2022

FINANCIAL RESULTS

Sherritt International Corporation

Delivered on 2022 Strategic Priorities

Leading Green Metals Producer

- Advanced US$77M expansion program
- NDCC in 1st cost quartile for HPAL nickel producers
- Advanced life of mine (LOM) analysis

Achieve Balance Sheet Strength

- Repurchased ~$150M notes at a discount
- Finalized $368M Cobalt Swap to recover receivables

Leverage Technologies for Growth

- Continued to advance innovative technologies
- Supported Moa expansion and LOM analysis

Maximize Value from Energy Business

- Finalized US$50M Moa Swap
- Extended Energas JV contract to March 2043

Be a Sustainable Organization

- Achieved YoY ESG improvements
- Developed climate plan to achieve ESG goals

2022 lay the foundation for continued success in the future

Moa JV expansion and LOM program

Expansion:

- Low capital intensity investment to increase production by 6,500 tonnes of contained metals annually at only US$13,200 per annual tonne of nickel
- Focus on improving Moa MSP(1) production to fully utilize existing refinery capacity
- Any excess MSP is expected to be sold in the EV battery supply chain
- Full program completion expected by the end of 2024

Life of mine:

- The final NI 43-101 technical report is expected to be released by the end of Q1 2023

Leach plant sixth train
Moa, Cuba

1. MSP = Mixed sulphide precipitate - an intermediate product produced at Moa

LOM analyses expected to extend mine life beyond 2040

Message from Sherritt's Chief Executive Officer

This past year was pivotal for Sherritt. We made significant progress towards our key strategic priorities to set the stage for long-term success. We commenced a low capital intensity expansion program, significantly deleveraged our balance sheet, finalized transformative payment agreements with our Cuban partners, advanced our portfolio of proprietary technologies, and met our sustainability targets. Equally important, we had strong operating and financial results including significantly higher Adjusted EBITDA and Net Earnings.

At our Metals business, we had strong operating results on the strength of higher nickel and fertilizer prices and sales volume. We advanced our expansion program that will see an increase of approximately 6,500 tonnes of contained nickel and cobalt, or 20%, annually by the end of 2024 to capitalize on the substantial demand growth stemming from the energy transition. We see an opportunity to increase production of intermediary products which could enable direct sales of intermediate product into the electric vehicle battery supply chain, opening further growth opportunities for Sherritt and our partners, while also fully utilizing our existing refinery capacity.

The past year has not been without challenges in our Metals business given the softening in the cobalt market and our lower than expected cobalt sales in the latter half of the year. However, we expect demand for cobalt to normalize during 2023, as market conditions rebound and demand from EVs outpace the decline in demand from consumer electronics.

With a key focus on building balance sheet strength, we bought back almost $150 million in second lien secured and junior notes at a 16% discount, reducing our principal by 35% and future annual interest expense by approximately $13 million. Additionally, we finalized a transformative "Cobalt Swap" agreement with our Cuban partners under which we anticipate to receive more than $700 million in cobalt and cash distributions over the next five years, half of which will be used to settle our legacy Cuban receivables. Importantly, we expect to receive the majority of these payments prior to the maturity of the second lien notes in November 2026. In January 2023, the first month in which the Cobalt Swap was effective, we received our first distribution of 760 tonnes of cobalt, representing 37% of the targeted annual cobalt volume under the agreement, with an in-kind value of $36 million, demonstrating the significant value of this transaction.

At our Power business, production exceeded guidance as we experienced better equipment reliability as a result of the maintenance work we performed in 2021 and access to additional gas supply in 2022. Having the ability to fund maintenance work in 2021 was to a large extent facilitated by the access we had to foreign currency. This was made possible through our "Moa Swap" that was in place at the time and we were pleased to extend it for another five years. The Moa Swap provides certainty to the Energas Joint Venture to fund its foreign currency denominated operating, maintenance, capital costs and dividend repatriations to Sherritt. With this stability, we extended the Energas Joint Venture contract by 20 years to March 2043.

Our Technologies business supported the Moa JV expansion program and life of mine (LOM) optimization studies, which we anticipate will extend the Moa LOM to beyond 2040.We did this in addition to our ongoing efforts on advancing the application of our most promising technologies, including partnering with Open Mineral AG to jointly develop a business case for the implementation of Sherritt's proprietary technologies in the hydrometallurgical treatment of complex precious metal concentrates to solve Environmental, Social, and Governance (ESG) challenges related to arsenic pollution. In 2023, we look forward to entering more external partnerships on other opportunities.

Throughout all our activities, we remain committed to social and environmental responsibility and continued to advance our diversity and inclusion initiatives. We continued to make year-over-year enhancements, further improving our industry leading safety performance across all of our sites. Sherritt had zero work-related fatalities, zero significant environmental incidents, zero security incidents involving allegations of human rights abuses, and no tailings-related incidents in 2022. We initiated a greenhouse gas emission baseline study and roadmap to reach our net-zero target by 2050. In addition, we received confirmation of conformity with the London Metals Exchange's (LME) Track B Responsible Sourcing Requirements. Sherritt received independent verification that our minerals are not associated with conflict, risks such as human rights abuses, forced labour, or corruption.

Looking to 2023 and the future, the traction we achieved in meeting our priorities in 2022 built the foundation for future successes.

In closing, we are entering an exciting new phase for Sherritt, only made possible by the experience, skills, determination and innovation of our employees. Our team is ensuring that we maintain sound operational focus and fiscal responsibility, our operations run as safely and effectively as possible, and our new technologies will further enhance our business and the environment. I would like to thank all of our employees for their tremendous efforts, our partners and shareholders for their continued support, and the communities where we live and work. We will continue to build on the milestones we achieved in 2022, to unlock value for our shareholders, employees and communities through the coming years.

Leon Binedell
Chief Executive Officer

SELECTED 2022 DEVELOPMENTS

- Sherritt finalized an agreement with its Cuban partners to recover $368 million total outstanding Cuban receivables over five years beginning January 1, 2023 (the Cobalt Swap). Under this agreement, the Moa JV will prioritize payment of dividends in the form of finished cobalt to each partner, up to an annual maximum of cobalt, with any additional dividends in a given year to be distributed in cash. All of the Cuban partner's share of these cobalt dividends, and potentially additional cash dividends, will be redirected to Sherritt as payment to settle the receivables until the annual maximum cobalt volume and dollar amount limits, including the collection of any prior year shortfalls, has been reached.

  Subsequent to the year end, the Moa Joint Venture distributed 760 tonnes of finished cobalt to Sherritt with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Cobalt Swap. The title to both Sherritt's and its partner's redirected share of the cobalt was transferred immediately to a Sherritt warehouse in Fort Saskatchewan and other international warehouses. Sherritt has begun and will continue to sell the cobalt to existing and new customers. As a result, of the distribution, US$13.5 million ($18.1 million) of the GNC receivable will be settled in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to Sherritt in satisfaction of the receivable under the Cobalt Swap.

- Sherritt and its Cuban partners finalized an extension to the Energas Payment Agreement (the Moa Swap) to fund the operating and maintenance costs of Energas, as well as cover future payments that would be owed to Sherritt, including dividends. Sherritt expects to continue to receive approximately US$4.2 million ($5.6 million) per month under a payment agreement between Sherritt, Moa JV and Energas.
- Cuba's Executive Committee of the Council of Ministers approved the twenty-year extension of the Energas Joint Venture contract with the Cuban government to March 2043. The extension of this economically beneficial contract supports Sherritt's on-going investments in Cuba, helps facilitate the Cobalt and Moa Swaps, and supports Cuba's long-term energy security.
- Sherritt repurchased an aggregate of almost $150 million in principal of its second lien secured notes and junior notes at a 16% discount, reducing its principal debt by 35% from the beginning of the year and reducing its annual interest expense by approximately $13 million.
- Sherritt received distributions from the Moa JV of $100.6 million (US$76.5 million) which were more than double those received in each of the three prior years.
- Net earnings from continuing operations was $63.7 million, or $0.16 per share in 2022, compared to a net loss from continuing operations of $13.4 million, or $(0.03) per share, in 2021 while Adjusted EBITDA(1) for 2022 was $217.6 million compared to $112.2 million in 2021. Higher nickel and fertilizer sales volume and realized prices were partly offset by higher input commodity prices, a $15.0 million ERO expense adjustment on legacy Oil and Gas Spanish assets, and a $17.5 million share-based compensation expense. Net earnings from continuing operations were also impacted by the recognition of a $49.0 million non-cash loss on revaluation of the allowances for expected credit losses (ACL) related to the repayment of the Energas conditional sales agreement (CSA) receivable under the Cobalt Swap agreement and a $20.9 million gain on the repurchase of notes.
- Sherritt's adjusted net earnings from continuing operations(1) was $88.4 million, or $0.22 per share, in 2022 compared to an adjusted net loss from continuing operations of $13.9 million, or $(0.03) per share, in 2021.
- Finished nickel production was 32,268 tonnes (100% basis), in line with guidance, representing a 3% increase year-over-year primarily due to increased refinery reliability, while finished cobalt production of 3,368 tonnes (100% basis) was materially within guidance and 4% lower than the prior year as a result of the higher nickel-to-cobalt ratio in the Moa mixed sulphide feed and lower availability of third-party feed.
- NDCC(1) at the Moa JV was US$5.14/lb for 2022 compared to US$4.11/lb in 2021. NDCC was higher in the current year due to higher input commodity costs, including a 119% increase in global sulphur prices, a 109% increase in diesel prices, and a 40% increase in fuel oil prices. The Cobalt by-product credit was only 2% lower for 2022 compared to 2021 as the higher average-realized prices offset lower sales volume. Net fertilizer by-product credit increased by 210% compared to 2021 on higher sales volume and average-realized prices. NDCC was slightly above guidance as a result of higher input commodity prices and lower than anticipated cobalt prices and sales volume during the fourth quarter.
- At the Power business unit, electricity production beat updated guidance and unit operating cost(1) was lower than guidance, primarily as a result of higher equipment availability in 2022 as a result of the completion of maintenance activities in the prior year and as a result of successful efforts to increase availability of gas.

- Sherritt issued its 2021 sustainability, climate, and tailings management reports as well as its sustainability scorecard outlining the Corporation's performance on environmental, social, and governance (ESG) matters. Sherritt continues to progress on its commitments to achieving net zero greenhouse (GHG) 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 its workforce to 36% by 2030.
- Technologies entered into an agreement with Open Mineral AG to jointly develop a business case in 2023 for the hydrometallurgical treatment of complex precious metal concentrates. Sherritt will partner with Open Mineral to explore the implementation of its proprietary technologies to solve ESG and precious metal concentrate market challenges regarding arsenic pollution.

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

MOA JV EXPANSION PROGRAM UPDATE

In 2022, Sherritt embarked on an expansion program focused on increasing annual mixed sulphide precipitate (MSP) production by 20% or 6,500 tonnes of contained nickel and cobalt (100% basis). The program includes completion of the Slurry Preparation Plant (SPP), Leach Plant Sixth Train and Fifth Sulphide Precipitation Train as well as construction of additional acid storage capacity at Moa. The total capital cost is expected to be US$77.0 million (100% basis) or approximately US$13,200 per additional annual tonne of contained nickel for the full expansion.

In phase one of the program, the completion of the SPP is expected to be completed in early 2024 and is anticipated to deliver several benefits including reduced ore haulage distances and lower carbon intensity from mining. Upon completion it will increase MSP production by approximately 1,700 tonnes of contained nickel and cobalt annually. Completion of the second phase of the program, the Moa processing plant improvements, which is planned for completion by the end of 2024, is expected to increase MSP production by approximately an additional 4,800 tonnes of contained metals annually and reduce NDCC by approximately US$0.20/lb.

Refer to the Moa Joint Venture and Fort Site review of operations section for further details.

MOA JV LIFE OF MINE/UPDATED NI 43-101 TECHNICAL REPORT

The work to complete the Economic Cut-Off Grade (ECOG) and Life of Mine (LOM) development continues at the Moa mine. ECOG and LOM analysis using the latest methodologies are expected to extend the current LOM to beyond 2040.

Development of the NI 43-101 report and peer review will continue in early Q1 2023 with the final NI 43-101 report expected to be released by the end of Q1 2023.

2022 FINANCIAL HIGHLIGHTS

$ millions, except per share amount		For the year ended 2022 December 31		2021 December 31	Change
Revenue	**$**	**178.8**	$	110.2	62%
Combined revenue[(1)]		**850.9**		612.8	39%
Earnings from operations and joint venture		**118.7**		8.5	nm[(2)]
Net earnings (loss) from continuing operations		**63.7**		(13.4)	575%
Net earnings (loss) for the period		**63.5**		(18.4)	445%
Adjusted EBITDA[(1)]		**217.6**		112.2	94%
Net earnings (loss) from continuing operations ($ per share)		**0.16**		(0.03)	633%
Cash provided by continuing operations for operating activities		**90.3**		1.3	nm
Combined free cash flow[(1)]		**65.1**		14.5	349%
Average exchange rate (CAD/US$)		**1.301**		1.254	4%

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

$ millions, as at December 31		**2022**		2021	Change
Cash and cash equivalents	**$**	**123.9**	$	145.6	(15%)
Loans and borrowings		**350.9**		444.5	(21%)

On a full year basis, cash and cash equivalents at December 31, 2022 of $123.9 million, were down from $145.6 million at December 31, 2021. During 2022, cash decreased primarily due to the use of $125.2 million to repurchase $149.1 million in principal of second lien secured notes and junior notes, $29.1 million for interest on the second lien secured notes, and $28.5 million for capital expenditures. Partly offsetting these uses, Sherritt received $100.6 million of distributions from the Moa Joint Venture, drew $37.0 million drawn on the revolving credit facility, and realized $31.3 million of cash from continuing operations at the Fort Site as a result of higher fertilizer sales.

Of the $123.9 million of cash and cash equivalents, $20.3 million was held in Canada, and $96.7 million was held at Energas. The remaining amounts were held in Cuba and other countries.

Subsequent to the year end, the syndicated revolving-term credit facility was amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no changes to the terms, financial covenants or restrictions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022

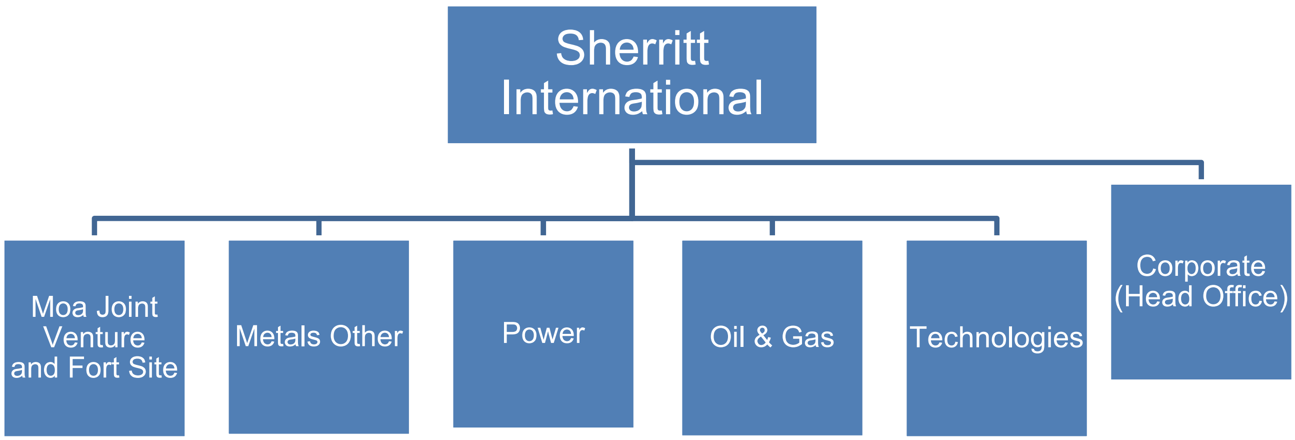
This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of February 8, 2023, should be read in conjunction with Sherritt's audited consolidated financial statements for the year ended December 31, 2022. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

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

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

Overview of the business

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



MOA JOINT VENTURE AND FORT SITE

Sherritt is an industry leader in the mining, hydrometallurgical processing and refining of nickel and cobalt from lateritic ore bodies. Sherritt has a 50/50 partnership with General Nickel Company S.A. (GNC) of Cuba (the Moa Joint Venture or the Moa JV). 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 sulphide precipitate (MSP) containing nickel and cobalt. The MSP is 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 refinery facilities in Fort Saskatchewan have an annual production capacity of approximately 35,000 tonnes (100% basis) of nickel and approximately 3,800 tonnes (100% basis) of cobalt.

In 2022, Sherritt embarked on an expansion program focused on increasing annual MSP production by 20% of current production or 6,500 tonnes of contained nickel and cobalt (100% basis). The expansion program capitalizes on the growing demand for high purity nickel and cobalt being driven by the accelerated adoption of electric vehicles and builds on the 26-year successful track record of the Moa Joint Venture. In addition, Sherritt is focused on extending the life of mine at Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade and optimized life of mine (LOM) plan.

The Fort Site provides 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.

POWER

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

Raw natural gas is supplied free of charge to Energas by CUPET. The processing of raw natural gas produces clean natural gas, used to generate electricity, as well as by-products such as condensate and liquefied petroleum gas. All of Energas' electrical generation is purchased by UNE under long-term fixed-price contracts while the by-products are purchased by other agencies of the Cuban government. Sherritt provided the financing for the construction of the Energas facilities and was being repaid from the cash flows generated by the facilities. Sherritt and its Cuban counter parts entered the Cobalt Swap (see below for details) agreements in 2022 whereby GNC assumed the liabilities of Energas to repay the construction financing by way of cobalt dividends commencing in 2023. The Cobalt Swap effectively advanced the repayment of and transferred the construction financing into a new financial instrument to be repaid over a five-year term. Future profits from the Energas business, commencing 2023, may now be distributed as dividends to its joint venture partners.

The Energas facilities are comprised of two combined cycle plants at Varadero and Boca de Jaruco that produce low cost electricity from one of the lowest carbon emitting sources of power in Cuba using steam generated from the waste heat captured from the gas turbines. Energas' installed electrical generating capacity is 506 MW, representing approximately 10% of the national electrical generating capacity in Cuba in 2022.

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.

TECHNOLOGIES

Sherritt's Technologies group (Technologies) is a provider of technical services to both the Moa Joint Venture and other third-party metals producers 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. Similarly, it provides such services to third-party metals producers for consulting fees or for economic interest in projects aligned with Sherritt's strategies. 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.

ACCOUNTING PRESENTATION

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

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

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

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

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

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

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

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

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

Corporate: Head office activities.

Operating and financial results presented in this MD&A for reportable segments can be reconciled to note 5 of the consolidated financial statements for the year ended December 31, 2022.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Management uses these measures to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or evaluate the results of its underlying business. These measures are intended to provide additional information, not to replace International Financial Reporting Standards (IFRS) measures, and do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. Further information on the composition and usefulness of each non-GAAP and other financial measure, including reconciliation to their most directly comparable IFRS measures, is included in the Non-GAAP and other financial measures section starting on page 58.

Strategic priorities

The table below lists Sherritt's Strategic Priorities for 2022, and summarizes how the Corporation has performed against those priorities.

2022 Strategic Priorities	Selected Actions	Status
ESTABLISH SHERRITT AS A LEADING GREEN METALS PRODUCER	Accelerate plans to expand Moa JV nickel and cobalt production by up to 20% from the combined 34,710 tonnes produced in 2021.	Sherritt and its Moa JV advanced the US$77.0 million (100% basis) two-phase expansion to increase total mixed sulphide precipitate intermediate production by 6,500 tonnes of contained metals at Moa at a low capital intensity of approximately US$13,200 per annual tonne of contained nickel. The program remains on time and budget for completion in 2024. Implementation of ECOG methodology is expected to extend the current LOM to beyond 2040.
	Rank in lowest quartile of HPAL nickel producers for NDCC.	NDCC(1) for 2022 of US$5.14/lb ranked Sherritt in the first cost quartile for HPAL nickel producers and the second cost quartile of all nickel producers. Normalization of key input costs and cobalt by-product credits would help return Sherritt to ranking in the first quartile.
LEVERAGE TECHNOLOGIES FOR TRANSFORMATIONAL GROWTH	Support Moa JV expansion, operational improvements, and life of mine extension.	Continued to support the Moa JV expansion and life of mine extension at Moa.
	Advance Technologies solutions toward commercialization.	Continued to advance development and commercialization of most promising and innovative technologies, including: Chimera/D-POX – engaged with interested parties to advance batch testing and piloting programs for specific copper and precious metal opportunities. DSH – advanced assessment of the technology on bio-oils and refinery vacuum residues. Batch testing demonstrated the ability to produce a renewable diesel product. NGL – completed unit operations piloting and initial engineering work to refine key operating and commercial aspects. Engaged with external parties on the potential to jointly develop this technology.
ACHIEVE BALANCE SHEET STRENGTH	Maximize collections of overdue Cuban receivables.	Signed agreements to recover the full amount – $368.0 million – of receivables on the Energas CSA and Oil and Gas trade receivables by the end of 2027 through the use of the Cobalt Swap.
	Maximize available liquidity to support growth strategy.	Repurchased approximately $150 million principal amount of notes at a 16% discount reducing debt by 35% from the beginning of the year and annual interest expense of approximately $13 million.
	Continue to optimize costs to reflect operating footprint.	Implemented measures relating to director compensation and employee costs that resulted in savings of approximately $3 million.
BE RECOGNIZED AS A SUSTAINABLE ORGANIZATION	Deliver on actions identified in the Sustainability Report.	Issued Sherritt's 2021 sustainability reports and scorecard in October 2022.
	Achieve year-over-year ESG improvements including reduction of carbon intensity.	Developed a climate plan to advance a road map to achieve long-term net-zero GHG emissions by 2050. Continued replacing vehicles and equipment with EVs and electric equipment at Moa and the Fort Site.
	Deliver on 'Diversity and Inclusion' global framework	Made progress in defining metrics, analyzing workforce demographics and aligning Sustainability (CSR) investments with D&I initiatives. Improved gender balance in the operations senior management team and board.
MAXIMIZE VALUE FROM CUBAN ENERGY BUSINESSES	Extend economically beneficial Energas power generation contract beyond 2023.	Received approval for extension of the Energas Joint Venture contract to March 2043, and finalized extension of the Moa Swap agreement to support liquidity and secure sustainable operations. Power was successful in working with its Cuban partners to successfully increase gas supply in the fourth quarter.

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

Highlights

MOA JOINT VENTURE AND FORT SITE

Revenue in Q4 2022 increased by 21% to $221.6 million from $183.2 million in the same period last year. Full year 2022 revenue was $786.8 million, 40% higher than 2021 revenue of $560.6 million. Revenue increases in the current-year periods were largely attributable to higher sales volume and average-realized prices[(1)] for nickel and fertilizer. Nickel revenue was 32% and 42% higher while fertilizer by-product revenue was 41% and 75% higher in the three months and year ended December 31, 2022, respectively, compared to the same periods in the prior year.

Sherritt's share of finished nickel production in Q4 2022 totaled 4,112 tonnes, 4% lower than the 4,266 tonnes produced in Q4 2021. Q4 2022 nickel production was impacted by lower mixed sulphide feed availability at the refinery. For the full year 2022, finished nickel production was 16,134 tonnes, 3% higher than the 15,592 tonnes produced in 2021 primarily due to of improved equipment reliability and the drawdown of feed stock inventory at the refinery.

Finished cobalt production for Q4 2022 was 423 tonnes, down 11% from the 476 tonnes produced in Q4 2021 as a result of lower feed coupled with higher nickel-to-cobalt ratio; while for the full year 2022, cobalt production was down 4% to 1,684 tonnes from 1,763 tonnes in 2021 primarily due higher nickel-to-cobalt ratio in the Moa mixed sulphide feed and lower availability of cobalt rich third-party feed.

Finished nickel sales volume in Q4 2022 was higher than production volume during the quarter bringing inventory back to more typical levels following a build-up in Q3. Finished cobalt sales volume and prices continued to be impacted by contract delays, logistical challenges and a general near-term softness in the market due to high global inventory levels and weaker downstream demand for cobalt which we expect to normalize during 2023. Moa JV cobalt inventory remained higher than normal but is expected to reduce to more typical levels as market conditions rebound.

Full year 2022 NDCC[(1)] was US$5.14/lb compared to US$4.11/lb in 2021 as increased MPR costs more than offset higher net fertilizer by-product credits. Overall for the year, cobalt by-product credit was only slightly lower than in 2021 as higher average-realized price in 2022 on lower sales volume offset the lower average-realized price on higher sales volume in 2021.

Finished nickel production of 32,268 tonnes (100% basis), was in line with guidance, while finished cobalt production of 3,368 tonnes (100% basis) was materially within guidance year. NDCC at the Moa JV was slightly above guidance as a result of higher input commodity prices and lower than anticipated cobalt prices and sales volume during the fourth quarter. Sustaining spending on capital[(1)] for the Moa JV and Fort Site was above guidance while growth spending on capital was lower as a result of logistics challenges in getting materials to the site.

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

MOA JV EXPANSION PROGRAM UPDATE

In 2022, Sherritt embarked on an expansion program focused on increasing annual mixed sulphide precipitate (MSP) production by 20% or 6,500 tonnes of contained nickel and cobalt (100% basis). The program includes completion of the Slurry Preparation Plant (SPP), Leach Plant Sixth Train and Fifth Sulphide Precipitation Train as well as construction of additional acid storage capacity at Moa. The total capital cost is expected to be US$77.0 million (100% basis) or approximately US$13,200 per additional annual tonne of contained nickel for the full expansion.

In phase one of the program, the completion of the SPP is expected to be completed in early 2024 and is anticipated to deliver several benefits including reduced ore haulage distances and lower carbon intensity from mining. Upon completion it will increase MSP production by approximately 1,700 tonnes of contained nickel and cobalt annually. Completion of the second phase of the program, the Moa processing plant improvements, which is planned for completion by the end of 2024, is expected to increase MSP production by approximately an additional 4,800 tonnes of contained metals annually and reduce NDCC by approximately US$0.20/lb. Progress in the quarter included:

Slurry Preparation Plant:

- Construction of the SPP is progressing on schedule with civil construction 100% complete, and all contracts for supply of materials and services awarded. Structural steel pre-fabrication is ongoing with 65% erected and field assembly of major equipment has commenced.

Moa Processing Plant:

- The final stage of the Feasibility Study, encompassing the full project scope, has been submitted for approval to the Cuban authorities and approval is anticipated in Q1 2023; and
- Bids have been received and are being evaluated for the long lead items for the Leach Plant Sixth Train and contracts for these items will be awarded in Q1 2023. A detailed project execution schedule is currently being developed.

Refer to the Moa Joint Venture and Fort Site review of operations section for further details.

MOA JV LIFE OF MINE/UPDATED NI 43-101 TECHNICAL REPORT

The work to complete the Economic Cut-Off Grade (ECOG) and Life of Mine (LOM) development continues at the Moa mine. ECOG and LOM analysis using the latest methodologies are expected to extend the current LOM to beyond 2040. Progress in the quarter included:

- Resource model classifications were updated and a new LOM was generated based on the ECOG methodology; and
- Sherritt and the Moa JV continued engagement with the Oficina Nacional de Recursos Minerales (ONRM), Cuba's Natural Resources Agency, and gained alignment on the latest resource models and ECOG methodology. The Joint Venture will continue to collaborate with the ONRM to prepare detailed mine plans using the new methodologies in 2023.

Development of the NI 43-101 report and peer review will continue in early Q1 2023 with the final NI 43-101 report expected to be released by the end of Q1 2023.

POWER

Power production of 159 GWh in Q4 2022 and 568 GWh during the full year 2022, was 22% and 26% higher, respectively, than the same periods in the prior year. In 2022, power production was higher primarily due to higher electricity production equipment availability as a result of the completion of maintenance activities in the prior year and additional gas supply. The increase in electricity production in Q4 is a result of successful efforts to increase availability of gas enabled Power to exceed its updated annual guidance.

Unit operating costs(1) for the three months and year ended December 31, 2022 were $21.41/MWh, down 6%, and $19.39/MWh, down 16%, respectively, from the same periods in 2021. The improvement in each of the current-year periods was driven by higher electricity production and sale. The annual unit cost was lower than the updated guidance range as a result of higher than anticipated gas availability and lower than anticipated maintenance costs in Q4.

During Q4, Sherritt and its Cuban partners finalized an extension to the Energas Payment Agreement (the Moa Swap) to fund the operating and maintenance costs and capital of Energas, as well as cover future payments that would be owed to Sherritt, including dividends. Sherritt expects to continue to receive approximately US$4.2 million ($5.6 million) per month under a payment agreement between Sherritt, Moa Joint Venture and Energas. The Moa JV converts foreign currency to Cuban pesos through Energas to support Moa JV's local Cuban operating activities. The foreign currency is then paid to Sherritt primarily to facilitate foreign currency payments for the Energas operations and capital as well as to fund dividend repatriations to Sherritt.

Sherritt received $22.8 million (US$16.8 million) and $54.6 million (US$41.4 million) from Energas in Q4 and the full year 2022, respectively, pursuant to the Moa Swap agreement which was primarily used to facilitate foreign currency payments for the Energas operations and capital.

Also during Q4, Cuba's Executive Committee of the Council of Ministers approved the twenty-year extension of Energas' Joint Venture generation contract with the Cuban government to March 2043. The extension of this economically beneficial contract supports Sherritt's on-going investments in Cuba, helps facilitate the Cobalt and Moa Swaps, and supports Cuba's long-term energy security.

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

NICKEL AND COBALT PRICE

Nickel prices closed Q4 2022 at US$13.80/lb on December 31, 2022 compared to US$10.11/lb on September 30, 2022. The range for the quarter was between US$9.73/lb and US$13.84/lb. Class I supply and inventory remained tight, causing the London Metals Exchange (LME) prices to rally in late Q4 reaching a high of US$13.84/lb on December 28 due to the covering of short positions from prior months, with sentiment improving slightly on the expectation that relaxation of COVID-related restrictions in China will increase commodity demand. The average nickel price for Q4 was US$11.47/lb compared to US$10.01/lb for Q3 2022, a 15% increase while the average nickel price for 2022 was US$11.61/lb, 38% higher than the average for 2021 at US$8.39/lb.

Cobalt prices closed Q4 2022 at US$20.90/lb on December 31, 2022 compared to US$25.90/lb on September 30, 2022. The price continued to decline in Q4, from a peak of US$26.15/lb in early October to a low of US$20.90/lb by December 31, 2022. The average cobalt price for Q4 was US$23.00/lb compared to US$26.26/lb for Q3 2022, a 12% decrease while the average cobalt price for 2022 was US$30.75/lb, 26% higher than the average for 2021 at US$24.24/lb. A continued post-pandemic decline following strong pandemic-related purchases of consumer electronics, coupled with advancement of high-nickel chemistries and lithium iron phosphate (LFP) cathode active materials (CAM) in lithium-ion batteries has led to decreased near-term cobalt demand, even with stronger aerospace demand. This lower overall demand, coupled with strong supply growth of cobalt from Indonesia HPAL MHP projects has led to cobalt continuing to trade at lower prices, highlighting near-term weakness in the chemical sector. The anticipated growth in supply may be hampered by slower than anticipated ramp up in new projects from large-scale NPI, matte and HPAL projects which may partly negate the downward pressure on pricing.

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

DISTRIBUTIONS FROM MOA JOINT VENTURE

During the three months and year ended December 31, 2022 Sherritt received distributions from the Moa Joint Venture of $57.2 million (US$42.5 million) and $100.6 million (US$76.5 million), respectively. The amount received in Q4 resulted in H2 distributions exceeding those received in H1, and the total amount received in 2022 was more than double the amount received in each of the last three years.

Subsequent to period end, the Moa Joint Venture distributed 760 tonnes of finished cobalt to the Corporation with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Corporation's agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years (the Cobalt Swap). The title to both Sherritt's and its partner's redirected share of the cobalt was transferred immediately to a Sherritt warehouse in Fort Saskatchewan and other international warehouses. Sherritt has begun and will continue to sell the cobalt to existing and new customers.

PURCHASE OF SECOND LIEN SECURED NOTES AND JUNIOR NOTES

During 2022, Sherritt completed two transactions to repurchase an aggregate of approximately $150 million of second lien secured notes and junior notes at a total 16% discount, reducing outstanding principal by 35% from the beginning of the year and annual interest expense by approximately $13 million per year. These transactions support Sherritt's continued focus on deleveraging its balance sheet.

RECOVERY OF TOTAL OUTSTANDING CUBAN RECEIVABLES

During Q4, Sherritt finalized the Cobalt Swap agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years, beginning January 1, 2023. Under this agreement, the Moa JV will prioritize payment of dividends in the form of finished cobalt to each partner, up to an annual maximum volume of cobalt, with any additional dividends in a given year to be distributed in cash. All of the Cuban partner's share of these cobalt dividends, and potentially additional cash dividends, will be redirected to Sherritt as payment to settle the receivables until the annual maximum cobalt volume and dollar amount limits, including the collection of any prior year shortfalls, has been reached.

As a result of the distribution of cobalt under the Cobalt Swap agreement subsequent to the quarter end, discussed above, US$13.5 million ($18.1 million) of the GNC receivable will be settled in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to the Corporation in satisfaction of the receivable.

Sherritt has begun and will continue to sell the cobalt to existing and new customers.

WORKING CAPITAL

Sherritt ended 2022 with cash and cash equivalents of $123.9 million, down from $145.6 million at the end of last year. Of these amounts, $20.3 million was held in Canada, down from $64.9 million as at December 31, 2021, and $96.7 million was held at Energas, up from $78.6 million as at December 31, 2021. Cash decreased primarily due to the use of $125.2 million to repurchase $149.1 million in principal of second lien secured notes and junior notes, $29.1 million of interest paid on the second lien secured notes, and $28.5 million of capital expenditures, partly offset by $100.6 million of distributions received from the Moa Joint Venture, $37.0 million draw on the revolving credit facility, and $31.3 million of cash provided by continuing operations at the Fort Site as a result of higher fertilizer sales.

In 2022, the Corporation achieved annual savings of approximately $3.0 million in employee costs as a result of measures implemented relating to director compensation, the reduction of 10% of the Corporate office salaried workforce and key management personnel changes made in 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In Q4, Sherritt issued its 2021 sustainability, climate and tailings management reports as well as its sustainability scorecard outlining the Corporation's performance on ESG matters.

Successes seen in 2021 carried into 2022 and included:

- Further improved upon safety performance, with the Total Recordable Incident Frequency Rate of 0.14 and the Lost Time Incident Frequency Rate of 0.07, a decrease of 59% and 50%, respectively, between 2021 and 2022.
- Donations of another approximately $1 million to community investment projects in 2022.
- Completed a Task Force on Climate-related Disclosures (TFCD)-aligned Risk and Opportunity Assessment for the Fort Site.
- Initiated a Greenhouse Gas Emissions Baseline Study in the Energas business.
- Advanced project planning for carbon capture opportunities at the Fort Site.
- Received confirmation of conformity with the LME's Track B Responsible Sourcing Requirements. Sherritt received independent verification that its minerals are not associated with conflict, risks such as human rights abuses, forced labour, or corruption.
- Improved gender balance in the operations senior management team and board.

Sherritt continues to meet safety and production targets at all its sites, prioritizing the health and safety of its employees, contractors and the communities in which Sherritt operates. Once again in 2022, across all Sherritt's sites, there were zero work-related fatalities, zero significant environmental incidents, zero security incidents involving allegations of human rights abuses, and no material tailings-related incidents.

DEVELOPMENTS SUBSEQUENT TO QUARTER END

- The Moa Joint Venture distributed 760 tonnes of finished cobalt to Sherritt with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Cobalt Swap agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years. The title to both Sherritt's and its partner's redirected share of the cobalt was transferred immediately to a Sherritt warehouse in Fort Saskatchewan and other international warehouses. Sherritt has begun and will continue to sell the cobalt to existing and new customers.

  As a result, of the distribution, US$13.5 million ($18.1 million) of the GNC receivable will be settled in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to Sherritt in satisfaction of the receivable under the Cobalt Swap.
- The syndicated revolving-term credit facility has been amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no changes to the terms, financial covenants or restrictions.

Financial results

$ millions, except as otherwise noted	For the three months ended 2022 December 31	2021 December 31	Change	For the year ended 2022 December 31	2021 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 48.6**	$ 36.6	33%	**$ 178.8**	$ 110.2	62%
Combined revenue[1]	**237.1**	198.6	19%	**850.9**	612.8	39%
Earnings from operations and joint venture	**(0.1)**	20.5	(100%)	**118.7**	8.5	nm[2]
Net (loss) earnings from continuing operations	**(7.3)**	14.4	(151%)	**63.7**	(13.4)	575%
Earnings (loss) from discontinued operations, net of tax	**0.3**	(0.3)	200%	**(0.2)**	(5.0)	96%
Net (loss) earnings for the period	**(7.0)**	14.1	(150%)	**63.5**	(18.4)	445%
Adjusted net (loss) earnings from continuing operations[1]	**(7.5)**	14.8	(151%)	**88.4**	(13.9)	736%
Adjusted EBITDA[1]	**19.7**	46.4	(58%)	**217.6**	112.2	94%
Net (loss) earnings from continuing operations ($ per share) (basic and diluted)	**$ (0.02)**	$ 0.04	(150%)	**$ 0.16**	$ (0.03)	633%
Net earnings (loss) ($ per share) (basic and diluted)	**(0.02)**	0.04	(150%)	**0.16**	(0.05)	420%
CASH						
Cash and cash equivalents	**$ 123.9**	$ 145.6	(15%)	**$ 123.9**	$ 145.6	(15%)
Cash provided (used) by continuing operations for operating activities	**40.3**	(13.4)	401%	**90.3**	1.3	nm
Combined free cash flow[1]	**43.2**	(26.4)	264%	**65.1**	14.5	349%
Distributions received from Moa Joint Venture	**57.2**	-	-	**100.6**	35.9	180%
OPERATIONAL DATA						
COMBINED SPENDING ON CAPITAL[1]	**28.9**	$ 12.4	133%	**$ 80.5**	$ 38.8	107%
PRODUCTION VOLUMES						
Finished nickel (50% basis, tonnes)	**4,112**	4,266	(4%)	**16,134**	15,592	3%
Finished cobalt (50% basis, tonnes)	**423**	476	(11%)	**1,684**	1,763	(4%)
Fertilizer (tonnes)	**62,254**	65,021	(4%)	**250,147**	245,059	2%
Electricity (gigawatt hours) (33⅓% basis)	**159**	130	22%	**568**	450	26%
AVERAGE EXCHANGE RATE (CAD/US$)	**1.358**	1.260	8%	**1.301**	1.254	4%
AVERAGE-REALIZED PRICES (CAD)[1]						
Nickel ($ per pound)	**$ 15.55**	$ 11.16	39%	**$ 14.93**	$ 10.30	45%
Cobalt ($ per pound)	**25.72**	31.88	(19%)	**34.26**	25.88	32%
Fertilizer ($ per tonne)	**647.03**	545.08	19%	**759.91**	438.75	73%
Electricity ($ per megawatt hour)	**58.54**	54.33	8%	**56.47**	54.05	4%
UNIT OPERATING COSTS[1]						
Nickel (NDCC) (US$ per pound)	**$ 7.00**	$ 3.60	94%	**$ 5.14**	$ 4.11	25%
Electricity ($ per megawatt hour)	**21.41**	22.72	(6%)	**19.39**	23.06	(16%)

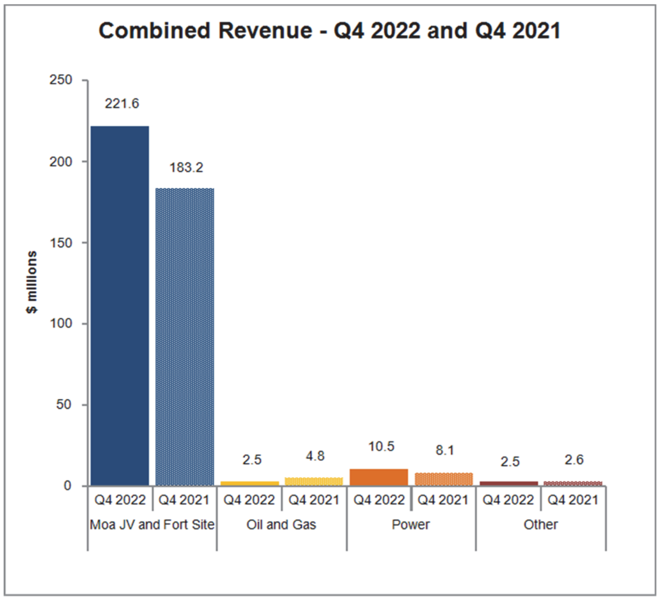
(1) Non-GAAP and other financial measures. For additional information, see the Non-GAAP and other financial measures section.

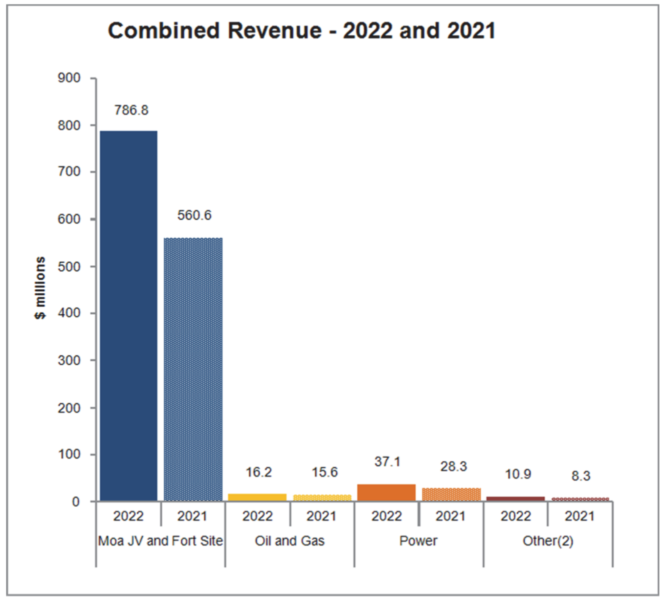
(2) Not meaningful (nm).

Consolidated revenue, which excludes revenue from the Moa Joint Venture as it is accounted for under the equity method, for the three months and year ended December 31, 2022 of $ 48.6 million and $ 178.8 million, respectively, was higher compared to the same periods in the prior year primarily due to higher fertilizer and power generation revenue.

Combined revenue, which includes the Corporation's consolidated financial results and the results of its 50% share of the Moa Joint Venture is a measure management uses to assess the Corporation's financial performance. Combined revenue for the three months and year ended December 31, 2022 of $237.1 million and $850.9 million, respectively, and is comprised of the following:

Combined revenue[(1)] is composed of the following:

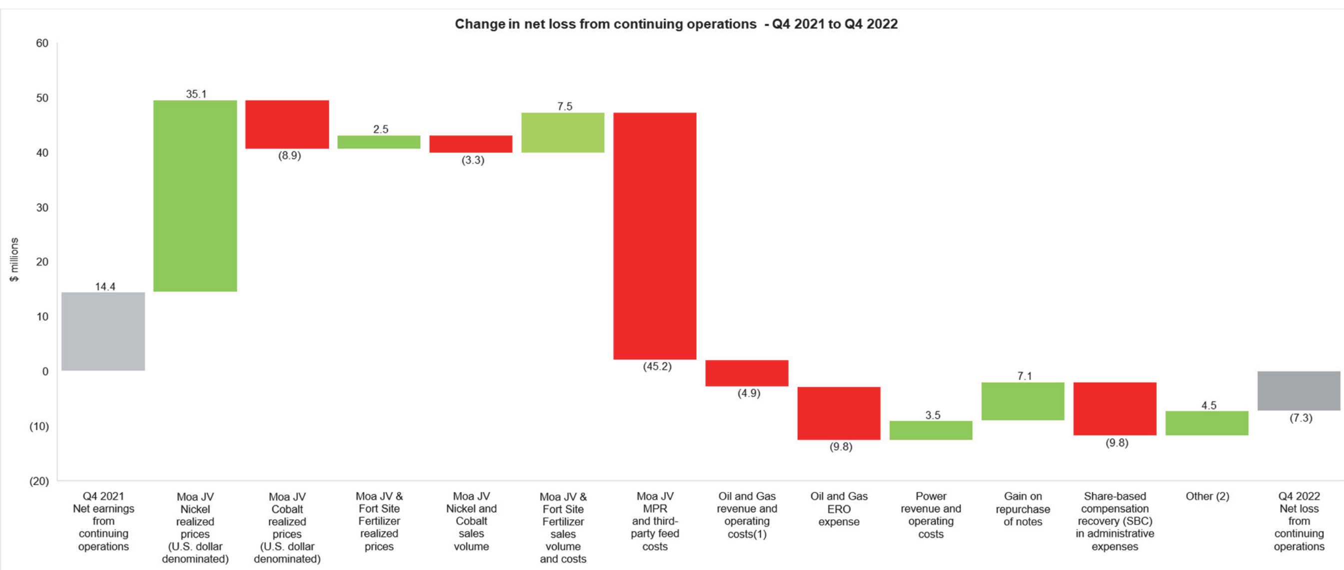


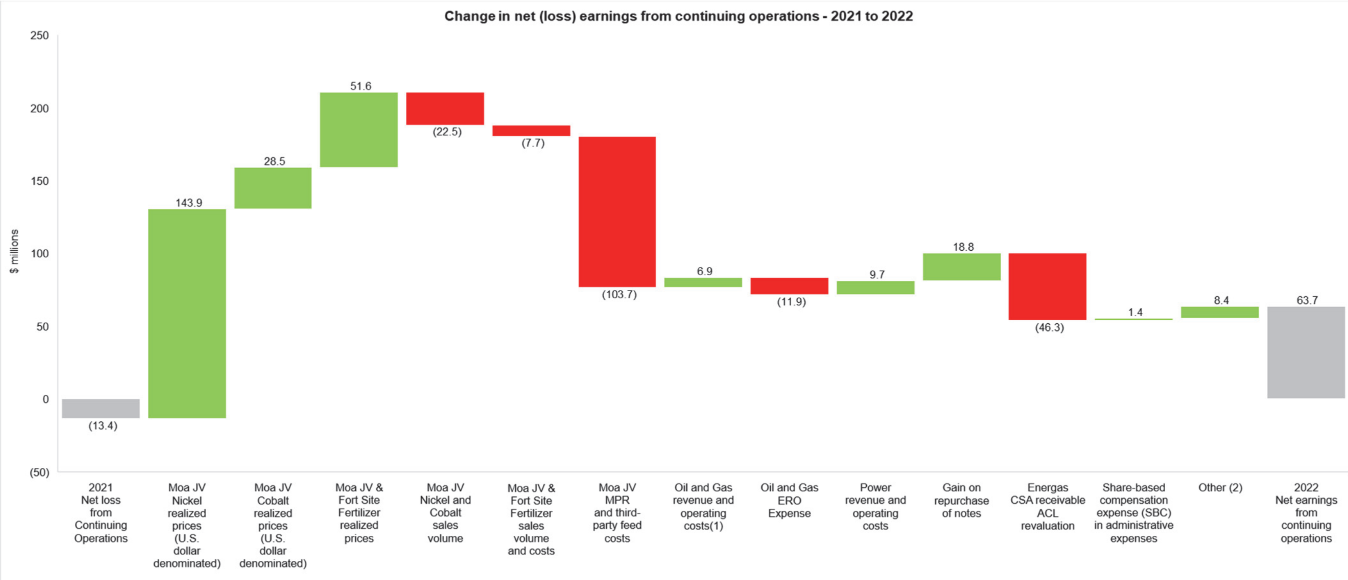


(1) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.

For the three months ended December 31, 2022, net loss from continuing operations was $7.3 million, or $nil per share, compared to a net earnings of $14.4 million, or $0.04 per share in the same period in the prior year. For the year ended December 31, 2022, the net earnings from continuing operations was $63.7 million, or $0.16 per share, compared to net loss of $13.4 million, or $0.03 per share in the prior year.

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





(1) Excludes Oil and Gas ERO expense on Spanish assets, disclosed separately.

(2) Other primarily relates to gains (losses) in net finance expense, administrative expenses excluding share-based compensation expense/recovery, Moa Joint Venture royalties and other contributions.

At the Moa Joint Venture and Fort Site, revenue for the three months ended December 31, 2022 was 21% higher than the same period in the prior year primarily due to higher nickel and fertilizer average-realized prices and higher sales volumes, partially offset by lower cobalt average-realized prices and sales volume. Revenue for the year ended December 31, 2022 was 40% higher than the prior year primarily due to higher nickel and fertilizer average-realized prices and sales volumes. Despite lower revenue in Q4, cobalt revenue for 2022 was 3% higher than 2021 as the higher realized and reference prices in 2022 offset lower sales volume. Additionally, revenue at Power was 30% higher in Q4 2022 and 31% higher for the full-year 2022, primarily due to higher equipment availability as a result of the completion of maintenance activities in the prior year and additional gas supply. The increase in electricity production in Q4 is a result of successful efforts to increase availability of gas.

At the Moa Joint Venture and Fort Site, cost of sales for the three months ended and year ended December 31, 2022 was 31% and 28% higher, respectively, than the same periods in the prior year primarily due to higher input commodity prices, primarily sulphur, diesel and fuel oil included in MPR and higher nickel sales volumes for 2022. Additionally, Oil and Gas recognized a $12.8 million ERO expense adjustment on its' legacy Spanish assets in Q4 2022.

For the three months ended December 31, 2022, administrative expenses increased by $7.5 million compared to the same period in the prior year primarily due to an increase in the share-based compensation expense of $9.8 million as a result of changes in the market value of the Corporation's share price, partly offset by a $0.3 million decrease employee costs. Administrative expenses for the year ended December 31, 2022 decreased by $10.3 million compared to 2021 primarily due to a $6.4 million decrease in severance and contractual benefits and a $2.8 million decrease in employee costs. Share-based compensation expense in 2022 was $1.4 million higher as the increase in the market value of the Corporation's share price during the year exceeded the change in market price of the shares and the accelerated expensing as a result of the departures of two senior executives and the May 2021 reduction of 10% of the Corporate office salaried workforce in the prior year.

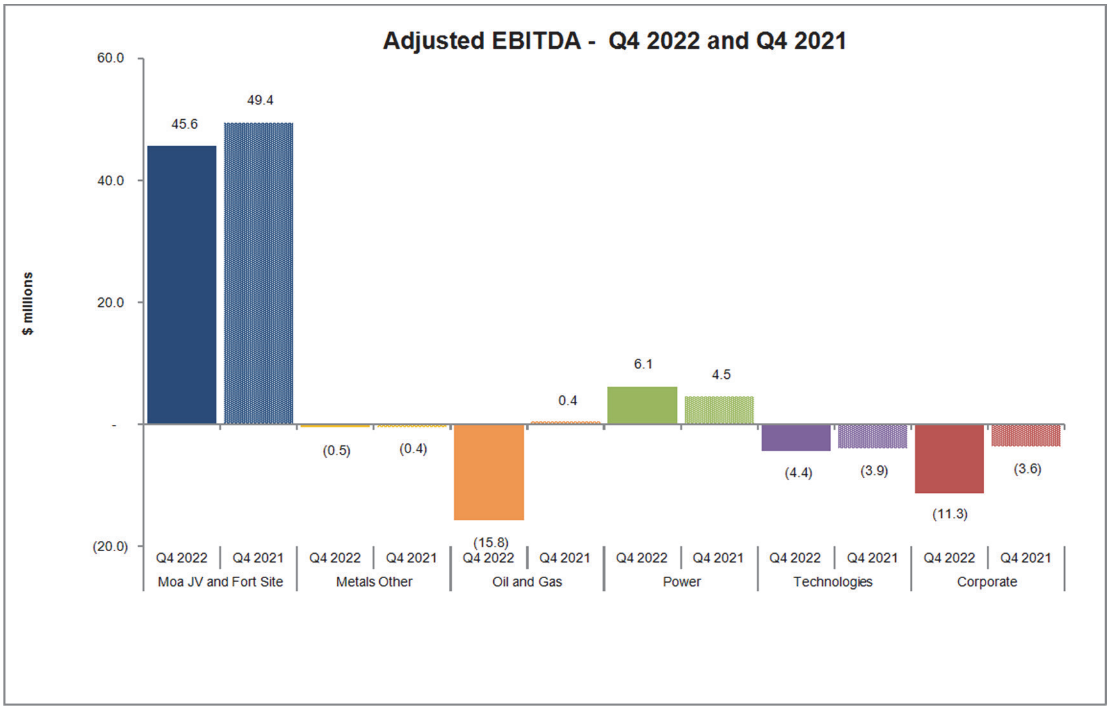
During the year ended December 31, 2022, the Corporation recognized non-cash losses on the revaluation of allowances for expected credit losses on the Energas CSA of $49.0 million, compared to $2.7 million in the prior year. The increase loss related to the impact of the Cobalt Swap in part as a result of the suspension of interest on the Energas CSA over the five-year period of the agreement. There was no change in the allowance in Q4 2022.

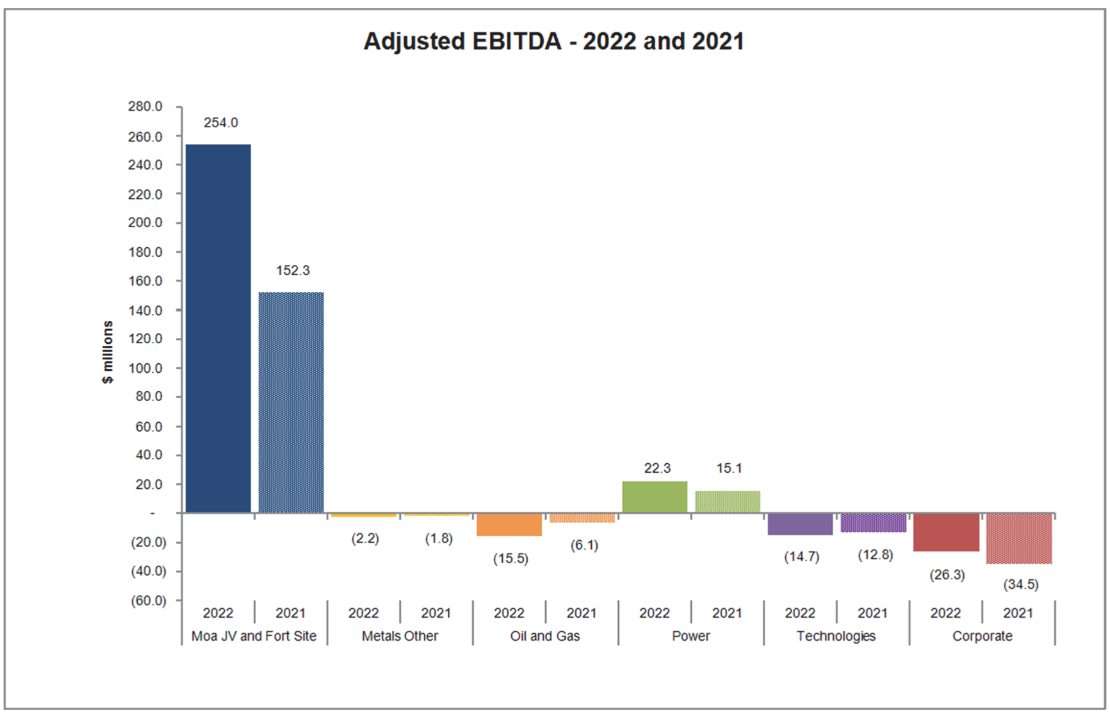
The Corporation recognized $20.9 million in total gains on the two transactions to repurchase $149.1 million of principal of second lien secured notes and junior notes during the year. In 2021, the Corporation recognized a gain on the repurchase of notes of $2.1 million.

ADJUSTED EBITDA

Total Adjusted EBITDA[(1)] for the three months and year ended December 31, 2022 was \$19.7 million and \$217.6 million, respectively, compared to \$46.4 million and \$112.2 million, respectively, in the same periods in the prior year, representing a 57% decrease in Q4 2022 and a 94% increase for 2022 over the same periods in the prior year.

Adjusted EBITDA by segment is as follows:





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

Consolidated financial position

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

$ millions, except as otherwise noted, as at December 31	2022	2021	Change
Current assets	**$ 429.3**	$ 390.0	10%
Current liabilities	**367.6**	221.9	66%
Working capital(1)	**61.7**	168.1	(63%)
Current ratio(2)	**1.17:1**	1.76:1	(34%)
Cash and cash equivalents	**$ 123.9**	$ 145.6	(15%)
Investment in Moa Joint Venture	**756.0**	642.4	18%
Non-current advances, loans receivable and other financial assets	**207.1**	190.2	9%
Property, plant and equipment	**148.6**	150.9	(2%)
Total assets	**1,555.6**	1,398.0	11%
Loans and borrowings	**350.9**	444.5	(21%)
Provisions	**106.2**	108.0	(2%)
Total liabilities	**860.7**	813.0	6%
Deficit	**(2,835.0)**	(2,898.5)	2%
Shareholders' equity	**694.9**	585.0	19%

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

Significant factors influencing operations

As a commodity-based business, Sherritt's operating results are primarily influenced by the prices of nickel and cobalt. In 2022, fertilizer market changes also had a significant impact on operating results.

Nickel

Nickel prices closed Q4 2022 at US$13.80/lb on December 31, 2022 compared to US$10.11/lb on September 30, 2022. The range for the quarter was between US$9.73/lb and US$13.84/lb. Class I supply and inventory remained tight, causing the London Metals Exchange (LME) prices to rally in late Q4 reaching a high of US$13.84/lb on December 28 due to the covering of short positions from prior months, with sentiment improving slightly on the expectation that relaxation of COVID-related restrictions in China will increase commodity demand. The average nickel price for Q4 was US$11.47/lb compared to US$10.01/lb for Q3 2022, a 15% increase while the average nickel price for 2022 was US$11.61/lb, 38% higher than the average for 2021 at US$8.39/lb.

Total inventory levels on the LME and Shanghai Futures Exchange (SHFE) combined remained near-term range bound and ended the quarter at 56,621 tonnes, about 5% higher than at Q3 level of 54,444 tonnes and 46% lower than at the end of 2021 (104,292 tonnes).

In December 2022, Wood Mackenzie estimated nickel demand to increase by 45% from 2023 to 2027. The continued strong growth in nickel supply, especially additions in Indonesia from Class II sources, NPI (nickel pig iron), matte and to a lesser extent MHP (mixed hydroxide precipitate) via HPAL (high pressure acid leach) is set to marginally outpace demand, resulting in the potential for a marginally oversupplied market in the near term. This is, however, in a market that is anticipated to reach demand of over 4,000 ktpa by 2026 up from 2,900 ktpa in 2022. The combined growth of stainless steel and lithium-ion battery consumption, as well as potential slower than anticipated ramp up of new projects to support supply, especially large-scale NPI, matte and HPAL projects in Indonesia, is expected to keep the nickel market in relative balance, leading to prices remaining at support levels required to incentivize continued new project growth.

On a shorter-term basis, the first half of 2023 is expected to reflect transitory downward pressure on nickel prices, as high energy prices and the conflict in Ukraine weigh on sentiment and stainless production in Europe. In the Far East, stainless production is expected to recover as China returns from the Spring Festival holiday in late January, fresh from the relaxation of COVID-related lockdowns, but subject to the potential disruptions due to future outbreaks. Global lithium-ion battery demand will continue to support consumption of nickel in the form of nickel sulphate, although consumption of Class I materials in this market segment is expected to diminish as Class II materials (especially matte and MHP) continue to be produced in large quantities in Indonesia, putting pressure on nickel sulphate premiums.

In the long-term (2027- 2032), continued strong demand from the electric vehicle and energy storage system sectors will shift the lithium-ion batteries market share to 30% from 15% by 2028. Despite stainless applications' continued growth, albeit at a slower rate, its market share is expected to shrink to 54% from 64%. The combined growth of batteries and stainless steel is expected to push the market balance to a deficit, with new supply required to maintain market balance, thus supporting robust prices over the long-term.

Cobalt

Cobalt prices closed Q4 2022 at US$20.90/lb on December 31, 2022 compared to US$25.90/lb on September 30, 2022. The price continued to decline in Q4, from a peak of US$26.15/lb in early October to a low of US$20.90/lb by December 31, 2022. The average cobalt price for Q4 was US$23.00/lb compared to US$26.26/lb for Q3 2022, a 12% decrease while the average cobalt price for 2022 was US$30.75/lb, 26% higher than the average for 2021 at US$24.24/lb.

A continued post-pandemic decline following strong pandemic-related purchases of consumer electronics, coupled with advancement of high-nickel chemistries and lithium iron phosphate (LFP) cathode active materials (CAM) in lithium-ion batteries has led to decreased near-term cobalt demand, even with stronger aerospace demand. This lower overall demand, coupled with strong supply growth of cobalt from Indonesia HPAL MHP projects has led to cobalt continuing to trade at lower prices, highlighting near-term weakness in the chemical sector. The anticipated growth in supply may be hampered by slower than anticipated ramp up in new projects from large-scale NPI, matte and HPAL projects which may partly negate the downward pressure on pricing.

The expected proliferation of EV's provides a positive longer-term outlook for demand, which is expected to increase despite the EV industry's efforts to minimize cobalt content to reduce both battery cost and supply risk. CRU estimates cobalt demand growth to increase at an 11% CAGR from 2023 to 2027 with EV battery consumption driving much of this increase, at a 13% CAGR. The cobalt market is largely levered to the EV growth sector providing strong long-term demand for cobalt and supporting Sherritt's growth strategy as a reliable cobalt producer. According to the CRU outlook in December 2022, the global cobalt market in the short to medium term is expected to shift between balanced to slight surpluses until 2026, with deficits likely occurring in the long term from 2027 onwards.

Fertilizer

The two main fertilizer products produced at the Fort site are ammonia and ammonium sulphate. Revenue is derived from the sale of ammonia and ammonium sulphate fertilizers principally into the Western Canadian market. Demand for fertilizer products is mainly seasonal, consisting of a spring and a fall season. Demand in the spring season is typically greater due to more crop planting compared to the fall season, leading to higher sales volumes.

The average-realized prices for Sherritt's fertilizer products in Q4 2022 were 19% higher than in Q4 2021. For 2022, the average-realized price was 73% higher than in 2021, largely as a result of the significant run up in reference prices in Q1 and Q2 of 2022 with the escalation of the Ukraine conflict.

Prices reflect higher raw material prices for ammonia and ammonium related fertilizer stemming from high natural gas prices due the Russia-Ukraine war. The war also put further pressure on price of grains with Ukraine being one of the biggest regional exporters. Strong corn and wheat prices improved the relative affordability in a high fertilizer price environment. A mild winter in Europe and sufficient gas storage could result in a short-term prices decline; however, energy markets and global geo-political constraints will continue to influence prices with expected elevated natural gas prices continuing to support ammonia and ammonium sulphate prices.

Review of operations

MOA JOINT VENTURE AND FORT SITE

$ millions (Sherritt's share), except as otherwise noted	For the three months ended 2022 December 31	2021 December 31	Change	For the year ended 2022 December 31	2021 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue(1)	**$ 221.6**	$ 183.2	21%	**$ 786.8**	$ 560.6	40%
Cost of sales(1)	**186.9**	142.7	31%	**576.9**	451.4	28%
Earnings from operations	**31.0**	36.2	(14%)	**200.2**	98.3	104%
Adjusted EBITDA(2)	**45.6**	49.4	(8%)	**254.0**	152.3	67%
CASH FLOW						
Cash provided by continuing operations for operating activities	**$ 85.7**	$ 8.9	863%	**$ 177.1**	$ 90.5	96%
Free cash flow(2)	**61.8**	0.6	nm(7)	**112.9**	56.5	100%
PRODUCTION VOLUME (tonnes)						
Mixed Sulphides	**4,000**	3,881	3%	**16,248**	16,498	(2%)
Finished Nickel	**4,112**	4,266	(4%)	**16,134**	15,592	3%
Finished Cobalt	**423**	476	(11%)	**1,684**	1,763	(4%)
Fertilizer	**62,254**	65,021	(4%)	**250,147**	245,059	2%
NICKEL RECOVERY(3) (%)	**85%**	90%	(6%)	**87%**	86%	1%
SALES VOLUME (tonnes)						
Finished Nickel(4)	**4,486**	4,169	8%	**15,879**	15,603	2%
Finished Cobalt	**386**	474	(19%)	**1,379**	1,775	(22%)
Fertilizer	**61,664**	51,748	19%	**170,427**	168,782	1%
AVERAGE REFERENCE PRICE (US$ per pound)						
Nickel(5)	**$ 11.47**	$ 8.99	28%	**$ 11.61**	$ 8.39	38%
Cobalt(6)	**23.00**	29.89	(23%)	**30.75**	24.34	26%
AVERAGE-REALIZED PRICE(2)						
Nickel ($ per pound)	**$ 15.55**	$ 11.16	39%	**$ 14.93**	$ 10.30	45%
Cobalt ($ per pound)	**25.72**	31.88	(19%)	**34.26**	25.88	32%
Fertilizer ($ per tonne)	**647.03**	545.08	19%	**759.91**	438.75	73%
UNIT OPERATING COST(2) (US$ per pound)						
Nickel - net direct cash cost(2)	**$ 7.00**	$ 3.60	94%	**$ 5.14**	$ 4.11	25%
SPENDING ON CAPITAL(2)						
Sustaining	**$ 22.3**	$ 12.1	84%	**$ 66.7**	$ 37.7	77%
Growth	**4.4**	-	-	**7.4**	-	-
	$ 26.7	$ 12.1	121%	**$ 74.1**	$ 37.7	97%

(1) Revenue and cost of sales of Moa Joint Venture and Fort Site is composed of revenue/cost of sales, respectively, recognized by the Moa Joint Venture at Sherritt's 50% share, which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue/cost of sales recognized by Fort Site, which is included in consolidated revenue. For a breakdown of revenue between Moa Joint Venture and Fort Site, see the Combined revenue section in the Non-GAAP and other financial measures section.

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

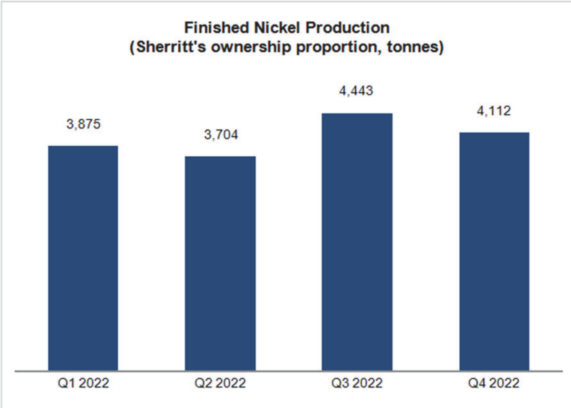
(3) The nickel recovery rate measures the amount of finished nickel that is produced compared to the original nickel content of the ore that was mined.

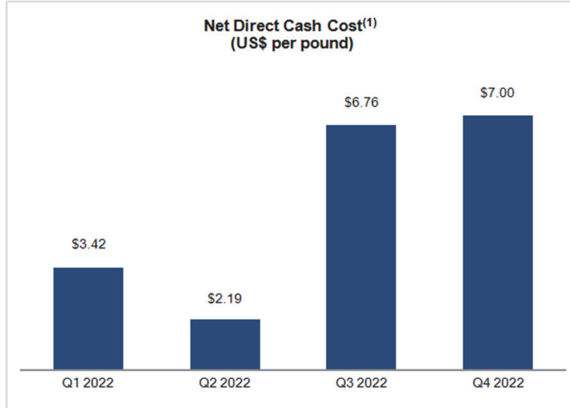
(4) For the three months and year ended December 31, 2021, excludes 600 tonnes (50% basis) of finished nickel purchased from and sold to a third party as it was not internally produced.

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

(6) Average standard-grade cobalt published price per Argus for three months and year ended December 31, 2022 and Fastmarkets MB for the three months and year ended December 31, 2021.

(7) nm = not meaningful





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

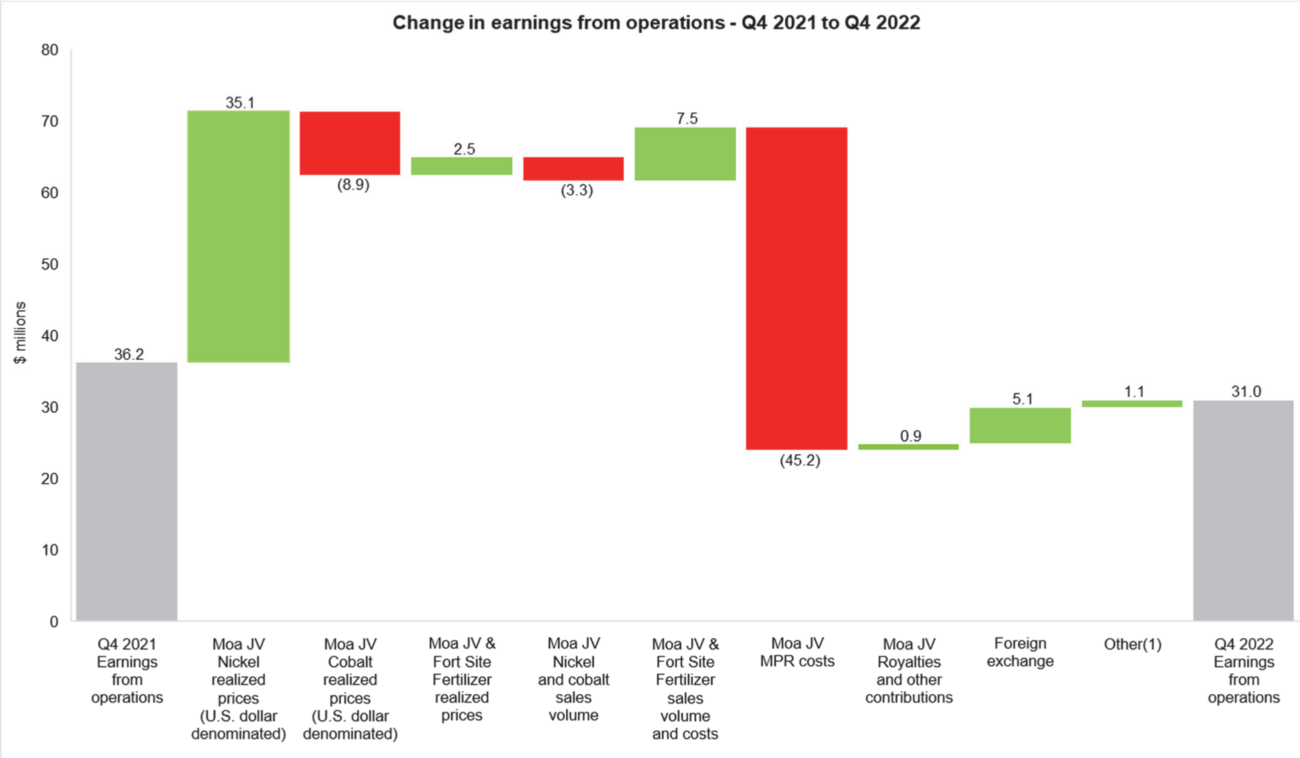
Revenue, cost of sales and NDCC[(2)] are composed of the following:

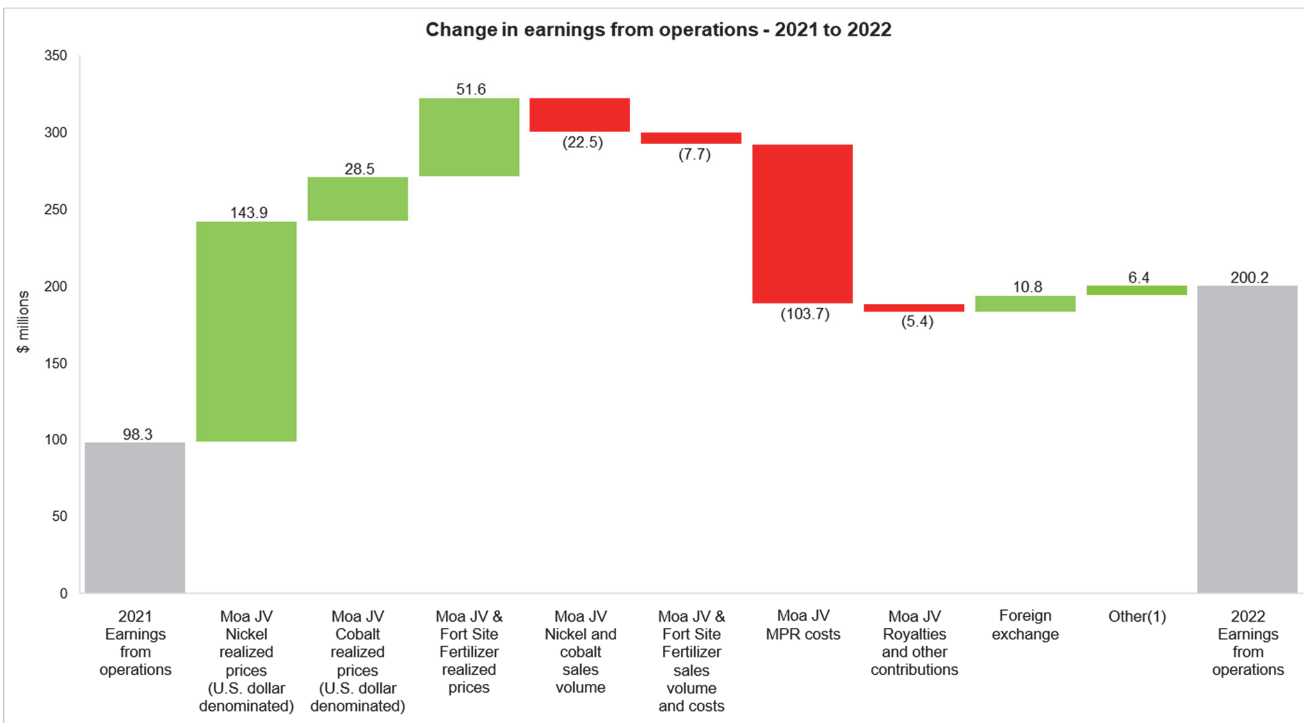
	For the three months ended			For the year ended		
	2022	2021		**2022**	2021	
$ millions, except as otherwise noted	**December 31**	December 31	Change	**December 31**	December 31	Change
REVENUE						
Nickel	**$ 153.8**	$ 116.7	32%	**$ 522.8**	$ 368.4	42%
Cobalt	**22.0**	33.4	(34%)	**104.2**	101.3	3%
Fertilizers	**39.9**	28.3	41%	**129.5**	74.1	75%
Other	**5.9**	4.8	23%	**30.3**	16.8	80%
	$ 221.6	$ 183.2	21%	**$ 786.8**	$ 560.6	40%
COST OF SALES[(1)]						
Mining, processing and refining (MPR) costs	**$ 118.4**	$ 63.5	86%	**$ 349.7**	$ 238.5	47%
Third-party feed costs	**7.3**	7.7	(5%)	**24.8**	22.8	9%
Third-party finished nickel costs	**-**	13.7	(100%)	**-**	13.7	(100%)
Fertilizers	**28.2**	26.6	6%	**78.6**	67.1	17%
Selling costs	**6.3**	5.1	24%	**20.5**	17.8	15%
Other	**12.1**	12.9	(6%)	**49.5**	37.7	31%
	$ 172.3	$ 129.5	33%	**$ 523.1**	$ 397.6	32%
NET DIRECT CASH COST[(2)] (US$ per pound of nickel)						
Mining, processing and refining costs	**$ 8.73**	$ 5.66	54%	**$ 7.76**	$ 5.71	36%
Third-party feed costs	**0.53**	0.55	(4%)	**0.54**	0.51	6%
Cobalt by-product credits	**(1.63)**	(2.87)	43%	**(2.30)**	(2.35)	2%
Other[(3)]	**(0.63)**	0.26	(342%)	**(0.86)**	0.24	(458%)
	$ 7.00	$ 3.60	94%	**$ 5.14**	$ 4.11	25%

(1) Excludes depletion, depreciation and amortization.
(2) Non-GAAP and other financial measure. For additional information, see the Non-GAAP and other financial measures section.
(3) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits.

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

	For the three months ended			For the year ended		
	2022	2021		**2022**	2021	
	December 31	December 31	Change	**December 31**	December 31	Change
Sulphur (US$ per tonne)	**$ 417.64**	$ 270.18	55%	**$ 454.57**	$ 207.43	119%
Diesel (US$ per litre)	**1.33**	0.57	133%	**1.15**	0.55	109%
Fuel oil (US$ per tonne)	**517.71**	448.29	15%	**539.35**	385.83	40%
Natural gas cost ($ per gigajoule)	**5.29**	4.80	10%	**5.37**	3.76	43%





(1) Other is primarily composed of sulphuric acid revenue and costs, third-party feed costs, selling costs, administrative costs and depletion, depreciation and amortization.

Revenue in Q4 2022 increased by 21% to $221.6 million from $183.2 million in the same period last year. Full year 2022 revenue was $786.8 million, 40% higher than 2021 revenue of $560.6 million. Revenue increases in the current-year periods were largely attributable to higher sales volume and average-realized prices(1) for nickel and fertilizer. Nickel revenue was 32% and 42% higher while fertilizer by-product revenue was 41% and 75% higher in the three months and year ended December 31, 2022, respectively, compared to the same periods in the prior year.

Cobalt revenue was 34% lower in Q4 2022 and marginally higher in full year 2022 compared to the same periods in the prior year. The decline in cobalt revenue for Q4 2022 was a result of both a 19% lower average realized price and a 19% lower sales volume as a result of continued near-term softness in the market. Despite the lower Q4 cobalt revenue, revenue for 2022 was 3% higher than 2021 as the higher realized and reference prices in 2022 offset lower sales volume.

Mixed sulphides production at the Moa JV in Q4 2022 was 4,000 tonnes, up 3% from the 3,881 tonnes produced in Q4 2021. The variance was primarily due to higher leach train availability compared to the prior year which was impacted by unplanned maintenance. Full year 2022 production was 16,248 tonnes, slightly lower than the 16,498 tonnes produced in 2021 as a result of mining limitations caused by a combination of higher precipitation, lower diesel supply and lower equipment availabilities.

Sherritt's share of finished nickel production in Q4 2022 totaled 4,112 tonnes, 4% lower than the 4,266 tonnes produced in Q4 2021. Q4 2022 nickel production was impacted by lower mixed sulphide feed availability at the refinery.

Finished cobalt production for Q4 2022 was 423 tonnes, down 11% from the 476 tonnes produced in Q4 2021 due lower feed coupled with a higher nickel-to-cobalt ratio.

For the full year 2022, finished nickel production was 16,134 tonnes, 3% higher than the 15,592 tonnes produced in 2021 primarily due to improved equipment reliability during the year and the drawdown of feed stock inventory at the refinery.

Full year 2022, cobalt production was down 4% to 1,684 tonnes from 1,763 tonnes in 2021 primarily due to the higher nickel-to-cobalt ratio in the Moa mixed sulphide feed and lower availability of cobalt rich third-party feed.

As a result, 2022 finished nickel production was in line with guidance and finished cobalt production materially within guidance.

Finished nickel sales volume in Q4 2022 was higher than production volume during the quarter bringing inventory back to more typical levels following a build-up in Q3. Finished cobalt sales volume and prices continued to be impacted by contract delays, logistical challenges and a general near-term softness in the market due to high global inventory levels and weaker downstream demand for cobalt which we expect to normalize during 2023. Moa JV cobalt inventory remained higher than normal but is expected to reduce to more typical levels as market conditions rebound.

Fertilizer production for the three months and year ended December 31, 2022 was 4% lower and 2% higher, respectively, compared to the same period in the prior year, in line with metals production.

Mining, processing and refining (MPR) costs per pound of nickel sold in Q4 2022 were up 54% from Q4 2021. Higher MPR costs in Q4 2022 continue to be driven by the rise in input costs, including a 55% increase in global sulphur prices, a 133% increase in diesel prices, and a 15% increase in fuel oil prices. Sulphur prices have declined since Q3 2022, however they continued to be higher than 2021. For full year 2022, MPR costs per pound of nickel sold were up 36% primarily due to higher input costs, including a 119% increase in global sulphur prices, a 109% increase in diesel prices, and a 40% increase in fuel oil prices.

NDCC(1) per pound of nickel sold increased by 94% to US$7.00/lb in Q4 2022 from US$3.60/lb in Q4 2021. The higher NDCC was primarily due to higher MPR costs, discussed above, and lower cobalt by-product credits, partly offset by higher net fertilizer by-product credits.

Full year 2022 NDCC was US$5.14/lb compared to US$4.11/lb in 2021 as increased MPR costs more than offset higher net fertilizer by-product credits. Overall for the year, cobalt by-product credit was only slightly lower than in 2021 as higher average-realized price in 2022 on lower sales volume offset the lower average-realized price on higher sales volume in 2021. Full year 2022 NDCC was slightly above the updated guidance range primarily as a result higher input commodity prices and lower than anticipated cobalt prices and sales volume during the fourth quarter.

Sustaining spending on capital(1) in Q4 2022 was $22.3 million, up 84% from $12.1 million in Q4 2021. The year-over-year increase was due primarily to higher planned spending at both the Moa JV and Fort Site. Growth spending on capital, which represents spending on the joint venture's expansion program, was $4.4 million, most of which was related to spending on the slurry preparation plant.

Sustaining spending on capital for 2022 of $66.7 million was above guidance while growth spending on capital of $7.4 million was lower than guidance primarily as a result of logistics challenges in getting materials to the site.

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

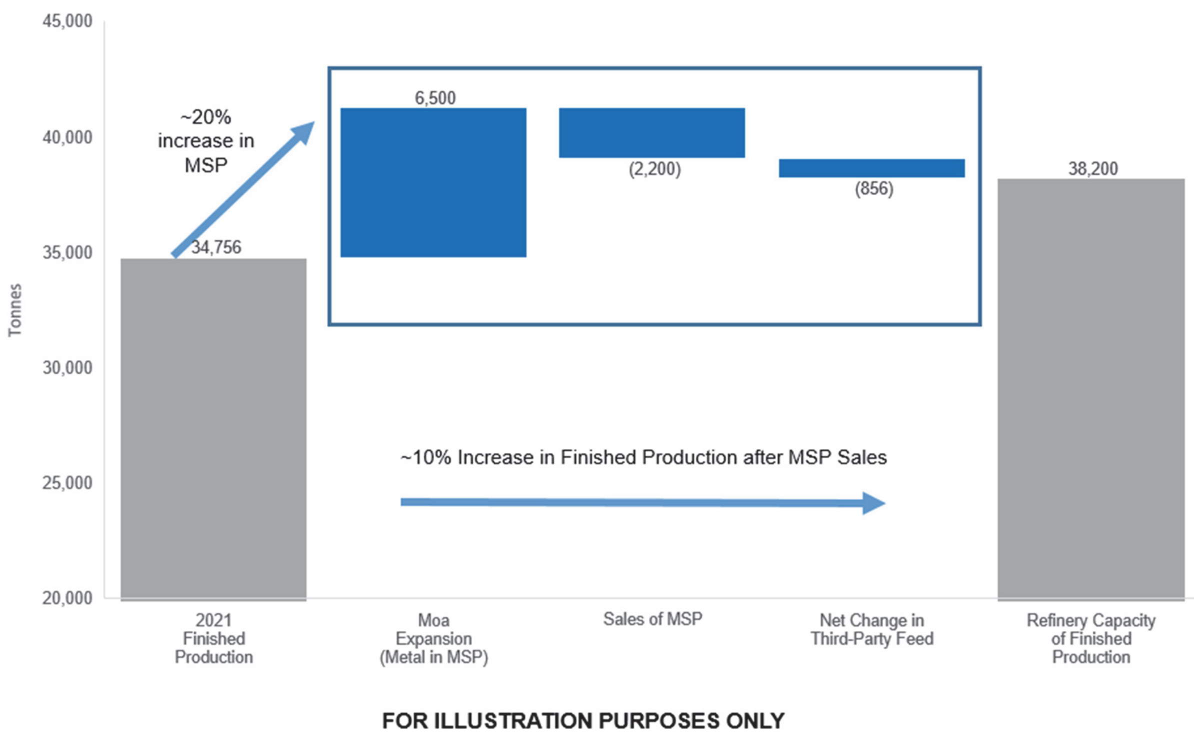
Moa JV expansion program update

In 2022, Sherritt embarked on an expansion program focused on increasing annual mixed sulphide precipitate (MSP) production by 20% or 6,500 tonnes of contained nickel and cobalt (100% basis). The program includes completion of the Slurry Preparation Plant (SPP), Leach Plant Sixth Train and Fifth Sulphide Precipitation Train as well as construction of additional acid storage capacity at Moa. The total capital cost is expected to be US$77.0 million (100% basis) or approximately US$13,200 per additional annual tonne of contained nickel for the full expansion.

In phase one of the program, the completion of the SPP is expected to be completed in early 2024 and is anticipated to deliver several benefits including reduced ore haulage distances and lower carbon intensity from mining. Upon completion it will increase MSP production by approximately 1,700 tonnes of contained nickel and cobalt annually. Completion of the second phase of the program, the Moa processing plant improvements, which is planned for completion by the end of 2024 is expected to increase annual MSP production by approximately an additional 4,800 tonnes of contained metals annually and reduce NDCC(1) by approximately US$0.20/lb.

With substantial growth in demand stemming from EV batteries, Sherritt sees an opportunity to focus its strategy on increasing production of intermediary products that will enable it to fully utilize existing capacity at the refinery and also consider direct sales of intermediate product into the EV battery supply chain. Of the total increased production, Sherritt estimates that two thirds of the increased Moa feed will be processed into finished nickel and cobalt and the remaining could be sold as MSP into the EV battery supply chain. This increased feed will likely result in the displacement of some current lower margin third-party processing at the refinery.

The diagram provides a pro forma example of the expected impact of the expansion:



Growth spending on capital(1) is expected to be self-funded by the Moa Joint Venture primarily using operating cash flows. Total growth spending on capital in 2022 was $14.8 million (100% basis), primarily related to the SPP, ordering of long lead items, and basic engineering work related to the expansion program.

Progress for the expansion program in Q4 2022 included:

Slurry Preparation Plant:

- Construction of the SPP is progressing on schedule with civil construction 100% complete, and all contracts for supply of materials and services awarded. Structural steel pre-fabrication is ongoing with 65% erected and field assembly of major equipment has commenced; and

- Up until Q4 2022, US$19.5 million (100% basis) in spending has been committed and is prioritized on long lead materials and equipment, construction supplies and civil, mechanical, and electrical construction.

Moa Processing Plant:

The Moa processing expansion consists of the completion of the Leach Plant Sixth Train and Fifth Sulphide Precipitation Train and construction of additional acid storage capacity.

- The final stage of the Feasibility Study, encompassing the full project scope, has been submitted for approval to the Cuban authorities and approval is anticipated in Q1 2023; and
- Bids have been received and are being evaluated for the long lead items for the Leach Plant Sixth Train and contracts for these items will be awarded in Q1 2023. A detailed project execution schedule is currently being developed.

Basic engineering will commence in Q1 2023 on the Fifth Sulphide Precipitation Train and additional acid storage capacity.

Moa JV Life of mine/Updated NI 43-101 technical report

The work to complete the Economic Cut-Off Grade (ECOG) and Life of Mine (LOM) development continues at the Moa mine. ECOG and LOM analysis using the latest methodologies are expected to extend the current LOM to beyond 2040. Progress in the quarter included:

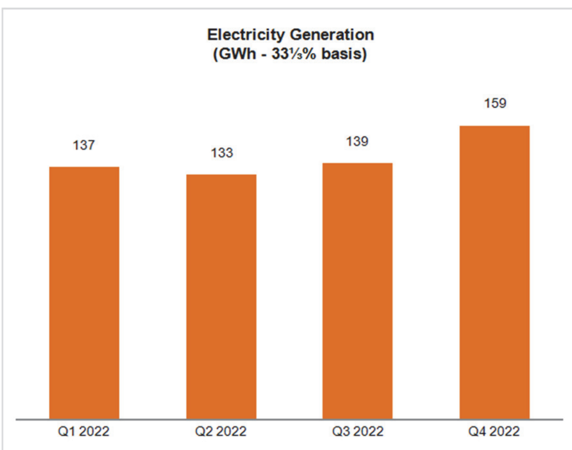
- Resource model classifications were updated and a new LOM was generated based on the ECOG methodology; and
- Sherritt and Moa JV continued engagement with the Oficina Nacional de Recursos Minerales (ONRM), Cuba's Natural Resources Agency, and gained alignment on the latest resource models and ECOG methodology. The Joint Venture will continue to collaborate with the ONRM to prepare detailed mine plans using the new methodologies in 2023.

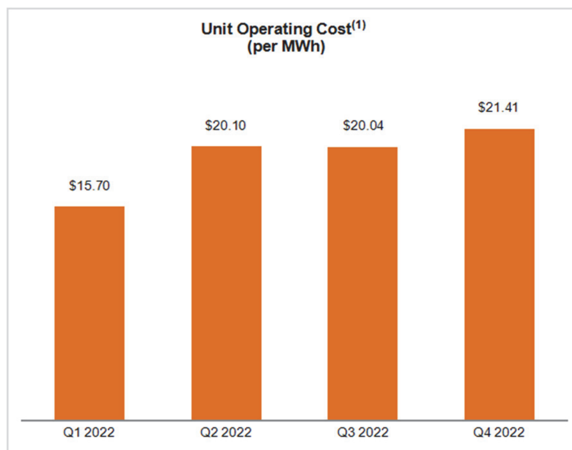
Development of the NI 43-101 report and peer review will continue in early Q1 2023 with the final NI 43-101 report expected to be released by the end of Q1 2023.

POWER

$ millions (Sherritt's share, 33⅓% basis), except as otherwise noted	For the three months ended 2022 December 31	2021 December 31	Change	For the year ended 2022 December 31	2021 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 10.5**	$ 8.1	30%	**$ 37.1**	$ 28.3	31%
Cost of sales	**4.9**	7.0	(30%)	**24.2**	26.1	(7%)
Earnings (loss) from operations	**4.5**	0.5	800%	**8.7**	(0.6)	nm(3)
Adjusted EBITDA(1)	**6.1**	4.5	36%	**22.3**	15.1	48%
CASH FLOW						
Cash provided by continuing operations for operating activities	**$ 13.5**	$ 0.8	nm	**$ 37.4**	$ 18.1	107%
Free cash flow(1)	**12.0**	0.7	nm	**32.3**	18.0	79%
PRODUCTION AND SALES VOLUME						
Electricity (GWh(2))	**159**	130	22%	**568**	450	26%
AVERAGE-REALIZED PRICE(1)						
Electricity (per MWh(2))	**$ 58.54**	$ 54.33	8%	**$ 56.47**	$ 54.05	4%
UNIT OPERATING COST(1)						
Electricity (per MWh)	**21.41**	22.72	(6%)	**19.39**	23.06	(16%)
SPENDING ON CAPITAL(1)						
Sustaining	**$ 1.6**	$ 0.1	nm	**$ 5.1**	$ 0.1	nm
	$ 1.6	$ 0.1	nm	**$ 5.1**	$ 0.1	nm

(1) Non-GAAP and other financial measures. For additional information see the Non-GAAP and other financial measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).
(3) nm = not meaningful





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

Power revenue is composed of the following:

$ millions (33⅓% basis)	For the three months ended 2022 December 31	2021 December 31	Change	For the year ended 2022 December 31	2021 December 31	Change
Electricity sales	**$ 9.4**	$ 7.0	34%	**$ 32.1**	$ 24.3	32%
By-products and other	**1.1**	1.1	-	**5.0**	4.0	25%
	$ 10.5	$ 8.1	30%	**$ 37.1**	$ 28.3	31%

Revenue in Power for the three months and year ended December 31, 2022 was $10.5 million and $37.1 million, respectively, which is up 30% and 31% compared to the same periods in the prior year primarily due to higher equipment availability in 2022 as a result of the completion of maintenance activities in the prior year and additional gas supply.

Electricity production in Q4 and full-year 2022 was 159 GWh and 568 GWh compared to 130 GWh and 450 GWh, respectively in the prior year periods. The increase in electricity production in Q4 is a result of successful efforts to increase availability of gas which enabled Power to beat its updated annual guidance.

Unit operating costs[1] for the three months and year ended December 31, 2022 were $21.41/MWh, and $19.39/MWh, down 6% and 16%, respectively, from the same periods in 2021. The improvement in each of the current-year periods was driven by higher electricity production and sale volume. The annual unit cost was lower than the updated guidance range as a result of higher than anticipated gas availability and lower than anticipated maintenance costs in Q4.

The Power business unit had $1.6 million and $5.1 million spending on capital[1] in the Q4 and for the full year 2022, respectively, primarily driven by maintenance activities much of which was deferred from the prior year. Spending on capital was at guidance for the year.

Additionally during the quarter:

- Sherritt and its Cuban partners finalized an extension to the Energas Payment Agreement to fund the operating, maintenance costs and capital of Energas, as well as cover future payments that would be owed to Sherritt, including dividends (the Moa Swap). Under the agreement between Sherritt, Moa JV and Energas, Sherritt receives approximately US$4.2 million ($5.6 million) per month; and
- Cuba's Executive Committee of the Council of Ministers approved the twenty-year extension of the Energas Joint Venture contract with the Cuban government to March 2043.

Sherritt received $22.8 million (US$16.8 million) and $54.6 million (US$41.4 million) from Energas in Q4 and the full year 2022, respectively, pursuant to the Moa Swap agreement which was primarily used to facilitate foreign currency payments for the Energas operations and capital.

Sherritt continues to work with its Cuban partners to access additional gas supply for the Boca facility from two new gas wells to be drilled in Puerto Escondido that are scheduled to begin production in Q4 2023.

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

TECHNOLOGIES

	For the three months ended			For the year ended		
$ millions	**2022 December 31**	2021 December 31	Change	**2022 December 31**	2021 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 0.5**	$ 0.2	150%	**$ 1.8**	$ 0.6	200%
Cost of sales	**(4.9)**	(4.1)	20%	**(16.6)**	(13.5)	23%
Loss from operations	**$ (4.4)**	$ (3.9)	13%	**$ (14.8)**	$ (12.9)	15%

During the three months ended December 31, 2022, Sherritt Technologies (Technologies) continued to support the Moa JV's expansion strategy. These activities included establishing an updated life of mine plan based on an economic cut-off grade for determining reserves to optimize mine planning and upgrade resources into reserves, as well as supporting on-going process plant capacity testing and debottlenecking work at both Moa and the Fort Site locations.

Sherritt Technologies continued to advance development and commercialization of its most promising and innovative proprietary technologies:

"Chimera"/"D-POX" – a suite of processes for the treatment of complex copper and precious metals concentrates (or other high arsenic content feeds) that enable high recoveries of base and precious metals while providing a significant step change in the stabilization of arsenic bearing solid waste. Chimera combines complex copper concentrate and laterite processing into a single facility that enables additional environmental and economic benefits and the production of nickel and cobalt intermediate by-products. D-POX is a pressure oxidation process that enables treatment of higher arsenic concentrations while simplifying silver recovery.

- During the quarter, Technologies continued discussions with potential interested parties within the copper and precious metals industries and advanced proposals for potential batch testing and piloting programs on existing concentrate feeds and specific development project opportunities.

- Technologies entered into an agreement with Open Mineral AG to jointly develop a business case in 2023 for the hydrometallurgical treatment of complex precious metal concentrates. Sherritt will partner with Open Mineral to explore the implementation of its proprietary technologies to solve ESG and precious metal concentrate market challenges regarding arsenic pollution. Open Mineral is a physical commodity trader powered by technology and market intelligence, enabling profitable and efficient trading of raw material commodities and has been recognized by the World Economic Forum as a Technology Pioneer (2019) and was an S&P Global Metals Awards Winner as a Rising Star Company (2020).

Dense slurry hydroprocessing (DSH) – a metallurgical reactor technology being applied to the processing of bio-oils into second-generation renewable fuels, upgrading of refinery vacuum residue to create value add products and upgrading heavy oils and bitumen. Utilizing the DSH reactor platform for bio-oils would overcome many of the challenges associated with commonly utilized fixed bed designs.

- During Q4, Technologies continued to advance its assessment of the technology on bio-oils and refinery vacuum residues. Batch testing and process condition refinements demonstrated improvements in the renewable diesel product quality to satisfy industry requirements.
- Technologies also continued engagement with specific external refineries on the potential to add significant value to their operations with the ability for significant conversion of their vacuum residues into higher value products. Implementation of a cost-effective, laboratory-scale catalyst-life testing system continues, with testing to commence in Q1 2023. Sherritt Technologies will continue to work with interested external parties to secure interest and support to advance a full piloting program for the new catalyst system on bio-oils and refinery residues in 2023.

Next-generation laterite (NGL) processing – a novel processing flowsheet with the potential to make processing of lateritic ores more economically viable and sustainable while enabling the supply of nickel and cobalt products from lateritic ores to the battery sector.

- Following completion of the unit operation pilot testing in Q2 2022 which demonstrated the ability for selective leaching of nickel and cobalt from both saprolite and limonite ores, in Q3 the piloting on the other unit operations were completed and results demonstrated high metal extraction rates into a final mixed hydroxide product.

During the quarter, additional batch tests and initial engineering work was completed to refine key operating and commercial aspects of the process. Technologies commenced discussions with specific external parties on the potential to jointly develop this technology and looks to conduct batch testing on specific projects in 2023.

CORPORATE

	For the three months ended			For the year ended		
	2022	2021		**2022**	2021	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
EXPENSES						
Administrative expenses	**$ 11.7**	$ 4.3	172%	**$ 28.1**	$ 36.5	(23%)

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

Administrative expenses at Corporate for the three months ended December 31, 2022 were $7.4 million higher compared to the same period in the prior year primarily due to an $8.0 million increase in share-based compensation expense primarily due to an increase in the Corporation's share price and additional units that vested during the period.

For the year ended December 31, 2022, administrative expenses were $8.4 million lower compared to 2021 primarily due to severance and other contractual benefits expense of $6.1 million recognized in the comparative period. Share-based compensation expenses were comparable in both periods.

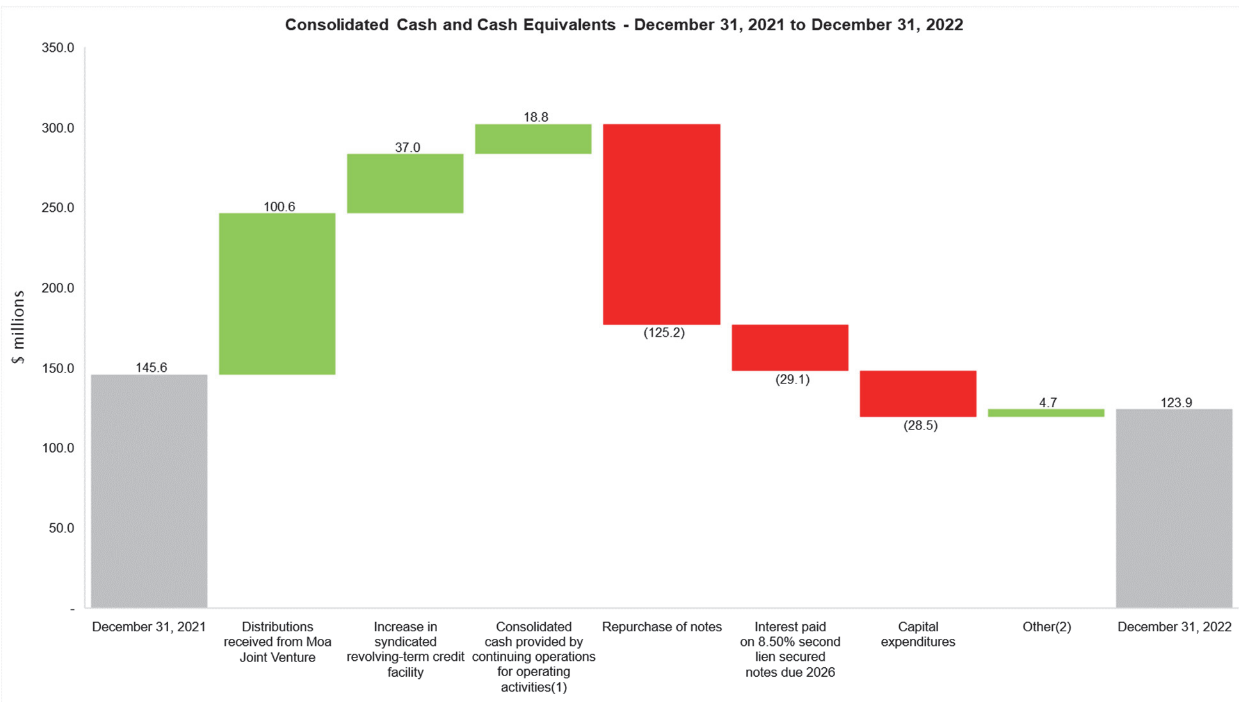
Liquidity

As at December 31, 2022, total available liquidity was $178.4 million, which is composed of cash and cash equivalents of $123.9 million and $54.5 million of available credit facilities and excludes restricted cash of $1.4 million. Refer to the Capital resources section for further details on the 8.50% second lien secured notes due 2026, the 10.75% unsecured PIK options notes due 2029 and the syndicated revolving-term credit facility, including repurchases of the notes in the year ended December 31, 2022.

The main factors that affect liquidity include realized sales prices, collection of receivables, production levels, cash production costs, working capital requirements, capital expenditure requirements, the timing of distributions from the Moa Joint Venture, repayments of non-current loans and borrowings, credit capacity and debt and equity capital market conditions.

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

Cash and cash equivalents as at December 31, 2022 decreased by $21.7 million from December 31, 2021. The components of this change are shown below:



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

(2) Other is composed of the effect of exchange rate changes on cash and cash equivalents, receipts of advances, loans receivable and other financial assets, repayment of other financial liabilities, fees paid on repurchase of notes and cash used by discontinued operations.

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

$ millions, as at December 31, 2022	Cash	Cash equivalents	Total
Canada	$ 20.2	$ 0.1	$ 20.3
Cuba	101.7	-	101.7
Other	1.9	-	1.9
	$ 123.8	$ 0.1	$ 123.9
The Corporation's share of cash and cash equivalents in the Moa Joint Venture, not included in the above balances:			$ 21.8

SOURCES AND USES OF CASH

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

$ millions	For the three months ended 2022 December 31	2021 December 31	Change	For the year ended 2022 December 31	2021 December 31	Change
Cash provided (used) by operating activities						
Cash provided (used) by operating activities:						
Fort Site	**$ (0.1)**	$ 12.7	(101%)	**$ 31.3**	$ 5.5	469%
Metals Other	**(4.1)**	(3.2)	(28%)	**(5.5)**	5.0	(210%)
Oil and Gas	**(1.7)**	2.3	(174%)	**(3.9)**	4.2	(193%)
Power	**13.5**	0.8	nm(2)	**37.4**	18.1	107%
Technologies	**(4.5)**	(3.6)	(25%)	**(15.1)**	(12.4)	(22%)
Corporate(1)	**(6.0)**	(7.7)	22%	**(25.5)**	(25.1)	(2%)
Distributions received from Moa Joint Venture	**57.2**	-	-	**100.6**	35.9	180%
Interest paid on 8.50% second lien secured notes due 2026	**(13.9)**	(14.8)	6%	**(29.1)**	(30.0)	3%
Other cash provided by operating activities	**(0.1)**	0.1	(200%)	**0.1**	0.1	-
Cash provided (used) by continuing operations	**40.3**	(13.4)	401%	**90.3**	1.3	6846%
Cash used by discontinued operations	**(0.3)**	(0.2)	(50%)	**(1.6)**	(5.7)	72%
Cash provided (used) by operating activities	**$ 40.0**	$ (13.6)	394%	**$ 88.7**	$ (4.4)	2116%
Cash used by investing activities	**$ (6.7)**	$ (2.7)	(148%)	**$ (23.4)**	$ (9.9)	(136%)
Cash used by financing activities	**(45.8)**	(1.0)	nm	**(93.3)**	(6.9)	nm
Effect of exchange rate changes on cash and cash	**(1.2)**	(0.5)	(140%)	**6.3**	(0.6)	nm
Decrease in cash and cash equivalents	**$ (13.7)**	$ (17.8)	23%	**$ (21.7)**	$ (21.8)	-
Cash and cash equivalents:						
Beginning of the period	**$ 137.6**	$ 163.4	(16%)	**$ 145.6**	$ 167.4	(13%)
End of the period(3)	**$ 123.9**	$ 145.6	(15%)	**$ 123.9**	$ 145.6	(15%)

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

(2) Not meaningful (nm).

(3) As at December 31, 2022, $96.7 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2021 - $78.9 million).

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

Cash provided by operating activities was higher for the three months and year ended December 31, 2022 compared to the same periods in the prior year, primarily as a result of the following:

- Lower cash provided by operating activities at Fort Site for the three months ended December 31, 2022 primarily due to timing of working capital receipts. Higher cash provided by operating activities for the year ended December 31, 2022 primarily due to 73% higher average-realized fertilizer prices;
- For the year ended December 31, 2022, higher cash used by operating activities at Metals Other primarily due to timing of working capital receipts and payments;
- Higher cash used by operating activities at Oil and Gas for the three months ended December 31, 2022 primarily due to lower receipts on oil and gas service revenue compared to the prior year period. Higher cash used by operating activities for the year ended December 31, 2022 primarily due to lower Cuban energy receipts;
- Higher cash provided by operating activities at Power for the three months and year ended December 31, 2022 primarily due to higher electricity production and higher receipts from Cuban energy payments in the current year periods;
- Higher distributions received from Moa Joint Venture for the three months and year ended December 31, 2022 primarily due to higher average-realized prices(1) of nickel and cobalt.

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

Included in investing and financing activities for the three months and year ended December 31, 2022 are expenditures on property, plant and equipment and intangible assets, repurchase of notes, increase in loans and borrowings, and net proceeds from the sale of property, plant and equipment, which were higher than the prior year periods.

RECOVERY OF TOTAL OUTSTANDING CUBAN RECEIVABLES

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

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

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

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

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

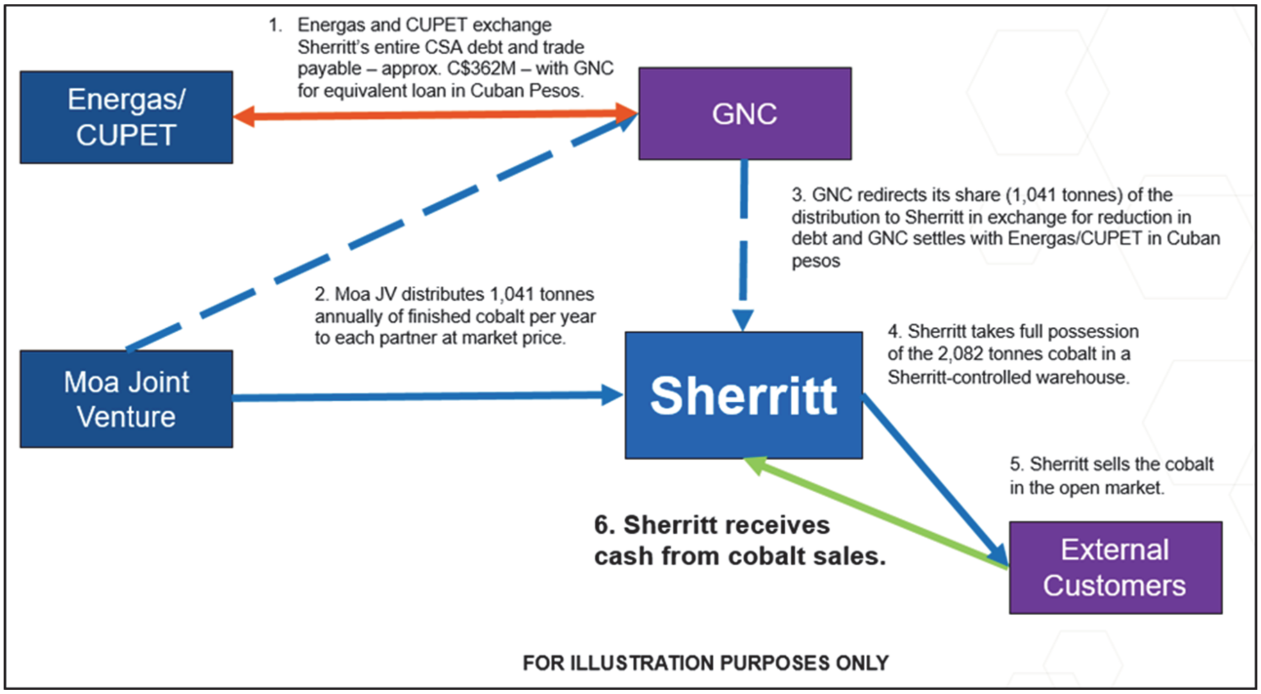
Under the Cobalt Swap, over the five years beginning January 1, 2023, the Moa Joint Venture, at the discretion of its Board of Directors, will dividend a maximum of 2,082 tonnes of finished cobalt annually to the joint venture partners. Accordingly, Sherritt will receive a maximum of 1,041 tonnes of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

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

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

Subsequent to period end, the Moa Joint Venture distributed 760 tonnes of finished cobalt to the Corporation with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Corporation's agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years (note 8). As a result, US$13.5 million ($18.1 million) of the GNC receivable will be recovered in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to the Corporation in satisfaction of the receivable.

The below diagram summarizes the key components of the Cobalt Swap:



RECONCILIATION OF CASH AND CASH EQUIVALENTS TO ADJUSTED EBITDA

The Corporation's increase and decrease in cash and cash equivalents reconciles to Adjusted EBITDA(1) as follows for the three months and year ended December 31, 2022:

$ millions	For the three months ended **December 31, 2022**	For the year ended **December 31, 2022**
Adjusted EBITDA(1)	**$ 19.7**	**$ 217.6**
Add (deduct):		
Moa Joint Venture Adjusted EBITDA(1)	**(37.3)**	**(213.7)**
Distributions from the Moa Joint Venture	**57.2**	**100.6**
Interest received on Energas conditional sales agreement	**0.9**	**0.9**
Interest paid	**(15.1)**	**(32.0)**
Net change in non-cash working capital	**(8.6)**	**(10.6)**
Share-based compensation expense	**10.7**	**17.5**
Share-based compensation payments	**(0.1)**	**(5.8)**
Loss on environmental rehabilitation provisions	**15.0**	**15.0**
Other(2)	**(2.1)**	**0.8**
Cash provided by continuing operations for operating activities per financial statements	**40.3**	**90.3**
Deduct:		
Cash used by discontinued operations	**(0.3)**	**(1.6)**
Repurchase of notes	**(80.4)**	**(125.2)**
Increase in loans, borrowings and other financial liabilities	**37.0**	**37.0**
Property, plant, equipment and intangible asset expenditures	**(9.9)**	**(28.5)**
Net proceeds from sale of property, plant and equipment	**-**	**1.3**
Fees paid on repurchase of notes	**(1.0)**	**(2.2)**
Effect of exchange rate changes on cash and cash equivalents	**(1.2)**	**6.3**
Other(2)	**1.8**	**0.9**
Change in cash and cash equivalents	**$ (13.7)**	**$ (21.7)**

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

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

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

Capital resources

CAPITAL RISK MANAGEMENT

The Corporation's objectives when managing capital are to maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations throughout the various resource cycles with sufficient capital and capacity to manage unforeseen operational and industry developments and to ensure the Corporation has the capital and capacity to allow for business growth opportunities and/or to support the growth of its existing businesses.

Subject to the limitations within the indenture and revolving credit agreements, in order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (unsecured, convertible and/or other types of available debt instruments), issue subscription receipts exchangeable for common shares and/or other securities, issue warrants exercisable to acquire common shares and/or other securities, issue units of securities comprised of more than one of equity securities, debt securities, subscription receipts and/or warrants, refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investment balances.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS(1)

The following table provides a summary of consolidated significant liquidity and capital commitments based on existing commitments and debt obligations (including accrued interest). For amounts payable that are not fixed, including mandatory redemptions discussed below, the amount disclosed is determined by reference to the conditions existing as at December 31, 2022.

Canadian $ millions, as at December 31, 2022	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 209.7	$ 209.7	$ -	$ -	$ -	$ -	$ -
Income taxes payable	1.0	1.0	-	-	-	-	-
8.50% second lien secured notes due 2026 (includes principal, interest and premium)	323.1	18.8	18.8	18.8	266.7	-	-
10.75% unsecured PIK option notes due 2029 (includes principal and interest)	148.7	-	-	-	-	-	148.7
Syndicated revolving-term credit facility	50.2	3.9	46.3	-	-	-	-
Provisions	192.9	15.7	10.7	1.5	0.2	0.3	164.5
Energas payable	112.1	15.2	25.6	26.6	26.2	18.5	-
Lease liabilities	15.9	2.7	2.5	2.4	1.3	1.3	5.7
Capital commitments	5.5	5.5	-	-	-	-	-
Total	$ 1,059.1	$ 272.5	$ 103.9	$ 49.3	$ 294.4	$ 20.1	$ 318.9

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

8.50% SECOND LIEN SECURED NOTES DUE 2026

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

Mandatory redemptions of the Corporation's 8.50% second lien secured notes during the year ended December 31, 2022 were not required as the conditions pursuant to the redemption provisions of the indenture agreement were not met.

For the two-quarter period ended December 31, 2022, excess cash flow, as defined in the second lien secured notes indenture agreement, was $43.4 million. At the interest payment date in April 2023, the Corporation will be required to redeem, at par, total second lien secured notes up to an amount equal to 50% of excess cash flow, or $21.7 million, subject to minimum liquidity of $75.0 million being maintained before and after such payment is made, as defined in the indenture agreement.

The liquidity amount is defined in the indenture as all unrestricted cash, cash equivalents and short-term investments measured in accordance with IFRS, held by the Corporation and its restricted subsidiaries in bank accounts located in Canada, less the principal amount drawn on the syndicated revolving-term credit facility, plus the total amount of cash used on all repurchases of second lien secured notes and unsecured PIK option notes during the relevant two-fiscal quarter period.

As such, the $80.4 million of cash used to repurchase second lien secured notes and unsecured PIK option notes during the six months ended December 31, 2022 and any outstanding amounts drawn on the syndicated revolving-term credit facility as at the interest payment date in April 2023 will be taken into account when calculating the minimum liquidity amount. The 8.50% second lien secured notes due 2026 also include an option for the Corporation to redeem all or part of the notes outstanding prior to maturity at a price equal to 107% of the principal amount so redeemed, which was determined to be an embedded derivative. The fair value of this embedded derivative was nominal at inception and has not been presented separately from the Second Lien Notes within the Corporation's consolidated statements of financial position.

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

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

During the year ended December 31, 2022, the Corporation repurchased $129.2 million of principal of the 8.50% second lien secured notes due 2026 on the open market at a cost of $114.2 million, plus $1.1 million of accrued interest, resulting in a gain on repurchase of notes of $11.2 million (note 8).

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

As at December 31, 2022, the outstanding principal amount of the 8.50% second lien secured notes due 2026 is $221.3 million (as at December 31, 2021 - $350.5 million).

Other non-cash changes on the 8.50% second lien secured notes due 2026 consists of the gain on repurchase of notes, net of interest and accretion of a 7% premium.

10.75% UNSECURED PIK OPTION NOTES DUE 2029

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

During the year ended December 31, 2022, the Corporation elected not to pay cash interest of $8.1 million on the 10.75% unsecured PIK option notes due 2029 and added the payment-in-kind interest to the principal amount owed to noteholders ($7.6 million during the year ended December 31, 2021).

During the year ended December 31, 2022, the Corporation repurchased $19.9 million of principal of the 10.75% unsecured PIK option notes due 2029 on the open market at a cost of $10.9 million, resulting in a gain on repurchase of notes of $9.7 million (note 8).

As at December 31, 2022, the outstanding principal amount of the 10.75% unsecured PIK option notes due 2029 is $70.8 million ($82.6 million for the year ended December 31, 2021).

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

SYNDICATED REVOLVING-TERM CREDIT FACILITY

On October 28, 2021, the syndicated revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from $70.0 million to $100.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the credit facility are available to fund working capital and capital expenditures. Spending on capital expenditures cannot exceed $75.0 million in a fiscal year. This restriction does not apply to capital expenditures of Moa Nickel S.A. The total available draw is based on eligible receivables and inventories, which are pledged as collateral. Certain cash held in banks in Canada is also pledged as collateral.

The facility is subject to the following financial covenants and restrictions:

- Net Available Cash covenant, as defined in the agreement, of $25.0 million. The amount compared against this covenant is composed of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus undrawn amounts on the credit facility;

- Senior Secured Net Debt-to-EBITDA covenant, as defined in the agreement, of less than 2:1. Senior Secured Net Debt is calculated as first-lien debt, or amounts drawn on the credit facility, any derivative liability and any additional security ranked equal to first-lien debt, less cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada up to $25.0 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis;

- EBITDA-to-Interest Expense covenant, as defined in the agreement, of not less than 1.5:1 prior to September 30, 2022 and not less than 2:1 thereafter. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's 10.75% unsecured PIK option notes due 2029; and

- Minimum Tangible Net Worth covenant, as defined in the agreement, of $600.0 million plus 50% of positive net earnings. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the credit facility, less the principal amount of the 8.50% second lien secured notes due in 2026, less the principal amount of the 10.75% unsecured PIK option notes due in 2029, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2022, the Corporation has $0.5 million of letters of credit outstanding pursuant to this facility (December 31, 2021 - $9.9 million). As at December 31, 2022, $45.0 million was drawn on this facility (December 31, 2021 - $8.0 million).

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

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

Subsequent to period end, the syndicated revolving-term credit facility was amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other changes to the terms, financial covenants or restrictions above.

CAPITAL STRUCTURE

$ millions, except as otherwise noted		**2022 December 31**		2021 December 31	Change
Loans and borrowings	**$**	**350.9**	$	444.5	(21%)
Other financial liabilities[1]		**170.2**		40.9	316%
Total debt	**$**	**521.1**	$	485.4	7%
Shareholders' equity		**694.9**		585.0	19%
Total debt-to-capital[2]		**43%**		45%	(4%)
Common shares outstanding		**397,288,680**		397,288,680	-
Stock options outstanding		**2,701,741**		4,120,191	(34%)

(1) As at December 31, 2022, other financial liabilities includes the Energas payable recognized as a result of the Cobalt Swap, as described in the Liquidity section of this MD&A.

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

Common share warrants

Common share warrants were issued as part of the debenture extension in 2016 when 19.1 million warrants with a fair value of $0.43 were granted to the Noteholders that elected to accept warrants. Warrants were exercisable at any time at an exercise price of $0.74 per share and had an original term of 5 years. They were not listed on any exchange. During 2021, a negligible amount of warrants was exercised for negligible proceeds. These warrants expired on July 29, 2021.

Issuance of units

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

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

COMMON SHARES

As at February 8, 2023, the Corporation had 397,288,680 common shares outstanding. An additional 2,701,741 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

Outlook

2022 AND 2023 PRODUCTION VOLUMES, UNIT OPERATING COSTS AND SPENDING ON CAPITAL GUIDANCE

Production volumes, unit operating costs and spending on capital	2022 Guidance	Year-to-date actual to December 31, 2022	2023 Guidance
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	32,268	30,000 - 32,000
Cobalt, finished	3,400 - 3,700	3,368	3,100 - 3,400
Electricity (GWh, 33⅓% basis)(1)	525 - 550	568	575 - 625
Unit operating costs(2)			
Moa Joint Venture - NDCC (US$ per pound)(1)	$4.50 - $5.00	$5.14	$5.00 - $5.50
Electricity - unit operating cost, ($ per MWh)(1)	$22.00 - $23.00	$19.39	$28.50 - $30.00
Spending on capital(2)($ millions)			
Sustaining			
Moa Joint Venture (50% basis), Fort Site (100% basis)(3)	$60.0	$66.7	$70.0
Power (33⅓% basis)	$5.0	$5.1	$4.4
Growth			
Moa Joint Venture (50% basis)(1)	$10.0	$7.4	$20.0
Spending on capital(4)	$75.0	$79.2	$94.4

(1) 2022 guidance updated November 2, 2022.
(2) Non-GAAP financial measures. See the Non-GAAP and other financial measures section for reconciliations of the year-to-date actual amounts to the most directly comparable IFRS measures.
(3) 2022 guidance was updated July 27, 2022.
(4) Excludes spending on capital at Oil and Gas, Technologies, Corporate and Metals Other.

2023 will be a transition year for the Moa JV. The key priority will be to ensure the expansion plan remains on time and on budget. The final draft of the NI 43-101 report is expected to be released by the end of the first quarter using the latest methodologies for the analysis of the ECOG and LOM, in which the current LOM is expected to extend to beyond 2040. This transition phase of mine expansion will include accessing new mining areas and bringing the new SPP online in 2024. As a result, finished nickel production is forecast to be 30,000 – 32,000 tonnes (100% basis), while finished cobalt production is forecast to be 3,100 – 3,400 tonnes (100% basis).

NDCC at the Moa JV is forecast to be in the range of US$5.00 – US$5.50 per pound of finished nickel sold.

Sherritt’s share of spending on capital(4) is forecast to be $94.4 million:

- Sustaining spending on capital of $70.0 million is primarily for infrastructure, the replacement of equipment, and tailings management at the Moa JV.
- Growth spending on capital of $20.0 million is primarily for the continued construction of the new SPP and leach plant sixth train at the Moa JV.
- Sustaining spending on capital of $4.4 million at Power is primarily for maintenance and equipment purchases.

2023 STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2023. Summaries of how the Corporation is performing against these priorities will be provided on a quarterly basis during 2023.

Strategic Priorities	2023 Actions
ESTABLISH SHERRITT AS A LEADING GREEN METALS PRODUCER	Execute on plans to expand Moa JV mixed sulphide precipitate intermediate production by 20% or 6,500 tonnes of contained metals annually. Rank in lowest quartile of HPAL nickel producers for NDCC. Complete and publish NI 43-101 Report. Expand sales into battery supply chain.
LEVERAGE TECHNOLOGIES FOR TRANSFORMATIONAL GROWTH	Support Moa JV expansion, operational improvements, ECOG implementation and life of mine extension, and marketing initiatives. Advance Technologies solutions toward commercialization with external partnerships and funding. Develop innovative processing solutions for treatment of blackmass for battery recycling.
ACHIEVE BALANCE SHEET STRENGTH	Effectively leverage collections on the Cobalt Swap agreement. Maximize available liquidity to support growth strategy. Continue to optimize costs to reflect operating footprint.
BE RECOGNIZED AS A SUSTAINABLE ORGANIZATION	Deliver on actions identified in the Sustainability Report. Achieve year-over-year ESG improvements including reduction of carbon intensity. Deliver on 'Diversity and Inclusion' global framework.
MAXIMIZE VALUE FROM CUBAN ENERGY BUSINESSES	Access additional gas supply to increase electrical power generation. Maximize value from Oil and Gas business.

Managing risk

For the purposes of this section, all capitalized terms that are not specifically defined herein, have the meaning ascribed to them in the 2021 AIF.

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks. Significant risks include, amongst others:

- Commodity Risk
- Securities Market Fluctuations and Price Volatility
- Liquidity and Access to Capital
- Infectious Diseases (COVID-19)
- Risks Related to Sherritt's Operations in Cuba
- Risks Related to U.S. Government Policy Towards Cuba
- Environmental Risks and Liabilities
- Risks to Information Technologies Systems and Cybersecurity
- Identification and Management of Growth Opportunities
- Depletion of Reserves
- Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments
- Reliance on Partners
- Mining, Processing and Refining Risks
- Operating Risks

COMMODITY RISK

Sherritt's principal businesses include the sale of several commodities. Revenues, earnings and cash flows from the sale of nickel, cobalt, oil and 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. Forecasts of commodity prices can prove to be inaccurate as factors such as supply and demand fundamentals (including the potential growth in the electric vehicle market), speculative market participation by financial entities, and structural and economic changes may not behave as predicted.

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

SECURITIES MARKET FLUCTUATIONS AND PRICE VOLATILITY

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

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

LIQUIDITY AND ACCESS TO CAPITAL

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

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

Agencies of the Cuban government have significant payment obligations to the Corporation in connection with the Corporation's operations in Cuba. Although the risk associated with payment of these obligations may be mitigated by the Cobalt Swap, this exposure to the Cuban government and its potential inability to timely or fully pay such amounts could have a material adverse effect on the Corporation's financial condition and results of operations. Please see the risk factor entitled "Risks Related to Sherritt's Operations in Cuba" for additional information. Please see the risk factor entitled "Restrictions in Debt Instruments and Debt Covenants" 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, the impact of 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.

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 designation was renewed by the current administration. On May 16, 2022, the current U.S. administration indicated some measures will be relaxed related to expanding communication, travel and commerce between the U.S and Cuba. However, the relaxation of these measures has been modest and does not affect the former U.S administration's designation of Cuba as a State Sponsor of Terrorism. Changes in regulations and political attitudes are beyond the control of Sherritt and may adversely affect its business. Operations may be affected in varying degrees by such factors as Cuban Government regulations with respect to currency conversion, production, project approval and execution, price controls, import and export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine and plant safety. Cuba may also be adversely impacted by risks associated with the imposition by other countries globally of additional economic restrictions or sanctions, or the indirect impact on Cuba of sanctions imposed on other countries (such as Russia and Belarus, for example) that could have a material adverse effect on Cuba or on Sherritt's ability to operate in Cuba.

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

There is increased demand from downstream customers that electronics, automotive and other manufacturers demonstrate that their product supply chains are ethical and responsible. Such responsible sourcing requirements are affecting the metals sector broadly. Requests for assurance of a responsible cobalt supply chain from the refinery to the mine site are increasingly being received by downstream customers of the Corporation. The Corporation believes that its supply of minerals is ethical and responsible and in order to demonstrate this the Corporation is engaged in activities to implement policies and due diligence systems to independently verify that its mineral supply chain conforms to internationally accepted best practices. While the Corporation is committed to demonstrating a responsible supply of minerals, the Corporation has no control over the purchasing decisions of its customers or the factors on which they are based and there is no guarantee that the Corporation's efforts will mitigate this potential risk. Please see also the risk factor entitled "Risks Related to U.S. Government Policy Towards Cuba".

The Cuban Government has allowed, for more than two decades, foreign entities to repatriate profits out of Cuba. However, there can be no assurance that allowing foreign investment and profit repatriation will continue or that a change in economic conditions will not result in a change in the policies of the Cuban Government or the imposition of more stringent foreign investment or foreign exchange restrictions. Such changes are beyond the control of Sherritt and the effect of any such changes cannot be accurately predicted.

All sales of Sherritt's oil production in Cuba are made to an agency of the Government of Cuba, as are all electricity sales made by Energas. The access of the Cuban Government to foreign exchange is severely limited. As a consequence, from time to time, the Cuban agencies have had difficulty in discharging their foreign currency obligations. During such times, Sherritt has worked with these agencies in order to ensure that Sherritt's operations continue to generate positive cash flow to the extent possible. However, there is a risk, beyond the control of Sherritt, that receivables and contractual performance due from Cuban entities will not be paid or performed in a timely manner, or at all. 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 directly or indirectly involving Cuba, Cuban enterprises, Cuban-origin goods, and Cuban nationals and it bars all persons "subject to the jurisdiction of the United States" from participating in such transactions unless such persons have general or specific licenses from the U.S. Department of the Treasury ("U.S. Treasury") authorizing their participation in the transactions. Persons "subject to the jurisdiction of the United States" include U.S. citizens, U.S. residents, individuals or enterprises located in the United States, enterprises organized under U.S. laws and enterprises owned or controlled by any of the foregoing. Subsidiaries of U.S. enterprises are subject to the embargo's prohibitions. The embargo also targets dealings directly or indirectly involving entities deemed to be owned or controlled by Cuba and listed as specially designated nationals ("SDNs"). The three entities constituting the Moa Joint Venture in which Sherritt holds an indirect 50% interest have been deemed SDNs by U.S. Treasury. Sherritt, however, is not an SDN. The U.S. embargo generally prohibits persons "subject to the jurisdiction of the United States" from engaging in transactions involving the Cuban-related businesses of the Corporation. Furthermore, generally U.S.-origin technology, U.S.-origin goods, and many goods produced from U.S.-origin components or with U.S.-origin technology cannot under U.S. law be transferred to Cuba or used in the Corporation's operations in Cuba. Additionally, the embargo also prohibits imports into the United States of Cuban-origin goods, of goods located in or transported from or through Cuba, or of foreign goods made or derived, in whole or in part, of Cuban-origin goods, including Cuban nickel. In 1992, Canada issued an order pursuant to the Foreign Extraterritorial Measures Act (Canada) to block the application of the U.S. embargo under Canadian law to Canadian subsidiaries of U.S. enterprises. However, the general embargo limits Sherritt's access to U.S. capital, financing sources, customers, and suppliers.

The Helms Burton Act

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

The Helms-Burton Act authorizes damage lawsuits to be brought in U.S. courts by U.S. claimants against those “trafficking” in the claimants’ confiscated property. All Presidents of the United States in office since the enactment of the Helms-Burton Act have suspended the right of claimants for successive six-month periods until the former U.S. administration ceased such suspensions and allowed Title III to come into effect on May 2, 2019. Since that time a number of lawsuits have been filed pursuant to Title III in the United States against companies in the U.S., Canada and elsewhere. The Corporation has received letters in the past from U.S. nationals claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, including in relation to claims certified by the U.S. Foreign Claims Settlement Commission. However, Sherritt has not been subjected to any lawsuits in this regard. In the event that any such lawsuits were to be filed, Sherritt does not believe that its operations would be materially affected because Sherritt’s current minimal contacts with the United States would likely deprive any U.S. court of personal jurisdiction over Sherritt. Furthermore, even if personal jurisdiction were exercised, any successful U.S. claimant would currently have to seek enforcement of the U.S. court judgment outside the U.S. in order to reach material Sherritt assets. Management believes it unlikely that a court in Canada or in any country in which Sherritt has material assets would enforce a Helms-Burton Act judgment against it.

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

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

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

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

The U.S. Department of State has issued guidelines for the implementation of the immigration provision, which state that it is “not sufficient in itself for a determination” of exclusion that a person “has merely had business dealings with a person” deemed to be “trafficking”. 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.

ENVIRONMENTAL RISKS AND LIABILITIES

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

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

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

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

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

RISKS IN RELATION TO INFORMATION TECHNOLOGIES SYSTEMS AND CYBERSECURITY

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

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

IDENTIFICATION AND MANAGEMENT OF GROWTH OPPORTUNITIES

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

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

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

DEPLETION OF RESERVES

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

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

RESTRICTIONS IN DEBT INSTRUMENTS, DEBT COVENANTS AND MANDATORY REPAYMENTS

Sherritt is a party to certain agreements in connection with the Syndicated Facility, as well as the trust indenture governing the outstanding Second Lien Notes and the Junior Notes (collectively, the "Indenture"). These agreements and loans contain covenants which restrict Sherritt's activities including without limitation, permitted investments, the incurrence of indebtedness, liens, asset sales, payment of distributions and other restricted payments which could have the effect of restricting Sherritt's ability to react to changes in Sherritt's business or to local and global economic conditions. In addition, Sherritt's ability to comply with these covenants and other terms of its indebtedness may be affected by changes in the Corporation's business, local or global economic conditions or other events beyond the Corporation's control. Failure by Sherritt to comply with any of the covenants contained in the 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.

RELIANCE ON PARTNERS

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

MINING, PROCESSING AND REFINING RISKS

The business of mining, processing and refining involves many risks and hazards, including environmental hazards, industrial accidents, labour-force disruptions, supply problems and delays, unusual or unexpected geological or operating conditions, geology-related failures, change in the regulatory and geopolitical environment, weather conditions, floods, earthquakes and water conditions.

Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, the failure of tailings management facilities and damage to infrastructure, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. As a result, Sherritt may incur significant liabilities and costs that could have a material adverse effect upon its business, results of operations and financial performance. In addition, failure to maintain high levels of safety, health and security could adversely affect the Corporation's operations, financial performance, reputation and social license to operate.

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

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

OPERATING RISKS

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

Please see the Risk Factors entitled "Risks Related to Sherritt's Operations in Cuba" and "Climate Change/Greenhouse Gas Emissions" in Sherritt's 2021 AIF for additional information.

OTHER RISKS

Below is a list of the other significant business risks as presented in the Corporation's 2021 AIF. Further detail of these and other risks and the strategies designed to manage them can be found in the Corporation's 2021 AIF to the extent not included herein.

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

Critical accounting estimates and judgments

For the purposes of this section, all capitalized terms that are not specifically defined herein, have the meaning ascribed to them in the December 31, 2022 consolidated financial statements.

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

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

CRITICAL ACCOUNTING ESTIMATES

Measurement of the allowance for expected credit losses

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

Measuring the fair value of the GNC receivable and Energas payable

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

Property, plant and equipment

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

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

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

Environmental rehabilitation provision costs

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

Environmental rehabilitation provision discount rates

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

CRITICAL ACCOUNTING JUDGMENTS

Interests in other entities

The Corporation applies judgment in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Corporation has determined that Energas represents a joint operation, while the Moa Joint Venture represents a joint venture as described in IFRS 11, "Joint Arrangements". All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, "Consolidated Financial Statements".

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

The Corporation accounts for its investment in the Moa Joint Venture using the equity method. The Corporation assesses the carrying amount of the Moa Joint Venture at each reporting date to determine whether there are any indicators that the carrying amount may be impaired.

For purposes of determining the recoverable amount, management calculates the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the investment's operations and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. The determination of the recoverable amount involves a detailed review of the investment's life of mine model and the determination of weighted average cost of capital among other critical factors.

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

Determination of reportable segments

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

Cash flow characteristics assessment

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

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

Exploration and evaluation (E&E)

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

Service concession arrangements

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

Assessment for impairment of non-financial assets

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

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

For purposes of determining fair value, management assesses the recoverable amount of the asset using the higher of value-in-use and fair value less cost to sell and an appropriate discount rate. Projections of future cash flows are based on factors relevant to the asset and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these assets. In the event that management's estimate of future cash flows is not representative of actual events, impairments may be identified, which could have a material impact on the Corporation's consolidated financial statements. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Measuring the fair value of the GNC receivable and Energas payable

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

Accounting pronouncements

ADOPTION OF NEW AND AMENDED ACCOUNTING PRONOUNCEMENTS

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

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

The amendments apply for annual periods beginning on or after January 1, 2022. Effective January 1, 2022, the Corporation adopted these requirements. The application of this amendment did not have an impact on the Corporation's consolidated financial statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation's consolidated financial statements.

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

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

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

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

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

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

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

Summary of quarterly results

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

$ millions, except per share amounts, for the three months ended	2022 Dec 31	2022 Sept 30	2022 Jun 30	2022 Mar 31	2021 Dec 31	2021 Sep 30	2021 Jun 30	2021 Mar 31
Revenue	**$ 48.6**	$ 30.2	$ 65.9	$ 34.1	$ 36.6	$ 20.7	$ 31.0	$ 21.9
Share of earnings of Moa Joint Venture, net of tax	**23.5**	22.0	47.4	47.9	33.2	7.5	17.7	28.1
Net (loss) earnings from continuing operations	**(7.3)**	(26.9)	81.5	16.4	14.4	(15.5)	(10.4)	(1.9)
Earnings (loss) from discontinued operations, net of tax[(1)]	**0.3**	0.6	(0.4)	(0.7)	(0.3)	(0.7)	(0.3)	(3.7)
Net (loss) earnings for the period	**$ (7.0)**	$ (26.3)	$ 81.1	$ 15.7	$ 14.1	$ (16.2)	$ (10.7)	$ (5.6)
Net (loss) earnings per share, basic ($ per share)								
Net (loss) earnings from continuing operations	**$ (0.02)**	$ (0.07)	$ 0.21	$ 0.04	$ 0.04	$ (0.04)	$ (0.03)	$ 0.00
Net (loss) earnings	**(0.02)**	(0.07)	0.20	0.04	0.04	(0.04)	(0.03)	(0.01)

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

In general, net earnings or losses of the Corporation are primarily affected by production and sales volumes, commodity prices, maintenance and operating costs, and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters ranged from $1.2282 (Q2 2021) to $1.3056 (Q3 2022) and period-end rates ranged between $1.2394 (Q2 2021) to $1.3707 (Q3 2022).

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

- Q4 2022: $7.1 million gain on repurchase of notes, $4.0 million gain on modification of Cuban receivables, $2.4 million revaluation gain on the GNC receivable, $4.0 million revaluation loss on the Energas payable, $4.1 million of unrealized foreign exchange losses in continuing operations, $15.0 million loss on environmental rehabilitation provisions and $10.7 million of share-based compensation expense within cost of sales and administrative expenses;
- Q3 2022: $48.5 million revaluation loss on allowances for expected credit losses on Energas conditional sales agreement receivable, $4.6 million of unrealized foreign exchange gains in continuing operations and $2.6 million of share-based compensation recovery within cost of sales and administrative expenses;
- Q2 2022: $13.8 million gain on repurchase of notes, $17.2 million of share-based compensation recovery within cost of sales and administrative expenses and $3.8 million of unrealized foreign exchange gains in continuing operations;
- Q1 2022: $26.6 million of share-based compensation expense within cost of sales and administrative expenses and $1.1 million of unrealized foreign exchange gains in continuing operations;
- Q4 2021: $1.4 million of unrealized foreign exchange gains in continuing operations and $0.6 million of share-based compensation expense related to the planned retirement of a senior executive;
- Q3 2021: $1.2 million gain on disposal of assets and $3.1 million of other contractual benefits expense related to the departures of two senior executives;
- Q2 2021: $8.6 million of unrealized foreign exchange gains in continuing operations, a $0.8 million gain on repurchase of notes, $3.7 million of unrealized losses on commodity put options, in addition to a $4.9 million share-based compensation expense and $2.4 million severance and other contractual benefits expense, both of which related to the Corporate workforce reduction and departures of two senior executives; and
- Q1 2021: $2.6 million of unrealized foreign exchange gains in continuing operations and a $1.3 million gain on repurchase of notes.

Three-year trend analysis[1]

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

$ millions, except per share amounts for the years ended December 31	2022	2021	2020
Revenue	**$ 178.8**	$ 110.2	$ 119.8
Earnings (loss) from operations and joint venture	**118.7**	8.5	(197.1)
Net earnings (loss) from continuing operations	**63.7**	(13.4)	(85.7)
(Loss) earnings from discontinued operations, net of tax	**(0.2)**	(5.0)	107.9
Net earnings (loss) for the year	**63.5**	(18.4)	22.2
Adjusted EBITDA[2]	**217.6**	112.2	38.9
Earnings (loss) per common share (basic and diluted) ($ per share):			
Net earnings (loss) from continuing operations	**0.16**	(0.03)	(0.22)
Net earnings (loss) for the year	**0.16**	(0.05)	0.06
Total assets	**1,555.6**	1,398.0	1,352.2
Non-current liabilities	**493.1**	591.1	575.9
PRODUCTION VOLUMES			
Moa Joint Venture (50% basis)			
Finished nickel (tonnes)	**16,134**	15,592	15,753
Finished cobalt (tonnes)	**1,684**	1,763	1,685
Electricity (gigawatt hours) (33⅓% basis)	**568**	450	602

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

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

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

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

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

In 2021, net loss from continuing operations was negatively impacted by severance and other contractual benefits expense of $6.1 million and accelerated share-based compensation expense of $6.1 million, both of which related to the departures of two senior executives, planned retirement of a senior executive and Corporate workforce reduction, coupled with realized losses on commodity put options of $4.8 million. The aforementioned losses are partially offset by a realized foreign exchange gain of $10.0 million relating to a Cuban tax liability due to Cuban currency unification, a gain on repurchase of notes of $2.1 million and a gain on disposal of assets of $1.2 million.

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

Off-balance sheet arrangements

As at December 31, 2022, the Corporation had no options, futures or forward contracts.

Transactions with related parties

The Corporation enters into transactions related to its joint arrangements.

For further detail, refer to notes 7 and 22 of the Corporation's consolidated financial statements for the year ended December 31, 2022.

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

Canadian $ millions, for the years ended December 31	2022	2021
Total value of goods and services:		
Provided to joint operation	**$ 22.9**	$ 15.7
Provided to Moa Joint Venture	**302.6**	254.2
Purchased from Moa Joint Venture	**1,216.0**	835.6
Net financing income from joint operation	**14.4**	14.4
Net financing income from Moa Joint Venture	**0.4**	0.5

Canadian $ millions, as at December 31	2022	2021
Accounts receivable from Moa Joint Venture	**27.4**	18.2
Accounts payable to Moa Joint Venture	**127.8**	122.0
Advances and loans receivable from joint operation	**-**	204.7

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

KEY MANAGEMENT PERSONNEL

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

Canadian $ millions, for the years ended December 31	2022	2021
Short-term benefits	**$ 6.7**	$ 7.2
Post-employment benefits(1)	**0.3**	0.3
Termination benefits	**-**	5.3
Share-based payments	**4.5**	5.6
	$ 11.5	$ 18.4

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2022 (nil for the year ended December 31, 2021). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2022 (nil for the year ended December 31, 2021).

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Commission (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management, with the participation of the certifying officers, has evaluated the effectiveness of the design and operation, as of December 31, 2022, of the Corporation’s disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective and designed to ensure that material information known by others relating to the Corporation and its subsidiaries is provided to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in NI 52-109. Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud. Management advises that there have been no changes in the Corporation’s internal controls over financial reporting during 2022 that have materially affected or are reasonably likely to materially affect the Corporation’s internal control over financial reporting.

Management, with the participation of the certifying officers, conducted an evaluation of the effectiveness of the Corporation’s internal controls over financial reporting, as of December 31, 2022, using the Internal Control-Integrated Framework published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework). Based on this evaluation, the CEO and CFO have concluded that the internal controls over financial reporting were effective as of December 31, 2022.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation’s net earnings and earnings per share from continuing operations for the year ended December 31, 2022 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in annual net earnings (loss) (CAD$ millions) Increase/ (decrease)	Approximate change in annual basic earnings (loss) per share (EPS) Increase/ (decrease)
Prices				
Nickel - LME price per pound(1)	US$	1.00	$ 36	$ 0.09
Cobalt - Argus price per pound(1)	US$	5.00	17	0.04
Fertilizers - price per tonne(1)	$	50.00	8	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	(13)	(0.03)
Operating costs(1)				
Natural gas - cost per gigajoule (Moa Joint Venture and Fort Site)	$	1.00	(4)	(0.01)
Fuel oil - cost per tonne (Moa Joint Venture and Fort Site)	US$	50.00	(4)	(0.01)
Sulphur - cost per tonne (Moa Joint Venture and Fort Site)	US$	25.00	(3)	(0.01)

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

INVESTMENT IN MOA JOINT VENTURE

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

Statements of financial position

Canadian $ millions, 100% basis, as at	2022 December 31	2021 December 31	Variance	
Assets				
Cash and cash equivalents	**$ 43.6**	$ 48.9	(5.3)	Decrease is primarily due to distributions paid to shareholders, capital additions, income taxes paid and changes in working capital, which were partially offset by cash generated from operations.
Other current assets	**90.1**	14.0	76.1	Increase is primarily due to cash distributions to shareholders, Sherritt and GNC, which have been paid, but not yet declared as dividends.
Trade accounts receivable, net	**178.0**	153.4	24.6	Increase is primarily due to higher nickel average-realized prices and an increase in the U.S. dollar relative to the Canadian dollar.
Inventories	**399.1**	303.7	95.4	Increase is primarily due to an increase in input commodity prices and higher cobalt inventory volumes, coupled with an increase in the U.S. dollar relative to the Canadian dollar.
Other non-current assets	**16.8**	12.4	4.4	
Property, plant and equipment	**1,102.8**	1,067.6	35.2	Increase is primarily driven by an increase in the U.S. dollar relative to the Canadian dollar and capital additions, partially offset by depletion, depreciation and amortization.
Total assets	**1,830.4**	1,600.0	230.4	
Liabilities				
Trade accounts payable and accrued liabilities	**87.9**	64.1	23.8	Increase is primarily due to the timing of payments to suppliers and higher input commodity costs.
Income taxes payable	**4.1**	13.2	(9.1)	Decrease is primarily due to lower taxable earnings in 2022 as compared to 2021 at one of the operating companies of the Moa Joint Venture.
Other current financial liabilities	**0.2**	0.2	-	
Loans and borrowings	**26.0**	21.3	4.7	
Environmental rehabilitation provisions	**84.0**	105.5	(21.5)	Decrease is primarily related to changes in estimates as a result of increases in discount rates.
Other non-current financial liabilities	**4.6**	4.9	(0.3)	
Deferred income taxes	**23.7**	22.4	1.3	
Total liabilities	**230.5**	231.6	(1.1)	
Net assets of Moa Joint Venture	**$ 1,599.9**	$ 1,368.4	231.5	
Proportion of Sherritt's ownership interest	**50%**	50%		
Total	**800.0**	684.2		
Intercompany capitalized interest elimination	**(44.0)**	(41.8)		
Investment in Moa Joint Venture	**$ 756.0**	$ 642.4		

Foreign currency translation differences are included in the financial information of the Moa Joint Venture presented in the financial statements and MD&A, as the Corporation's presentation currency is the Canadian dollar, while the Moa Joint Venture's functional currency is the U.S. dollar. During the year ended December 31, 2022, the U.S. dollar increased in value relative to the Canadian dollar, resulting in higher assets and lower liabilities reported in Canadian dollars as compared to December 31, 2021.

Statements of comprehensive income

Canadian $ millions, 100% basis	For the year ended 2022 December 31	2021 December 31	Variance	
Revenue	**$ 1,344.2**	$ 1,005.1	339.1	Increase is primarily due to increases in nickel and fertilizers revenue of $308.9 million and $22.1 million, respectively, and primarily as a result of increases in the average-realized prices of nickel, cobalt and fertilizers, partially offset by lower sales volume of cobalt and fertilizers.
Cost of sales	**(989.4)**	(763.9)	(225.5)	Increase is primarily due to a 119% increase in sulphur prices and a 40% increase in fuel oil prices, coupled with an increase of $18.0 in planned maintenance costs and $12.7 million in royalties primarily due to an increase in nickel and cobalt prices.
Administrative expenses	**(14.7)**	(14.0)	(0.7)	
Earnings from operations	**340.1**	227.2	112.9	
Financing income	**0.8**	0.2	0.6	
Financing expense	**(19.0)**	(10.1)	(8.9)	Increase is primarily due to the impact of changes in foreign exchange rates on Euro- and Canadian-dollar denominated receivables.
Net finance expense	**(18.2)**	(9.9)	(8.3)	
Earnings before income tax	**321.9**	217.3	104.6	
Income tax expense	**(48.6)**	(52.6)	4.0	
Net earnings and comprehensive income of Moa Joint Venture	**$ 273.3**	$ 164.7	108.6	
Proportion of Sherritt's ownership interest	**50%**	50%	-	
Total	**136.7**	82.4	54.3	
Intercompany elimination	**4.1**	4.1	-	
Share of earnings of Moa Joint Venture, net of tax	**$ 140.8**	$ 86.5	54.3	

For the year ended December 31, 2022, Moa Joint Venture's revenue was positively impacted and cost of sales and other expenses were negatively impacted by a stronger average U.S. dollar relative to the Canadian dollar compared to the same periods in the prior year.

Moa Joint Venture commitments

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

- Environmental rehabilitation commitments of $95.7 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of $44.0 million;
- Income taxes payable of $2.0 million;
- Lease liabilities of $0.4 million;
- Loans and borrowings of $14.5 million; and
- Property, plant and equipment commitments of $12.0 million. $2.5 million (50% basis) in spending on growth capital is expected in 2022, all of which has been committed, for the ordering of long-lead materials and equipment, and civil and mechanical construction.

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Combined revenue

The Corporation uses combined revenue as a measure to help management assess the Corporation's financial performance across its operations. Combined revenue includes the Corporation's consolidated revenue and revenue of the Moa Joint Venture on a 50% basis, which is accounted for using the equity method for accounting purposes.

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

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

	For the three months ended			For the year ended		
	2022	2021		**2022**	2021	
$ millions	**December 31**	December 31	Change	**December 31**	December 31	Change
Revenue by reportable segment						
Moa Joint Venture and Fort Site(1)	**$ 221.6**	$ 183.2	21%	**$ 786.8**	$ 560.6	40%
Metals Other	**1.9**	2.1	(10%)	**8.3**	6.8	22%
Oil and Gas	**2.5**	4.7	(47%)	**16.2**	15.6	4%
Power	**10.5**	8.1	30%	**37.1**	28.3	31%
Technologies	**0.5**	0.2	150%	**1.8**	0.6	200%
Corporate	**0.1**	0.3	(67%)	**0.7**	0.9	(22%)
Combined revenue	**$ 237.1**	$ 198.6	19%	**$ 850.9**	$ 612.8	39%
Adjustment for Moa Joint Venture	**(188.5)**	(162.0)		**(672.1)**	(502.6)	
Financial statement revenue	**$ 48.6**	$ 36.6	33%	**$ 178.8**	$ 110.2	62%

(1) Revenue of Moa Joint Venture and Fort Site for the three months ended December 31, 2022 is composed of revenue recognized by the Moa Joint Venture of $188.5 million (50% basis), which is equity-accounted and included in share of earnings of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $33.1 million, which is included in consolidated revenue (for the three months ended December 31, 2021 - $162.0 million and $21.2 million, respectively). Revenue of Moa Joint Venture and Fort Site for the year ended December 31, 2022 is composed of revenue recognized by the Moa Joint Venture of $672.1 million (50% basis), which is equity-accounted and included in share of earnings of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $114.7 million, which is included in consolidated revenue (for the three months ended December 31, 2021 - $502.6 million and $58.0 million, respectively).

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations and joint venture, which excludes net finance expense and loss from discontinued operations, net of tax, as reported in the financial statements for the period, adjusted for: depletion, depreciation and amortization; impairment losses on non-current non-financial assets and investments; and gains or losses on disposal of property, plant and equipment of the Corporation and the Moa Joint Venture. The exclusion of impairment losses eliminates the non-cash impact of the losses.

Management uses Adjusted EBITDA internally to evaluate the cash generation potential of Sherritt's operating divisions on a combined and segment basis as an indicator of ability to fund working capital needs, meet covenant obligations, service debt and fund capital expenditures, as well as provide a level of comparability to similar entities. Management believes that Adjusted EBITDA provides useful information to investors in evaluating the Corporation's operating results in the same manner as management and the Board of Directors.

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

$ millions, for the three months ended December 31	Moa JV and Fort Site(1)	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total 2022
Earnings (loss) from operations and joint venture per financial statements	**$ 31.0**	**$ (0.5)**	**$ (17.1)**	**$ 4.5**	**$ (4.4)**	**$ (11.6)**	**$ (2.0)**	**$ (0.1)**
Add (deduct):								
Depletion, depreciation and amortization	**2.8**	**-**	**-**	**1.6**	**-**	**0.3**	**-**	**4.7**
Impairment of intangible assets	**-**	**-**	**1.3**	**-**	**-**	**-**	**-**	**1.3**
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	**11.8**	**-**	**-**	**-**	**-**	**-**	**-**	**11.8**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Income tax recovery	**-**	**-**	**-**	**-**	**-**	**-**	**3.6**	**3.6**
Adjusted EBITDA	**$ 45.6**	**$ (0.5)**	**$ (15.8)**	**$ 6.1**	**$ (4.4)**	**$ (11.3)**	**$ -**	**$ 19.7**

$ millions, for the three months ended December 31	Moa JV and Fort Site(1)	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total 2021
Earnings (loss) from operations and joint venture per financial statements	$ 36.2	$ (0.4)	$ (0.7)	$ 0.5	$ (3.9)	$ (4.0)	$ (7.2)	$ 20.5
Add (deduct):								
Depletion, depreciation and amortization	2.5	-	1.1	4.0	-	0.4	-	8.0
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	10.7	-	-	-	-	-	-	10.7
Net finance expense	-	-	-	-	-	-	1.5	1.5
Income tax expense	-	-	-	-	-	-	5.7	5.7
Adjusted EBITDA	$ 49.4	$ (0.4)	$ 0.4	$ 4.5	$ (3.9)	$ (3.6)	$ -	$ 46.4

$ millions, for the year ended December 31	Moa JV and Fort Site[(2)]	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total
2022								
Earnings (loss) from operations and joint venture per financial statements	**$ 200.2**	**$ (2.3)**	**$ (16.3)**	**$ 8.7**	**$ (14.8)**	**$ (27.4)**	**$ (29.4)**	**$ 118.7**
Add (deduct):								
Depletion, depreciation and amortization	**10.3**	**0.1**	**0.8**	**13.6**	**0.1**	**1.1**	**-**	**26.0**
Impairment of intangible assets	**-**	**-**	**1.3**	**-**	**-**	**-**	**-**	**1.3**
Gain on disposal of property, plant and equipment	**-**	**-**	**(1.3)**	**-**	**-**	**-**	**-**	**(1.3)**
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	**43.5**	**-**	**-**	**-**	**-**	**-**	**-**	**43.5**
Net finance expense	**-**	**-**	**-**	**-**	**-**	**-**	**5.1**	**5.1**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**24.3**	**24.3**
Adjusted EBITDA	**$ 254.0**	**$ (2.2)**	**$ (15.5)**	**$ 22.3**	**$ (14.7)**	**$ (26.3)**	**$ -**	**$ 217.6**

$ millions, for the year ended December 31	Moa JV and Fort Site[(2)]	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustment for Moa Joint Venture	Total
2021								
Earnings (loss) from operations and joint venture per financial statements	$ 98.3	$ (2.0)	$ (11.6)	$ (0.6)	$ (12.9)	$ (35.6)	$ (27.1)	$ 8.5
Add (deduct):								
Depletion, depreciation and amortization	10.8	0.2	6.7	15.7	0.1	1.1	-	34.6
Gain on disposal of property, plant and equipment	-	-	(1.2)	-	-	-	-	(1.2)
Adjustments for share of earnings of Moa Joint Venture:								
Depletion, depreciation and amortization	43.2	-	-	-	-	-	-	43.2
Net finance income	-	-	-	-	-	-	0.8	0.8
Income tax expense	-	-	-	-	-	-	26.3	26.3
Adjusted EBITDA	$ 152.3	$ (1.8)	$ (6.1)	$ 15.1	$ (12.8)	$ (34.5)	$ -	$ 112.2

(1) Adjusted EBITDA of Moa Joint Venture and Fort Site for the three months ended December 31, 2022 is composed of Adjusted EBITDA at Moa Joint Venture of $37.3 million (50% basis) and Adjusted EBITDA at Fort Site of $8.3 million (for the three months ended December 31, 2021 - $50.7 million and $(1.3) million, respectively).

(2) Adjusted EBITDA of Moa Joint Venture and Fort Site for the year ended December 31, 2022 is composed of Adjusted EBITDA at Moa Joint Venture of $213.7 million (50% basis) and Adjusted EBITDA at Fort Site of $40.3 million (for the year ended December 31, 2021 - $156.3 million and $(4.0) million, respectively).

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for 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 fertilizer is the weighted-average realized price of ammonia and various ammonium sulphate products.

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

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

$ millions, except average-realized price and sales volume, for the three months ended December 31							**2022**
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 153.8**	**$ 22.0**	**$ 40.4**	**$ 10.5**	**$ 10.4**	**$ (188.5)**	**$ 48.6**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(1.2)**			
Revenue for purposes of average-realized price calculation	**153.8**	**22.0**	**40.4**	**9.3**			
Sales volume for the period	**9.9**	**0.9**	**61.7**	**159**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(2)(3)(4)	**$ 15.55**	**$ 25.72**	**$ 647.03**	**$ 58.54**			

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

$ millions, except average-realized price and sales volume, for the year ended December 31							**2022**
	Moa Joint Venture and Fort Site						
	Nickel	Cobalt	Fertilizer	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Revenue per financial statements	**$ 522.8**	**$ 104.2**	**$ 129.5**	**$ 37.1**	**$ 57.3**	**$ (672.1)**	**$ 178.8**
Adjustments to revenue:							
By-product revenue	**-**	**-**	**-**	**(5.0)**			
Revenue for purposes of average-realized price calculation	**522.8**	**104.2**	**129.5**	**32.1**			
Sales volume for the period	**35.0**	**3.0**	**170.4**	**568**			
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours			
Average-realized price(2)(3)(4)	**$ 14.93**	**$ 34.26**	**$ 759.91**	**$ 56.47**			

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

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

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

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

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

Unit operating cost/NDCC

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

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

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

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

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

$ millions, except unit cost and sales volume, for the three months ended December 31					**2022**
	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 186.7**	**$ 4.8**	**$ 24.4**	**$ (159.7)**	**$ 56.2**
Less:					
Depletion, depreciation and amortization in cost of sales	**(14.7)**	**(1.5)**			
	172.0	**3.3**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(67.8)**	**-**			
Impact of opening/closing inventory and other[2]	**(10.4)**	**-**			
Cost of sales for purposes of unit cost calculation	**93.8**	**3.3**			
Sales volume for the period	**9.9**	**159**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	**$ 9.48**	**$ 21.41**			
Unit operating cost (US$ per pound) (NDCC)[5]	**$ 7.00**				

$ millions, except unit cost and sales volume, for the three months ended December 31					2021
	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 142.7	$ 7.0	$ 11.2	$ (118.3)	$ 42.6
Less:					
Depletion, depreciation and amortization in cost of sales	(13.2)	(4.0)			
	129.5	3.0			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(66.5)	-			
Third-party finished nickel cost	(13.7)	-			
Impact of opening/closing inventory and other[2]	(7.7)	-			
Cost of sales for purposes of unit cost calculation	41.6	3.0			
Sales volume for the period	9.2	130			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	$ 4.53	$ 22.72			
Unit operating cost (US$ per pound) (NDCC)[5]	$ 3.60				

$ millions, except unit cost and sales volume, for the year ended December 31					2022
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	**$ 576.6**	**$ 24.1**	**$ 56.5**	**$ (494.6)**	**$ 162.6**
Less:					
Depletion, depreciation and amortization in cost of sales	**(53.8)**	**(13.1)**			
	522.8	**11.0**			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	**(264.0)**	**-**			
Impact of opening/closing inventory and other(2)	**(24.9)**	**-**			
Cost of sales for purposes of unit cost calculation	**233.9**	**11.0**			
Sales volume for the period	**35.0**	**568**			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(3)(4)	**$ 6.68**	**$ 19.39**			
Unit operating cost (US$ per pound) (NDCC)(5)	**$ 5.14**				

$ millions, except unit cost and sales volume, for the year ended December 31					2021
	Moa JV and Fort Site	Power	Other(1)	Adjustment for Moa Joint Venture	Total
Cost of sales per financial statements	$ 451.4	$ 26.1	$ 45.5	$ (382.0)	$ 141.0
Less:					
Depletion, depreciation and amortization in cost of sales	(53.8)	(15.7)			
	397.6	10.4			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(192.2)	-			
Third-party finished nickel cost	(13.7)				
Impact of opening/closing inventory and other(2)	(14.5)	-			
Impairment on assets	-	-			
Cost of sales for purposes of unit cost calculation	177.2	10.4			
Sales volume for the period	34.4	450			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost(3)(4)	$ 5.15	$ 23.06			
Unit operating cost (US$ per pound) (NDCC)(5)	$ 4.11				

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

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

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

Management uses these measures internally and believes that they provide investors with performance measures with which to assess the Corporation's core operations by adjusting for items or transactions that are not reflective of its core operating activities.

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

			2022		2021
For the three months ended December 31		**$ millions**	**$/share**	$ millions	$/share
Net (loss) earnings from continuing operations	$	**(7.3)** $	**(0.02)** $	14.4 $	0.04
Adjusting items:					
Sherritt - Unrealized foreign exchange loss (gain) - continuing operations		**4.1**	**0.01**	(1.4)	-
Corporate - Gain on repurchase of notes		**(7.1)**	**(0.02)**	-	-
Corporate - Transaction finance charges on repurchase of notes		**1.1**	**-**	-	-
Corporate - Severance and other contractual benefits expense		**-**	**-**	0.6	-
Corporate - Unrealized losses on commodity put options		**-**	**-**	(2.2)	(0.01)
Corporate - Realized loss on commodity put options		**-**	**-**	2.3	0.01
Moa Joint Venture - Inventory obsolescence		**1.6**	**0.01**	0.5	-
Fort Site - Inventory obsolescence		**0.6**	**-**	-	-
Oil and Gas - Impairment of intangible assets		**1.3**	**0.01**	-	-
Oil and Gas and Power - Trade accounts receivable, net ACL revaluation		**-**	**-**	0.7	-
Oil and Gas and Power - Gain on modification of Cuban receivables		**(4.0)**	**(0.01)**	-	-
Power - Revaluation of Energas payable		**4.0**	**0.01**	-	-
Power - Revaluation of GNC receivable		**(2.4)**	**(0.01)**	-	-
Other(1)		**-**	**-**	0.1	-
Total adjustments, before tax	**$**	**(0.8) $**	**-** $	0.6 $	-
Tax adjustments		**0.6**	**-**	(0.2)	-
Adjusted net (loss) earnings from continuing operations	**$**	**(7.5) $**	**(0.02)** $	14.8 $	0.04

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

For the year ended December 31		2022 $ millions		2022 $/share		2021 $ millions		2021 $/share
Net earnings (loss) from continuing operations	$	**63.7**	$	**0.16**	$	(13.4)	$	(0.03)
Adjusting items:								
Sherritt - Unrealized foreign exchange gain - continuing operations		**(5.4)**		**(0.01)**		(4.7)		(0.01)
Corporate - Gain on repurchase of notes		**(20.9)**		**(0.06)**		(2.1)		(0.01)
Corporate - Transaction finance charges on repurchase of notes		**2.3**		**0.01**		-		-
Corporate - Severance and other contractual benefits expense		**-**		**-**		6.1		0.02
Corporate - Unrealized losses on commodity put options		**(0.9)**		**-**		0.8		-
Corporate - Realized losses on commodity put options		**0.9**		**-**		4.8		0.01
Moa Joint Venture - Inventory obsolescence		**2.1**		**0.01**		1.8		0.01
Fort Site - Inventory obsolescence		**0.6**		**-**		1.2		-
Oil and Gas - Gain on disposal of PP&E		**(1.3)**		**-**		(1.2)		-
Oil and Gas - Impairment of intangible assets		**1.3**		**-**		-		-
Oil and Gas - Realized foreign exchange gain due to Cuban currency unification		**-**		**-**		(10.0)		(0.03)
Oil and Gas and Power - Trade accounts receivable, net ACL revaluation		**0.4**		**-**		0.8		-
Oil and Gas and Power - Gain on modification of Cuban receivables		**(4.0)**		**(0.01)**		-		-
Power - Energas conditional sales agreement ACL revaluation(1)		**49.0**		**0.12**		2.7		0.01
Power - Revaluation of Energas payable		**4.0**		**0.01**		-		-
Power - Revaluation of GNC receivable		**(2.4)**		**(0.01)**		-		-
Other(2)		**-**		**-**		(0.3)		-
Total adjustments, before tax	$	**25.7**	$	**0.06**	$	(0.1)	$	-
Tax adjustments		**(1.0)**		**-**		(0.4)		-
Adjusted net earnings (loss) from continuing operations	$	**88.4**	$	**0.22**	$	(13.9)	$	(0.03)

(1) Primarily related to a non-cash loss on revaluation of the ACL on the Energas CSA receivable as a result of the Cobalt Swap signed by the Corporation during the year, in part, due to the suspension of interest over the five-year period of the agreement.

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

Combined spending on capital

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

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

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

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

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

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

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

$ millions, for the year ended December 31	Moa JV and Fort Site	Power	Other(1)	Combined total	Adjustment for Moa Joint Venture	2021 Total derived from financial statements
Property, plant and equipment expenditures(2)	$ 34.0	$ 0.1	$ 0.9	$ 35.0	$ (25.1)	$ 9.9
Intangible asset expenditures(2)	-	-	0.8	0.8	-	0.8
	34.0	0.1	1.7	35.8	$ (25.1)	$ 10.7
Adjustments:						
Accrual adjustment	3.7	-	(0.7)	3.0		
Spending on capital	$ 37.7	$ 0.1	$ 1.0	$ 38.8		

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

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

Combined free cash flow

The Corporation defines free cash flow for each segment as cash provided (used) by continuing operations for operating activities, less cash expenditures on property, plant and equipment and intangible assets, including exploration and evaluation assets. The Moa Joint Venture and Fort Site segment's free cash flow includes the Fort Site's free cash flow, plus the Corporation's 50% share of the Moa Joint Venture's free cash flow, which is accounted for using the equity method for accounting purposes. The Corporate segment's cash used by continuing operations for operating activities is adjusted to exclude distributions received from Moa Joint Venture.

Combined free cash flow is the aggregate of each segment's free cash flow or the Corporation's consolidated cash provided (used) by continuing operations for operating activities, less consolidated cash expenditures on property, plant and equipment and intangible assets, including exploration and evaluation assets, less distributions received from Moa Joint Venture, plus cash provided (used) by continuing operations for operating activities for the Corporation's 50% share of the Moa Joint Venture, less cash expenditures on property, plant and equipment and intangible assets for the Corporation's 50% share of the Moa Joint Venture. Distributions from the Moa Joint Venture excluded from Corporate cash used by continuing operations for operating activities are included in the Adjustment for Moa Joint Venture to arrive at total cash provided (used) by continuing operations for operating activities per the financial statements.

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

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

$ millions, for the three months ended December 31									**2022**
	Moa JV and Fort Site(1)	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities(2)	**$ 85.7**	**$ (4.1)**	**$ (1.7)**	**$ 13.5**	**$ (4.5)**	**$ (19.9)**	**$ 69.0**	**$ (28.7)**	**$ 40.3**
Less:									
Property, plant and equipment expenditures	**(23.9)**	**-**	**-**	**(1.5)**	**-**	**(0.2)**	**(25.6)**	**15.9**	**(9.7)**
Intangible expenditures	**-**	**-**	**(0.2)**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Free cash flow	**$ 61.8**	**$ (4.1)**	**$ (1.9)**	**$ 12.0**	**$ (4.5)**	**$ (20.1)**	**$ 43.2**	**$ (12.8)**	**$ 30.4**

$ millions, for the three months ended December 31									2021
	Moa JV and Fort Site(1)	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities(2)	$ 8.9	$ (3.2)	$ 2.3	$ 0.8	$ (3.6)	$ (22.5)	$ (17.3)	$ 3.9	$ (13.4)
Less:									
Property, plant and equipment expenditures	(8.3)	-	-	(0.1)	-	(0.5)	(8.9)	6.2	(2.7)
Intangible expenditures	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Free cash flow	$ 0.6	$ (3.2)	$ 2.1	$ 0.7	$ (3.6)	$ (23.0)	$ (26.4)	$ 10.1	$ (16.3)

$ millions, for the year ended December 31									2022
	Moa JV and Fort Site[3]	Metals Other	Oil and Gas	Power	Technol- ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities[4]	**$ 177.1**	**$ (5.5)**	**$ (3.9)**	**$ 37.4**	**$ (15.1)**	**$ (54.6)**	**$ 135.4**	**$ (45.1)**	**$ 90.3**
Less:									
Property, plant and equipment expenditures	**(64.2)**	**-**	**(0.1)**	**(5.1)**	**-**	**(0.1)**	**(69.5)**	**41.8**	**(27.7)**
Intangible expenditures	**-**	**-**	**(0.8)**	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Free cash flow	**$ 112.9**	**$ (5.5)**	**$ (4.8)**	**$ 32.3**	**$ (15.1)**	**$ (54.7)**	**$ 65.1**	**$ (3.3)**	**$ 61.8**

$ millions, for the year ended December 31									2021
	Moa JV and Fort Site[3]	Metals Other	Oil and Gas	Power	Technol- ogies	Corporate	**Combined total**	Adjustment for Moa Joint Venture	**Total derived from financial statements**
Cash provided (used) by continuing operations for operating activities[4]	$ 90.5	$ 5.0	$ 4.2	$ 18.1	$ (12.4)	$ (55.1)	$ 50.3	$ (49.0)	$ 1.3
Less:									
Property, plant and equipment expenditures	(34.0)	-	(0.2)	(0.1)	-	(0.7)	(35.0)	25.1	(9.9)
Intangible expenditures	-	-	(0.8)	-	-	-	(0.8)	-	(0.8)
Free cash flow	$ 56.5	$ 5.0	$ 3.2	$ 18.0	$ (12.4)	$ (55.8)	$ 14.5	$ (23.9)	$ (9.4)

(1) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was $15.9 million and $8.0 million, respectively, for the three months ended December 31, 2022 (December 31, 2021 - $6.2 million and $2.1 million, respectively).

(2) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $85.8 million and $(0.1) million, respectively, for the three months ended December 31, 2022 (December 31, 2021 - $(3.8) million and $12.7 million, respectively).

(3) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was $41.8 million and $22.4 million, respectively, for the year ended December 31, 2022 (December 31, 2021 - $25.1 million and $8.9 million, respectively).

(4) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $145.8 million and $31.3 million, respectively, for the year ended December 31, 2022 (December 31, 2021 - $85.0 million and $5.5 million, respectively).

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “potential”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements regarding strategies, plans and estimated production amounts resulting from expansion of mining operations at the Moa Joint Venture, growing and increasing nickel and cobalt production, optimizing mine planning and performance, extending the Moa life of mine and completing the economic cut-off grade development, updating technical reports including the timing of release of a new NI 43-101 report, conversion of mineral resources to reserves, expansion project update as it relates to the Slurry Preparation Plant and Moa Processing, the purchase of secured second lien and junior notes, commercializing Technologies projects and growing shareholder value; statements set out in the “Outlook” section of this MD&A and certain expectations regarding production volumes and increases, inventory levels, operating costs and capital spending and intensity; sales volumes; revenue, costs and earnings; supply, demand and pricing outlook in the nickel, cobalt and fertilizer markets; the availability of additional gas supplies to be used for power generation; 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 and intention to recover outstanding receivables under the Cobalt Swap, including liability amounts at the implementation date, the anticipated end of historical repayment uncertainty, the anticipated repayment of all outstanding receivables through dividends, including in the form of finished cobalt or cash; and the timing, and amount of cobalt dividend distributions; distributions from the Corporation’s Moa Joint Venture in general; future receipts under the Moa Swap agreement; the anticipated second lien secured notes becoming due in 2026; the impact of the U.S. sanctions on Cuba; anticipated economic conditions in Cuba; sufficiency of working capital management and capital project funding; strengthening the Corporation’s capital structure and 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; environmental risks and liabilities; compliance with applicable environmental laws and regulations; risks related to the U.S. government policy toward Cuba; and certain corporate objectives, goals and plans for 2023. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that the assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this MD&A not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, security market fluctuations and price volatility; level of liquidity and the related ability of the Moa Joint Venture to pay dividends; access to capital; access to financing; the risk to Sherritt’s entitlements to future distributions (including pursuant to the Cobalt Swap) from the Moa Joint Venture, the impact of 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; risks related to Sherritt’s operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; political, economic and other risks of foreign operations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; risks relating to community relations; maintaining social license to grow and operate; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; risks to information technologies systems and cybersecurity; identification and management of growth opportunities; the ability to replace depleted mineral reserves; risk of future non-compliance with debt restrictions and covenants; 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; potential interruptions in transportation; uncertainty of gas supply for electrical generation; 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 the Corporation’s corporate structure; risks associated with the operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; legal contingencies; risks related to the Corporation’s accounting policies; uncertainty in the ability of the Corporation to obtain government permits; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2023; and the ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents.

The Corporation, together with its Moa Joint Venture is pursuing a range of growth and expansion opportunities, including without limitation, process technology solutions, development projects, commercial implementation opportunities, life of mine extension opportunities and the conversion of mineral resources to reserves. In addition to the risks noted above, factors that could, alone or in combination, prevent the Corporation from successfully achieving these opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, , procurement, construction, commissioning, ramp-up to commercial scale production and completion; and securing regulatory and government approvals. There can be no assurance that any opportunity will be successful, commercially viable, completed on time or on budget, or will generate any meaningful revenues, savings or earnings, as the case may be, for the Corporation. In addition, the Corporation will incur costs in pursuing any particular opportunity, which may be significant. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the Annual Information Form of the Corporation dated March 24, 2022 for the period ending December 31, 2021, which is available on SEDAR at www.sedar.com.

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

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2022 and 2021

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management's report

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

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

The consolidated financial statements are approved by the Board of Directors on the recommendation of the Audit Committee. The Audit Committee of the Board of Directors is composed entirely of independent directors. Sherritt's consolidated financial statements are reviewed by the Audit Committee with management before the consolidated financial statements are approved by the Board of Directors. In addition, the Audit Committee has the duty to review the accounting principles and practices applied and followed by the Corporation during the fiscal year, including critical accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management. Deloitte LLP ("Deloitte") performs an audit of the consolidated financial statements, the results of which are reflected in their independent auditor's report for 2022 included on the next page. Deloitte has full and independent access to the Audit Committee to discuss their audit and related matters. In addition, Sherritt has an internal audit function that evaluates and formally reports to management and the Audit Committee on the adequacy and effectiveness of internal controls specified in the approved annual internal audit plan.

/s/ Leon Binedell

Leon Binedell
President and Chief Executive Officer

/s/ Yasmin Gabriel

Yasmin Gabriel
Chief Financial Officer

February 8, 2023

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of Sherritt International Corporation

Opinion

We have audited the consolidated financial statements of Sherritt International Corporation (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flow for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Whether Indicators of Impairment Exist – Refer to Notes 2, 3 and 14 of the Financial Statements

Key Audit Matter Description

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

While there are several inputs that are required to determine whether or not an indicator of impairment exists, the judgments with the highest degree of subjectivity are the inputs to the Corporation's market capitalization deficiency assessment (specifically, control premiums, industry-specific factors and corporation-specific factors), future commodity prices (nickel and cobalt), future foreign exchange rates and the discount rates. Auditing these judgments required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of valuation specialists.

How the Key Audit Matter Was Addressed in the Audit

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

- Performed an assessment of the market capitalization to the carrying value of the cash generating units ("CGUs") which included assessing control premiums, industry-specific factors, and corporation-specific factors;

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 8, 2023

Consolidated statements of comprehensive income (loss)

Canadian $ millions, except per share amounts, for the years ended December 31	Note		**2022**		2021
Revenue	5	**$**	**178.8**	$	110.2
Cost of sales	6		**(162.7)**		(141.0)
Administrative expenses	6		**(36.9)**		(47.2)
Impairment of intangible assets	14		**(1.3)**		-
Share of earnings of Moa Joint Venture, net of tax	7		**140.8**		86.5
Earnings from operations and joint venture			**118.7**		8.5
Interest income on financial assets measured at amortized cost	8		**12.0**		15.4
Revaluation of allowances for expected credit losses	8		**(49.4)**		(3.5)
Other financing items	8		**20.6**		(2.4)
Financing expense	8		**(38.6)**		(30.3)
Net finance expense			**(55.4)**		(20.8)
Earnings (loss) before income tax			**63.3**		(12.3)
Income tax recoveries (expense)	9		**0.4**		(1.1)
Net earnings (loss) from continuing operations			**63.7**		(13.4)
Loss from discontinued operations, net of tax			**(0.2)**		(5.0)
Net earnings (loss) for the year		**$**	**63.5**	$	(18.4)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations, net of tax (nil and nil, respectively)	20		**45.8**		(4.3)
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains on pension plans, net of tax (nil and nil, respectively)	20		**0.6**		0.8
Other comprehensive income (loss)			**46.4**		(3.5)
Total comprehensive income (loss)		**$**	**109.9**	$	(21.9)
Net earnings (loss) from continuing operations per common share:					
Basic and diluted	10	**$**	**0.16**	$	(0.03)
Net earnings (loss) per common share:					
Basic and diluted	10	**$**	**0.16**	$	(0.05)

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

Consolidated statements of financial position

Canadian $ millions, as at	Note	2022 December 31	2021 December 31
ASSETS			
Current assets			
Cash and cash equivalents	11	**$ 123.9**	$ 145.6
Restricted cash		**1.4**	1.3
Advances, loans receivable and other financial assets	12	**74.8**	18.1
Trade accounts receivable, net	11	**186.4**	190.7
Inventories	13	**37.7**	30.3
Prepaid expenses		**5.1**	4.0
		429.3	390.0
Non-current assets			
Investment in Moa Joint Venture	7	**756.0**	642.4
Advances, loans receivable and other financial assets	12	**207.1**	190.2
Property, plant and equipment	14	**148.6**	150.9
Intangible assets	14	**13.8**	24.3
Other non-financial assets		**0.8**	0.2
		1,126.3	1,008.0
Total assets		**$ 1,555.6**	$ 1,398.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	15	**$ 46.5**	$ -
Trade accounts payable and accrued liabilities		**209.7**	196.0
Other financial liabilities	15	**81.8**	7.4
Deferred revenue		**12.9**	14.4
Provisions	16	**15.7**	3.2
Income taxes payable		**1.0**	0.9
		367.6	221.9
Non-current liabilities			
Loans and borrowings	15	**304.4**	444.5
Other financial liabilities	15	**88.4**	33.5
Other non-financial liabilities		**9.4**	6.7
Provisions	16	**90.5**	104.8
Deferred income taxes	9	**0.4**	1.6
		493.1	591.1
Total liabilities		**860.7**	813.0
Shareholders' equity			
Capital stock	20	**2,894.9**	2,894.9
Deficit		**(2,835.0)**	(2,898.5)
Reserves	20	**233.4**	233.4
Accumulated other comprehensive income	20	**401.6**	355.2
		694.9	585.0
Total liabilities and shareholders' equity		**$ 1,555.6**	$ 1,398.0

Commitments for expenditures (note 18)

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

Approved by the Board of Directors,

/s/ Lisa Pankratz

Lisa Pankratz
Director

/s/ Sir Richard Lapthorne

Sir Richard Lapthorne
Director

Consolidated statements of cash flow

Canadian $ millions, for the years ended December 31	Note	2022	2021
Operating activities			
Net earnings (loss) from continuing operations		**$ 63.7**	$ (13.4)
Add (deduct):			
Depletion, depreciation and amortization	5, 6	**26.0**	35.0
Share-based compensation expense	6	**17.5**	13.9
Share of earnings of Moa Joint Venture, net of tax	7	**(140.8)**	(86.5)
Impairment of intangible assets	14	**1.3**	-
Net finance expense	8	**55.4**	20.8
Income tax expense (recoveries)	9	**(0.4)**	1.1
Net change in non-cash working capital	19	**(10.6)**	24.7
Interest received	19	**2.8**	5.6
Interest paid	19	**(32.0)**	(32.7)
Income taxes paid		**(0.6)**	(2.1)
Distributions received from Moa Joint Venture	7	**100.6**	35.9
Share-based compensation payments		**(5.8)**	(1.7)
Other operating items	19	**13.2**	0.7
Cash provided by continuing operations		**90.3**	1.3
Cash used by discontinued operations		**(1.6)**	(5.7)
Cash provided (used) by operating activities		**88.7**	(4.4)
Investing activities			
Property, plant and equipment expenditures	5	**(27.7)**	(9.9)
Intangible asset expenditures	5	**(0.8)**	(0.8)
Receipts of advances, loans receivable and other financial assets		**3.8**	0.8
Net proceeds from sale of property, plant and equipment		**1.3**	-
Cash used by continuing operations		**(23.4)**	(9.9)
Cash used by investing activities		**(23.4)**	(9.9)
Financing activities			
Repurchase of notes	15	**(125.2)**	(4.6)
Repayment of other financial liabilities		**(2.9)**	(1.5)
Increase in loans, borrowings and other financial liabilities	15	**37.0**	-
Fees paid on repurchase of notes	8	**(2.2)**	(0.2)
Fees paid on syndicated revolving-term credit facility amendment	15	**-**	(0.6)
Cash used by continuing operations		**(93.3)**	(6.9)
Cash used by financing activities		**(93.3)**	(6.9)
Effect of exchange rate changes on cash and cash equivalents		**6.3**	(0.6)
Decrease in cash and cash equivalents		**(21.7)**	(21.8)
Cash and cash equivalents at beginning of the year		**145.6**	167.4
Cash and cash equivalents at end of the year	11	**$ 123.9**	$ 145.6

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

Consolidated statements of changes in shareholders' equity

Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2020		**$ 2,894.9**	**$ (2,880.1)**	**$ 233.3**	**$ 358.7**	**$ 606.8**
Total comprehensive (loss) income:						
Net loss for the year		-	(18.4)	-	-	(18.4)
Foreign currency translation differences on foreign operations, net of tax	20	-	-	-	(4.3)	(4.3)
Actuarial gains on pension plans, net of tax	20	-	-	-	0.8	0.8
		-	(18.4)	-	(3.5)	(21.9)
Stock option plan expense	20	-	-	0.1	-	0.1
Balance as at December 31, 2021		**2,894.9**	**(2,898.5)**	**233.4**	**355.2**	**585.0**
Total comprehensive income:						
Net earnings for the year		-	63.5	-	-	63.5
Foreign currency translation differences on foreign operations, net of tax	20	-	-	-	45.8	45.8
Actuarial gains on pension plans, net of tax	20	-	-	-	0.6	0.6
		-	63.5	-	46.4	109.9
Balance as at December 31, 2022		**$ 2,894.9**	**$ (2,835.0)**	**$ 233.4**	**$ 401.6**	**$ 694.9**

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

Notes to the consolidated financial statements

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

The Corporation is domiciled in Ontario, Canada and its registered office is 22 Adelaide Street West, Toronto, Ontario, M5H 4E3. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Sherritt on February 8, 2023. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). All financial information is presented in Canadian dollars rounded to the nearest hundred thousand, except as otherwise noted. References to "US$" are to United States (U.S.) dollars, to "CUP" are to Cuban pesos and to "€" are to euro.

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

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

2.2 Principles of consolidation

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

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

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

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

Subsidiaries

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

Joint arrangements

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

2.3 Foreign currency translation

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

Translation of foreign entities

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

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

Translation of transactions and balances

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

- Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recognized within financing expense in the consolidated statements of comprehensive income (loss);

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

2.4 Consolidated statements of cash flow

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

2.5 Segmented information

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

Reportable segments

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

- The Moa JV and Fort Site segment is composed of mining, processing and refining activities of nickel and cobalt for the Corporation's 50% interest in the Moa Joint Venture in Cuba and Canada, which is accounted for using the equity method of accounting, and the production and sale of agricultural fertilizers for its 100% interest in the utility and fertilizer operations in Fort Saskatchewan;
- The Metals Other segment is composed of the Corporation's two wholly-owned subsidiaries established to buy, market and sell certain of Moa Joint Venture's nickel and cobalt production;
- The Oil and Gas segment is composed of the oil and gas operations in Cuba and Spain, as well as the exploration and development of oil and gas in Cuba;
- The Power segment represents the power operations in Cuba, including the Corporation's one-third interest in Energas, which construct and operate power generation facilities that provide electricity in Cuba;
- The Technologies segment represents the Corporation's technology business which provides technical support, process optimization and technology development services to the Moa Joint Venture, Fort Site operations and third parties and identifies opportunities for the Corporation to commercialize its research and development for natural resource-based industries; and
- The Corporate segment represents overall management and general corporate activities related to public companies, including management of cash, cash equivalents and publicly-traded debt.

2.6 Revenue recognition

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

Moa JV and Fort Site

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

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

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

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

Oil and Gas

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

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

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

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

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

Power

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

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

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

2.7 Joint arrangements

Investment in Moa Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. The Moa Joint Venture is recognized as an investment in a joint venture and accounted for using the equity method of accounting as follows:

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

Joint operation

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

Assessment for impairment of the investment in a joint venture

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

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

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

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

2.8 Income taxes

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

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

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

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

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

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

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

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

2.9 Discontinued operations

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

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

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

2.10 Government grants

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

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

2.11 Financial instruments

Classification and measurement of financial instruments

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

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

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

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

Financial assets measured at amortized cost:

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

Financial assets measured at FVOCI:

- Cash equivalents

Financial assets measured at FVPL:

- GNC receivable
- Commodity put options

Financial liabilities designated at FVPL:

- Energas payable

Financial liabilities measured at amortized cost:

- Trade accounts payable and accrued liabilities; loans and borrowings

Financial assets and liabilities, measured at amortized cost

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

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

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

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

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

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

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

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

Derecognition of financial assets and liabilities

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

Modifications of financial instruments

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

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

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

Assessment for impairment of financial assets

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

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

- Stage 1 – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to twelve months expected credit loss is recorded. The ECL is computed using a probability of default occurring over the next twelve months. For instruments with a remaining maturity of less than twelve months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. The lifetime ECL is computed using a probability of default occurring over the remaining life of the financial instrument. When contractual payments are more than 30 days past due, it is presumed that credit risk has increased significantly subsequent to origination unless the Corporation has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since origination.

- Stage 3 – Financial instruments that are considered to be in default are included in this stage. The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. Similar to Stage 2, the ACL captures the lifetime ECL. When contractual payments are more than 90 days past due, it is presumed that default has occurred unless the Corporation has reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate.

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

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

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

Financial instrument measurement hierarchy

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

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

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

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

2.12 Inventories

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

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

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

2.13 Non-financial assets

Property, plant and equipment

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

Plant and equipment

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

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

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

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

Right-of-use assets – Plant and equipment

The Corporation recognizes a right-of-use asset if a contract is or contains a lease based on the definition of a lease. Right-of-use assets – plant and equipment include the underlying assets in leases for office space; machinery and equipment; and computer and telecommunications hardware. The Corporation's accounting policies for leases in accordance with IFRS 16 are described in note 2.16.

Oil and Gas properties

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

Capitalization of borrowing costs

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

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

Derecognition

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

Intangible assets

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

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

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

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

Exploration and evaluation

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

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

Service concession arrangements

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

Through its interest in Energas, the Corporation has been contracted to design, construct and operate electrical generating facilities at Boca de Jaruco and Puerto Escondido, Cuba, on behalf of the Cuban government. The sale price of electricity is contractually fixed, but decreases after loans provided by the Corporation to fund the construction are fully repaid. Ownership of these facilities will be transferred to the Cuban government for nil consideration at the end of the contract term which ends in 2043. Energas bears the demand risk on revenues related to assets covered under service concession arrangements as receipts are based on usage rather than an unconditional right to receive cash. As a result, the Boca de Jaruco and Puerto Escondido assets have been classified as intangible assets and represent the Corporation's right to charge the Government of Cuba for future electricity and by-products delivered.

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

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

Amortization

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

Service concession arrangements	20 years(1)
Exploration and evaluation	not amortized during development period

(1) Service concession arrangements were amortized over 12 years prior to the twenty-year extension of the Energas Joint Venture contract with the Cuban government during the year ended December 31, 2022. As a result of the extension, the estimated useful lives of the service concession arrangements were extended by 20 years (note 14).

Assessment for impairment of non-financial assets

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

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

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

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

Impairment of exploration and evaluation expenditures at Oil and Gas

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

2.14 Provisions

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

Environmental rehabilitation

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

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

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

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

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

2.15 Share-based compensation plans

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

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

The fair value of the RSU liability at the date of grant and at each subsequent reporting date until settlement is based on the market value of the Corporation’s shares. If the Corporation’s share price changes between reporting dates, then the fair value of the RSU liability is adjusted and an offsetting expense or recovery is recognized in the consolidated statements of comprehensive income (loss). The adjusted fair value of the RSU liability is then amortized over the remaining vesting period.

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

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

The fair value of the liability of the Options with Tandem SARs is determined based on the application of the Black-Scholes option valuation model at the date granted and subsequently re-measured each reporting date based on the market value of the Corporation’s shares and management’s estimate of the number of shares expected to vest.

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

2.16 Leases

At inception of a contract, the Corporation assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Corporation as a lessee

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises: the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; less, any lease incentives received; plus, any initial direct costs incurred; plus, an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful life of the underlying asset is determined on the same basis as that of property, plant and equipment. The lease term is the non-cancellable period of a lease, including periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option. The carrying amount of the right-of-use asset is periodically reduced by impairment losses when an impairment indicator is present and an impairment loss is identified, if any, and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Generally, the Corporation uses the lessee’s incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a lease modification, a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation’s estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Corporation. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of comprehensive income (loss) if the carrying amount of the right-of-use asset is zero. When a lease modification results in a decrease in scope, the carrying amount of the right-of-use asset is reduced on remeasurement and any gains or losses are recognized in the consolidated statements of comprehensive income (loss).

The Corporation presents right-of-use assets in property, plant and equipment and lease liabilities in other financial liabilities in the consolidated statements of financial position.

Non-lease components

The Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for all classes of assets.

Leases of intangible assets

The Corporation, as a lessee, elected not to apply IFRS 16 to leases of intangible assets. Intangible assets are accounted for in accordance with IAS 38 Intangible Assets.

Short-term leases and leases of low-value assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense in the consolidated statements of comprehensive income (loss) on a straight-line basis over the lease term.

Corporation as a lessor

When the Corporation acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Corporation is an intermediate lessor, it accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Corporation applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue presented in revenue in the consolidated statements of comprehensive income (loss).

Revenue is recognized over the lease term of a finance lease. The present value of the lease payments is recognized as a finance lease receivable presented in advances, loans receivable and other financial assets in the consolidated statements of financial position. The difference between the gross finance lease receivable and the present value of the lease payments is initially recognized as unearned interest and presented as a deduction to the gross finance lease receivable. Interest income is recognized in the consolidated statements of comprehensive income (loss) over the lease term to reflect a constant periodic rate of return on the Corporation's net investment in the lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. These estimates and judgments are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from estimates. The critical accounting estimates and judgments the Corporation has made, and how they affect the amounts reported in the consolidated financial statements, are incorporated in this section.

Critical accounting estimates

Measurement of the allowance for expected credit losses

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

Measuring the fair value of the GNC receivable and Energas payable

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

Property, plant and equipment

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

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

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

Environmental rehabilitation provision costs

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

Environmental rehabilitation provision discount rates

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

Critical accounting judgments

Interests in other entities

The Corporation applies judgment in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Corporation; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Corporation has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Corporation has determined that Energas represents a joint operation, while the Moa Joint Venture represents a joint venture as described in IFRS 11, “Joint Arrangements”. All other interests in other entities have been determined to be subsidiaries as described in IFRS 10, “Consolidated Financial Statements”.

Measuring the recoverable amount of the Corporation’s investment in the Moa Joint Venture

The Corporation accounts for its investment in the Moa Joint Venture using the equity method. The Corporation assesses the carrying amount of the Moa Joint Venture at each reporting date to determine whether there are any indicators that the carrying amount may be impaired.

For purposes of determining the recoverable amount, management calculates the net present value of expected future cash flows. Projections of future cash flows are based on factors relevant to the investment’s operations and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. The determination of the recoverable amount involves a detailed review of the investment’s life of mine model and the determination of weighted average cost of capital among other critical factors.

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

Determination of reportable segments

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

Cash flow characteristics assessment

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

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

Exploration and evaluation

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

Service concession arrangements

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

Assessment for impairment of non-financial assets

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

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

For purposes of determining fair value, management assesses the recoverable amount of the asset using the higher of value-in-use and fair value less cost to sell and an appropriate discount rate. Projections of future cash flows are based on factors relevant to the asset and could include estimated recoverable production, commodity or contracted prices, foreign exchange rates, production levels, cash costs of production, capital and reclamation costs. Projections inherently require assumptions and judgments to be made about each of the factors affecting future cash flows. Changes in any of these assumptions or judgments could result in a significant difference between the carrying amount and fair value of these assets. In the event that management’s estimate of future cash flows is not representative of actual events, impairments may be identified, which could have a material impact on the Corporation’s consolidated financial statements. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Measuring the fair value of the GNC receivable and Energas payable

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

4. ACCOUNTING PRONOUNCEMENTS

Adoption of new and amended accounting pronouncements

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

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

The amendments apply for annual periods beginning on or after January 1, 2022. Effective January 1, 2022, the Corporation adopted these requirements. The application of this amendment did not have an impact on the Corporation's consolidated financial statements.

Accounting pronouncements issued but not yet effective

The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation's consolidated financial statements.

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

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

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

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

The amendments apply for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The application of this amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

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

In October 2022, the IASB finalised issuance of Classification of Liabilities as Current or Non-Current, which made amendments to IAS 1 Presentation of Financial Statements. The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. Classification is unaffected by the expectations that the Corporation will exercise its right to defer settlement of a liability. Lastly, the amendment clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

5. SEGMENTED INFORMATION

Canadian $ millions, for the year ended December 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustments for Moa Joint Venture[1]	Total
								2022
Revenue[2]	**$ 786.8**	**$ 8.3**	**$ 16.2**	**$ 37.1**	**$ 1.8**	**$ 0.7**	**$ (672.1)**	**$ 178.8**
Cost of sales	**(577.0)**	**(10.8)**	**(28.7)**	**(24.2)**	**(16.6)**	**-**	**494.6**	**(162.7)**
Administrative expenses	**(9.6)**	**0.2**	**(2.5)**	**(4.2)**	**-**	**(28.1)**	**7.3**	**(36.9)**
Impairment of Oil assets	**-**	**-**	**(1.3)**	**-**	**-**	**-**	**-**	**(1.3)**
Share of earnings of Moa Joint Venture, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**140.8**	**140.8**
Earnings (loss) from operations and joint venture	**200.2**	**(2.3)**	**(16.3)**	**8.7**	**(14.8)**	**(27.4)**	**(29.4)**	**118.7**
Interest income on financial assets measured at amortized cost								**12.0**
Revaluation of allowances for expected credit losses								**(49.4)**
Other financing items								**20.6**
Financing expense								**(38.6)**
Net finance expense								**(55.4)**
Earnings before income tax								**63.3**
Income tax recovery								**0.4**
Net earnings from continuing operations								**63.7**
Loss from discontinued operations, net of tax								**(0.2)**
Net earnings for the year								**$ 63.5**
Supplementary information								
Depletion, depreciation and amortization	**$ 53.8**	**$ 0.1**	**$ 0.8**	**$ 13.6**	**$ 0.1**	**$ 1.1**	**$ (43.5)**	**$ 26.0**
Property, plant and equipment expenditures	**64.2**	**-**	**0.1**	**5.1**	**-**	**0.1**	**(41.8)**	**27.7**
Intangible asset expenditures	**-**	**-**	**0.8**	**-**	**-**	**-**	**-**	**0.8**

Canadian $ millions, as at December 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustments for Moa Joint Venture[1]	Total
								2022
Non-current assets[3]	**$ 639.1**	**$ 0.4**	**$ 8.1**	**$ 15.4**	**$ 0.8**	**$ 6.0**	**$ (507.4)**	**$ 162.4**
Total assets	**1,067.7**	**131.9**	**25.9**	**415.3**	**1.8**	**28.0**	**(115.0)**	**1,555.6**

Canadian $ millions, for the year ended December 31	Moa JV and Fort Site	Metals Other	Oil and Gas	Power	Technologies	Corporate	Adjustments for Moa Joint Venture(1)	2021 Total
Revenue(2)	$ 560.6	$ 6.8	$ 15.6	$ 28.3	$ 0.6	$ 0.9	$ (502.6)	$ 110.2
Cost of sales	(451.4)	(9.0)	(23.0)	(26.1)	(13.5)	-	382.0	(141.0)
Administrative expenses	(10.9)	0.2	(4.2)	(2.8)	-	(36.5)	7.0	(47.2)
Share of earnings of Moa Joint Venture, net of tax	-	-	-	-	-	-	86.5	86.5
Earnings (loss) from operations and joint venture	98.3	(2.0)	(11.6)	(0.6)	(12.9)	(35.6)	(27.1)	8.5
Interest income on financial assets measured at amortized cost								15.4
Revaluation of allowances for expected credit losses								(3.5)
Other financing items								(2.4)
Financing expense								(30.3)
Net finance expense								(20.8)
Loss before income tax								(12.3)
Income tax expense								(1.1)
Net loss from continuing operations								(13.4)
Loss from discontinued operations, net of tax								(5.0)
Net loss for the year								$ (18.4)
Supplementary information								
Depletion, depreciation and amortization	$ 54.0	$ 0.2	$ 6.7	$ 15.7	$ 0.1	$ 1.1	$ (42.8)	$ 35.0
Property, plant and equipment expenditures	34.0	-	0.2	0.1	-	0.7	(25.1)	9.9
Intangible asset expenditures	-	-	0.8	-	-	-	-	0.8

Canadian $ millions, as at December 31								2021
Non-current assets(3)	$ 626.9	$ 0.5	$ 12.5	$ 19.2	$ 0.9	$ 7.1	$ (491.9)	$ 175.2
Total assets	943.3	125.4	53.1	322.5	1.1	68.2	(115.6)	1,398.0

(1) The Adjustments for Moa Joint Venture reflect the adjustments for the equity-accounted investment in the Moa Joint Venture.

(2) Revenue in the Metals Other segment includes $2.9 million of intersegment revenue, net of elimination, with the Moa JV and Fort Site segment related to marketing of nickel and cobalt for the year ended December 31, 2022 ($2.9 million for the year ended December 31, 2021).

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

Geographic information

Canadian $ millions, as at	**2022 December 31 Non-current assets(1)**	**2022 December 31 Total assets(2)**	2021 December 31 Non-current assets(1)	2021 December 31 Total assets(2)
North America	**$ 142.5**	**$ 373.6**	$ 148.3	$ 400.7
Cuba	**19.8**	**970.4**	26.8	832.5
Madagascar	**-**	**0.6**	-	0.7
Europe	**0.1**	**72.9**	0.1	27.7
Asia	**-**	**58.1**	-	64.8
Other	**-**	**80.0**	-	71.7
	$ 162.4	**$ 1,555.6**	$ 175.2	$ 1,398.0

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

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

Canadian $ millions, for the years ended December 31	**2022 Total revenue(1)**	2021 Total revenue(1)
North America	**$ 125.5**	$ 66.2
Cuba	**37.1**	36.4
Europe	**-**	1.1
Australia	**16.2**	6.5
	$ 178.8	$ 110.2

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

Disaggregation of revenue by product and service type

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

Canadian $ millions, for the years ended December 31		2022		2021
		Total revenue		Total revenue
Fertilizer	**$**	**117.9**	$	60.2
Oil and gas product revenue		**-**		8.3
Oil and gas service revenue		**16.2**		6.5
Power generation[1]		**32.1**		24.3
Other		**12.6**		10.9
	$	**178.8**	$	110.2

(1) Included in power generation revenue for the year ended December 31, 2022 is $25.2 million of revenue from service concession arrangements ($19.1 million for the year ended December 31, 2021).

Deferred revenue primarily relates to payments for fertilizer sales received before shipment in the Moa JV and Fort Site segment. All of the deferred revenue as at December 31, 2021 was recognized during the year ended December 31, 2022.

Significant customers

The Oil and Gas segment derived nil revenue for the year ended December 31, 2022 ($8.0 million for the year ended December 31, 2021) directly and indirectly from agencies of the Government of Cuba.

The Power segment derived $37.1 million of its revenue for the year ended December 31, 2022 ($28.3 million for the year ended December 31, 2021) directly and indirectly from agencies of the Government of Cuba.

The Moa JV and Fort Site segment derived $29.1 million of its revenue for the year ended December 31, 2022 ($17.7 million for the year ended December 31, 2021) from a Fort Site customer that purchases and sells agriculture products.

No other single customer contributed 10% or more to the Corporation's revenue in 2022 or 2021.

6. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the years ended December 31		2022		2021
Employee costs	**$**	**65.1**	$	57.5
Severance		**2.8**		0.6
Depletion, depreciation and amortization of property, plant and equipment and intangible assets		**24.3**		33.4
Raw materials and consumables		**99.2**		63.5
Repairs and maintenance		**43.8**		51.2
Shipping and treatment costs		**2.2**		2.0
Inventory obsolescence		**0.7**		1.1
Loss on environmental rehabilitation provisions		**15.0**		3.1
Share-based compensation expense		**3.7**		1.5
Changes in inventories and other		**(94.1)**		(72.9)
	$	**162.7**	$	141.0

Administrative expenses include the following:

Canadian $ millions, for the years ended December 31		2022		2021
Employee costs	**$**	**18.9**	$	21.7
Severance		**0.2**		6.6
Depreciation		**1.7**		1.6
Share-based compensation expense		**13.8**		12.4
Consulting services and audit fees		**3.2**		3.1
Other		**(0.9)**		1.8
	$	**36.9**	$	47.2

Corporate office workforce reduction and departures

In the prior year, the Corporation completed a corporate office workforce reduction. Administrative expenses for the year ended December 31, 2021 included $1.0 million of severance expense and $0.8 million of accelerated share-based compensation expense related to the May 2021 reduction of 10% of the Corporate office salaried workforce.

In addition to the above, in the prior year, administrative expenses for the year ended December 31, 2021 included $5.1 million of other contractual benefits expense and $4.7 million of accelerated share-based compensation expense related to the departures of the two senior executives in 2021, who were key management personnel.

Administrative expenses for the years ended December 31, 2022 and December 31, 2021 also include $1.0 million and $0.6 million, respectively, of accelerated share-based compensation expense related to the retirement of a senior executive in 2022, who was a member of key management personnel.

Accelerated share-based compensation expense is a result of changes in accounting estimates to reduce the above employees' vesting periods and forfeiture rates for share-based units previously granted.

7. JOINT ARRANGEMENTS

Investment in Moa Joint Venture

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

During the year ended December 31, 2022, the Moa Joint Venture paid distributions of $201.2 million, of which $100.6 million were paid to the Corporation representing its 50% ownership interest ($71.7 million and $35.9 million, respectively, for the year ended December 31, 2021). During the year ended December 31, 2021, General Nickel Company S.A., Sherritt's joint venture partner, redirected $16.9 million of its share of distributions from the Moa Joint Venture to the Corporation to fund Energas operations.

Subsequent to period end, the Moa Joint Venture distributed 760 tonnes of finished cobalt to the Corporation with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Corporation's agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years (note 8 and 12). As a result, US$13.5 million ($18.1 million) of the GNC receivable (note 12) will be recovered in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to the Corporation in satisfaction of the receivable.

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

Statements of financial position

Canadian $ millions, 100% basis, as at	2022 December 31	2021 December 31
Assets		
Cash and cash equivalents	**$ 43.6**	$ 48.9
Other current assets	**90.1**	14.0
Trade accounts receivable, net	**178.0**	153.4
Inventories	**399.1**	303.7
Other non-current assets	**16.8**	12.4
Property, plant and equipment	**1,102.8**	1,067.6
Total assets	**1,830.4**	1,600.0
Liabilities		
Trade accounts payable and accrued liabilities	**87.9**	64.1
Income taxes payable	**4.1**	13.2
Other current financial liabilities	**0.2**	0.2
Loans and borrowings(1)	**26.0**	21.3
Environmental rehabilitation provisions	**84.0**	105.5
Other non-current financial liabilities	**4.6**	4.9
Deferred income taxes	**23.7**	22.4
Total liabilities	**230.5**	231.6
Net assets of Moa Joint Venture	**$ 1,599.9**	$ 1,368.4
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**800.0**	684.2
Intercompany capitalized interest elimination	**(44.0)**	(41.8)
Investment in Moa Joint Venture	**$ 756.0**	$ 642.4

(1) Included in loans and borrowings is $11.3 million of current financial liabilities (December 31, 2021 - $10.7 million) and $14.7 million of non-current financial liabilities (December 31, 2021 - $10.6 million).

Statements of comprehensive income

Canadian $ millions, 100% basis, for the years ended December 31	2022	2021
Revenue	**$ 1,344.2**	$ 1,005.1
Cost of sales(1)(2)	**(989.4)**	(763.9)
Administrative expenses(2)	**(14.7)**	(14.0)
Earnings from operations	**340.1**	227.2
Financing income	**0.8**	0.2
Financing expense	**(19.0)**	(10.1)
Net finance expense	**(18.2)**	(9.9)
Earnings before income tax	**321.9**	217.3
Income tax expense(3)	**(48.6)**	(52.6)
Net earnings and comprehensive income of Moa Joint Venture	**$ 273.3**	$ 164.7
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**136.7**	82.4
Intercompany elimination	**4.1**	4.1
Share of earnings of Moa Joint Venture, net of tax	**$ 140.8**	$ 86.5

(1) Included in cost of sales for the year ended December 31, 2022 is depreciation and amortization of $87.0 million ($85.6 million for the year ended December 31, 2021).
(2) For the year ended December 31, 2021, recoveries for the Canada Emergency Wage Subsidy within cost of sales of $4.0 million and within administrative expenses of $0.2 million.
(3) Income tax expense for the year ended December 31, 2022 decreased since the comparative period primarily due to a decrease in taxable earnings of the operating companies in the Moa Joint Venture.

Joint operation

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

The following provides information relating to the Corporation's interest in Energas on a 33⅓% basis:

Canadian $ millions, 33⅓% basis, as at		2022 December 31		2021 December 31
Current assets(1)	$	**118.0**	$	97.8
Non-current assets		**11.4**		16.8
Current liabilities		**8.3**		6.3
Non-current liabilities		**68.5**		98.1
Net assets	$	**52.6**	$	10.2

(1) Included in current assets is $96.7 million of cash and cash equivalents (December 31, 2021 - $78.9 million).

Canadian $ millions, 33⅓% basis, for the years ended December 31		2022		2021
Revenue	$	**37.1**	$	28.3
Income (expenses)		**7.7**		(32.1)
Net earnings (loss)	$	**44.8**	$	(3.8)

8. NET FINANCE EXPENSE

Canadian $ millions, for the years ended December 31	Note		2022		2021
Interest income on trade accounts receivable, net		$	**0.4**	$	0.5
Interest income on advances and loans receivable			**11.6**		14.9
Interest income on financial assets measured at amortized cost			**12.0**		15.4
Revaluation of allowances for expected credit losses:					
Trade accounts receivable, net	11		**(0.4)**		(0.8)
Energas conditional sales agreement receivable	11		**(49.0)**		(2.7)
Revaluation of allowances for expected credit losses			**(49.4)**		(3.5)
Gain on modification of Cuban receivables			**4.0**		-
Revaluation of GNC receivable	11		**2.4**		-
Revaluation of Energas payable	11		**(4.0)**		-
Gain on repurchase of notes			**20.9**		2.1
Revaluation of cobalt-linked warrants			**-**		0.2
Unrealized gains (losses) on commodity put options			**0.9**		(0.8)
Realized losses on commodity put options			**(0.9)**		(4.8)
Other			**(2.7)**		0.9
Other financing items			**20.6**		(2.4)
Interest expense and accretion on loans and borrowings			**(39.9)**		(42.2)
Unrealized foreign exchange gain			**5.4**		4.7
Realized foreign exchange loss			**(0.2)**		9.7
Other interest expense and finance charges			**(3.6)**		(2.2)
Accretion expense on environmental rehabilitation provisions	16		**(0.3)**		(0.3)
Financing expense			**(38.6)**		(30.3)
Net finance expense		$	**(55.4)**	$	(20.8)

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

On October 13, 2022, the Corporation signed an agreement (the "Cobalt Swap") with its Cuban partners to recover its total outstanding Cuban receivables over five years, including the Energas CSA (note 12) and trade accounts receivable from CUPET (note 11), beginning January 1, 2023, which impacted the Corporation's ACLs on the Energas CSA and trade accounts receivable from CUPET as at September 30, 2022.

During the year ended December 31, 2022, the Corporation recognized a revaluation loss on ACLs on the Energas CSA receivable of $48.5 million related to the Cobalt Swap. The ACL as at September 30, 2022 used probability-weighted forward-looking scenarios, including a scenario wherein the receivable is repaid under the Cobalt Swap, which was assigned a high probability given the Corporation's expectation as at September 30, 2022 that the Cobalt Swap would be signed and was a significant change in estimate during the year. The expected credit loss in this scenario was measured based on the fair value of the GNC receivable recognized during the year ended December 31, 2022, as the Corporation expected the existing Energas CSA receivable to be substantially modified and derecognized, with a GNC receivable recognized at fair value. The use of the fair value of the GNC receivable within the expected credit loss model of the Energas CSA as at September 30, 2022 was a significant change in estimate during the year.

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

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

Gain on modification of Cuban receivables

During the year ended December 31, 2022, pursuant to the Cobalt Swap, the Corporation recognized a gain on modification of the Cuban receivables of $4.0 million as a result of the substantial modification and derecognition of the Energas CSA and trade accounts receivable from CUPET and recognition of the GNC receivable and Energas payable at fair value, net of transaction costs.

Realized foreign exchange gain due to Cuban currency unification

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

9. INCOME TAXES

Canadian $ millions, for the years ended December 31		2022		2021
Current income tax expense				
Current period	**$**	**0.8**	$	1.0
		0.8		1.0
Deferred income tax expense (recovery)				
Origination and reversal of temporary differences		**(10.7)**		(28.7)
Non-recognition of tax assets		**9.5**		28.8
		(1.2)		0.1
Income tax (recoveries) expense	**$**	**(0.4)**	$	1.1

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

Canadian $ millions, for the years ended December 31	2022	2021
Earnings (loss) before income tax from continuing operations	$ **63.3**	$ (12.3)
Less: share of earnings of Moa Joint Venture	**(140.8)**	(86.5)
Parent companies and subsidiaries loss before income tax	**(77.5)**	(98.8)
Income tax recovery at the combined basic rate of 23.5% (2021 - 23.5%)	**(18.2)**	(23.2)
(Decrease) increase in taxes resulting from:		
Difference between Canadian and foreign tax rates	**7.2**	(3.2)
Non-recognition of tax assets	**9.7**	27.9
Other items	**0.9**	(0.4)
	$ **(0.4)**	$ 1.1

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

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

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

As at December 31, 2022, the Corporation had temporary differences of $532.1 million (December 31, 2021 - $394.6 million) associated with investments in subsidiaries and interests in the Moa Joint Venture for which no deferred tax liabilities have been recognized, as the Corporation is able to control the timing of the reversal of these temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

As at December 31, 2022, the Corporation had non-capital losses of $962.2 million (December 31, 2021 - $948.2 million) and capital losses of $1,128.5 million (December 31, 2021 - $1,128.8 million) which may be used to reduce future taxable income. The Corporation has not recognized a deferred tax asset on $962.2 million (December 31, 2021 - $948.2 million) of non-capital losses, $1,128.5 million (December 31, 2021 - $1,128.8 million) of capital losses and $234.4 million (December 31, 2021 - $252.2 million) of other deductible temporary differences since the realization of any related tax benefit through future taxable profits is not probable. The capital losses have no expiry dates and the other deductible temporary differences do not expire under current tax legislation.

The non-capital losses are located in the following countries and expire as follows:

Canadian $ millions, as at December 31, 2022	**Expiry**		**Non-capital losses**
Canada	2026-2042	**$**	**748.0**
Other jurisdictions	Various		**214.2**

10. EARNINGS (LOSS) PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the years ended December 31		**2022**		2021
Net earnings (loss) from continuing operations	**$**	**63.7**	$	(13.4)
Loss from discontinued operations, net of tax		**(0.2)**		(5.0)
Net earnings (loss) for the year - basic and diluted	**$**	**63.5**	$	(18.4)
Weighted-average number of common shares - basic and diluted(1)		**397.3**		397.3
Net earnings (loss) from continuing operations per common share:				
Basic and diluted	**$**	**0.16**	$	(0.03)
Loss from discontinued operations, net of tax, per common share:				
Basic and diluted	**$**	**(0.00)**	$	(0.01)
Net earnings (loss) per common share:				
Basic and diluted	**$**	**0.16**	$	(0.05)

(1) The determination of the weighted-average number of common shares - diluted excludes 2.7 million shares related to stock options that were anti-dilutive for the year ended December 31, 2022 (4.1 million that were anti-dilutive for the year ended December 31, 2021).

11. FINANCIAL INSTRUMENTS

Cash and cash equivalents

Cash and cash equivalents consist of:

Canadian $ millions, as at		**2022 December 31**		2021 December 31
Cash equivalents(1)	**$**	**0.2**	$	16.1
Cash held in banks		**123.7**		129.5
	$	**123.9**	$	145.6

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

Cash and cash equivalents of the Corporation and its wholly-owned subsidiaries held in Canada was $20.3 million as at December 31, 2022 (December 31, 2021 - $64.2 million).

The Corporation's cash balances are deposited with major financial institutions rated at least A by Standard and Poor's, or its equivalent by other credit rating agencies, except for institutions located in Cuba that are not rated. The total cash held in Cuban bank deposit accounts was $101.6 million as at December 31, 2022 (December 31, 2021 - $80.6 million).

As at December 31, 2022, $96.7 million of the Corporation's cash and cash equivalents was held by Energas (December 31, 2021 - $78.9 million). These funds are for use locally by the joint operation, including repayment of Energas' payable to GNC (note 15), and will be transferred to the Corporation upon foreign exchange approval.

The Corporation's cash equivalents consist of demand deposits redeemable upon 31 days request. The demand deposits are with major financial institutions. As at December 31, 2022, the Corporation had $0.2 million in demand deposits (December 31, 2021 - $16.1 million) included in cash and cash equivalents.

Cuban currency unification

On January 1, 2021, the Cuban government unified its two currencies and discontinued use of the Cuban convertible peso (CUC), with a six-month transition period for the CUC to be phased out of the economy. The Cuban peso (CUP) remains as the sole Cuban currency at an exchange rate of 24 CUP:US$1 as at December 31, 2022.

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

Fair value measurement

As at December 31, 2022, the carrying amounts of cash and cash equivalents; restricted cash; trade accounts receivable, net; current portion of advances, loans receivable and other financial assets; current portion of loans and borrowings; current portion of other financial liabilities; and trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

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

The following table presents financial instruments with carrying values different from their fair values:

Canadian $ millions, as at	Note			**2022 December 31**		2021 December 31
		Hierarchy level	**Carrying value**	**Fair value**	Carrying value	Fair value
Liabilities:						
8.50% second lien secured notes due 2026(1)	15	1	**$ 233.6**	**$ 185.9**	$ 354.5	$ 196.3
10.75% unsecured PIK option notes due 2029(1)	15	1	**70.8**	**38.9**	82.6	28.9

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

Trade accounts receivable, net

Canadian $ millions, as at	**2022 December 31**	2021 December 31
Trade accounts receivable	**$ 155.8**	$ 174.0
Allowance for expected credit losses	**(19.5)**	(21.8)
Accounts receivable from Moa Joint Venture	**27.4**	18.2
Other	**22.7**	20.3
	$ 186.4	$ 190.7

Aging of trade accounts receivable, net

Canadian $ millions, as at	**2022 December 31**	2021 December 31
Not past due	**$ 169.9**	$ 152.1
Past due no more than 30 days	**4.4**	4.7
Past due for more than 30 days but no more than 60 days	**3.3**	8.5
Past due for more than 60 days	**8.8**	25.4
	$ 186.4	$ 190.7

Allowance for expected credit losses

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

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

Canadian $ millions	As at 2020 December 31	Revaluation[1]	Foreign exchange and other non-cash items	As at 2021 December 31
		For the year ended December 31, 2021		
Lifetime expected credit losses				
Trade accounts receivable, net	$ (21.4)	$ **(0.8)**	$ **0.4**	$ **(21.8)**
Energas conditional sales agreement[2]	(5.3)	**(2.7)**	**-**	**(8.0)**

(1) Revaluation of ACLs are recognized within net finance expense (note 8).

(2) Included in the $49.0 million revaluation loss presented above is a $48.5 million loss on revaluation of the ACL on the Energas CSA recognized during the year ended December 31, 2022 as a result of the Cobalt Swap signed by the Corporation with its Cuban partners to recover its total outstanding Cuban receivables over five years, as disclosed in note 8.

Fair value hierarchy

The GNC receivable (note 12) is a financial instrument subsequently measured at FVPL and the Energas payable (note 15) is a financial instrument designated at FVPL at initial recognition, as it contains an embedded derivative. Their fair values are determined using discounted cash flows in a Monte Carlo simulation, which uses significant inputs that are not based on observable market data and require significant judgment. As a result, the GNC receivable and Energas payable are included in Level 3 of the fair value hierarchy. The Corporation's valuation process, including its valuation policy and procedures for fair value measurements included in Level 3, is determined by the Corporation's management and fair value is calculated each reporting period with the assistance of a third-party valuation specialist. Fair value measurement, and changes in fair value from period to period, are reviewed for reasonability by management each reporting period.

The following significant unobservable inputs were used to determine the fair value of the GNC receivable as at December 31, 2022:

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

The following is a reconciliation of the fair value of the GNC receivable from initial recognition on October 13, 2022 to December 31, 2022:

Canadian $ millions, for the year ended December 31	Note	2022 December 31
Balance, initial recognition		$ 280.2
Revaluation of GNC receivable in net finance (expense) income	8	2.4
Settlements		(3.5)
Balance, end of year	**12**	$ 279.1

The following significant unobservable inputs were used to determine the fair value of the Energas payable as at December 31, 2022:

- Forecast in-kind cobalt prices from US$18/lb to US$24/lb. A 10% increase in forecast in-kind cobalt prices would increase the fair value by $3.4 million, while a 10% decrease in forecast in-kind cobalt prices would decrease the fair value by $2.4 million.
- Discount rate of 12%. A 5% increase in the discount rate would decrease the fair value by $9.2 million, while a 5% decrease in the discount rate would increase the fair value by $10.7 million.

The following is a reconciliation of the fair value of the Energas payable from initial recognition on October 13, 2022 to December 31, 2022:

Canadian $ millions, for the year ended December 31	Note		2021
Balance, initial recognition		$	79.6
Revaluation of Energas payable in net finance (expense) income	8		4.0
Settlements			(1.0)
Balance, end of year	**15**	**$**	82.6

12. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note		2022 December 31		2021 December 31
Advances and loans receivable					
GNC receivable[(1)]	11	**$**	**279.1**	$	-
Energas conditional sales agreement[(2)]			**-**		204.7
Other financial assets					
Finance lease receivables			**2.8**		3.6
			281.9		208.3
Current portion of advances, loans receivable and other financial assets[(3)]			**(74.8)**		(18.1)
Non-current portion of advances, loans receivable and other financial assets		**$**	**207.1**	$	190.2

(1) As at December 31, 2022, the non-current portion of the GNC receivable agreement is $205.2 million (December 31, 2021 - nil).

(2) As at December 31, 2022, the non-current portion of the Energas conditional sales agreement is nil (December 31, 2021 - $187.4 million).

(3) Included in the current portion of advances, loans receivable and other financial assets is the GNC receivable of $73.9 million (December 31, 2021 - nil). As at December 31, 2021, the current portion of advances, loans receivable and other financial assets included the Energas conditional sales agreement of $17.3 million.

GNC receivable

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

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

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

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

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

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

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

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

Subsequent to period end, the Moa Joint Venture distributed 760 tonnes of finished cobalt to the Corporation with an in-kind value of US$27.0 million ($36.2 million) (100% basis) under the Corporation's agreement with its Cuban partners to recover its total outstanding Cuban receivables over five years (note 8). As a result, US$13.5 million ($18.1 million) of the GNC receivable will be recovered in the three months ended March 31, 2023, representing GNC's 50% portion of cobalt redirected to the Corporation in satisfaction of the receivable.

Energas conditional sales agreement

A conditional sales agreement was entered into by the Corporation with Energas to finance construction activity on specific power generating assets in Cuba. The agreement directed the Corporation to arrange for the performance of certain construction activity on behalf of Energas, and contained design specifications for each new construction phase. The Corporation retains title to the constructed assets until the loan is fully repaid. The facility bore interest at 8.0%. Income generated by the constructed assets was used to repay the facilities. Until the loan is fully repaid, all of the income generated by these assets is paid to the Corporation. The amount of advances and loans receivable from Energas was presented net of its one-third share of Energas' liabilities as a result of the Corporation's one-third interest in Energas, a joint operation.

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

Moa Joint Venture revolving-term credit facility

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

On October 28, 2021, the Moa Joint Venture revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from $45.0 million to $75.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the facility are available to fund working capital and capital expenditures of $45.0 million and $30.0 million, respectively. As at December 31, 2022, nil was drawn on the facility (December 31, 2021 - nil).

Subsequent to period end, the Moa Joint Venture revolving-term credit facility was amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other changes to the terms or restrictions above.

13. INVENTORIES

Canadian $ millions, as at	2022 December 31	2021 December 31
Raw materials	$ **0.1**	$ 0.1
Materials in process	**0.3**	0.4
Finished products	**14.6**	8.6
	15.0	9.1
Spare parts and operating materials	**22.7**	21.2
	$ **37.7**	$ 30.3

For the year ended December 31, 2022, the cost of inventories included in cost of sales was $81.4 million ($64.2 million for the year ended December 31, 2021).

14. NON-FINANCIAL ASSETS

Property, plant and equipment

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

Canadian $ millions, for the year ended December 31					2021
		Oil and Gas properties	Plant, equipment and land	Right-of-use assets - Plant, equipment and land	Total
Cost					
Balance, beginning of the year	$	168.6	$ 679.0	$ 13.5	$ 861.1
Additions		0.2	9.6	0.1	9.9
Additions and changes in estimates to environmental rehabilitation provisions		3.3	(3.5)	-	(0.2)
Disposals and derecognition		(106.2)	(97.6)	-	(203.8)
Effect of movements in exchange rates		(6.1)	(3.5)	-	(9.6)
Balance, end of the year	$	59.8	$ 584.0	$ 13.6	$ 657.4
Depletion, depreciation and impairment losses					
Balance, beginning of the year	$	167.8	$ 524.5	$ 2.4	$ 694.7
Depletion and depreciation		0.5	19.4	1.4	21.3
Disposals and derecognition		(102.8)	(98.4)	-	(201.2)
Effect of movements in exchange rates		(6.0)	(2.3)	-	(8.3)
Balance, end of the year	$	59.5	$ 443.2	$ 3.8	$ 506.5
Net book value	$	0.3	$ 140.8	$ 9.8	$ 150.9

Extension of Energas' power generation contract

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

Expiry of the Puerto Escondido/Yumuri production-sharing contract

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

Canadian $ millions		**Plant, equipment and land**
Assets under construction, included in above		
As at December 31, 2022	**$**	**24.1**
As at December 31, 2021		8.5

Intangible assets

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

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

Exploration and evaluation

Exploration and evaluation assets include three production-sharing contracts (PSCs) with the Government of Cuba, respectively referred to as Block 6A, Block 8A and Block 10. Exploration and evaluation assets include capitalized expenditures on these three blocks, and primarily consist of geological, geophysical and engineering expenditures. During the year ended December 31, 2022, the Corporation recognized an impairment loss of $1.3 million related to Block 8A, as the Corporation no longer expects to explore this area. The Block 10 contract expires in 2043 and the Block 6A contract expires in 2045.

Service concession arrangements

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

15. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

				For the year ended December 31, 2022			
				Cash flows		Non-cash changes	
Canadian $ millions	Note		As at 2021 December 31	Increase in other loans and borrowings	Repurchase of notes	Other	As at 2022 December 31
8.50% second lien secured notes due 2026	11	$	354.5	$ -	$ (114.2)	$ (6.7)	$ 233.6
10.75% unsecured PIK option notes due 2029	11		82.6	-	(11.0)	(0.8)	70.8
Syndicated revolving-term credit facility			7.4	37.0	-	2.1	46.5
		$	444.5	$ 37.0	$ (125.2)	$ (5.4)	$ 350.9
Current portion of loans and borrowings			-				(46.5)
Non-current portion of loans and borrowings		$	444.5				$ 304.4

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

8.50% second lien secured notes due 2026

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

Mandatory redemptions of the Corporation's 8.50% second lien secured notes during the year ended December 31, 2022 were not required as the conditions pursuant to the redemption provisions of the indenture agreement were not met.

For the two-quarter period ended December 31, 2022, excess cash flow, as defined in the second lien secured notes indenture agreement, was $43.4 million. At the interest payment date in April 2023, the Corporation will be required to redeem, at par, total second lien secured notes up to an amount equal to 50% of excess cash flow, or $21.7 million, subject to minimum liquidity of $75.0 million being maintained before and after such payment is made, as defined in the indenture agreement.

The liquidity amount is defined in the indenture as all unrestricted cash, cash equivalents and short-term investments measured in accordance with IFRS, held by the Corporation and its restricted subsidiaries in bank accounts located in Canada, less the principal amount drawn on the syndicated revolving-term credit facility, plus the total amount of cash used on all repurchases of second lien secured notes and unsecured PIK option notes during the relevant two-fiscal quarter period.

As such, the $80.4 million of cash used to repurchase second lien secured notes and unsecured PIK option notes during the six months ended December 31, 2022 and any outstanding amounts drawn on the syndicated revolving-term credit facility as at the interest payment date in April 2023 will be taken into account when calculating the minimum liquidity amount. The 8.50% second lien secured notes due 2026 also include an option for the Corporation to redeem all or part of the notes outstanding prior to maturity at a price equal to 107% of the principal amount so redeemed, which was determined to be an embedded derivative. The fair value of this embedded derivative was nominal at inception and has not been presented separately from the Second Lien Notes within the Corporation's consolidated statements of financial position.

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

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

During the year ended December 31, 2022, the Corporation repurchased $129.2 million of principal of the 8.50% second lien secured notes due 2026 on the open market at a cost of $114.2 million, plus $1.1 million of accrued interest, resulting in a gain on repurchase of notes of $11.2 million (note 8).

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

As at December 31, 2022, the outstanding principal amount of the 8.50% second lien secured notes due 2026 is $221.3 million (as at December 31, 2021 - $350.5 million).

Other non-cash changes on the 8.50% second lien secured notes due 2026 consists of the gain on repurchase of notes, net of interest and accretion of a 7% premium.

10.75% unsecured PIK option notes due 2029

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

During the year ended December 31, 2022, the Corporation elected not to pay cash interest of $8.1 million on the 10.75% unsecured PIK option notes due 2029 and added the payment-in-kind interest to the principal amount owed to noteholders ($7.6 million during the year ended December 31, 2021).

During the year ended December 31, 2022, the Corporation repurchased $19.9 million of principal of the 10.75% unsecured PIK option notes due 2029 on the open market at a cost of $10.9 million, resulting in a gain on repurchase of notes of $9.7 million (note 8).

As at December 31, 2022, the outstanding principal amount of the 10.75% unsecured PIK option notes due 2029 is $70.8 million ($82.6 million for the year ended December 31, 2021).

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

Syndicated revolving-term credit facility

On October 28, 2021, the syndicated revolving-term credit facility was amended and its maturity extended for two years from April 30, 2022 to April 30, 2024. The maximum credit available increased from $70.0 million to $100.0 million and the interest rates are bankers' acceptance plus 4.00%, which remain unchanged. Borrowings on the credit facility are available to fund working capital and capital expenditures. Spending on capital expenditures cannot exceed $75.0 million in a fiscal year. This restriction does not apply to capital expenditures of Moa Nickel S.A. The total available draw is based on eligible receivables and inventories, which are pledged as collateral. Certain cash held in banks in Canada is also pledged as collateral.

The facility is subject to the following financial covenants and restrictions:

- Net Available Cash covenant, as defined in the agreement, of $25.0 million. The amount compared against this covenant is composed of cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada, plus undrawn amounts on the credit facility;

- Senior Secured Net Debt-to-EBITDA covenant, as defined in the agreement, of less than 2:1. Senior Secured Net Debt is calculated as first-lien debt, or amounts drawn on the credit facility, any derivative liability and any additional security ranked equal to first-lien debt, less cash and cash equivalents and short-term investments of the Corporation and its wholly-owned subsidiaries held in Canada up to $25.0 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis;

- EBITDA-to-Interest Expense covenant, as defined in the agreement, of not less than 1.5:1 prior to September 30, 2022 and not less than 2:1 thereafter. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis. Interest expense excludes the payment-in-kind (PIK) interest on the Corporation's 10.75% unsecured PIK option notes due 2029; and

- Minimum Tangible Net Worth covenant, as defined in the agreement, of $600.0 million plus 50% of positive net earnings. Tangible Net Worth is calculated as total assets, less intangible assets, less amounts drawn on the credit facility, less the principal amount of the 8.50% second lien secured notes due in 2026, less the principal amount of the 10.75% unsecured PIK option notes due in 2029, less any derivative liability and less any additional secured financing ranked equal to first-lien debt.

As at December 31, 2022, the Corporation has $0.5 million of letters of credit outstanding pursuant to this facility (December 31, 2021 - $9.9 million). As at December 31, 2022, $45.0 million was drawn on this facility (December 31, 2021 - $8.0 million).

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

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

Subsequent to period end, the syndicated revolving-term credit facility was amended to extend its maturity for one year from April 30, 2024 to April 30, 2025, with no other changes to the terms, financial covenants or restrictions above.

Other financial liabilities

Canadian $ millions, as at	Note	**2022 December 31**	2021 December 31
Energas payable(1)	11	**$ 82.6**	$ -
Lease liabilities		**12.6**	14.2
Share-based compensation liability	6, 17	**34.6**	22.8
Other financial liabilities(2)		**40.4**	3.9
		170.2	40.9
Current portion of other financial liabilities(2)		**(81.8)**	(7.4)
Non-current portion of other financial liabilities		**$ 88.4**	$ 33.5

(1) As at December 31, 2022, the non-current portion of the Energas payable is $68.2 million (December 31, 2021 - nil).

(2) As at December 31, 2022, the current portion of other financial liabilities includes the Energas payable of $14.4 million (December 31, 2021 - nil), a share-based compensation liability of $28.2 million (note 17) (December 31, 2021 - $5.6 million) and a $37.2 million (December 31, 2021 - nil) other financial liability to the Moa Joint Venture for distributions received that have not yet been declared as dividends, which will be extinguished upon declaration of the dividends.

Energas payable

On October 13, 2022, the Corporation signed the Cobalt Swap with its Cuban partners to recover its total outstanding Cuban receivables over five years, beginning January 1, 2023 (note 12). As a result of the Corporation's one-third interest in Energas, a joint operation, and recognition of its share of liabilities, the Corporation recognized one-third of Energas' liability to GNC at fair value on initial recognition in its consolidated statement of financial position (note 11), which represents amounts owing from Energas to GNC upon distribution of redirected cobalt or cash amounts from GNC to Sherritt to be paid in Cuban pesos. The principal balance of the Energas payable as at December 31, 2022 is $112.1 million (33 ⅓ basis).

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

Lease liabilities

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

		For the year ended December 31, 2021				
		Cash flows		Non-cash changes		
Canadian $ millions	As at 2020 December 31	Principal repayments (note 23)	Interest paid (notes 19 and 23)	Effect of movement in exchange rates	Other	As at 2021 December 31
Lease liabilities	$ 15.7	$ (1.5)	$ (0.9)	$ -	$ 0.9	$ 14.2

16. PROVISIONS

Canadian $ millions, as at	**2022 December 31**	2021 December 31
Environmental rehabilitation provisions	**$ 103.6**	$ 103.8
Other provisions	**2.6**	4.2
	106.2	108.0
Current portion of provisions(1)	**(15.7)**	(3.2)
Non-current portion of provisions	**$ 90.5**	$ 104.8

(1) The current portion of provisions includes a current environmental rehabilitation provision of $14.7 million related to the Corporation's Spanish Oil and Gas operations.

Environmental rehabilitation provisions

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

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions, for the years ended December 31	Note		**2022**		2021
Balance, beginning of the year		**$**	**103.8**	$	109.9
Change in estimates			**(0.4)**		0.1
Gain on settlement of environmental rehabilitation provisions			**(0.1)**		(1.2)
Utilized during the year	19		**(0.5)**		(1.1)
Accretion	8		**0.3**		0.3
Effect of movement in exchange rates			**0.5**		(4.2)
Balance, end of the year		**$**	**103.6**	$	103.8

Change in estimates includes the impact of changes in discount rates, which ranged from 3.34% to 7.18% as at December 31, 2022 and were applied to expected future cash flows to determine the carrying value of the environmental rehabilitation provisions (as at December 31, 2021 – discount rates from 1.08% to 5.45%).

The Corporation has estimated that it will require approximately $192.9 million in undiscounted cash flows to settle these obligations. The payments are expected to be funded by cash generated from operations.

Other provisions

The following is a reconciliation of other provisions:

Canadian $ millions, for the years ended December 31		**2022**		2021
Balance, beginning of the year	**$**	**4.2**	$	2.2
Change in estimates		**-**		4.1
Utilized during the year		**(1.6)**		(2.1)
Balance, end of the year	**$**	**2.6**	$	4.2

Contingencies

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

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

17. SHARE-BASED COMPENSATION PLANS

Cash-settled share-based compensation plans

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

RSUs

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

Under the plan, each RSU awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the consolidated statements of comprehensive income (loss) over the service period required for employees to become fully entitled to the award. At the maturity date, the participant receives cash representing the value of the units. The number of RSUs subject to no performance conditions outstanding at December 31, 2022 was 31,424,431 (December 31, 2021 – 32,985,216).

PSUs

PSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period determined by reference to the market price of the common shares multiplied by the number of PSUs held by the participant as adjusted for dividend equivalents credited, if any. Under the plan, each PSU awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the consolidated statements of comprehensive income (loss) over the 3-year service period required for employees to become fully entitled to the award. The PSUs are issued subject to vesting conditions, including performance conditions, which are set by the Human Resources Committee. The vesting of PSUs will be subject to the achievement of two equally-weighted performance conditions measured over the 3-year vesting period: (i) the Corporation's total shareholder return relative to benchmark indices composed of mining and oil and gas companies (a market condition); and (ii) certain specified internal measures related to achieving strategic objectives and unit cost of production compared to budget (non-market conditions). The value of PSUs that vest will vary from 0% to 200% based on the achievement of the market and non-market performance conditions. The number of PSUs subject to these performance conditions outstanding at December 31, 2022 was 31,424,431 (December 31, 2021 – 32,985,216).

Deferred Share Units (DSUs)

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

Cash payments for share-based units are made in the first quarter of each year and are dependent upon the market value of the Corporation's shares on the settlement date, and in the case of PSUs, cash payments are also dependent upon the achievement of the market and non-market performance conditions described above. The market value of the Corporation's shares as at December 31, 2022 and December 31, 2021 was $0.50 and $0.38, respectively.

A summary of the Corporation's RSU and PSU outstanding and vested as at December 31, 2022 is shown below. The Corporation's share-based compensation liabilities are measured based on the vested units at the end of each reporting period.

As at December 31		2022
Grant year	**RSU**	**PSU**
2020	**20,061,555**	**20,061,555**
2021	**6,187,151**	**6,187,151**
2022	**5,175,725**	**5,175,725**
Outstanding, end of the period	**31,424,431**	**31,424,431**
Vested, end of the period	**26,110,137**	**26,110,137**

A total of 5,695,560 Deferred Share Units (DSU) are outstanding and vested as at December 31, 2022, granted between 2012 and 2022.

During the year ended December 31, 2022, the Corporation recognized a share-based compensation expense of $17.5 million, during which time the market value of the Corporation's shares increased by $0.12 and additional units vested. During the year ended December 31, 2021, the Corporation recognized a share-based compensation expense of $13.9 million, which included accelerated share-based compensation expense of $6.1 million, related to the Corporate office workforce reduction, departures of two senior executives and planned retirement of a senior executive, and during which time the market value of the Corporation's shares decreased by $0.02.

A summary of the RSU, PSU and DSU units outstanding as at December 31, 2022 and 2021 and changes during the year ended is as follows:

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

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

For cash-settled share-based compensation plans, the Corporation recorded a compensation expense of $17.5 million for the year ended December 31, 2022 ($13.9 million for the year ended December 31, 2021). The carrying amount of liabilities associated with cash-settled share-based compensation plans is $34.6 million as at December 31, 2022 (December 31, 2021 - $22.8 million).

Share-based compensation liability

Canadian $ millions, as at	Note	2022 December 31	2021 December 31
Share-based compensation liability	15	**$ 34.6**	$ 22.8
Current portion of share-based compensation liability		**(28.2)**	(5.6)
Non-current portion of share-based compensation liability		**$ 6.4**	$ 17.2

Share-based compensation expense

Canadian $ millions	Note	For the year ended 2022 December 31	2021 December 31
Share-based compensation expense	6	**$ 17.5**	$ 13.9

Measurement of fair values at grant date

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

Canadian $, for the years ended December 31	2022	2021
RSU	**$ 0.60**	$ 0.60
PSU	**0.60**	0.60
DSU	**0.45**	0.49

The intrinsic value of cash-settled share-based compensation awards vested and outstanding as at December 31, 2022 was $34.6 million (December 31, 2021 - $22.8 million).

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

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

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

The maximum number of stock options issuable is 17,500,000. The remaining number of options which may be issued under the stock option plan is 8,193,728 at December 31, 2022. Under the stock option plan, the exercise price of each option equals the volume-weighted average trading price over the five days prior to the date the option is granted. An option’s maximum term is 10 years. Options vest on such terms as the Committee determines, generally in three equal instalments on the annual anniversary date of the grant of the options. When options with or without Tandem SARs are exercised, the related options are cancelled and the shares underlying such options are issued and are no longer available for issuance under the stock option plan.

The following is a summary of stock option activity:

Canadian $, except number of options, for the years ended December 31		**2022**		2021
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
Outstanding, beginning of the year	**4,120,191**	**$ 1.78**	8,978,031	$ 1.97
Expired	**(1,418,450)**	**2.50**	(4,857,840)	2.14
Outstanding, end of the year	**2,701,741**	**$ 1.40**	4,120,191	$ 1.78
Options exercisable, end of the year	**2,701,741**	**$ 1.40**	4,120,191	$ 1.78

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

As at December 31					**2022**
Range of exercise prices	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	**Number exercisable**	**Exercisable weighted-average exercise price**
$0.68 - $1.20	**1,670,476**	**3.4**	**$ 0.83**	**1,670,476**	**$ 0.83**
$1.21 - $2.11	**645,465**	**3.8**	**1.63**	**645,465**	**1.63**
$2.12 - $3.00	**283,900**	**1.6**	**2.99**	**283,900**	**2.99**
$3.01 - $5.14	**101,900**	**0.4**	**4.71**	**101,900**	**4.71**
Total	**2,701,741**	**3.2**	**$ 1.40**	**2,701,741**	**$ 1.40**

As at December 31, 2022, 2,701,741 options without tandem SARs (December 31, 2021 – 4,120,191) remained outstanding for which the Corporation has recognized a share-based compensation expense of nil for the year ended December 31, 2022 (expense of $0.1 million for the year ended December 31, 2021).

Share-based compensation risk

The Corporation is exposed to financial risk related to share-based compensation costs. Potential fluctuations in the price of Sherritt's common shares would have an impact on share-based compensation expense. Based on balances as at December 31, 2022, a $0.10 decrease in the price of the Corporation's common shares could increase the Corporation's net earnings (loss) by approximately $7.0 million for cash-settled share-based units. A $0.10 increase in the price of the Corporation's common shares could decrease the Corporation's net earnings (loss) by approximately $7.2 million for cash-settled share-based units.

18. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at December 31	**2022**
Property, plant and equipment commitments	**$ 5.5**

19. SUPPLEMENTAL CASH FLOW INFORMATION

Working capital is defined as the Corporation's current assets less current liabilities and was $61.7 million as at December 31, 2022 ($168.1 million - December 31, 2021).

Net change in non-cash working capital

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

Canadian $ millions, for the years ended December 31		2022		2021
Trade accounts receivable, net	$	**(11.0)**	$	(47.6)
Inventories		**(7.2)**		(5.5)
Prepaid expenses		**(0.9)**		(0.3)
Trade accounts payable and accrued liabilities		**7.4**		70.0
Deferred revenue		**1.1**		8.1
	$	**(10.6)**	$	24.7

Interest received

Interest received includes the following:

Canadian $ millions, for the years ended December 31		2022		2021
Interest received on finance lease receivables	$	**0.2**	$	0.3
Interest received on Energas conditional sales agreement		**0.9**		4.0
Other interest received		**1.7**		1.3
	$	**2.8**	$	5.6

Interest paid

Interest paid includes the following:

Canadian $ millions, for the years ended December 31	Note		2022		2021
Interest paid on lease liabilities	15, 23	$	**(0.8)**	$	(0.9)
Interest paid on 8.50% second lien secured notes due 2026			**(29.1)**		(30.0)
Other interest paid			**(2.1)**		(1.8)
		$	**(32.0)**	$	(32.7)

Other operating items

Other operating items includes the following:

Canadian $ millions, for the years ended December 31	Note		2022		2021
Add (deduct) non-cash items:					
Loss on environmental rehabilitation provisions			**15.0**		3.1
Other items		$	**1.7**	$	(0.3)
Cash flows arising from changes in:					
Other finance charges			**(2.8)**		(0.7)
Realized foreign exchange (loss) gain			**(0.2)**		(0.3)
Environmental rehabilitation provisions	16		**(0.5)**		(1.1)
		$	**13.2**	$	0.7

20. SHAREHOLDERS' EQUITY

Capital stock

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

Canadian $ millions, except share amounts, for the years ended December 31		**2022**		2021
	Number	**Capital stock**	Number	Capital stock
Balance, beginning of the year	**397,288,680**	**$ 2,894.9**	397,284,652	$ 2,894.9
Warrants exercised - 2016 debenture extension[1]	**-**	**-**	4,028	-
Balance, end of the year	**397,288,680**	**$ 2,894.9**	397,288,680	$ 2,894.9

During the year ended December 31, 2021, the 2016 debenture warrants expired and nil warrants were outstanding as at December 31, 2022 (December 31, 2021 – nil).

Reserves

Canadian $ millions, for the years ended December 31	**2022**	2021
Stated capital reserve		
Balance, beginning of the year	**$ 222.2**	$ 222.2
Balance, end of the year	**222.2**	222.2
Share-based compensation reserve[1]		
Balance, beginning of the year	**$ 11.2**	$ 11.1
Stock option plan expense	**-**	0.1
Balance, end of the year	**11.2**	11.2
Total reserves, end of the year	**$ 233.4**	$ 233.4

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

Accumulated other comprehensive income

Canadian $ millions, for the years ended December 31	**2022**	2021
Foreign currency translation reserve		
Balance, beginning of the year	**$ 360.4**	$ 364.7
Foreign currency translation differences on foreign operations, net of tax	**45.8**	(4.3)
Balance, end of the year	**406.2**	360.4
Actuarial losses on pension plans		
Balance, beginning of the year	**(5.2)**	(6.0)
Actuarial gains on pension plans, net of tax	**0.6**	0.8
Balance, end of the year	**(4.6)**	(5.2)
Total accumulated other comprehensive income	**$ 401.6**	$ 355.2

21. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

COVID-19 and Cuba risk

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

The Corporation continues to monitor the impact of the COVID-19 pandemic, including the impact on economic activities in Canada, Cuba and globally. During the years ended December 31, 2022 and December 31, 2021, the Corporation took a number of measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. Government-ordered restrictions resulted in health and safety measures being put in place at operations in Canada and Cuba.

Operations at these sites continued during the years ended December 31, 2022 and December 31, 2021, with COVID-19 having a limited impact on mining and refining activities and no material impact on finished nickel and cobalt production at the Moa Joint Venture and Fort Site during the years ended December 31, 2022 and December 31, 2021.

During the years ended December 31, 2022, and December 31, 2021, Cuba experienced increased hardships as a result of the impact of COVID-19 and continued U.S. sanctions, impacting the country's tourism and other industries, hampering the country's foreign currency liquidity and resulting in prolonged border closures, food and medicine shortages, electricity outages and sporadic civil demonstrations. The foregoing may contribute to increased political, economic and related risks to the Corporation. See the discussion of risks associated with COVID-19 in "Risk Factors – Liquidity and Access to Capital" and "Risk Factors – Political, Economic and Other Risks of Foreign Operations" in the Corporation's Annual Information Form.

The timing and amount of receipts of Cuban energy payments were negatively impacted during the year ended December 31, 2022, as they are dependent upon Cuba's economy, which has been affected by restrictions on tourism as a result of COVID-19, consequences of the Cuban currency unification, as well as U.S. sanctions limiting Cuba's access to foreign currency. Prior to derecognition as a result of the Cobalt Swap (note 8), the uncertainty on the timing and amount of receipts of Cuban energy payments impacted judgments made by the Corporation, including those relating to determining the collection and carrying values of Cuban trade accounts receivable for the Oil and Gas and Power segments (note 11), and the Energas conditional sales agreement (note 12), in addition to the recoverable values of the Corporation's non-current non-financial assets in Cuba (note 14). The carrying values of trade accounts receivable for the Oil and Gas and Power segments and the Energas conditional sales agreement prior to derecognition as a result of the Cobalt Swap reflected the Corporation's exposure to credit risk. The net carrying value represented the Corporation's best estimate of amounts collectible as at the reporting date. As a result of the Cobalt Swap, the Corporation no longer has the responsibility for collection of the receivable amounts solely from Energas and CUPET, which are dependent upon Cuba's economy, and instead will collect from GNC, the Corporation's Moa Joint Venture partner. GNC receives distributions from the Moa Joint Venture, which is less dependent upon Cuba's economy as it earns foreign currency from nickel and cobalt sales to customers outside of Cuba.

As a result of the COVID-19 pandemic, the Corporation's financial position, performance and cash flows could be impacted by COVID-19 and the full extent of the impact cannot be reasonably estimated at this time. For the years ended December 31, 2022 and December 31, 2021, there have been no significant impacts from COVID-19 on the Corporation, other than the items described above.

Risk management policies and hedging activities

The Corporation is sensitive to changes in commodity prices, foreign exchange rates and interest rates. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation reduces the business-cycle risks inherent in its commodity operations through industry diversification and the limited use of options, discussed below in the liquidity risk and commodity price risk sections.

Credit risk

Sherritt's sales of nickel, cobalt, fertilizers, oil, gas and electricity expose the Corporation to the risk of non-payment by customers. Sherritt manages this risk by monitoring the creditworthiness of its customers, covering some exposure through receivables insurance, documentary credit and seeking prepayment or other forms of payment security from customers with an unacceptable level of credit risk. In addition, there are certain credit risks that arise due to the fact that all sales of oil and electricity in Cuba are made to agencies of the Cuban government. Although Sherritt seeks to manage its credit risk exposure, there can be no assurance that the Corporation will be successful in eliminating the potential material adverse impacts of such risks.

Cuba

The Corporation has credit risk exposure related to its share of cash, trade accounts receivable, net and advances and loans receivable associated with its businesses located in Cuba or businesses which have Cuban joint venture partners as follows:

Canadian $ millions, as at	Note	**2022 December 31**	2021 December 31
Cash		**$ 101.7**	$ 80.7
Trade accounts receivable, net		**7.2**	40.4
Advances and loans receivable(1)	12, 22	**279.2**	204.7
Total		**$ 388.1**	$ 325.8

(1) Advances and loans receivable as at December 31, 2022 includes the GNC receivable pursuant to the Cobalt Swap (note 12), which the Corporation recovers from GNC. Although GNC is located in Cuba, it is less dependent upon Cuba's economy, as GNC earns foreign currency from the Moa Joint Venture, whose nickel and cobalt sales are with customers outside of Cuba. Advances and loans receivable as at December 31, 2021 includes the Energas conditional sales agreement.

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

Allowance for expected credit losses

The Corporation uses a three-stage approach to measure an ACL, using an ECL approach as required under IFRS 9 for financial assets measured at amortized cost.

The following table presents the Corporation's financial assets measured at amortized cost, the stage that they are in for ACL measurement and the balance of the ACL as at December 31, 2022. The gross carrying value of the financial asset best represents the maximum exposure to credit risk at the reporting date:

Canadian $ millions	Note	**ECL stage(1)**	**Gross carrying value**	**ACL**	**Net carrying value**
Trade accounts receivable, net(1)	11	**n/a**	**$ 205.9**	**$ (19.5)**	**$ 186.4**

(1) For trade accounts receivable, net, the Corporation has applied the simplified approach in IFRS 9 to measure the ACL at lifetime ECL. The Corporation determines the ACL based on the past due status of the debtors, adjusted as appropriate to reflect current and estimated future economic conditions.

Liquidity risk

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

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

The Corporation's liquidity requirements are met through a variety of sources, including cash and cash equivalents, cash generated from operations and distributions from the Moa Joint Venture (including pursuant to the Cobalt Swap), existing credit facilities, leases, and debt and equity capital markets.

Based on management's assessment of its financial position and liquidity profile as at December 31, 2022, the Corporation will be able to satisfy its current and non-current obligations as they come due.

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

Market risk

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

Foreign exchange risk

Many of Sherritt's businesses transact in currencies other than the Canadian dollar. The Corporation is sensitive to foreign exchange exposure when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product price currency. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates. The Corporation is also sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the Canadian dollar impacting other comprehensive income (loss).

Based on financial instrument balances as at December 31, 2022, a weakening or strengthening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $3.2 million, respectively, on the Corporation's net earnings (loss).

Based on financial instrument balances as at December 31, 2022, a weakening or strengthening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $5.0 million, respectively, on the Corporation's other comprehensive income (loss).

Commodity price risk

The Corporation is exposed to fluctuations in certain commodity prices. Realized prices for finished products and for input commodities are the most significant factors affecting the Corporation's revenue and earnings. Revenue, earnings and cash flows from the sale of nickel, cobalt, fertilizer and oil are sensitive to changes in market prices over which the Corporation has little or no control.

The Corporation has the ability to address its price-related exposures through the limited use of options, future and forward contracts. During the year ended December 31, 2020, the Corporation entered into put options on nickel, all of which expired by December 31, 2021 and settled in January 2022. The Corporation has not entered into such agreements during the year ended December 31, 2022 for 2023. Sherritt also reduces the business-cycle risks inherent in its commodity operations through industry diversification.

The Corporation has certain provisional pricing agreements at the Moa Joint Venture. These provisionally-priced transactions are periodically adjusted to actual prices as prices are confirmed, as the settlement occurs within a short period of time. In periods of volatile price movements, adjustments may be material to the Moa Joint Venture.

Interest rate risk

The Corporation is exposed to interest rate risk based on its outstanding loans and borrowings, and other investments. A change in interest rates could affect future cash flows or the fair value of financial instruments.

Based on the balance of current and non-current loans and borrowings, cash equivalents, and current and non-current advances and loans receivable at December 31, 2022, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate would not have a material impact on the Corporation's net earnings (loss). The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Share-based compensation risk

Refer to note 17 for the Corporation's exposure to financial risk related to share-based compensation costs.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed in its consolidated financial statements and notes: capital stock, deficit, loans and borrowings, other financial liabilities and available credit facilities.

Canadian $ millions, as at	2022 December 31	2021 December 31
Capital stock	$ **2,894.9**	$ 2,894.9
Deficit	**(2,835.0)**	(2,898.5)
Loans and borrowings	**350.9**	444.5
Other financial liabilities	**170.2**	40.9
Available credit facilities	**54.5**	82.1

The Corporation's objectives when managing capital are to maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations throughout the various resource cycles with sufficient capital and capacity to manage unforeseen operational and industry developments and to ensure the Corporation has the capital and capacity to allow for business growth opportunities and/or to support the growth of its existing businesses.

Subject to the limitations within the indenture and revolving credit agreements, in order to maintain or adjust its capital structure, the Corporation may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (unsecured, convertible and/or other types of available debt instruments), refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investment balances.

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

Financial obligation maturity analysis

The Corporation's significant contractual commitments, obligations, and interest and principal repayments in respect of its financial liabilities recognized, income taxes payable and provisions are presented in the following table. For amounts payable that are not fixed, including mandatory redemptions of the 8.50% second lien notes due 2026 (note 15), the amount disclosed is determined by reference to the conditions existing as at December 31, 2022.

Canadian $ millions, as at December 31, 2022	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ **209.7**	$ **209.7**	$ **-**	$ **-**	$ **-**	$ **-**	$ **-**
Income taxes payable	**1.0**	**1.0**	**-**	**-**	**-**	**-**	**-**
8.50% second lien secured notes due 2026 (includes principal, interest and premium)	**323.1**	**18.8**	**18.8**	**18.8**	**266.7**	**-**	**-**
10.75% unsecured PIK option notes due 2029 (includes principal and interest)	**148.7**	**-**	**-**	**-**	**-**	**-**	**148.7**
Syndicated revolving-term credit facility	**50.2**	**3.9**	**46.3**	**-**	**-**	**-**	**-**
Provisions	**192.9**	**15.7**	**10.7**	**1.5**	**0.2**	**0.3**	**164.5**
Energas payable	**112.1**	**15.2**	**25.6**	**26.6**	**26.2**	**18.5**	**-**
Lease liabilities	**15.9**	**2.7**	**2.5**	**2.4**	**1.3**	**1.3**	**5.7**
Total	$ **1,053.6**	$ **267.0**	$ **103.9**	$ **49.3**	$ **294.4**	$ **20.1**	$ **318.9**

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

- Environmental rehabilitation commitments of $95.7 million, with no significant payments due in the next five years;
- Trade accounts payable and accrued liabilities of $44.0 million;
- Income taxes payable of $2.0 million;
- Lease liabilities of $0.4 million;
- Loans and borrowings of $14.5 million; and
- Property, plant and equipment commitments of $12.0 million.

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

22. RELATED PARTY TRANSACTIONS

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities at fair value. The Corporation and its subsidiaries also market, pursuant to sales agreements, a portion of the nickel, cobalt and certain by-products produced by certain jointly controlled entities.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated and are not disclosed in this note. A listing of the Corporation's subsidiaries is included in note 2.2.

A description of the Corporation's interests in jointly controlled entities is included in notes 2.2 and 7.

Canadian $ millions, for the years ended December 31	**2022**	2021
Total value of goods and services:		
Provided to joint operation	**$ 22.9**	$ 15.7
Provided to Moa Joint Venture	**302.6**	254.2
Purchased from Moa Joint Venture	**1,216.0**	835.6
Net financing income from joint operation	**14.4**	14.4
Net financing income from Moa Joint Venture	**0.4**	0.5

Canadian $ millions, as at	Note	**2022 December 31**	2021 December 31
Accounts receivable from Moa Joint Venture	11	**27.4**	18.2
Accounts payable to Moa Joint Venture		**127.8**	122.0
Advances and loans receivable from joint operation	12, 21	**-**	204.7

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

Key management personnel

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

Canadian $ millions, for the years ended December 31	**2022**	2021
Short-term benefits	**$ 6.7**	$ 7.2
Post-employment benefits[(1)]	**0.3**	0.3
Termination benefits	**-**	5.3
Share-based payments	**4.5**	5.6
	$ 11.5	$ 18.4

(1) Post-employment benefits include a non-registered defined contribution executive supplemental pension plan. The total cash pension contribution for key management personnel was nil for the year ended December 31, 2022 (nil for the year ended December 31, 2021). The total pension expense that is attributable to key management personnel was nil for the year ended December 31, 2022 (nil for the year ended December 31, 2021).

23. LEASES

Corporation as a lessee

The Corporation's portfolio of leases primarily consists of office space, machinery and equipment and computer and telecommunications hardware. The Corporation's lease liabilities are disclosed in notes 15 and 21.

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

Canadian $ millions, for the years ended December 31	2022	2021
Expenses for variable lease payments not included in the measurement of lease liabilities	$ 1.6	$ 1.7
Expenses relating to short-term leases	2.1	1.9

Amounts recognized in the consolidated statements of cash flows:

Canadian $ millions, for the years ended December 31	Note	2022	2021
Interest paid on lease liabilities	15, 19	$ 0.8	$ 0.9
Principal repayments on lease liabilities	15	1.9	1.5
Included in net loss from continuing operations:			
Variable lease payments not included in initial measurement of lease liability		1.6	1.7
Payments for short-term leases (for which no lease liability is recognized)		2.1	1.9
		$ 6.4	$ 6.0

Corporation as a lessor

The Corporation acts as a lessor in an operating lease of office space and in finance sub-leases of office and storage space. The Corporation's finance lease receivables are disclosed in note 12.

The Corporation's undiscounted lease payments to be received on finance lease receivables are presented in the following table:

Canadian $ millions, as at December 31, 2022	Receivable in 1 year	Receivable in 1-2 years	Receivable in 2-3 years	Receivable in 3-4 years	Receivable in 4-5 years	Receivable in 5 years	Total	Unearned finance income	Net investment in the lease (note 12)
Undiscounted lease receipts on finance leases	$ 1.0	$ 1.0	$ 1.1	$ -	$ -	$ -	$ 3.1	$ 0.3	$ 2.8

2023 Strategic Priorities

Leading Green Metals Producer

- Execute on expansion program
- Rank in 1st cost quartile for HPAL nickel producers
- File NI 43-101 in Q1

Achieve Balance Sheet Strength

- Leverage collections on Cobalt Swap
- Maximize liquidity and continue to build balance sheet strength

Leverage Technologies for Growth

- Continue to advance commercialization of innovative technologies
- Support Moa JV and Life of Mine analysis

Maximize Value from Energy Business

- Access additional gas to increase electrical power generation

Be a Sustainable Organization

- Deliver on ESG targets
- Achieve YoY ESG improvements
- Advance carbon capture and renewable energy strategy

We continue to build towards our targeted growth

2023 Guidance

Moa JV and Fort Site	
Finished nickel production (100% basis)	30,000 – 32,000 tonnes
Finished cobalt production (100% basis)	3,100 – 3,400 tonnes
Net direct cash cost[1]	US$5.00 – $5.50/lb
Spending on capital[1][2]	C$90M
Power (33 ⅓%)	
Electricity production	575 – 625 GWh
Unit Operating Cost[1] per MWh	C$28.50 – $30.00
Spending on capital[1][2]	C$4.4M

Shareholder Information

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

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

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

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

AUDITORS
Deloitte LLP, Toronto

STOCK EXCHANGE LISTING
Toronto Stock Exchange – TSX:S
Common Shares - S

1. Non-GAAP financial measures, see the Non-GAAP and other financial measures section of the MD&A for details.
2. Sustaining spending on capital is based on Sherritt's interest – Moa JV - 50% of expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities (C$70 million); Power is 33-1/3% (C$4.4 million). Growth spending of capital is for Moa JV (C$20 million, 100% basis).

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

For further investor information contact:
Telephone: 416.935.2451
Toll-free 1.800.704.6698
www.sherritt.com