trust indenture dated August 31, 2020 between the Corporation and AST Trust Company of Canada, as trustee and collateral agent.

5. Capital Structure (cont.)

The second lien indenture contains covenants limiting the ability of the Corporation's and certain of its material subsidiaries to incur indebtedness, create certain security interests and sell assets, make certain restricted payments and investments, as well as restricting the ability of the Corporation and certain of its material subsidiaries to amalgamate or merge with a third party or transfer all or substantially all of its assets. The Indentures also contain covenants requiring an offer to purchase upon a change in control.

The second lien indenture contains optional redemption provisions (requiring payment of a premium), as well as a mandatory redemption provision (described below) and provides for customary events of default, which include non-payment of principal or interest, failure to comply with covenants, the bankruptcy or insolvency of the Corporation or a material subsidiary, unsatisfied final judgment against the Corporation or a material subsidiary in excess of \$20.0 million, and failure by the Corporation or a material subsidiary to pay or otherwise comply with the terms of other indebtedness which singly or in the aggregate is in excess of \$25.0 million, which default results in an acceleration of such indebtedness. The second lien indenture requires mandatory redemptions from excess cash (subject to the minimum liquidity condition noted below and the other terms and conditions). The mandatory excess cash flow redemption provision is in effect beginning with the two-quarter period ending June 30, 2021 and mandatory redemptions are based on excess cash flow (a measure calculated based on cash provided by (used in) operating activities excluding Energas), less sustaining property, plant and equipment expenditures excluding Energas, plus all cash distributed by Energas to the Corporation held in Canada, which mandatory redemption shall be required to be made only if the Corporation has minimum liquidity of \$75.0 million calculated in accordance with the indenture.

The unsecured Junior Notes are direct, unsecured obligations of the Corporation which rank equally and rateably with each other and all other unsecured and unsubordinated indebtedness of the Corporation, except to the extent prescribed by law. The indenture with respect to the unsecured Junior Notes contain optional redemption provisions, as well as certain restrictive covenants, including a restriction on the Company's ability to make certain restricted payments in any 12 month period in which it has exercised the Junior Notes and provides for customary events of default, which include non-payment of principal or interest, failure to comply with covenants, the bankruptcy or insolvency of the Corporation or a material subsidiary, unsatisfied final judgment against the Corporation or a material subsidiary in excess of \$100.0 million, and failure by the Corporation or a material subsidiary to pay or otherwise comply with the terms of other indebtedness which singly or in the aggregate is in excess of \$50.0 million, which default results in an acceleration of such indebtedness. Interest on the Junior Notes is payable semi-annually in cash or in-kind, at Sherritt's election.

Ratings

On December 13, 2021, Morningstar DBRS confirmed Sherritt's Issuer Rating as B and the Second Lien Notes rating as CCC (high) with the related Recovery Rating of RR6, both with stable trends.

DBRS's rating system ranges between "AAA" to "D". The definitions of the B and CCC ratings are published on DBRS's web site and are defined as follows:

B—"highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet financial obligations."

CCC/CC/C—"very highly speculative credit quality. In danger of defaulting on financial obligations."

Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating organization. Sherritt has paid DBRS its customary fees in connection with the provision of the above credit ratings. The Corporation has not made any payments to DBRS unrelated to the provision of their rating services for the past two years.

6. Market for Securities

Sherritt's Shares are listed and posted for trading on the TSX under the symbol "S". The Corporation's Notes trade in the over-the-counter bond market.

The following table sets out the 2021 monthly price ranges and volume data for the Shares and the price ranges for the Notes.

2021	Shares			8.50% Notes ⁽¹⁾		10.75% Junior Notes ⁽¹⁾	
	High(\$)	Low(\$)	Volume	High(\$)	Low(\$)	High(\$)	Low(\$)
January	0.60	0.39	38,957,870	60.25	53.00	32.00	22.00
February	0.70	0.47	28,130,507	65.00	59.00	38.00	30.00
March	0.65	0.50	15,907,876	68.00	64.50	40.00	35.00
April	0.59	0.48	8,571,035	67.00	66.00	45.25	39.00
May	0.59	0.50	6,298,691	66.00	64.00	45.00	45.00
June	0.56	0.49	5,013,678	64.50	64.00	44.50	44.00
July	0.53	0.47	5,423,898	64.50	63.50	44.75	43.50
August	0.51	0.36	6,740,201	63.50	61.50	43.50	40.50
September	0.49	0.41	4,330,801	61.50	61.50	40.00	40.00
October	0.50	0.40	5,174,462	61.50	59.00	41.00	39.00
November	0.50	0.40	6,433,990	60.75	59.00	41.00	39.00
December	0.44	0.38	6,354,828	60.00	52.00	38.50	32.00

Notes:

- (1) The highs and the lows for the Notes are derived from the Investment Industry Regulatory Organization of Canada (IIROC) trade tracking system. Volume data is not available.

7. DIRECTORS AND OFFICERS

The following table sets forth, as at March 24, 2022, the names, place of residence and principal occupation of the directors of the Corporation and the period of service as a director of the Corporation.

Name and Place of Residence	Principal Occupation	Director Since
1. Maryse Bélanger ⁽¹⁾⁽³⁾ (British Columbia, Canada)	Deputy Chair, Corporate Director	February 2018
2. Leon Binedell (Ontario, Canada)	President and Chief Executive Officer of the Corporation	June 2021
3. Dr. Peter Hancock ⁽¹⁾⁽³⁾⁽⁴⁾ (Nova Scotia, Canada)	Corporate Director	November 2021
4. Sir Richard Laphorne ⁽²⁾⁽³⁾ (London, England)	Chair, Corporate Director	September 2011
5. Adrian Loader ⁽¹⁾⁽³⁾⁽⁴⁾ (London, England)	Corporate Director	July 2013
6. Chih-Ting Lo, P. Eng ⁽¹⁾⁽³⁾ (British Columbia, Canada)	President, EELO Solutions	March 2022
7. Lisa Pankratz ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ (British Columbia, Canada)	Corporate Director	November 2013
8. John Warwick ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ (Ontario, Canada)	Corporate Director	June 2017

Notes:

- (1) Member of the Reserves, Operations & Capital Committee.
(2) Member of the Audit Committee.
(3) Member of the Nominating and Corporate Governance Committee.
(4) Member of the Human Resources Committee.

7. Directors and Officers (cont.)

Directors hold office until the next annual meeting of the shareholders of the Corporation.

The following sets out as at March 24, 2022 the principal occupations of the directors for the past five years and provides additional information about the directors:

Maryse Bélanger has served as a director of the Corporation since February 2018, and was appointed Deputy Chair on March 1, 2022. Ms. Bélanger has more than 30 years of experience in the global mining sector, with proven strengths in operational excellence, technical services and efficiency. She is Chair of IAMGOLD Corporation. Ms. Belanger also sits on the board of directors and the ESG committee of Equinox Gold Corporation and is a director of Pure Gold Mining. Previously, Ms. Bélanger served as the Chief Operating Officer of Atlantic Gold Corporation until its acquisition by St Barbara Limited.

From June 2014 to June 2016, Ms. Bélanger was the Chief Executive Officer and a member of the board of directors of Mirabela Nickel Limited (Mirabela). In September 2015, Mirabela filed for voluntary administration in Australia. Under the rules of the Australian Stock Exchange, there is a requirement for the directors of a listed company to confirm the entity will be a going concern for at least 18 months looking forward. The significant decline in nickel prices and Mirabela's inability to secure third-party financing that it had been discussing with potential financiers made it economically impossible for Mirabela to continue trading. As a result, the board of directors of Mirabela decided to enter into voluntary administration. Ms. Bélanger holds a Bachelor of Science degree in Geology from Université du Québec à Chicoutimi and a graduate certificate in Geostatistics.

Leon Binedell has 25 years of industry experience in leading global mining companies and adjacent joint ventures. Most recently, he worked as Chief Financial Officer of Guyana Goldfields Inc., a Canadian-based gold producer focused on gold deposits in Guyana. During his tenure, Mr. Binedell was instrumental in maximizing shareholder value and ensured stability through the effective recruitment of team members, the renegotiation of all major operating and supply contracts and the development of finance and governance practices that guided Guyana Goldfields Inc., through its successful sale. Prior to joining Guyana Goldfields Inc., he served as Finance Operating Executive with Resource Capital funds, a leading private equity fund focused on the mining sector and the commercialization of mining innovation. Additional sector experience includes his time as National Leader of Finance Consulting in Mining & Energy at PricewaterhouseCoopers LLP, General Manager of Business Services at Xstrata Nickel (now Glencore) and Chief Financial Officer at Koniambo Nickel SAS. Mr. Binedell holds a Chartered Accountant and Chartered Professional Accountant designations.

Dr. Peter Hancock is currently advising companies in the mining and metals sector and has held several senior leadership positions at leading mining companies around the world over his 34-year career, including overseeing Glencore's nickel assets in Australia, serving as President of Koniambo Nickel SAS in New Caledonia, and overseeing Technology and Business Development at Noranda's Zinc Business in Canada. Dr. Hancock earned a Ph.D in Metallurgical Engineering from McGill University in 1995. Dr. Hancock is currently based in Halifax, Nova Scotia.

Sir Richard Laphorne has served as a director of the Corporation since September 2011. Sir Richard has served as a Finance Director or as Chairman of various FTSE 100 and non-quoted companies in the United Kingdom since 1986. He was Finance Director of Courtaulds plc from 1986 until 1992 as well as Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999. From 1996 to May 2003 he was Chairman of Amersham International plc (now GE Healthcare) having joined its board as a non-executive Director in 1989. After he floated Orange plc for British Aerospace in 1996 he was appointed a non-executive director until it was sold to Mannesmann in 1999. He then became a non-executive director again in 2001-2003 after it was acquired by France Telecom. He was also the Chairman of Cable & Wireless Communications plc and Cable & Wireless plc. from 2003 until 2016. His non-quoted appointments included Chairman of PWC's UK Public Advisory Board, McLaren and New Look, and positions with Flemings Bank and JP Morgan. He is also a fellow of each of the Chartered Institute of Management Accountants, Chartered Institute of Certified Accountants and the Institute of Corporate Treasurers in the United Kingdom. A keen gardener, he was a trustee of the Royal Botanic Gardens, Kew from 1998 until 2004, of which from 2004 until 2009 he served as the nominee of Her Majesty the Queen. Sir Richard holds a Bachelor of Commerce degree from Liverpool University, England.

Adrian Loader has served as a director of the Corporation since July 2013. Mr. Loader has extensive international experience from Royal Dutch Shell in energy management, projects, strategy, business development and new market entry. He held regional responsibility for Royal Dutch Shell's operations in Latin America/Africa, Middle East/Far East and Europe. He was subsequently the Royal Dutch Shell Director responsible for Strategy and Business Development, as well as for Scenarios, Group Planning, Health, Safety & Environment, and External Affairs. Before retiring from Royal Dutch Shell at the end of 2007, Mr. Loader served as President and Chief Executive Officer of Shell Canada ("**Shell Canada**") where he was responsible, *inter alia*, for Shell Canada's oil sands open pit mining activities and their expansion. Mr. Loader has served on the following public company boards - Alliance-Unichem, Shell Canada Ltd., Alliance-Boots, Candax Energy Inc. and Compton Petroleum. In January 2008, he joined the Board of Toronto-based Candax Energy Inc. and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, until August 2012

and was also Chairman of the Board of Directors of Oracle Coalfields PLC, London (an international coal developer in Pakistan) from 2011 to 2016. He is currently a director of Holcim Ltd. (a Swiss global supplier of cement and aggregates) and the Chairman of Resero Gas Limited (a private UK company developing LNG to power projects). He served as a director on the board of Alderon Iron Ore Corp. (a Canadian iron ore project developer) until April 2020. Mr. Loader is a Fellow of the Chartered Institute of Personnel and Development and holds a Master's degree in History from Cambridge University, England.

Chih-Ting Lo is the founder and President of EELO Solutions, a management consulting firm specializing in the development of strategic plans and technical solutions focused on reducing greenhouse gas emissions. Over the past 18 years, she has worked with a number of mining companies, public utilities, and government agencies to innovate and to improve their carbon footprint and sustainability practices. She is currently Board Vice Chair at the Metro Vancouver Zero Emissions Innovation Centre, a federally seeded impact investment fund to catalyze, accelerate and scale climate action innovation. Ms. Lo holds a Professional Engineer designation from Engineers and Geoscientists BC, a Masters of Science, Chemical Engineering degree from Queen's University, and a Bachelor of Applied Science, Chemical Engineering from the University of British Columbia.

Lisa Pankratz has served as a director of the Corporation since November 2013. Ms. Pankratz has over 30 years' experience in the investment industry and capital markets in both executive and advisory capacities working with multinational and international companies. For over 19 years, she has served as a board member of corporations in the financial services and global media industries. Ms. Pankratz currently serves as Chair of the board of UBC Investment Management Trust Inc., and the HSBC Independent Review Committee for HSBC Global Asset Management (Canada) Limited. Ms. Pankratz is also a member of the Investment Committee and the Audit and Finance Committee of the Vancouver Foundation and a member of the board of Friends of the Canadian Museum for Human Rights.

She previously served on the boards of IA Clarington Investments Inc. (2012–2018), The Canadian Museum for Human Rights (2009–2018), Canwest Media, Inc. (2005–2008), The Insurance Corporation of British Columbia (2001–2007), and was a member of the Accounting Policy and Advisory Committee advising the Ministry of Finance for the Province of British Columbia (2002–2004). From 2006 to 2010, Ms. Pankratz served as the President of Mackenzie Cundill Investment Management Ltd. and from 2002 until 2006 as the President, Chief Compliance Officer and Director of Cundill Investment Research Ltd. and the Chief Compliance Officer of The Cundill Group.

Ms. Pankratz is a Fellow of the Institute of Chartered Professional Accountants of British Columbia and a Chartered Financial Analyst charter holder. She received an Honours Bachelor of Arts in Business Administration from the Richard Ivey School of Business at the University of Western Ontario.

John Warwick has served as a director of the Corporation since June 2017. Mr. Warwick is a special advisor to Paradigm Capital Inc., as well as being a director and Chairman of NorZinc Ltd. where he is member of the Compensation, Nominating and Governance, and Health, Safety, Social and Environment committees. Prior to 2015, he was the Managing Director, Investment Banking, founding partner and Head of Corporate Finance of Paradigm Capital Inc. where he advised and assisted companies on financing and capital structure matters.

Prior to 1999, Mr. Warwick was Executive Vice President and Vice Chairman of Gordon Capital Corporation and previously a mining analyst at Burns Fry, where he was a top ranked base metals analyst, and Gardner Watson. Mr. Warwick is a CFA and holds an MBA from the University of Toronto.

7. Directors and Officers (cont.)

The following table sets forth as at March 24, 2022 the names, province of residence and office of the executive officers of the Corporation.

Name and Province of Residence	Office with the Corporation
1. Leon Binedell (Ontario, Canada)	President and Chief Executive Officer
2. Yasmin Gabriel (Ontario, Canada)	Chief Financial Officer
3. Greg Honig (Ontario, Canada)	Chief Commercial Officer
4. Chad Ross (Ontario, Canada)	Chief Human Resources Officer
5. Dan Rusnell (Alberta, Canada)	Senior Vice President, Metals
6. Elvin Saruk (Alberta, Canada)	Senior Vice President, Oil & Gas and Power
7. Edward (Ward) Sellers (Ontario, Canada)	Senior Vice President, General Counsel and Corporate Secretary
8. Stephen Wood ⁽¹⁾ (Ontario, Canada)	Executive Vice-President and Chief Operating Officer

Note:

(1) On December 15, 2021, the Corporation announced the planned retirement of Chief Operating Officer Steve Wood, effective April 30, 2022.

The following sets out as at March 24, 2022, the principal occupations of the executive officers (other than Mr. Binedell, in respect of whom information is provided above) for the past five years:

Yasmin Gabriel was appointed Chief Financial Officer effective August 4, 2021. Ms. Gabriel previously served as Interim Vice-President, Finance at Sherritt. Ms. Gabriel is a transformational finance leader with 15 years of experience, including 11 years in mining in Financial Planning & Analysis, Financial Reporting, Financial Systems, Robotic Process Automation, Enterprise Risk Management, and Capital Allocation, with a proven track record of innovation, learning, continuous improvement and leading high-performance teams since she joined Sherritt in 2010.

Greg Honig was appointed Chief Commercial Officer on August 4, 2021. Mr. Honig has diverse international experience spanning private equity, corporate development, and investment banking. Mr. Honig has extensive experience in the development and execution of business strategies and in the sourcing, evaluation, and execution of investment opportunities. Most recently, Mr. Honig was the Principal, Director of Canada for Resource Capital Funds and his experience also includes business development and strategy, marketing and research at Xstrata Nickel.

Chad Ross was appointed Chief Human Resources Officer effective August 4, 2021. Prior to this appointment, Mr. Ross served as Director, HR Analytics & Operations at Sherritt. Mr. Ross is a strategic HR Practitioner, with an extensive financial background and a passion for leveraging diverse thought to achieve successful outcomes. Since joining Sherritt in 2011, Mr. Ross has demonstrated the ability to lead high-performance teams and continuous improvement initiatives along with the ability to diagnose organizational opportunities, identify appropriate resources and engage stakeholders to deliver effective solutions.

Dan Rusnell joined Sherritt in 2018 as the General Manager of Fort Site Operations where he focused on maturing the safety culture, building a continuous improvement mindset and modernizing business processes. Mr. Rusnell has more than 20 years of engineering and leadership experience, including 14 years at Syncrude Canada Ltd., and five years at Nexen Energy ULC (now CNOOC International). Mr. Rusnell is a Professional Engineer registered with APEGA and holds a Bachelor of Science in Engineering (Chemical Engineering) from the University of Saskatchewan.

Elvin Saruk was appointed Senior Vice President, Oil & Gas and Power effective April 3, 2012, having previously served as Senior Vice President, Ambatovy Construction from August 2009, as Senior Vice President, Oil & Gas and Power from July, 2007, and as Head of Growth from January 2022.

Edward (Ward) Sellers was appointed Senior Vice President, General Counsel and Corporate Secretary effective October 9, 2013. Prior to joining the Corporation, Mr. Sellers was a partner in a major Canadian law firm from 1996, serving in various capacities, including as Co-Chair of the firm's M&A group, and as head of its Montreal office and corporate department.

Steve Wood was appointed Executive Vice-President and Chief Operating Officer in April 2015. Prior to joining the Corporation, Mr. Wood served as the President and CEO of ArcelorMittal Mining Canada G.P. from February 2013 and Vice-President, ArcelorMittal from November 2011 until January 2013.

The number and percentage of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Corporation as a group, as at March 24, 2022, was as follows:

Security	Number of voting securities	Approximate percentage of outstanding voting securities ⁽¹⁾
Common shares	2,128,560	0.54%

(1) Sherritt had 397,288,680 Shares issued and outstanding as of March 24, 2022.

Effective September 19, 2014, the non-executive director shareholding requirement increased from three times to five times, the cash component of non-executive director annual remuneration which is required to be held in either common shares or director deferred share units (“**DDSUs**”). Each non-executive director has 5 years from the later of: (1) the date of election or appointment to the board; and (2) the date of the policy change to comply with the policy. For purposes of determining compliance with the non-executive director share ownership policy Shares owned and/or controlled by the non-executive director along with DDSUs are valued using the greater of the acquisition/grant date value and the market value on December 31. The number of DDSUs granted to each non-executive director is calculated by dividing the compensation value of the award by the market price in respect of the specific acquisition/grant date. The number of DDSUs held by all non-executive directors, as at March 24, 2022, was as follows:

Security	Number of securities
Directors’ Deferred Share Units	4,745,804

8. TRANSFER AGENT AND REGISTRAR

The Corporation’s transfer agent and registrar for its Shares and Notes is TSX Trust Company (“TSX Trust”). The location at which transfer of the Corporation’s securities may be affected by TSX Trust is as follows:

Security	Transfer Locations
Shares	Toronto, Montreal, Calgary and Vancouver
8.50% Senior Second Lien Secured Notes Due 2026	Toronto, Montreal, Calgary and Vancouver
10.75% Unsecured PIK Option Notes Due 2029	Toronto, Montreal, Calgary and Vancouver

9. MATERIAL CONTRACTS

Set out below are descriptions of Sherritt’s material contracts, as filed on SEDAR www.sedar.com.

The Trust Indenture dated August 31, 2020 among Sherritt, certain Sherritt subsidiaries (as guarantors) and AST Trust Company (Canada) as trustee and collateral agent for the 8.50% Senior Second Lien Secured Notes Due 2026.

The Trust Indenture dated August 31, 2020 among Sherritt, certain Sherritt subsidiaries (as guarantors) and AST Trust Company (Canada) as trustee for the 10.75% Unsecured PIK Option Notes Due 2029.

10. INTEREST OF EXPERTS

Auditors

Deloitte LLP are the Corporation’s auditors and have issued an opinion with respect to Sherritt’s consolidated financial statements as at and for the year ended December 31, 2021.

10. Interest of Experts (cont.)

Deloitte LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Qualified Persons

The technical information regarding the Moa Joint Venture included in this AIF has been approved by Bryce Reid, P.Eng., in the case of the Mineral Resource and Reserve Estimates, Scott McPherson, P.Eng., in the case of the information regarding the Moa Joint Venture contained in Schedule 'B' – Technical Information. Messrs. Reid and McPherson are a "qualified person" as such term is defined in NI 43-101 and are employees of the Corporation.

The Corporation has been advised that each of the foregoing experts holds less than 1% of the securities of any class issued by the Corporation.

11. ADDITIONAL INFORMATION

Additional information relating to Sherritt may be found on SEDAR at www.sedar.com.

11.1 Additional Documents

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular dated March 31, 2021 for its most recent annual meeting of shareholders held May 20, 2021 and involving the election of directors.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the 2021 financial year, filed on SEDAR and available at www.sedar.com.

11.2 Audit Committee

The Audit Committee may from time to time request that an audit service proposal be sent to certain select audit firms, including the incumbent, and make a recommendation to the Board to propose the appointment by shareholders of a certain auditor. In early 2006, the Audit Committee received proposals. Following a review of the proposals, the Board accepted the recommendation of the Audit Committee to propose the appointment by shareholders of Deloitte, as auditor, which was approved by shareholders at the annual meeting held on May 25, 2006. The Corporation annually proposes, at shareholder meetings, the appointment of its auditor by shareholders.

The mandate of the Audit Committee, along with the mandates of the Board and all other committees of the Board, are reviewed annually. The current mandate of the Audit Committee is attached as Schedule C.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee are: Ms. Lisa Pankratz (Chair), Sir Richard Lapthorne and, Mr. John Warwick. Each member is independent and financially literate as those terms are defined in National Instrument 52-110-*Audit Committees*.

EDUCATION AND EXPERIENCE

Ms. Lisa Pankratz has served as chair of the Audit Committee since 2017 and has been a member of the Audit Committee since November 2013. Ms. Pankratz is a Chartered Professional Accountant and a Chartered Financial Analyst. She is a Fellow of the Institute of Chartered Professional Accountants of British Columbia, and a member of the Institute of Chartered Professional Accountants of Ontario, the Vancouver Society of Financial Analysts, and the CFA Institute.

Sir Richard Lapthorne has served as a member of the Audit Committee since 2011. Sir Richard holds a Bachelor of Commerce, specialized in accounting and served as a Finance Director at various FTSE 100 companies between 1986 and 1998. He is also a fellow of each of the Chartered Institute of Management Accountants, Chartered Institute of Certified Accountants and the Institute of Corporate Treasurers in the United Kingdom.

John Warwick has served as a member of the Audit Committee since 2017. Mr. Warwick is a Chartered Financial Analyst. He holds an MBA from the University of Toronto and has 40 years of experience in investment research and banking.

PRE-APPROVAL POLICIES AND PROCEDURES

In accordance with its mandate, the Audit Committee pre-approves the nature and fees of all non-audit services provided by the external auditor.

AUDIT FEES

The following table sets out total fees paid to the Corporation's external auditor, Deloitte relating to audit fees, audit-related fees, tax fees and other fees for 2021 and 2020:

	2021	2020
Audit fees ⁽¹⁾	\$2,310,450	\$2,590,000
Audit-related fees ⁽²⁾	\$ 0	\$ 0
Tax-related fees ⁽³⁾	\$ 106,000	\$ 147,000
Other fees ⁽⁴⁾	0	\$ 0
Total fees	\$2,416,450	\$2,737,000

Notes:

- (1) Audit fees consist of fees for the audit and review of the Corporation's annual and quarterly consolidated financial statements, respectively, or services that are normally provided in connection with statutory and regulatory filings or engagements. During 2021 and 2020, the services provided in this category included research of accounting and audit-related issues and assurance audits.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported as audit fees.
- (3) Tax-related fees consist of fees for assistance and advice in relation to the preparation of corporate income tax returns and expatriate services, other tax compliance and advisory services.
- (4) Other fees related to training and development, and strategy consulting services.

11.3 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 following are non-GAAP and other financial measures as defined in National Instrument 52-112 Non-GAAP and Other Financial Measures ("NI 52-112") that the Corporation uses as key performance indicators in this AIF.

AVERAGE-REALIZED PRICE

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

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

COMBINED SPENDING ON CAPITAL

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

11. Additional Information (cont.)

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

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

For a description and reconciliation of these and other non-GAAP measures, please refer to the heading "Non-GAAP and other financial measures" on page 51 in the Corporation's MD&A for the year ended December 31, 2021, which section is incorporated by reference herein and is available on SEDAR under the Corporation's profile at www.sedar.com.

SCHEDULE A

GLOSSARY OF TERMS

The following are brief explanations of certain terms and abbreviations used in this document:

“abandonment and reclamation costs” means all costs associated with the process of restoring a reporting issuer’s property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities.

“API” or **“degrees API”** refers to the generally accepted measurement standard for the density of oil using the American Petroleum Institute Scale.

“bbl” means barrel or 34.962 imperial gallons or 42 U.S. gallons or 158.987 litres.

“block” or **“Block”** means a geographic area that is subject to a production-sharing contract or other form of oil and gas permit.

“boe” means barrels of oil equivalent derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil (6 Mcf: 1 bbl). Expressing natural gas volumes in boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

“boepd” means barrels of oil equivalent per day.

“bopd” means barrels of oil per day.

“Co” means cobalt.

“CO₂” means carbon dioxide.

“condensate” means a mixture of pentanes and heavier hydrocarbons recovered as a liquid from field separators, scrubbers or other gathering facilities or at the inlet of a processing plant before gas is processed.

“conventional natural gas” means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, dispositional or erosional geologic features.

“cost-recovery oil” means the crude oil allocated to the Corporation under a production-sharing contract in respect of eligible capital and operating expenses.

“cost recovery pool” means, in respect of a production-sharing contract, cumulative eligible capital expenditures and operating expenses, less the value of cumulative cost-recovery oil allocated from past production, which may be recovered against future crude oil production.

“crude oil” or **“oil”** means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbon compounds but does not include liquids obtained from the processing of natural gas.

“directional drilling” or **“directional well”** means the intentional deviation of the trajectory of an oil and gas well to a target that is not located vertically beneath a drilling rig.

The **“Equator Principles”** is a risk management framework, adopted by financial institutions, for determining, assessing and managing social and environmental risk in projects. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

“exploratory well” means a well that is not a development well, a service well or a stratigraphic test well.

“Fe” means iron.

“field” means a defined geographic area consisting of one or more oil pools.

“first point of sale” means the first point after initial production at which there is a transfer of ownership of a product type.

“fold and thrust belt” means a geological trend where geological formations have undergone compressional stress and have been either thrust over one another so that they are repeated, or bent into large scale folds.

SCHEDULE A (cont.)

“forecast prices and costs” means future prices and costs that are: (a) generally accepted as being reasonable outlook of the future; (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (a).

“free on board” means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays the cost of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination.

“gas” or “natural gas” means a naturally occurring mixture of hydrocarbon gases and other gases.

“GCFO6” means U.S. Gulf Coast Fuel Oil No.6, 3% Sulphur, a benchmark residual fuel oil.

“GHG” means greenhouse gas and, more specifically, can be any of the commonly used gasses that are known to have the potential to add to global warming. These are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Some of these have subcategories. Each GHG has a global warming potential in relation to CO₂.

“gross working-interest production” means a working-interest (operating or non-operating) share of gross oil and gas production before deduction of royalty obligations and of production to be allocated to government authorities under a production-sharing contract or other oil and gas permit.

“grade” refers to the concentration of an element of interest (Ni, Co, etc.) in a potentially mineable ore deposit. Usually expressed as a percentage, in grams per tonne or in parts per million (ppm).

“ha” means hectares, a metric unit of land measure equal to 10,000 square metres or 2.47 acres.

“heavy crude oil” means crude oil with a relevant density greater than 10 degrees API and less than or equal to 22.3 degrees API.

“high pressure acid leach” is a process by which lateritic ore is treated with sulphuric acid at high temperatures and pressures to convert valuable metals into soluble salts to allow further purification and recovery.

“hydrocarbon” means a compound consisting of hydrogen and carbon, which, when naturally occurring, may also contain other elements such as Sulphur.

“hydrometallurgy” is a technique within the field of extractive metallurgy. Hydrometallurgy involves the use of aqueous solutions for the recovery of metals from ores, concentrates, and recycled or residual materials.

“Indicated Resource” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation.

“Inferred Resource” is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity.

“kW” means a kilowatt; equivalent to 1,000 watts of electric power.

“kWh” means kilowatt hour; equivalent to the supply of one kilowatt of electric power for a continuous one hour period.

“lb” means a pound;

“laterite” means a soil layer that is rich in iron oxide and derived from a wide variety of rocks weathering under strongly oxidizing and leaching conditions.

“light crude oil” means crude oil with a relative density greater than 31.1 degrees API.

“limonite” means the yellow-brown clay-like material that is the principal ore-bearing layer in nickel laterite deposits, synonymous with ferralite.

“LPG” means liquefied petroleum gases consisting predominantly of propane, butanes and ethane.

“Mcf” means thousand cubic feet.

“Measured Resource” is that part of a Mineral Resource for which quantity, grade or quality, shape, and physical characteristics are so well established that it can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production, planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes that are spaced closely enough to confirm both geological and grade continuity.

“medium crude oil” means crude oil which a relative density greater than 22.3 degrees API and less than or equal to 31.1 degrees API gravity.

“Metal Bulletin Low Grade” means metallic cobalt typically 99.3% to 99.6% in cobalt content.

“Metallurgy” is a branch of science and technology concerned with the properties of metals and their production and purification.

“Mineral Resource” means, a concentration or occurrence of solid material of economic interest in or on the earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction.

“Mineral Reserve” means, the economically mineable part of a measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

“mixed sulphides” refers to an intermediate product produced from lateritic ore at Moa Nickel, primarily composed of nickel and cobalt sulphides and minor impurities.

“MMcf” means million cubic feet.

“MMcfd” means millions of cubic feet per day.

“MT” means millions of tonnes.

“MW” means a megawatt; equivalent to one thousand kilowatts.

“MWh” means a megawatt hour; equivalent to one thousand kilowatt hours.

“net working-interest production” means a working-interest (operating or non-operating) share of oil and gas production after deduction of royalty obligations and of production allocated to government authorities under a production-sharing contract or other oil and gas permit plus the Corporation’s interest in production. Under a production-sharing contract, “net working-interest production” equals the sum of the volume of cost-recovery oil and the share of profit oil allocated to the contractor.

“Ni” means nickel.

“overburden” means materials that overlie a mineral deposit.

“pool” means a subsurface oil accumulation.

“production sharing contract” or **“PSC”** means a form of contract between a contractor and an agency of the government of the Republic of Cuba under which the contractor acquires the right to explore for and develop hydrocarbon deposits within a specified geographic area.

“profit oil” means the volume of oil to be allocated under a production-sharing contract after cost-recovery oil has been allocated to the contractor.

“Probable Reserve” means, in a context other than oil and gas, the economically mineable part of an indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

“Proven Reserve” means, in a context other than oil and gas, the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

“reservoir” means a porous and permeable subsurface rock formation that contains a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system.

“saprolite” – means a soft, decomposed rock that is rich in clay; a secondary ore-bearing layer in nickel laterite deposits that lies beneath limonite and that has high magnesium, making it undesirable as feed to a PAL process.

SCHEDULE A (cont.)

“service well” means a well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

“sintering” refers to the coalescence of powdered metal in briquettes into a solid mass, without liquefaction, by applying heat below the melting point.

“sulphur” for the purposes of the Oil and Gas business, means elemental sulphur recovered by the conversion of hydrogen sulphide and other sulphur compounds extracted from crude oil or natural gas.

“supernatant liquid” means the usually clear liquid overlying material deposited by settling, precipitation, or centrifugation.

“Tpd” means tonnes per day.

“USGC HSFO” means U.S. Gulf Coast High Sulfur Fuel Oil, a benchmark residual fuel oil and has replaced GCFO6 as a reference benchmark as of January 3, 2017.

“working-interest” means the interest held by the Corporation in an oil or gas property, which interest normally bears its proportionate share of the costs of exploration, development and operation as well as any royalties or other production burdens, including the allocation of crude oil to government authorities under a production-sharing contract.

“WTI” means West Texas Intermediate, a benchmark crude oil.

SCHEDULE B

TECHNICAL INFORMATION

MOA JOINT VENTURE

Properties

Resource information set out below is derived from the technical report entitled “NI 43–101 Technical Report–Moa Nickel Project, Cuba” dated June 6, 2019 (the “**Moa Technical Report**”). The technical information in this Annual Information Form regarding Moa Joint Venture has been reviewed by Bryce Reid, P.Eng., a Qualified Person under NI 43–101. Mr. Reid is an employee of the Corporation.

Moa Project

Property Description, Location and Access

The Moa property consists of nine separate mineral concessions which cover approximately 12,100 ha. The six central concessions are located approximately four kilometres to the south and southeast of the city of Moa in the province of Holguin in northeastern Cuba at an elevation of approximately 25 metres. The three Eastern satellite properties lie 10 to 15 kilometres southeast of the Moa Nickel processing plant (see the section entitled “*Mineral Reserves and Mineral Resources Estimates–Moa Joint Venture*” for more information). The main open pit lateritic ore mines lie south of the city. The Moa Nickel plant site, which processes the mined ore into mixed sulphides using high–pressure acid leaching, lies on the southern edge of the residential area of the city of Moa.

The operating mining areas are connected to the plant site through a well–developed network of secondary paved roads and dirt roads. The three Eastern satellite concessions can be accessed by a network of secondary dirt roads that provide access from the paved coastal highway, although accessibility can be difficult in the wet season. The processing plant and the technical and administrative offices can be accessed from Moa city streets. The City of Moa is connected to the provincial capital of Holguin by both paved highway and a small commercial airport with limited schedules to other Cuban cities. The closest large international airports are at Holguin and Santiago de Cuba.

In Cuba, mineral rights are the property of the state. Mineral exploration and mining rights are granted under decrees or resolutions administered by the ONRM, the Cuban government agency that oversees and regulates mining activity. In the case of the rights granted to Moa Nickel, the key features of the decrees and resolutions are:

- Moa Nickel has the right to mine the limonite, along with normal mining dilution at the top and bottom of the limonite horizon;
- Moa Nickel has received official approval to mine and utilize in the existing process, saprolite with more than 1% nickel and 25% to 35% iron underlying the Camarioca Norte and Camarioca Sur deposits. Moa Nickel has also received approval to utilize saprolite underlying the remaining deposits; and
- When the property rights revert to the ONRM, the mining rights to the saprolite may be granted to another company.
- Moa Nickel has been granted a mining concession containing calcium carbonate, which is used in the process as a neutralizing agent. Moa Nickel also has the right to mine serpentine rocks from a quarry in the municipality of Moa, which are used for road building and other construction projects.

History

Viable nickel and cobalt resources in eastern Cuba were first identified in the 1940s. By the late 1950s, just prior to the Cuban Revolution, open pit mining had begun on the nickel laterites near Moa.

From the early 1960s to the early 1990s, the Cuban government’s state mining company mined the Moa Occidental concession. In 1994, the Corporation and GNC formed Moa Nickel. Moa Nickel was granted mining rights on November 30, 1994. It continued mining operations at the Moa Occidental concession and initiated mining operations at Moa Oriental in 2000.

The Camarioca Concessions were first explored in the early to mid–1970s by Soviet geologists. Evaluation of the Camarioca Concessions was resumed by Empresa Geominera Oriente, the Cuban state contractor for geological and exploration activities, (“**Geominera**”) in 2003. In 2005, Moa Nickel was granted the right to continue the exploration and evaluation of the Camarioca Concessions deposits.

Moa Nickel obtained its rights to the Yagrumaje Oeste and Playa La Vaca–Zona Septentrional III deposits in 2013, with data regarding previous exploration results provided to Moa Nickel by the ONRM. Parts of the Yagrumaje Oeste deposit had been mined prior to Moa Nickel obtaining its rights and the mineralized zone had been drilled on a 33 metre grid. Mining rights for Yagrumaje Oeste were obtained in 2013. Mining rights for Playa La Vaca and Zona Septentrional III were obtained in November 2020.

SCHEDULE B (cont.)

Cantarrana, La Delta and Santa Teresita were first explored in the 1960s. A second exploration program was conducted by Geominera for Gencor Ltd. in 1996 (the “**Gencor Campaign**”) as a due diligence check on the earlier work. Following additional exploration, the Cantarrana and La Delta deposits were approved as concessions for exploitation in 2018.

Geological Setting Mineralization and Deposit Types

The central Moa concessions are situated on the Moa–Baracoa complex. The Moa–Baracoa complex is composed primarily of a tectonised harzburgite that is highly depleted by 20–30% partial melting. To the east of the central Moa concessions, a number of podiform chromitite bodies lie along a west–northwest trending line. Several intersections of chromitite also exist in the northwest extremity of Camarioca Norte. The region also contains several bodies of gabbros and north–east trending gabbroic dikes.

The nickeliferous laterite deposits in the Moa region occur as a thick surface blanket of residual soils, clays and partially decomposed rock. The thickest and most homogenous laterite deposits are generally associated with rounded ridge crests and spurs representing the least eroded portion of the laterite blanket.

The upper zone of the commercial laterite profile called limonite is defined either by a nickel cut-off of 1% and an iron cut-off of 35% or, in certain deposits, by a 0.9% nickel cut-off. The limonite zone typically varies from three to seven metres in thickness, locally increasing to a thickness of up to 20 metres. The lower contact of the limonite zone is defined by the 35% iron grade cut-off and is highly irregular with frequent ‘ribs’ and ‘pinnacles’ of decomposing bedrock material projecting up into the limonite. Saprolite zone mineralization is usually encountered below the limonite zone. The original mining concession granted the right to mine in the limonite zone only. However, the ONRM has granted the Moa Joint Venture the rights to mine the upper portions of the saprolite zone on most mineral concessions.

The Cantarrana ultramafic body is surrounded by the same gabbro body that sets the eastern limit of the La Delta ultramafic. Isolated in the ultramafic is a small body of gabbro, approximately 2x1 kilometres, which limits the southern extent of the La Delta deposit.

The analysis of mineralization of the Eastern satellites concessions is based on the assays taken from the drilling programs discussed in “*Exploration and Drilling*” below. The drilling campaign conducted in the 1960s assayed for Fe, Ni and Co. The Gencor Campaign analyzed for Fe, Ni, Co, Mg, Mn, Al, Si and Ca and the moisture content of each sample was also reported. The 2008 campaign (as described below) assayed for Fe, Ni, Co, Mg, Mn, Al, Cr and Si.

Exploration and Drilling

The drilling campaigns conducted at the Moa properties have generally been carried out on surveyed square grid patterns, using continuous–spiral and hollow–stem auger drills to extract samples from each metre of penetration in vertical holes.

The majority of the deposits were drilled prior to the formation of the Moa Joint Venture using progressively closer grid spacings from 300 to 33 metres. In addition, test pits were excavated to yield information on mineralogy, moisture content and tonnage factors. Drilling campaigns conducted by the Moa Joint Venture have generally drilled exploration grids of 100 metres and 33–35 metres–spacings. For exploitation and production planning the operation uses grids at 16 metre–spacing for definition of the overburden thickness, grade control and metallurgical characterization of the ore. In 2005/2006, Moa Nickel conducted field trials of ground penetrating radar technology in the Camarioca Concessions. In 2022, Moa Nickel began using ground penetrating radar technology to further define the limonite/saprolite boundary in various concessions.

Sampling, Analysis and Data Verification

Sample Preparation

Drill cuttings are logged manually by field geologists in a notebook at the drill site. Logged notes are then later entered into a computer data base in the office. The samples are removed from the auger spirals, placed in plastic bags and tagged with the sample number. The sample numbers are simple sequences without the borehole number. For every twentieth sample, the geologist takes a duplicate assay sample for use as an internal control and another duplicate sample for use as an external control.

When external contractors, like Geominera, have been contracted to perform the drilling and sampling, a Moa Nickel geologist checks the contractor’s activities in the field. Additional surveying has also been conducted by Ceproniquel, Centro Internacional de La Habana S.A. and Geocuba Oriente Sur.

Through early September 2007, samples were shipped by truck to Geominera’s facilities in Santiago de Cuba. Since September 2007, assay pulp preparation has been carried out at a new facility in Moa and the pulps shipped to Santiago de Cuba for assay at the Elio Trincado Figueredo Laboratory operated by Geominera. An independent consultant retained by the Corporation has examined the

sample preparation facilities and the Geominera assay laboratory and reviewed their procedures, and believes that they are satisfactory. The Geominera work at the new sample preparation facility in Moa has been directly monitored by a Moa Nickel geologist.

Sample analyses

Analysis of Ni, Co, Al₂O₃, Cr₂O₃, Fe₂O₃, MgO, MnO and SiO₂ are done by sodium carbonate fusion and inductively coupled plasma atomic emission spectroscopy (ICP-AES), an emission spectrophotometric technique that uses the fact that excited electrons emit energy at a given wavelength as they return to their ground state. For the past many years, the annual production reconciliations have confirmed that there is no systematic bias in resources and reserves calculated from the drill hole data.

Routine assays are done by the Geominera assay laboratory in Santiago de Cuba; external check assays have been done by Sherritt's technologies group and other external laboratories. In the producing areas of the mine, check analyses are also done at the Moa Nickel process control laboratory where routine production sampling of trucks and thickener slurry is done. The process control lab uses pressed pellet XRF analysis calibrated regularly by atomic absorption analysis.

Security of Samples

A sample of auger drilling usually consist of seven consecutive chips (auger screw lifts) representing 1 m of drilling. The samples are collected directly from the auger after removing the contamination from the walls and placed in a plastic bag, logged, tagged and sealed. The sample bags are transported by truck from the field directly to the processing facility operated by Geominera in Moa. At no point are the bags re-opened until the laboratory begins its preparation work. If bags are broken, have become unsealed or appear to be contaminated with other material, which occurs very rarely, the laboratory does not process the sample and no analytical data is available for that sample interval.

Data Verification

Quality assurance and quality control ("QA/QC") of the analytical data and the assay databases is conducted by the Moa exploration team who uses internal duplicates to monitor the precision or repeatability of assays. Additional duplicate samples checked by external laboratories provide data for monitoring the reliability of assay data, by measuring potential relative bias. The Moa database manager monitors on a batch-by-batch basis the results of the internal/external duplicates, and actions are taken when the results diverge from the targets. As part of quality control, the database manager and the resource team perform routine checks on the database, to reduce the errors to a minimum.

Additionally, Geominera assay laboratory performs its own internal quality assurance and quality control program, notably by the insertion of duplicates by a quality control agent, which are blind to the laboratory staff. Standard reference material is used to ensure the correct calibration of the equipment.

To address continuous improvement in the QA/QC program and to meet best practice, the Corporation's personnel are working together with Moa Nickel, with the assistance of external consultants, towards the implementation of several additions to the QA/QC program. This includes notably the insertion of coarse duplicates, blanks, and standard reference material. These quality control samples will reinforce the confidence in the exploration/exploitation database by assessing the repeatability of the sample preparation/assaying process, higher in the chain, by ensuring that no-cross contamination is taking place in the sample preparation process, and by checking for potential bias in the assay laboratory. The standard operating procedures will be updated to reflect these changes. Other potential improvements for the QA/QC program will be reviewed in the coming year, such as the implementation of digital loggers and homogenization of the databases, quality control of the density measurements and collar coordinates, and a thorough review of the historical database.

The Moa Nickel mine has been operating for 60 years, and there is a general consistency between the drillhole grades produced by the Geominera laboratory and the grades actually mined, as measured by Moa Nickel's own plant process control data, as well as with the external check assays. The Corporation's personnel continue to collaborate with Moa Nickel and the Geominera laboratory to promote continuous improvement.

Mining and Processing, Refining, Expansion, Marketing and Sales

Mining Operations

The mining method used by Moa Nickel consists of an excavator/truck operation. Bench mining is executed in opened deposits using hydraulic backhoe excavators and articulated mine haulage trucks. The mine operates 365 days per year, weather permitting.

SCHEDULE B (cont.)

Mining has been carried out within the area covered by the Moa Occidental concession for close to 60 years. Prior to the formation of the Moa Joint Venture, the property was operated by the Cuban state and, prior to the Cuban Revolution, private mining companies. In the past 20 years, improvements in mining operations and at the processing plant have allowed the annual production rate to rise. In 2021, a total of 4.2 million tonnes of ore and waste material was mined.

Processing and Recovery Operations

Ore is processed through the ore preparation plant where the ore is slurried with water and the resultant slurry is screened to reject partially or wholly unweathered material which has higher magnesium content. The oversize reject material is processed through a reject treatment circuit that achieves a high recovery of the limonite contained in the material. The final dry-rock reject is used for road construction or is deposited into mined-out areas.

The fine fraction of the screened ore is thickened and pumped to a pressure acid leaching circuit consisting of vertical, steam-agitated pachucas (reactors). Sulphuric acid is added to dissolve nickel and cobalt from the ore. The leach discharge slurry is processed through a countercurrent decantation wash circuit to separate the nickel and cobalt-containing solution from the leach residue slurry that is impounded in an acid leach tailings facility (“ALTF”) with surface water reclaimed for the process. Excess sulphuric acid in the solution is neutralized with calcium carbonate and the gypsum residue is processed through the wash circuit with the leach tailings. Nickel and cobalt are recovered from the solution by precipitation, at an elevated temperature and pressure, with hydrogen sulphide gas to produce mixed sulphides.

The ALTF is currently in the closure stage. As mining progresses, additional tailings disposal capacity is required to accommodate the tailings generated from the life of mine ore. Additional tailings capacity has been designed and construction has commenced in new areas. Moa Nickel is finalizing a feasibility study for a long term solution for tailings management.

In 2021, production of nickel and cobalt contained in mixed sulphides at Moa Nickel was 32,997 tonnes (100% basis), compared to production of 34,858 tonnes (100% basis) in 2020.

Refining

In the refining process, which occurs in Fort Saskatchewan, nickel and cobalt present in the Moa mixed sulphides and various other feeds are blended and leached in an ammonia and ammonium sulphate solution. Nickel, cobalt and other metals are dissolved and sulphide sulphur is oxidized and combined with ammonia to form ammonium sulphate. Any unleached material is separated from the metal-rich solution, washed, filtered and shipped and recycled back through Moa Nickel’s process.

Nickel is recovered in powder form. After washing and drying, powder can be packaged or compacted into briquettes, which can be sintered (passed through a furnace) or left unsintered. The relative proportion of powder, sintered and unsintered material changes and is based upon prevailing market conditions. Cobalt is also recovered in powder form and is compacted and sintered into briquettes or packaged as powder for sale.

The remaining, essentially metal-free, solution is evaporated to crystallize ammonium sulphate, which is dried and sold as fertilizer. The on-site ammonium sulphate plant has an annual capacity of approximately 190,000 tonnes. Other metals present in the feed, such as copper and zinc, are collected in the form of sulphide residues and sold.

In 2021, total production of finished nickel and cobalt was 31,184 tonnes and 3,526 tonnes (100% basis), respectively, compared to 31,506 tonnes and 3,370 tonnes (100% basis), respectively, in 2020.

The refinery maintained its ISO 9001:2015 certification for nickel and cobalt production.

Expansion

In 2021, with support from Sherritt Technologies, the Moa Joint Venture launched an expansion strategy aimed at growing nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced during the year ended December 31, 2021 and extending the life of mine of Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade. During the three months ended December 31, 2021, the Moa Joint Venture completed a feasibility study for a new slurry preparation plant (SPP) at Moa and planned expenditures were approved by its Board of Directors. The SPP, which is estimated to cost US\$27.0 million and be completed in early 2024, will deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining and increased annual nickel and cobalt contained in mixed sulphides production of approximately 1,700 tonnes commencing in mid-2024.

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

Infrastructure, Permitting and Compliance Activities

The City of Moa has a population of approximately 75,000 (2016) and is the source, together with several surrounding towns, of most of the skilled and unskilled labour required for both the mining and processing operations.

The water supply for the processing plant comes from a water-bore near the plant-site and from the Nuevo Mundo reservoir which feeds into the Moa River. Both the plant site and the mine site are served by the national electric power grid and grid power lines cross the mine site. Moa Nickel has the required surface rights and necessary infrastructure, including bridge access, roads, maintenance shops, power supplies and offices to support its current mining operations.

For information regarding Environment, Health and Safety and Community Investment please see the section 3.5 *Environment, Health and Safety and Sustainability*.

Resolutions 5859 and 5860, dated December 29, 2006, of the Executive Committee of the Council of Ministers of the Republic of Cuba granted Moa Nickel the right and obligation to evaluate the limonitic nickel mineralization on the La Delta and Cantarrana concessions. These Resolutions detail 28 obligations, most of which relate to: 1) geological education and safety of employees; 2) road construction, protection of environment near rivers, protection of forest cover; and 3) rehabilitation measures after work programs have been completed.

The Moa Joint Venture will apply to the ONRM for the exploitation permit for the Santa Teresita concession in the fourth quarter of 2022.

SCHEDULE C

MANDATE OF THE AUDIT COMMITTEE

Mandate

The mandate of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Sherritt International Corporation (the “Corporation”) is to assist the Corporation in ensuring the integrity and accuracy of the Corporation’s financial reporting and disclosure controls and procedures. The Committee shall fulfill its mandate by providing an open avenue of communication among management, the auditors (external and internal) and the Board.

Duties and Responsibilities

- (a) review and recommend for approval to the Board the Corporation’s interim financial statements, MD&A and earnings press releases prior to disclosure and report to the Board thereon;
- (b) review and recommend for approval to the Board the Corporation’s annual financial statements, MD&A and earnings press releases and report to the Board thereon;
- (c) ensure the adequacy of procedures for the review of other corporate disclosure that is derived or extracted from the financial statements and periodically assess the adequacy of those procedures;
- (d) ensure that management fulfills its responsibilities to maintain effective disclosure controls and procedures and an effective system of internal control over financial reporting and Environment, Social and Governance (ESG) reporting and consider if and when ESG information ought to receive independent assurance; report any deficiencies to the Board;

review the Corporation’s processes for the selection, preparation and disclosure of sustainability performance data and information to external stakeholders and the public, and the adequacy of the Corporation’s transparency on its performance in this area;

review, monitor and report to the Board on the findings of any significant examination or audit by external auditors concerning ESG matters and review the audit scope and approach of any external auditors related to ESG matters;
- (f) ensure management adequately identifies, manages, monitors and discloses the principal financial and business risks that could impact the Corporation’s financial results and reporting;
- (g) recommend and propose guidelines for the disclosure of information, such that relevant information is disclosed in a timely manner and is not selective;
- (h) ensure that, taken together, the work of the external and internal auditors provides an appropriate level of audit coverage and is effectively coordinated, to the extent appropriate;
- (i) oversee procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or auditing matters, and procedures to allow confidential and anonymous submission of concerns regarding questionable accounting or auditing matters;
- (j) review all material public documents relating to the Corporation’s financial performance, financial position or financial analyses prior to release and (ii) ESG matters prior to release, including the AIF, Management Information Circular, annual guidance and earnings call presentation, and sustainability reports;
- (k) review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year;
- (l) review all litigation and claims involving the Corporation which could materially affect its financial position and which the auditors or General Counsel may refer to the Committee;
- (m) approve the Corporation’s tax policy;
- (n) review, at least annually, the Corporation’s tax status, significant tax issues and reviews by tax authorities
- (o) review, at least annually, management’s IT strategy and assess the adequacy of the Corporation’s cyber-security plan;
- (p) review the adequacy of insurance coverage;
- (q) ensure management undertake an appropriate enterprise risk management process and review management identification and evaluation of risks and risk mitigation procedures (including hedging);

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- (r) review other information provided by management relating to the financial affairs of the Corporation;
 - (s) review, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel; and
 - (t) perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

With regard to fulfilling their obligations as set out above, Committee members or the Board may request management, from time to time, to present information to the Committee on such matters relating to the financial affairs of the Corporation as deemed appropriate.

Relationship with External Auditors

The external auditors report directly to the Committee and are accountable to the Board and the Committee. The Committee shall:

- (a) recommend for approval to the Board the appointment and oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services;
- (b) approve the audit plan (including scope, timing and materiality);
- (c) review the qualifications and performance of the external auditors and recommend approval of fees;
- (d) report to the Board regarding the nomination, remuneration and other material terms of the engagement of the external auditors as well as their performance;
- (e) review the results of the external auditors' work. The external auditors' report on the results of their work should include their views on the quality, not just the acceptability, of the implementation of generally accepted accounting principles, with a particular focus on the accounting estimates made by management and management's selection of accounting principles;
- (f) assess working relationships with management and resolve any disagreements between management and the external auditors about financial reporting;
- (g) pre-approve the nature and fees of non-audit services. The Chair has the authority to pre-approve proposals for services to be provided by the Company's auditors up to a value of C\$150,000 per engagement, and to report any such approvals to the Committee as a whole at the next Committee meeting and
- (h) review and approve the hiring policies regarding partners and employees and former partners and employees of the present and former external auditors.

The Committee should review and discuss written reports by the external auditors detailing all factors that might have an impact on the external auditors' independence, including all services provided and fees charged. The Committee should satisfy itself regarding the independence of the external auditors and report its conclusions and the basis for those conclusions to the Board.

The external auditors are entitled to receive notice of every meeting of the Committee and be heard thereat.

The external auditors are entitled to and are responsible for providing their views directly to the shareholders if they disagree with an approach being taken by the Committee.

Relationship with Internal Auditors

The Internal Audit function reports to the Chief Financial Officer and is accountable to the Committee. The Committee shall:

- (a) approve the mandate for the internal audit department and annually review its objectives and goals and staffing levels;
- (b) approve the internal audit charter;
- (c) approve the internal audit plan;
- (d) approve the internal audit budget and resource plan;
- (e) receive communications from the Internal Audit function on performance relative to its plan and other matters;
- (f) ensure that the Internal Auditor function has direct and open communication with the Committee with respect to progress on planned audits, significant audit findings, recommendations made and management's response;

SCHEDULE C (cont.)

- (g) approve the appointment or removal of the Director, Internal Auditor; and
- (h) review management's decisions related to the need for an internal audit.

Composition and Chair

The members of the Committee shall, subject to appointments made as a result of resignations or retirements, be appointed annually by the Board on the recommendation of the Nominating and Corporate Governance Committee.

The Committee shall consist of not less than three directors, each of whom shall be "independent" as determined under applicable Canadian securities laws. All members of the Committee are required to be financially literate. The requirements for qualification of Committee members shall be determined and interpreted by the Board from time to time based upon recommendations by the Nominating and Corporate Governance Committee.

The Board shall annually designate a Committee Chair from among the Committee members on the recommendation of the Nominating and Corporate Governance Committee. If, in any year, the Board does not appoint a Chair, the Committee members shall appoint a Chair from their number.

Meetings

The Committee shall meet as often as the Committee determines is necessary to fulfill its responsibilities and not less than four times a year.

Notice of every meeting will be given to each member.

A majority of the Committee members will constitute a quorum. No business may be transacted by the Committee except at meetings at which a quorum is present.

Any Board member not currently sitting on the Committee shall have a standing invitation to attend and participate in all Committee meetings.

The Committee may invite such members of management or such outside advisors as it may see fit from time to time to attend its meetings and assist in the discussion and consideration of any matter.

A meeting of the Committee may be convened by the Chair, any two Committee members or the Corporation's external auditor.

An in-camera session will be held at each regularly scheduled Committee meeting with the following groups:

- management;
- external auditors;
- internal auditors; and
- committee members

Reporting

The Committee will:

- regularly report to the Board on all significant matters it has addressed and with respect to such other matters that are within its responsibilities; and
- oversee the preparation of any disclosure required under applicable Canadian securities laws with respect to matters that are within its responsibilities.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, provided that if the fees and expenses of any such special counsel or other experts or consultants retained by the Committee exceed, or are expected to exceed C\$150,000, the approval of the full Board will be obtained.

The Committee has the authority to communicate directly with the internal and external auditors.

The Committee may engage outside experts to provide education relevant to the mandate of the Committee.

The Committee must pre-approve any experts or consultants retained by the Corporation if such experts or consultants are currently or have previously been retained by the Committee.

Tenure

Each member shall hold office until his or her term as a Committee member expires or is terminated.

Removal and Vacancies

Any Committee member may be removed and replaced at any time by the Board and shall cease to be a Committee member upon ceasing to be a director. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all of the Committee's powers so long as a quorum remains in office.

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