AIF

2020 Annual Information Form

Sherritt International Corporation
For the year ended December 31, 2020
Dated as of March 17, 2021

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Annual Information Form

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Introduction

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

The information contained in this Annual Information Form relates to Sherritt International Corporation, its subsidiaries, and its proportionate interest in joint ventures for the year ended December 31, 2020, where applicable, unless otherwise indicated.

The information, including any financial information, disclosed in this Annual Information Form is stated as of December 31, 2020 or for the year ended December 31, 2020, as applicable, unless otherwise indicated. In this Annual Information Form, references to the **"Corporation"** or **"Sherritt"** are to Sherritt International Corporation together with its subsidiaries, and its proportionate interest in joint ventures. References to **"management"** are, unless otherwise indicated, to senior management of the Corporation.

Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in Canadian dollars and references to **"$"** are to Canadian dollars. As of December 31, 2020 and March 17, 2021, the United States/Canada Dollar exchange rates, as reported by the Bank of Canada, were US$0.79/Cdn.$1.00 and US$0.80/Cdn.$1.00, respectively.

Forward-Looking Statements

This Annual Information Form contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include but are not limited to, statements respecting certain expectations regarding operating costs and capital spending; sales volumes; revenue, costs and earnings; supply, demand and pricing outlook in the nickel and cobalt markets; sufficiency of working capital and capital project funding; drill plans and results on exploration wells; strengthening the Corporation’s capital structure and reducing annual interest expenses; and amounts of certain other commitments.

Forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share-price volatility; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental risks and liabilities; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; availability of regulatory and creditor approvals and waivers; collection of accounts receivable; risks related to U.S. Government policy towards Cuba; and certain corporate objectives, goals and plans for 2021. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this Annual Information Form not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; identification and management of growth opportunities; risk of future non-compliance with debt restrictions, covenants and mandatory repayments; uncertainty of exploration results and Sherritt’s ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in Cuba; risks associated with mining, processing and refining activities; risks related to Sherritt’s operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation’s reliance on key personnel and skilled workers; the possibility of equipment and other failures; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies; risks related to environmental liability including liability for reclamations costs, tailings facility failures and toxic gas releases; risks related to the Corporation’s corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt’s operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; maintaining the Corporation’s social license to grow and operate; risks relating to community relations; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation’s accounting policies; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of Foreign Public Officials Act* or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2021; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this Annual Information Form and in the Corporation’s other documents filed with the Canadian securities authorities.

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

Scientific and Technical Information

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

Glossary of Terms

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

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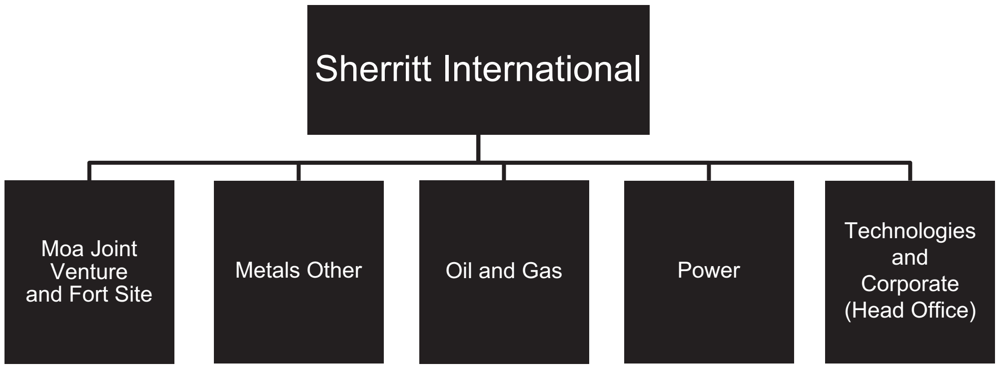
1. OVERVIEW OF THE BUSINESS

Sherritt is based in Toronto, Ontario and is a leader in the mining and refining of nickel and cobalt from lateritic ores with projects and operations in Canada and Cuba. The Corporation is the largest independent energy producer in Cuba, with extensive power operations as well as oil interests on the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The common shares **(“Shares”)** of the Corporation are listed on the Toronto Stock Exchange (the **“TSX”**), trading under the symbol “S”.



Moa Joint Venture and Fort Site

Sherritt is an industry leader in the mining, processing and refining of nickel and cobalt from lateritic ore bodies. Sherritt has a 50/50 partnership with General Nickel Company S.A. (**“GNC”**) of Cuba (the **“Moa Joint Venture”**). In addition, Sherritt has a wholly-owned fertilizer business, sulphuric acid, utilities and storage and administrative facilities in Fort Saskatchewan, Alberta, Canada (**“Fort Site”**) that provide additional sources of income.

The Moa Joint Venture mines, processes and refines nickel and cobalt for sale worldwide (except in the United States). The Moa Joint Venture is a vertically-integrated joint venture that mines lateritic ore by open pit methods and processes them at its facilities at Moa, Cuba into mixed sulphides containing nickel and cobalt. The mixed sulphides are transported to the refining facilities in Fort Saskatchewan, Alberta. The resulting nickel and cobalt products are sold to various markets, primarily in Europe, Japan and China. At the current depletion rates, the concessions of the Moa Joint Venture are planned to be mined until at least 2034.

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

Oil and Gas

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

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

Sherritt currently has an interest in four PSCs, one of which is developed and in the production stage. The producing PSC will expire at midnight on March 19, 2021. The remaining three PSCs are in their exploration phases.

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

1. OVERVIEW OF THE BUSINESS (cont.)

Power

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

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

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

Technologies

Sherritt's Technologies group (**"Technologies"**) provides technical support, process optimization and technology development to Sherritt's operating divisions and identifies opportunities for the Corporation as a result of its research and development and international activities. Technologies' activities include developing technologies that provide strategic advantages to the Corporation; evaluating, developing and commercializing process technologies for natural resource-based industries, in particular for the hydrometallurgical recovery of non-ferrous metals which has resulted in more than 40 mining operations worldwide utilizing the Corporation's proprietary technology; and providing technical support for Sherritt's operations, marketing and business development arms.

Investment in the Ambatovy Joint Venture

In August 2020, the Corporation completed a transaction (the **"Transaction"** or **"Balance Sheet Initiative"**) that included the exchange of the Corporation's Ambatovy Joint Venture partner loans for the Corporation's 12% interest in the Ambatovy Joint Venture and its loans and operator fee receivable from the Ambatovy Joint Venture. Accordingly, as of August 31, 2020, as a result of the implementation of the Transaction the Corporation no longer has an interest in the Ambatovy Joint Venture. Subject to execution of certain documentation with the Ambatovy Joint Venture, the Corporation will cease being the operator of the Ambatovy Joint Venture. *Please see section 1.1- "Three-Year History"* for further details.

1.1 THREE-YEAR HISTORY

2020

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

The Transaction resulted in the extinguishment of the Corporation's previously existing senior unsecured debentures due in 2021, 2023 and 2025 (the **"Old Notes"**) in the aggregate principal amount of $588.1 million, together with all accrued and unpaid interest thereon, in exchange for, in the aggregate (i) new 8.50% second lien secured notes due in 2026 (the **"New Second Lien Notes"**) in an aggregate principal amount of $357.5 million, (ii) new 10.75% unsecured payment-in-kind (**"PIK"**) option notes due in 2029 (the **"New Junior Notes"**) in an aggregate principal amount of $75.0 million and (iii) early consent cash consideration of $15.5 million. The Transaction resulted in a reduction of loans and borrowings in respect of the Corporations' debenture obligations by $155.6 million and an extension of the 2021, 2023 and 2025 maturities under the Old Notes to a maturity of 2026 under the New Second Lien Notes and a maturity of 2029 under the New Junior Notes. In aggregate, the Transaction reduced the Corporation's total debt by $300.8 million and reduced cash annual interest payments by more than $15 million, without any dilution of its common shares.

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

Production Results

Finished nickel production at the Moa Joint Venture in 2020 was 31,506 tonnes on a 100% basis, largely in line with guidance of 32,000-33,000 tonnes for the year. Finished cobalt production at the Moa Joint Venture in 2020 was 3,370 tonnes on a 100% basis, consistent with guidance for the year. Finished nickel and cobalt production in 2020 were negatively impacted by railway service disruption in the first quarter, an extended plant shutdown in the third quarter due to additional found work scope and reduced contractor availability due to COVID-19, and by unplanned repairs to autoclaves in the fourth quarter. Production totals achieved at the Moa Joint Venture in 2020 benefitted from additional health and safety measures implemented in the first quarter to prevent the spread of COVID-19.

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

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

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

Syndicated Revolving-Term Credit Facility (the "Syndicated Facility")

Sherritt amended its $70 million Syndicated Facility on February 21, 2020, and extended it in the second and third quarters of 2020. On November 27, 2020, Sherritt renewed and extended this facility to April 30, 2022. The renewal builds on the Balance Sheet Initiative and related efforts to strengthen its capital structure and improve the Corporation's liquidity. In this most recent renewal, Sherritt maintained the size of the facility while extending the term beyond one year and agreeing to more flexible financial covenants. As at December 31, 2020, Sherritt had drawn approximately $8 million against the facility.

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

- Net available cash being greater than $25 million. This total is calculated as cash in Canada plus undrawn amounts on the credit facility.
- Senior Secured Net Debt /EBITDA (earnings before interest, depreciation and amortization) of less than 2.0x. Senior secured net debt is calculated as first-lien debt, or amounts drawn on the credit facility, less cash held in Canada up to $25 million. EBITDA is calculated on a 12-month trailing basis with Energas included on a cash basis.

- EBITDA/ Interest greater than 1.5x. The payment-in-kind (PIK) interest relating to the $75 million junior note offered as an additional consideration as part of the balance sheet initiative is excluded from this interest calculation.
- Minimum Tangible Net Worth of $600 million plus 50% of future positive net income. Tangible net worth is total assets less intangible assets less total loans and borrowings.

As at December 31, 2020, Sherritt was in full compliance with the financial covenants of the amended credit facility. The amended credit facility also includes an accordion feature that allows other lenders to join the syndicate pending appropriate approvals, and increase the size of the facility by $10 million to $80 million.

Other Events

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

In 2020, Sherritt received US$77 million in Cuban energy payments as part of its overdue receivables agreements with its Cuban partners, which was amended in 2020. Payments were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba's access to foreign currency in 2020. Total overdue scheduled receivables as at December 31, 2020 were US$145.9 million, compared to US$158.4 million as at December 31, 2019.

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

2019

Oil and Gas and Power

Sherritt's Cuban partners ratified an overdue receivables agreement for the repayment of US$150 million from Energas S.A., and made US$21.1 million in payments under the plan through December 31, 2019.

Production Results

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

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

2018

Financings

On January 25, 2018, the Corporation completed a public offering of 94,464,440 units of the Corporation (the **"Units"**) at a price of $1.40 per Unit for gross proceeds of approximately $132 million. Each unit sold in the offering consisted of one Share and one-half of one common share purchase warrant linked to the price of cobalt (each full warrant, a **"Cobalt-Linked Warrant"**). The Cobalt-Linked Warrants expired on January 25, 2021.

In January 2018, the maturity of the Syndicated Facility was extended to January 30, 2019 and the maximum credit available was increased from $63.6 million to $70.0 million with interest rates of prime plus 3.50% or bankers' acceptance plus 4.50%.

On December 21, 2018, the Syndicated Facility was renewed with maximum credit available of $70.0 million. The interest rate was decreased to prime plus 3.00% or bankers' acceptance plus 4.00% from prime plus 3.50% or bankers' acceptance plus 4.50%. The total available draw is based on eligible receivables and inventory. The principal amount outstanding under the Syndicated Facility at December 31, 2018 was $8.0 million. The Syndicated Facility is subject to certain financial covenants and restrictions.

Dutch Auction

On February 16, 2018, the Corporation purchased approximately $121.0 million principal amount of Debentures through a modified dutch auction procedure (the **"Dutch Auction"**) at an aggregate cost of approximately $110.0 million plus accrued interest. Debentures that were purchased were retired and cancelled and no longer remain outstanding. Following the completion of the Dutch Auction, as of February 16, 2018, the Corporation had an aggregate total of approximately $599.0 million of Debentures outstanding. In the second quarter of 2018, the Corporation repurchased an additional $10.7 million of outstanding Debentures for cancellation at a discount to par value.

Production Results

Production for finished nickel and cobalt at the Moa Joint Venture in 2018 was 30,708 tonnes and 3,234 tonnes, respectively (100% basis). This production was largely in line with guidance that Sherritt had previously released. Totals for 2018 were impacted by the disruption in the supply of hydrogen sulphide, a key reagent used in the production of finished nickel cobalt, a reduction in the availability of mixed sulphides due to the highest level of rainfall at Moa in more than 20 years and rail transportation delays to the Fort Site. At the Ambatovy Joint Venture, production of finished nickel and cobalt in 2018 was 33,185 tonnes and 2,852 tonnes, respectively (100% basis).

Gross oil production in Cuba and production by Sherritt's oil and gas operations in 2018 were above guidance ranges. In 2018, gross oil production in Cuba was 4,839 bopd and net production from all oil and gas operations was 2,209 boepd. Production by Sherritt's Power division in 2018 of 781 GWh (33 ⅓% basis) was within the 2018 guidance.

1. OVERVIEW OF THE BUSINESS (cont.)

Strategic Priorities

The table below lists Sherritt's strategic priorities for 2020, and summarizes how the Corporation has performed against those priorities on a year to date basis.

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt successfully completed a balance sheet initiative in 2020 that improved its capital structure and addressed its Ambatovy investment legacy following strong stakeholder support. The transaction resulted in the elimination of approximately $301 million of total debt, savings of more than $15 million in annual cash interest payments, the elimination of the cross-default risk of the Ambatovy shareholder agreement, and the extension of debt maturities to 2026 and 2029. In concert with the balance sheet initiative and in response to the economic uncertainty caused by the spread of COVID-19, Sherritt implemented a number of austerity measures that saved or deferred more than $90 million of capital spend and operating and administrative expenses. These austerity measures were applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis) Sherritt reduced its administrative expenses by 13% or $5.2 million, when compared to 2019 (excluding share-based compensation and depreciation).
	Optimize working capital and receivables collection	Total overdue receivables at the end of 2020 were US$145.9 million, down from US$158.4 million at the beginning of the year. The improvement was largely driven by the receipt of US$20 million of distributions re-directed to Sherritt by GNC to be applied against amounts owed by Energas.

Strategic Priorities	2020 Actions	Status
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in FY2020 by 10% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile	NDCC in FY2020 was in line with guidance for the year despite the negative impacts of unplanned maintenance activities and an extended plant shutdown due to reduced contractor availability on account of COVID-19. Lower fertilizer and cobalt by-product credits were largely offset by the reduction in MPR costs.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Moa JV finished nickel and cobalt production of 31,506 tonnes and 3,370 tonnes (100%), respectively. Finished nickel production was largely in line with guidance for the year, while cobalt achieved targets for 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q4 2020, all operations continued to focus on COVD-19 controls and ensuring that essential work was planned and performed safely. Up to December 31, 2020, the Moa JV (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.20 and a lost time incident frequency rate (LTIFR) of 0.14; the Oil and Gas business had a TRIFR and LTIFR of 0.00; and the Power business had a TRIFR of 0.56 and LTIFR of 0.00. Sherritt's TFIR and LTIFR were 0.22 and 0.12 respectively, for the 12-month period ending December 31, 2020. Sherritt remains in the lowest quartile of its benchmark peer set of data. Sherritt will continue to develop and reinforce its ESG commitments in 2021 and beyond.

1. OVERVIEW OF THE BUSINESS (cont.)

Strategic Priorities	2020 Actions	Status
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which located at a depth of approximately 5, 300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 without first securing an earn-in partner.

2. CORPORATE STRUCTURE

2.1 Name and Incorporation

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

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

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

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

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

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

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

2.2 Intercorporate Relationships

Name	Jurisdiction	% of Voting Securities Held (directly or indirectly)
Energas S.A.	Cuba	33⅓
International Cobalt Company Inc.	Bahamas	50
Moa Nickel S.A.	Cuba	50
Sherritt International Oil and Gas Limited	Alberta	100
SICOG Oil and Gas Limited	Barbados	100
The Cobalt Refinery Company Inc.	Alberta	50

3. DESCRIPTION OF THE BUSINESS

3.1 Nickel Operations

Moa Joint Venture and Fort Site

For the year ended December 31, 2020, the Moa Joint Venture (50% basis), the Fort Site (100% basis) incurred earnings from operations of $3.9 million on revenue of $425.5 million compared to earnings from operations of $11.0 million on revenue of $461.0 million for the year ended December 31, 2019.

Capital spending of $32.2 million at the Moa Joint Venture (50% basis) and the Fort Site (100% basis) focused on sustaining capital for mining and production equipment. During 2020, the Moa Joint Venture incurred exploration and development expenditures of US$0, compared to US$25,324 in 2019.

MARKET OVERVIEW

Nickel

Nickel is a heavy silver-coloured metal whose principal economic value lies in its resistance to corrosion and oxidation and excellent strength and toughness at high temperatures.

Nickel demand is strongly influenced by world macro-economic conditions, which in turn influence the state of the world stainless steel industry, the single largest consumer of nickel, accounting for almost 70% of primary nickel consumption worldwide in 2020. After stainless steel, the lithium ion rechargeable battery market is an important driver of future nickel demand. For 2020, CRU Group ("CRU") reported primary nickel demand for batteries at approximately 8% of total demand growing to approximately 27% over the next 10 years. Nickel is also used in the production of industrial materials, including non-ferrous steels, alloy steels, plated goods, catalysts and chemicals. Last year, China was responsible for over 55% of the world consumption of primary nickel production.

In 2020, the Moa Joint Venture produced 31,507 tonnes (100% basis) or approximately 1.3% of annual world refined nickel production. Current world supply of refined nickel is estimated to be approximately 2.41 million tonnes per annum. World nickel supply is broadly classified into primary and secondary nickel. Primary nickel is further subdivided into refined nickel (Class I) having a minimum nickel content of 99%, and charge nickel (Class II) having a nickel content of less than 99%. The main physical forms of Class I nickel are electrolytic nickel (cathode and rondelles), pellets, briquettes, granules and powder. Class II nickel includes ferronickel, nickel oxide sinter and utility nickel. Secondary nickel is the nickel contained in scrap metal, principally stainless steel scrap. World nickel supply has also been impacted by the growth of nickel pig iron (**"NPI"**) in China and more recently, Indonesia. NPI is the lowest purity of what is considered refined nickel (as low as 2% nickel content) and is primarily used in China and Indonesia to make stainless steel. Wood Mackenzie estimates that NPI production in China decreased 13% from 579,000 tonnes of nickel equivalent in 2019 to 501,000 tonnes in 2020. This decrease was more than offset by a more than 60% increase in Indonesian NPI output from 370,000 tonnes of nickel equivalent to 604,000 tonnes. Total worldwide NPI production was estimated to be approximately 1,105,000 tonnes of nickel equivalent in 2020, making 2020 a new record year for world NPI production, with NPI production representing almost 45% of total nickel production.

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

Since hitting an 18-year low in 2016, the worldwide nickel market price has trended upward based on a supply deficit due to strong demand from the stainless steel industry and new demand for the production of lithium ion batteries for electric vehicles. In 2020, however; the nickel price was slightly lower than 2019, as uncertainty surrounding the global pandemic caused prices to hit the low for the year in March, before rising steadily for the remainder of the year. The London Metal Exchange (**"LME"**) average cash settlement price for 2020 was US$6.23 per pound, a 1% decrease from the 2019 average of US$6.31 per pound. Nickel opened 2020 at US$6.38 per pound and closed the year at US$7.50 per pound, and traded in a range between US$5.01 and US$8.01 per pound.

Cobalt

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

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

In 2020, more than 70% of the world's mined cobalt production came from the "copper belt" located in the Democratic Republic of the Congo (DRC). Australia, Canada, Cuba, Russia and the Philippines were responsible for more than 17% of the world's mined supply. According to CRU, of the world supply of refined cobalt in 2020, only 22% was produced as metal or powder. Refined mainly as a by-product of nickel and copper mining, more than 75% of worldwide cobalt metal production is produced by nickel producers. In the longer term, significant increases in supply are possible from new large-scale international projects targeting copper and nickel production.

The Moa Joint Venture produces finished cobalt (briquettes and powder) at 99.9% purity, which exceeds the current LME cobalt specification. Based on data from CRU, worldwide supply of primary cobalt for 2020 remained relatively flat compared to 2019 at 135,637 tonnes. The Moa Joint Venture is among the leading suppliers of cobalt to world markets supplying 3, 371 tonnes (100% basis) or approximately 2.5% of world primary cobalt in 2020 and approximately 11% of the world's cobalt metal supply.

The cobalt market has been subject to significant price volatility due to the lack of a liquid terminal market. The LME introduced a 99.3% cobalt contract in February 2010 and in January 2017 announced that it was increasing the minimum purity to 99.8% to assist in contract adoption. In March 2019, the LME launched a cash-settled LME Cobalt (Fastmarkets MB) contract, hoping to complement their existing physically-settled offering but interest in this new cash-settled contract has been muted. Due to continued illiquidity, the LME cobalt contract remains a secondary pricing mechanism to the more widely accepted Fastmarkets MB standard-grade pricing as discussed below. On December 14, 2020, CME Group introduced a cobalt futures contract, also cash-settled on the daily Fastmarkets MB standard-grade cobalt price, listed on and subject to the rules of COMEX.

The Fastmarkets MB Standard Grade cobalt price remained relatively flat in 2020, starting the year at US$15.53 per pound and closing the year at US$15.60 per pound. During2020, the price ranged between US$13.90 per pound and US$17.25 per pound, averaging US$15.58 per pound, 6% lower than the average price for 2019 of US$16.57 per pound.

MOA JOINT VENTURE

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

- Moa Nickel S.A. (**"Moa Nickel"**) – owns and operates the Moa, Cuba mining and processing facility
- The Cobalt Refinery Company Inc. (**"CRC"**) – owns and operates the Fort Saskatchewan, Alberta metals refinery

- International Cobalt Company Inc. (**"ICCI"**) – located in Nassau, Bahamas, acquires mixed sulphides from Moa Nickel and other third party feeds, contracts with CRC for the refining of such purchased materials and then markets finished nickel and cobalt.

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

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

The mixed sulphides from Moa Nickel are transported by ocean freight to Canada and then by rail to Fort Saskatchewan. CRC refines this material together with other nickel and cobalt feed materials purchased by ICCI pursuant to the terms and conditions of a tolling agreement between ICCI and CRC, which expires June 30, 2027, with ICCI retaining ownership of the product throughout the refining process.

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

In 2020, approximately 95% of the nickel input and 95% of the cobalt input for CRC's refinery were derived from mixed sulphides from Moa Nickel. Under the terms of the Mixed Sulphides Supply Agreement, the price paid by ICCI to Moa Nickel is discounted from, in the case of nickel, the official LME cash price and, in the case of cobalt, the price received from ICCI customers. ICCI also purchases other nickel and cobalt feed materials from third parties for refining at CRC's refinery and subsequently sells the finished products in international markets.

Status under Cuban Law

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

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

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

Marketing and Sales

ICCI owns and sells the nickel and cobalt toll refined by CRC. ICCI continues to use both the LME and Fastmarkets MB cobalt prices as reference prices for sales contracts in 2020, as the transition to the LME cobalt prices has not been fully adopted. For further information on LME and Fastmarkets MB pricing, please refer to "*Description of the Business – Nickel Operations – Market Overview – Cobalt*". Sherritt may act, from time to time, as a distributor for ICCI.

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

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

Sales Volumes (50% Basis) and Average-realized Prices

	Year Ended December 31, 2020	Year Ended December 31, 2019
Sales (tonnes)		
Nickel	**15,687**	16,698
Cobalt	**1,678**	1,766
Average-realized Prices (dollars per pound)		
Nickel	**$ 8.16**	$ 8.37
Cobalt	**$ 17.84**	$ 17.80

Properties

Certain information with respect to the Moa Joint Venture, being the Central Moa nickel laterite operations and the La Delta and Cantarrana nickel laterite properties (collectively referred to as the **"Eastern Satellites"**), is contained in *Schedule 'B' – Technical Information* attached hereto.

FERTILIZERS

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

Canada

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

Revenue from the Fort Site is derived from the sale of ammonia and ammonium sulphate fertilizers principally into the Western Canadian market. Fertilizer revenue also includes third party sulphuric acid sales and the sale of CO_2, a by-product of ammonia production. Demand for fertilizer products is seasonal, consisting of a spring season and a fall season. Sales volumes are typically higher during the spring. The seasonality of the fertilizer business is reflected in Sherritt's cash and cash equivalent position throughout the course of the year, which fluctuates based on the timing of fertilizer pre-sales receipts and product deliveries.

The posted reference price for Sherritt ammonia averaged $704.51 per tonne during 2020, 13% lower than the posted reference price of $812.23 per tonne in 2019. The average Western Canadian posted reference price for Sherritt's ammonium sulphate fertilizer product (21 ammonium super sulfate) was $338.50 per tonne during 2020, 19% lower than the posted reference price of $419.05 per tonne in 2019.

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

MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

Moa Joint Venture

Mining Concessions

Moa Nickel received its original mining concessions in the province of Holguin near the town of Moa pursuant to a decree of the Executive Committee of the Council of Ministers of the Republic of Cuba dated November 30, 1994 (the **"1994 Decree"**). The mining concessions initially included a land area of 4,964 ha. As a result of the original concessions, as well as concessions granted subsequent to the 1994 Decree, the current area of the resource concessions at Moa as at December 31, 2020 are as follows:

	Concession Type	Area (ha)	Expiry
Camarioca Norte	Exploitation	2,007	2030
Camarioca Sur	Exploitation	2,367	2030
Cantarrana	Exploitation	871	2043
La Delta(1)	Exploitation	1,300	2043
Moa Occidental(2)		1,104	
Zona A and Zona Septentrional(3)	Exploitation	943	–
Scrap Yard(3)	Exploitation	2	–
Extension to Zona A, Sector II	Exploitation	8	2032
Extension to Block O-30	Exploitation	9	2032
Sector 5 Block Periferia 33 and Sector North of Zona Sur(3)	Exploitation	142	–
Moa Oriental(3)	Exploitation	1,531	–
Playa la Vaca-Zona Septentrional II(4)	Exploration	754	2045
Santa Teresita(5)	Exploration	925	–
Yagrumaje Oeste	Exploitation	569	2038
Industrial Raw Materials			
Calcium Carbonate(3)	Exploitation	805	–
Serpentine Quarry	Exploitation	9	2024
Total		12,242	

Notes:

(1) In the South Sector of La Delta, the agreement limits the exploration until 25 years after the initial approval for environmental reasons.

(2) Moa Occidental sub-totaled for clarity of expiry dates.

(3) The rights expire when the resources inside the concession are depleted.

(4) The exploration program was completed. ONRM approved the exploitation of these concessions in November 2020.

(5) Conversion to a concession for exploitation is pending the evaluation of the exploration results followed by ONRM approval. The Mineral Reserve and Resources estimates assume that this concession will be converted by the ONRM into an exploitation concession.

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

Moa Nickel pays the Cuban state a 5% royalty of the net sales value (free on board Moa port, Cuba) of the nickel and cobalt contained in mixed sulphides delivered to the refinery in Fort Saskatchewan (on a 100% basis) as determined by a number of factors including recovery rates and prevailing reference prices. In addition, Moa Nickel pays an annual canon of US$2.00, US$5.00 or US$10.00 for each hectare of each concession depending on whether the area is a prospecting, exploration or exploitation area.

Mineral Reserves and Mineral Resources

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

The following table provides a summary of the Proven and Probable Reserves for the consolidated Moa Joint Venture (100% basis) as of December 31, 2020. (1)

				Contained Metal	
Reserve Classification(2)	Tonnage	Ni	Co	Ni	Co
	(millions of tonnes)	(%)	(%)	(000 t)	(000 t)
Proven	39.9	1.17	0.13	466.4	52.6
Probable	9.5	1.13	0.12	107.5	11.5
Total Proven and Probable Reserves	49.4(3)	1.16	0.13	574.4	64.5

Notes:

(1) Proven and Probable Reserve estimate, as at December 31, 2019, was 51.1 million tonnes.

(2) Cut-off grades vary. All assumptions, parameters, and methods used to estimate the mineral resources and reserves are disclosed in the Moa Technical Report.

(3) Totals may not sum exactly due to each component number being rounded to its nearest decimal.

This year the estimated tonnage for the Proven and Probable Reserves is 1.7 million tonnes lower than as at the end of the prior year, due to mining, drilling and adjustments.

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

Moa Nickel also recovers material deposited into reject ponds that is not included in the Mineral Reserve estimates as some of it was previously accounted for as depleted material in the Mineral Reserve base. There is an estimated 1.1 million tonnes of recoverable material remaining as at December 31, 2020.

The following table provides a summary of the Mineral Resources that are inclusive of Mineral Reserves for the consolidated Moa Joint Venture (100% basis) as of December 31, 2020.

Moa Joint Venture Mineral Resources Inclusive of Mineral Reserves

Resources Classification(1)	Tonnage	Ni	Co	Ni	Co
	(millions of tonnes)	(%)	(%)	(000 t)	(000 t)
Measured	106.0	1.02	0.13	1,086.7	136.5
Indicated	45.6	0.94	0.12	430.8	54.2
	151.7	**1.00**	**0.13**	**1,517.5**	**190.7**
Inferred	32.6	0.89	0.13	291.3	41.9

Note:

(1) All assumptions, parameters, and methods used to estimate the mineral resources and reserves are disclosed in the Moa Technical Report.

In 2013, Moa Nickel was granted the right to mine some of the saprolite underlying limonite in many of its deposits, for feed to the process plant. This recognizes current practices of including dilution at the bottom of the limonite ore zone to maximize ore recovery subject to the ability of the plant to process the material. The available quantity of saprolite is unknown, but exceeds the amount that can be economically processed with the limonite ore. The saprolite has not been quantified nor is it included in the resources statements as the permit only allows it to be extracted in relation to processing capability. Moa Nickel believes that the capacity for including saprolite in the process will diminish, and therefore has not reported it as a Mineral Resource.

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

Historically, Sherritt has reported Moa Nickel's Mineral Resources using a cutoff that conforms to the approach used by Cuba's Oficina Nacional de Recursos Minerals (**"ONRM"**), which defines the limonite zone as the layer of ore where nickel concentration exceeds 1% and iron concentration exceeds 35%. As described in detail in the current Moa Technical Report, the project's resources are now defined using an economic cutoff that takes into account the revenue generated by both nickel and cobalt, as well as the costs incurred as a result of deleterious elements, principally Mg and Al. Applying an economic cutoff has increased Mineral Resources, and Moa's mine life has the potential for significant extension if the estimates are upgraded to Proven and Probable Mineral Reserves categories. For additional information in relation to the Moa Technical Report and increased resources, please see the Corporation's press release dated June 26, 2019 entitled "Sherritt Confirms Mineral Reserves and Outlines Increased Mineral Resources at Moa Joint Venture".

Sherritt continues to use the 1%Ni /35%Fe cutoff for reporting the Mineral Reserves of the Moa Joint Venture, except in the Zona A and Moa Oriental concessions where ONRM has approved the use of a 0.9%Ni /35%Fe cutoff. A program has been initiated to evaluate the use of an economic cut-off grade and define what constitutes economic ore. The program consists of metallurgical test work and an engineering study to evaluate the processing of saprolites and low grade limonite. The program is expected to take two years to complete.

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

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

3.2 Oil and Gas

The Corporation explores for, develops and produces oil and gas from fields in Cuba and Spain. In 2020, approximately 94% of the Corporation's worldwide oil and gas production was produced in Cuba with the remainder produced from its interests in several oil fields off the coast of Spain.

In 2020, the Corporation's Oil and Gas operations generated revenues of $24.9 million compared with $29.7 million during 2019, resulting in a loss from operations of $136.4 million during 2020, compared to a loss from operations of $24.7 million during 2019. The Corporation invested $1.6 million in Oil and Gas capital projects during 2020 and $29.7 million during 2019, all of which were funded by cash flows generated by the Corporation's Oil and Gas operations.

While the Corporation continues to fund its Oil and Gas operations through internally-generated cash flows, it is considering strategic partnerships in connection with the funding future development costs for new and existing projects.

WORLDWIDE PRODUCTION

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

Production Volumes (boepd)

	Year Ended December 31		
	2020	**2019**	**2018**
Gross Working-Interest Production			
Cuba	**2,947**	4,175	4,839
Other Countries	**98**	335	664
Total Gross Working-Interest Production	**3,045**	4,510	5,503
Net Working-Interest Production Cuba:			
Cost recovery oil	**1,480**	856	947
Profit oil	**109**	226	598
Total Cuba	**1,589**	1,082	1,545
Other Countries	**98**	335	664
Total Net Working-Interest Production	**1,687**	1,417	2,209

OPERATIONS IN CUBA

Within Cuba, the Corporation holds and operates exploration and production rights under PSCs with CUPET, the Cuban state oil company. As operator under the terms of the PSCs, SICOG Oil and Gas Limited (**"SICOG"**) enters into long-term leasehold arrangements with the Cuban state for the use of all land required for petroleum operations for the duration of the term of the PSCs. The Corporation indirectly holds 100% working-interests in four PSCs in Cuba, as described in the following table, covering a total of approximately 175,171 net ha:

Block	Location	Current Status
Puerto Escondido/Yumuri	Fold and thrust region – north coast of Cuba	Exploitation phase – development of Puerto Escondido and Yumuri oil fields
Block 8A	Central Cuba	Exploration Phase
Block 10	Fold and thrust region – north coast of Cuba	Exploration Phase
Block 6A	Fold and thrust region – north coast of Cuba	Exploration Phase

The term of the Puerto Escondido/Yumuri PSC, which was set to expire in March 2018, was extended on new contract terms until and including March 19, 2021. The Corporation will have no rights or obligations in respect of crude oil production from those properties as of March 20, 2021.

Since 1992, the Corporation's Cuban Oil operations have produced over 226 million barrels of heavy oil on a gross working-interest basis. The Corporation has a strong track record in directional drilling in the fold and thrust belt located along the north coast of Cuba. All of the Corporation's producing wells are directionally drilled from onshore locations along the north coast of Cuba between Havana and Cárdenas. These directional wells target oil reservoirs situated offshore below the adjacent seabed. These oil bearing reservoirs typically produce at depths ranging from 1,200 metres to 2,000 metres below sea level. Using current equipment and technology, the Corporation has drilled directional wells up to 5,660 metres in length, extending laterally up to 4,700 metres from the surface location.

Exploration Prospects

During 2014 the Corporation was awarded two new PSCs, with effective dates of January 9, 2015, covering Blocks 8A and 10 in Cuba (see section 3.2 "*Properties with no Attributed Reserves*"). The Corporation completed the reprocessing of seismic data in Block 10 and elected to drill an exploratory well entering into the Second Exploration Subperiod on July 9, 2016. An exploration well was started in August 2016 and finished drilling in February 2017. The well did not reach its intended target due to unexpected geological complexities which led to wellbore instability. This resulted in drilling problems and the lower section of the well had to be abandoned. A sidetrack was drilled from the existing wellbore to evaluate the potential of the upper secondary zone. The resulting sidetrack well was tested and produced oil but not at commercial rates. On August 9, 2017, the Corporation commenced drilling a sidetrack from the existing well in order to reach the original target. On December 16, 2017, the Corporation suspended the well due to continued geological complexities including lost circulation and flowing asphaltene. The Corporation evaluated options as to how to deal with the lost circulation and asphaltene problems and utilized technology which had not been used in Cuba previously. The well resumed drilling in July 2018 and the lost circulation was successfully dealt with. Additional hole stability issues were encountered in a zone between the upper and lower reservoirs which resulted in the need to suspend the well short of the target on December 23, 2018. Drilling of the well LT-100 continued in stages throughout 2019. Third-party industry experts completed detailed laboratory analysis of rock cuttings collected during previous operations on Block 10. Results of the lab analysis indicated that the rock formation between the upper and lower target reservoirs has unanticipated and unique characteristics. Based on these analyses, drilling parameters were modified including the characteristics of the drilling fluid and the utilization of Pressure Managed Drilling (PMD). The unstable formations were drilled successfully and casing was placed in the hole to isolate the unstable formation prior to drilling to the final total depth. Upon commencing drilling, an unexpected lost circulation zone was encountered above the target reservoir. Additional analyses by third party experts was undertaken and it was determined that Pressurized Mud Cap Drilling (PMCD) would be required to drill through the reservoir to total depth. This was undertaken successfully between October and December of 2019. Testing of the well was under was undertaken during the first half of 2020. Although the well produced oil, it was not in sufficient quantities to be commercial. A lack of mechanical isolation between an uphole water-bearing lost circulation zone and the reservoir zone caused an influx of water into the wellbore. After detailed pressure and sample analyses it was determined there were no viable methods to isolate the zones and the well was permanently suspended. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. Sherritt has committed to making no further investments in Block 10 without first securing an earn-in partner.

On January 9, 2015 the Corporation was awarded a new PSC, Block 8A, in the west central part of Cuba to the immediate southeast of Havana. It is currently in its first exploration subperiod with work commitments including 100km of 2D seismic. This seismic is anticipated to be acquired in 2022. In January 2020, an extension to the first subperiod was granted with an expiry of January 2021 and a contract term to 27 years. In December 2020, an extension to the first subperiod to January 2023 and a contract term to 29 years was agreed to by Sherritt's Cuban partner and final Cuban governmental approval is pending.

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

Production Sharing Contracts

Under the terms of its constitution, the Cuban state is the unconditional owner of all land and natural resources lying within Cuban territory. Pursuant to its foreign investment law, the government of Cuba is authorized to enter into international economic associations with foreign investors for the exploitation of natural resources and the development of industrial projects in Cuba. Law 118 provides a variety of guarantees for foreign investors including: (1) a guarantee that their assets cannot be expropriated, except if required in the public interest, and in such case that indemnification must be provided in freely convertible currency equal to the commercial value of the property taken, (2) the right to have such "commercial value" determined by an expert if the parties to such international economic association cannot agree on such a price, and (3) a guarantee of the free transference abroad in freely convertible currency of net profits or dividends received from the investment as well as funds received by way of indemnification from the Cuban state.

Cuban oil and natural gas exploration and production are governed by various PSCs between CUPET and foreign investors or "contractors" such as the Corporation. Under the PSCs, the contractor has the right to produce crude oil from the contract area until the end of the term and any extensions thereto. Each of the PSCs has a defined term, ranging from 15 to 25 years at the time of grant, subject to earlier termination if a declaration of commerciality is not made or if the contractor does not fulfill its work commitments on a timely basis.

Under the terms of a PSC, the contractor is obliged to supply all capital, machinery, installations, equipment, technology and personnel necessary to carry out operations in accordance with the terms of the contract. During the exploration period, the contractor is obliged to carry out a specified minimum exploration program, which may be divided into two or more subperiods. At the end of each subperiod, the contractor may elect to enter the next sub-period provided it has fulfilled the exploration work commitments for the current subperiod.

If the contractor discovers crude oil within the contract area during the exploration period, the contractor may conduct an appraisal program to determine whether the discovery can be economically exploited. Any crude oil production during the appraisal period must be delivered to CUPET and the contractor is only entitled to share in such production if a declaration of commerciality is approved by regulatory authorities following completion of the appraisal program. Upon such approval, the contractor is entitled to share retroactively in all cumulative production from the discovery and appraisal wells in the field, and to receive revenue from the sale of that production. Upon approval of a declaration of commerciality, the contractor is obliged to implement a development plan for the field in question.

Once a declaration of commerciality has been made, the contractor is allocated cost-recovery oil as reimbursement for approved capital and operating costs, including any costs accumulated in cost-recovery pools since the inception of the contract. The volume of cost-recovery oil for each PSC is determined by dividing the balance of approved capital and operating costs in the cost-recovery pool by the average net selling price per barrel of oil produced during such quarter. Allocation of cost-recovery oil may not exceed a specified percentage of total production for a fiscal quarter. However, any unrecovered cost-recovery pool amounts are carried forward to future periods. The remaining profit oil is allocated between the parties in accordance with agreed percentages which may vary depending on oil quality and production rates. The volume of profit oil is calculated by subtracting the cost-recovery oil from gross working-interest production.

Such PSCs are authorized as “international economic association contracts” pursuant to Law 118. Resolutions confirming the authorization and validity of each of these contracts were issued by the Executive Committee of the Council of Ministers. SICOG has a local branch registered with the Chamber of Commerce of Cuba and is also registered with the Office of National Tax Administration. Supplies and materials are imported under license with CUPET as required under Resolution 146, a Cuban regulation regarding imports for international economic associations contracts, although SICOG maintains ownership of the goods. The Cuban government also requires SICOG to obtain environmental licenses and a permit to operate bank accounts for each currency in which SICOG does business in Cuba. As contractor under the terms of the PSCs, SICOG enters into long-term lease arrangements with the Cuban state for surface land rights necessary for oil and gas production facilities and for the performance of petroleum operations.

Sales to Cuba

Historically, all profit oil and cost-recovery oil allocated to SICOG under the PSCs has been sold to agencies of the government of Cuba at the first point of sale. In 2019, the selling prices for the Corporation’s share of production have been based on 74% to 75% of the USGC HSFO reference price. In prior years, selling prices were based on a similar discount to the GCFO6 reference price. The USGC HSFO reference price reflects consumption and supply of heavier oil products (such as heating oil, fuel oil and transportation fuels) in the U.S. Gulf Coast region and global consumption and supply of crude oil. The selling contracts are typically made for one-year terms and are re-negotiated on an annual basis.

The following table sets out average historical oil prices for USGC HSFO, WTI and the realized price from sales by the Corporation to agencies of the government of Cuba since 2018.

	Year Ended December 31		
	2020	2019	2018
Prices ($ per bbl):			
WTI Benchmark (US$)	**39.13**	56.97	65.20
USGC HSFO Benchmark (US$)	**35.15**	53.58	61.45
Realized price (US$)	**25.57**	40.42	49.48

Cuban Payment Arrangements

During 2020, SICOG received US$6.9 million from the applicable Cuban government agency for oil payments, resulting in an overdue balance at December 31, 2020 of US$25.1 million. As at December 31, 2019, the overdue amount was US$19.6 million.

OTHER INTERNATIONAL OPERATIONS

Spain

The Corporation holds a 14.5% working-interest in the Casablanca oil field and a 15.6% working-interest in the Rodaballo oil field, a 29% working-interest in the Boquerón oil field, and an 18.4% working-interest in the Barracuda oil field, all located in the Gulf of Valencia, offshore Spain. There are minor amounts of gas produced in association with the light crude oil, which is either used as fuel for power generation or is flared.

During 2020, these fields produced a combined average of approximately 98 bopd of light crude oil, net to the Corporation, using the Casablanca production platform and pipeline infrastructure. On December 28, 2018, the Spanish government extended the production licenses for an additional ten years to December 2028. The operator is conducting a feasibility study to determine future operations with respect to the timing of decommissioning of the wells and platform.

3.3 Power

CUBA

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

The Corporation has financed, constructed and commissioned each of the four integrated gas treatment and three power generation facilities as well as all expansions to the facilities which are located near the Varadero, Boca de Jaruco, and Puerto Escondido oil fields located in Cuba. As at December 31, 2020, these facilities had a total capacity of 506 MW.

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

Association Agreement

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

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

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

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

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

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

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

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

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

The Corporation believes that, to the extent its share of dividends from Energas are reinvested in construction of the Expansion facilities, the Corporation is entitled to receive reinvestment credits. Such credits are payable in cash directly to the Corporation funded by income taxes paid by Energas to the extent of the Corporation's one third interest. The Cuban tax authority has indicated they will make payments to Sherritt in accordance with the Cuban tax authority's interpretation of the amount entitled, however during 2020, no payments were received.

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

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

During 2020, the Corporation's Power division had a loss from operations of $5.6 million on revenue of $37.2 million compared to a loss from operations of $18.5 million in 2019 on revenue of $45.3 million. Total non-expansion capital expenditures during 2020 in respect of power operations were $0.7 million and were primarily directed towards sustaining capital for Cuban operations.

Locations

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

Varadero

The Varadero facility is located approximately 140 kilometres east of Havana, Cuba. The facility consists of two integrated raw gas processing plants, three gas turbines and associated electric generators, a heat exchange system for generating high-pressure steam, and a steam turbine and associated electric generator. In addition, the Varadero site includes an electrical substation and transformers to facilitate connection of the facility to the Cuban national grid system and an integrated maintenance facility. The aggregate net power capacity of this facility is approximately 173 MW. Sherritt's share of 2020 electricity sales was 172,175 MWh. In 2019, Sherritt's share of electricity sales was 244,427 MWh.

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

Boca de Jaruco and Puerto Escondido

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

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

In 2020, Sherritt's share of electricity sales at the Boca de Jaruco and Puerto Escondido sites was 429,893 MWh. In 2019, Sherritt's share of electricity sales was 491,827 MWh. The reduction in sales was largely due to reduced gas supply in 2020.

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

Cuban Payment Arrangements

During 2020, Sherritt's Power division received payment of US$76.0 million for overdue receivables, resulting in an overdue balance at December 31, 2020 of US$120.8 million. As at December 31, 2019, the overdue amount was US$138.8 million.

During 2019, Sherritt's Cuban partners ratified an overdue receivables agreement under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. The agreement also allows for Sherritt's joint venture partner, GNC, to redirect its 50% share of Moa Joint Venture dividends. In February 2020, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month.

In 2019, Sherritt's Cuban partners ratified a new overdue receivables agreement (the Agreement) under which Sherritt will receive Cuban energy payments from Energas averaging US$2.5 million per month effective May 2019. In February 2020, Sherritt received a commitment from its Cuban partners for an incremental US$5.0 million per month which is being used to fund Energas operations and reduce amounts owed to Sherritt. The Agreement recognized and acknowledged 100% of the amounts owed at this time to Sherritt. In addition, the Agreement provides that Sherritt will receive 100% of available distributions from the Moa Joint Venture once each partner has received a minimum amount of dividend. In 2020, Sherritt received US$20 million in dividend redistributions. During 2020, Sherritt received a total of US$50.6 million under this agreement, which is included in the US$76.0 million total payment referenced above.

Cuban energy payments were lower in 2020 than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions continued to limit Cuba's access to foreign currency in 2020. Sherritt anticipates variability in the timing and the amount of energy payments through 2021.

Gas Supply from CUPET

Under the terms of the Association Agreement, CUPET is obligated to supply, at no cost to Energas, gas that is owned by CUPET and is produced in association with crude oil from oil fields in the regional vicinity of the Varadero, Boca de Jaruco, Yumuri and Puerto Escondido plant sites (the **"Oilfields"**) up to maximum plant capacity. CUPET's obligation to supply such gas is subject to its pre-existing obligation to supply clean, processed gas from the Puerto Escondido, Yumuri and Canasí fields for domestic fuel to Havana. Energas does not own the gas reserves in the Oilfields, nor does it control the rate or manner in which such gas reserves are produced. Continuing shortages in gas supply occurred throughout 2020 at both the Varadero and Boca de Jaruco plant sites (see section 3.7 "*Risk Factors – Uncertainty of Gas Supply to Energas*").

3.4 Technologies

Sherritt's Technologies business provides technical support, process optimization and technology development services to the Moa Joint Venture and Fort Site operations and identifies opportunities for the Corporation to commercialize its research and development for natural resource-based industries. Technologies has a particular focus on making next generation lateritic ore mining more economically viable and more sustainable and on the hydrometallurgical recovery of non-ferrous metals. Technologies is comprised of project managers, research scientists, engineers, technologists and support staff focused on the development and commercial application of hydrometallurgical technologies and the use of high pressure autoclaves in other applications in support of the Corporation's business units as well as provision of such technologies to existing and emerging external producers. The group also aids in identifying opportunities for the Corporation as a result of its international activities and research and development initiatives. Sherritt is well-known for its in-depth expertise in high temperature, high pressure hydrometallurgy, in particular in leaching (gold, copper, nickel, cobalt, zinc, platinum group metals and uranium) and hydrogen reduction (nickel and cobalt). More than 40 commercial plants worldwide have adopted Technologies' hydrometallurgical processes for the treatment of a wide range of ores, concentrates, mattes and other feed materials for the recovery of non-ferrous and precious metals. Hydrometallurgical and high pressure autoclave processes are developed, tested and demonstrated extensively at Technologies' laboratory and pilot plant facilities, the data from which forms the basis for Technologies' engineers to design commercial plants.

In addition to technologies for extracting and refining nickel and cobalt, proprietary technologies for the recovery of gold, silver and other precious metals, and for copper, zinc and other industrial metals from sulphidic feeds have been widely commercialized by many of the world's major non-ferrous mining companies; Sherritt's technologies for sulphidic materials can provide an environmentally preferable option to conventional processing as there is not a corresponding production of sulphur dioxide and hazardous elements such as arsenic are secured in environmentally stable solid materials. Technologies is also currently focused on the commercialization of a process to upgrade Alberta bitumen at a lower cost and the processing of high-arsenic copper concentrates for the natural resource-based industries. Other projects currently being undertaken by Technologies are driven by industry needs and include: improving the purity of nickel, reducing greenhouse gas emissions, extending the life of mines, reducing tailings waste, increasing the recovery of high-value metals and reducing operating costs. The group remains active in the development of commercial facilities for gold, copper and zinc projects in China, Brazil, the Middle East, South Africa, Canada and Chile and in the development and application of hydrometallurgical and associated technologies to other resource-based industries.

With Sherritt's divestiture of its coal business in early 2014, Technologies is no longer focused on the development of clean coal initiatives. However, Technologies is continuing to examine the application of the use of high pressure autoclave technology to add value to hydrocarbon processing.

3.5 Environment, Health and Safety and Sustainability

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") CONSIDERATIONS

Sherritt is committed to incorporating ESG best practices into its environmental, health, safety, sustainability and community processes. The Corporation believes that it is important for the global economy to become more sustainable. Management strives to have a positive impact on the world and create a supportive corporate environment. Embedding ESG considerations into our operations is a strategic imperative. Sherritt has an independent chairperson, and three sub-committees to support the Board of Directors with respect to ESG matters: the Audit Committee, the Human Resources Committee, and the Environment, Health, Safety and Sustainability (**"EHS&S"**) Committee. Various corporate and employee conduct policies lay out the principles that guide employee behaviour in the workplace.

In 2020, management incorporated ESG considerations into the Corporation's strategic plan with a view to continue to improve performance and increasingly align with industry best practices. Bloomberg is currently the only rating agency assessing Sherritt's sustainability disclosures and providing an ESG score. Sherritt's Bloomberg ESG score has improved steadily since 2014.

Management believes that Sherritt has suitable and appropriate Corporate Social Responsibility (**"CSR"**) management initiatives through policies and programs, which include, for example, EHS&S Policy, Human Rights Policy, as well as several policies related to corporate and employee conduct and the supporting due diligence systems. Management seeks to continually improve the Corporation's CSR initiatives and ESG performance through strategic and operating plans.

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

Enterprise oversight of EHS&S is provided by the Sustainability Department and the Corporate Director of EHS&S, who reports to the Chief Operating Officer. The EHS&S functions are managed within a sustainability framework that establishes expectations through policies, standards, and management systems. The sustainability framework was introduced in 2013 and is regularly updated via policy revisions, new standards, and independent assessments that align with industry best practices.

SUSTAINABILITY FRAMEWORK

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

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

Each issue was analyzed on the basis of the level of expected business impact and degree of stakeholder interest. Generally, the most material sustainability issues are addressed in individual commitments in the Framework shown below. These issues are reviewed periodically to ensure emerging issues are properly identified and captured in the Framework. In 2020, Sherritt updated its assessment of material sustainability issues to reflect the removal of the Ambatovy Joint Venture as an operating segment of the business and to align with the requirements of the Global Reporting Initiative, an internationally recognized industry reporting standard that Sherritt applies. As a result, issues that were more material in the context of Ambatovy are now less material; however, the key issues for the Corporation remain largely unchanged. The most material sustainability issues to the Corporation include: tailings management, occupational health and safety, responsible production and supply, country risks, climate change, energy usage and greenhouse gas emissions, and environmental liabilities.

In 2020, Sherritt continued to develop and update Sustainability Framework policies and standards the intention of maintaining best practices and alignment with the industry at large. This process will continue into 2021-2022 as new standards emerge and external expectations evolve.

The standards designed to support the Framework align with international good practice, including the requirements of the Towards Sustainable Mining (**"TSM"**) program, the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency Initiative, the Incident Command System, and the United Nation's Awareness and Preparedness of Emergencies at the Local Level Programme. Sherritt's approach to sustainability is also informed by the United Nations Sustainable Development Goals, and the Organization of Economic Co-Operation and Development.

Five Year Goals and Targets

As an integral part of Sherritt's overall framework, the Corporation has launched a suite of goals to drive environmental, health, safety and sustainability performance. The goals are as follows:

Goal 1 Achieve Level A requirements in Towards Sustainable Mining (TSM) protocols across all operations

Goal 2 Strengthen our safety culture, behaviour and performance

Goal 3 Improve environmental management across operations

Goal 4 Create community benefit footprints that support local priorities and the Sustainable Development Goals

Goal 5 Improve diversity & inclusion at all levels throughout the Corporation

Goal 6 Be recognized as a "preferred supplier" of responsibly produced products

In 2020, the Corporation began to establish measurable targets for the Sustainability goals. These targets will be disclosed in the 2021 Sustainability Report. Sherritt's divisions have established multi-year sustainability and business plans that support the achievement of the sustainability goals. Performance against the goals is reported in the annual sustainability report. The goals are re-evaluated at a minimum every five years.

Memberships

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

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

EHS&S Committee of the Board

The Corporation's EHS&S Committee assists Sherritt's board of directors (the **"Board"**) in its oversight of EHS&S issues by providing corporate direction to, and monitoring and reviewing of, environment, health and safety, security, stakeholder relations, tailings facility performance, and other sustainability management systems, policies, programs and targets. The mandate of the EHS&S Committee can be found on the Corporation's website.

Sustainability Reporting

The Corporation discloses its annual sustainability performance in an online report. The latest report, which contains 2019 data, was prepared in accordance with the Global Reporting Initiative's Standards (Core Option). Sherritt's 2019 sustainability report was published in September 2020 and is available at sustainability.sherritt.com. The 2020 report is expected to be published in the second quarter of 2021.

ENVIRONMENT, HEALTH AND SAFETY

Environmental

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

The Corporation's compliance with relevant environmental laws begins with its assessment of environmental impacts before it initiates major new projects or undertakes significant changes to existing operations. Once planning and development have been completed, the Corporation's various operations must remain in compliance with their licenses, permits and other commitments. Throughout its operations, the Corporation actively investigates and implements continuous improvement opportunities to mitigate any effects of the operations on the environment as well as on the health and safety of workers and local community. The Corporation is in material compliance with the applicable environmental laws and conventions relating to its current operations.

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

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

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

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

The Corporation includes provisions in its financial statements for environmental rehabilitation obligations based on estimates of future site restoration costs, estimated remaining lives of properties, environmental laws and regulations, and estimated lives of reserves. The current estimate of the Corporation's share of the total anticipated undiscounted future cost of abandonment and reclamation costs to be incurred over the life of the Corporation's various assets and investments is estimated at approximately $131.1 million (excluding operating expenses). See Note 19 to the Corporation's audited consolidated financial statements as at December 31, 2020. The Corporation's reclamation of its mine sites is continuous and on-going. The Corporation has received certain indemnifications from its predecessor, Viridian Inc., with respect to any claims for environmental damage relating to the operations at the Fort Site prior to 1994 and with respect to any claims in relation to the Corporation's fertilizer business prior to 1996. The Corporation has assumed Viridian's obligations to GNC in respect of environmental indemnities, but has also received indemnification from Viridian to the same extent, with respect to matters occurring prior to the commencement of operations of the Moa Joint Venture in 1994.

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

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

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

For information on the Corporation's abandonment and reclamation costs for its oil and gas business, see "*Oil and Gas Reserves – Abandonment and Reclamation Costs*" above.

The voluntary commitments articulated in Sherritt's Framework that relate to environmental management include the implementation of the TSM Energy Use and Greenhouse Gas Emissions, Tailings Management, and Water Stewardship protocols and the implementation of ISO 140001 environmental management system (EMS) standard.

Following the catastrophic tailings dam failure at the Córrego do Feijão mining facility in Brumadinho, Brazil, a group of institutional investors including the Church of England and the Council on Ethics of the Swedish National Pension Funds wrote to 726 extractive companies requesting specific disclosure on Tailings Storage Facilities. Although Sherritt did not receive a request, Sherritt is committed to being open and transparent with communities and other stakeholders regarding the tailings management facilities operated by the Moa Joint Venture in Cuba. Sherritt has disclosed detailed information regarding its tailings management facilities along the Church of England guidelines in its 2019 Sustainability Report and tailings management report.

Health and Safety

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

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

The Corporation continuously enhances its enterprise-wide program to eliminate fatalities and improve the safety culture through fatality prevention standards, visible felt leadership, and management systems implementation. The Total Recordable Injuries frequency rate was 0.22 and its Lost-Time Injuries frequency rate was 0.12. Although this constitutes peer leading performance, the Corporation endeavours to continually improve its management systems, capabilities, and performance.

The commitments articulated in Sherritt's Framework that relate to health and safety include the implementation of the TSM Safety and Health protocol and the implementation of ISO 45001 occupational health & safety management system (HSEMS) standard.

In addition, Sherritt is implementing recognized process safety management standards, such as the CSA Z767 Process Safety Management Standard at applicable sites to minimize catastrophic risks related to operations processes.

Greenhouse Gas Emission Frameworks

Federal

The most recent periodic conferences of the parties to the United Nations Framework Convention on Climate Change (the **“Convention”**) have not resulted in a legally binding GHG emissions reduction commitment to succeed the Kyoto Protocol, which expired at the end of 2012. However, most nations, including China, Brazil, India and Canada entered into a commitment referred to as the Paris Agreement in December 2015, under which countries submit voluntary mitigation targets and plans and revisit those targets and plans every five years. Under the Paris Agreement, the Canadian federal government has proposed to reduce its emissions by 30% below 2005 levels by 2030.

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

The federal backstop has two parts:

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

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

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

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

For the 2020 compliance year, the carbon tax is set at $30 per tonne of CO2-equivalent. The carbon tax is scheduled to increase by $10 annually until it hits $50 per tonne in 2023. The recent announcement, if implemented into law, will increase the carbon tax by $15 per tonne per year starting in 2023 until the tax reaches $170 per tonne in 2030.

The Government of Canada has imposed the carbon tax on provisional jurisdictions that have so far refused to implement their own carbon pricing scheme: Alberta, Ontario, Manitoba and Saskatchewan. The constitutionality of the federal carbon tax is still before the Supreme Court of Canada.

Alberta

The Technology Innovation Emissions Reduction Regulation (“TIER”) became effective January 1, 2020. This regulation sets benchmarks based on 2013-15 performance of either the mix of Alberta facilities producing the same product, or the facility emissions intensity for unique producers. TIER includes both direct emissions and indirect ones related to the import of electricity, process heat, or hydrogen using Alberta specific standard intensities. For 2021 the carbon price has been set at $40/tonne, rising to $50/tonne in 2022. Future prices have not been announced. It is anticipated that for the next several years, the refinery and the

Fort Site will continue to comply with TIER by purchasing credits and will consider emerging GHG emission efficiency options as they are developed. The 2020 GHG emissions by the refinery and the Fort Site will not be available until later in the year. In 2019, the GHG emissions by the refinery and the Fort Site were 335 kt CO_2e in total or 47 kt CO_2e greater than the legislated limit. Accordingly, the refinery and the Fort Site purchased 47 kt of credits.

Other Jurisdictions

The Power division has registered a project with the United Nations clean development mechanism which allows GHG emission-reduction projects in developing countries to earn certified emission reduction (**"CER"**) credits, each equivalent to one tonne of CO_2. These CERs can be traded and sold, and used to meet certain emission reduction targets. The mechanism is intended to stimulate sustainable development and emission reductions and to provide flexibility in meeting certain emission reduction targets. The Energas Varadero Conversion from Open Cycle to Combined Cycle Project, United Nations Framework Convention on Climate Change Project 0918, achieved a verified GHG reduction of 342,235 metric tonnes CO_2 equivalent from January 2007 to June 2008. Verification of a further 638,392 CER credits for the period from July 1, 2008 to December 31, 2010 has been completed. Verification of CER credits for the period from January 1, 2011 to the present has been suspended for the time being as a result of low market prices for CERs. No sales of CERs were recorded in 2020.

The process of registering the 150 MW Boca de Jaruco Combined Cycle Project with United Nations authorities has been suspended until market prices for CERs have improved. This suspension remained in effect in 2020.

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

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

In 2020, the Corporation started to develop a climate change strategy and plan. The current draft of the plan includes climate risk and opportunity assessments, mitigating measures to reduce greenhouse gas (GHG) emissions, adaptation measures to respond to a changed climate, innovation measures to position Sherritt's Technologies and products well for the future, and communication and disclosure steps. Internal engagement and engaging our partners, through the Moa Joint Venture Board will be a key activity in 2021.

COMMUNITY INVESTMENT

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

In 2020, the long-standing Cuba Community Investment program continued to provide support for public infrastructure and community development in Moa, Cárdenas, Matanzas, Santa Cruz del Norte and in several smaller communities near the Corporation's operating sites. Recent projects undertaken include the installation of public lighting, the purchase of used buses for public transportation, the procurement of heavy equipment for community improvements, the refurbishment of hospitals, the donation of freezers to food rationing outlets and daycare facilities, and the provision of materials and equipment to improve water quality. In 2020, the Corporation continued its partnership with UNICEF Canada to fund a multi-year road safety program for youth in Cuba and contributed to a renewable energy project in Cuba to electrify a rural neighbourhood and improve local female economic participation, in partnership with a private partner and the government of Canada

The refinery in Fort Saskatchewan, which is a well-developed city near Edmonton, Alberta, administers a modest community investment budget to support worthwhile local initiatives and employee engagement. As the first major investor in the city more than 60 years ago, Sherritt has been an active and supportive development partner to Fort Saskatchewan for decades, contributing to many public, health, cultural and educational facilities and institutions. In 2020, the Corporation contributed to a local project to complete a local section of the Trans Canada Trail.

3.6 Employees

At December 31, 2020, the Corporation, including its subsidiaries and joint ventures, employed 3,255 individuals as set forth in the following table:

Moa Joint Venture and Fort Site(1)	2,713
Oil and Gas(2)	135
Power(3)	289
Technologies	49
Corporate	50
Havana Office(4)	19
Total	3,255

Notes:

(1) Includes Sherritt and GNC employees seconded to the Moa Joint Venture (100% basis)

(2) Includes employees of the entities through which the Corporation carries on its Oil and Gas business.

(3) Includes employees of Energas.

(4) Includes employees in the Havana office supporting Cuban operations.

The table above does not include contractors or service providers.

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

3.7 Risk Factors

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

MARKET CONDITIONS AND LIQUIDITY

Commodity Risk

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

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

Securities Market Fluctuations and Price Volatility

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

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

Liquidity and Access to Capital

Sherritt's ability to fund its capital and operating expenses and to meet its financial obligations depends on being able to generate sufficient cash flow from its operations and its ability to obtain additional financing and/or refinance its existing credit facilities and loans on terms that are acceptable to the Corporation. As noted in the risk factor entitled "*Commodity Risk*" above, Sherritt's earnings and financial condition are highly dependent upon the market prices for nickel, cobalt, oil, gas and other commodities, which are highly volatile in nature. Depending upon commodity prices in particular, Sherritt may find itself unable to access sufficient capital to fund its operations in the manner required for the long-term viability of the business and/or remain in compliance with its debt covenants. There can be no assurance that Sherritt will have sufficient funds to repay its 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 operations are subject to the risk of emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases, including the novel coronavirus diseases (COVID-19) pandemic. We are currently monitoring and regularly assessing the short and medium-term impacts of the COVID-19 virus, including for example supply-chain, mobility, workforce, market and trade flow impacts, as well as the resilience of Canadian, Cuban and other global financial markets to support recovery. Any longer term impacts are also being considered and monitored, as appropriate. However, this pandemic continues to evolve and its effects on our own operations are uncertain. It is possible that in the future operations may be temporarily shut down or suspended for indeterminate amounts of time, any of which may, individually or in the aggregate, have a material and adverse impact on our business, results of operations and financial performance. The extent to which COVID-19 may impact the Corporation's business and operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

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

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

Agencies of the Cuban government have significant payment obligations to the Corporation in connection with the Corporation's Oil and Gas, Moa Joint Venture and Power operations in Cuba. This exposure to the Cuban government and its potential inability to timely or fully pay such amounts could have a material adverse effect on the Corporation's financial condition and results of operations. Please see the risk factor entitled "*Risks Related to Sherritt's Operations in Cuba*" for additional information. Please see the risk factor entitled "*Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments*" for more information on Sherritt's loans and borrowings and on the effect of non-compliance with certain debt covenants.

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 Notes (collectively, the **"Indenture"**). These agreements and loans contain covenants which could have the effect of restricting Sherritt's ability to react to changes in Sherritt's business or to local and global economic conditions. In addition, Sherritt's ability to comply with these covenants and other terms of its indebtedness may be affected by changes in the Corporation's business, local or global economic conditions or other events beyond the Corporation's control. Failure by Sherritt to comply with any of the covenants contained in the Indenture, the Syndicated Facility or any future debt instruments or credit agreements, could materially adversely affect the Corporation's business, results of operations, and financial performance

RISKS RELATED TO SHERRITT'S OPERATIONS IN CUBA

The Corporation directly or indirectly holds significant interests in mining, metals processing, exploration for and production of crude oil and the generation of electricity in Cuba. The operations of the Cuban businesses and the ability of the Cuban government to fulfil payment obligations to the Corporation may be affected by economic and other pressures on Cuba. Risks include, but are not limited to, fluctuations in official or convertible currency exchange rates, access to foreign exchange, and high rates of inflation and the impact of the COVID-19 virus on Cuba and the Cuban tourist industry. In addition, 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, this administration designated Cuba as a State Sponsor of Terrorism. There can be no assurance that the incumbent U.S. administration will relax these measures. Changes in regulations and political attitudes are beyond the control of Sherritt and may adversely affect its business. Operations may be affected in varying degrees by such factors as Cuban government regulations with respect to currency conversion, production, project approval and execution, price controls, import and export controls, income taxes or reinvestment credits, expropriation of property, environmental legislation, land use, water use and mine and plant safety. On January 1, 2021, Cuba began its transition from a dual to a single currency regime. Sherritt has not experienced any material changes or additional risks to its operations as a result of this change, however we are continuously monitoring and assessing the potential impacts of the transition as it evolves.

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

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

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

All sales of Sherritt's oil production in Cuba are made to an agency of the Government of Cuba, as are all electricity sales made by Energas. The access of the Cuban government to foreign exchange is severely limited. As a consequence, from time to time, the Cuban agencies have had difficulty in discharging their foreign currency obligations. During such times, Sherritt has worked with these agencies in order to ensure that Sherritt's operations continue to generate positive cash flow to the extent possible. However, there is a risk, beyond the control of Sherritt, that receivables and contractual performance due from Cuban entities will not be paid or performed in a timely manner, or at all. Nevertheless, overdue receivables owed by Cuban entities to Sherritt decreased from US$158.4 million at the beginning of 2020 to US$145.9 million as at December 31, 2020. In addition, if any of these agencies or the Cuban government are unable or unwilling to conduct business with Sherritt, or satisfy their obligations to Sherritt, Sherritt could be forced to close some or all of its Cuban businesses, which could have a material adverse effect upon Sherritt's results of operations and financial performance.

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

RISKS RELATED TO U.S. GOVERNMENT POLICY TOWARDS CUBA

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

The U.S. Embargo

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

The Helms-Burton Act

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

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

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

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

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

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

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

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

RISKS TO INFORMATION TECHNOLOGIES SYSTEMS AND CYBERSECURITY

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

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

IDENTIFICATION AND MANAGEMENT OF GROWTH OPPORTUNITIES

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

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

DEPLETION OF RESERVES

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

In November 2017 the PSC for Block II (Varadero West) reverted to the Cuban Government. Furthermore, the PSC for the PE-Yumuri Block will revert to the Cuban Government on March 19, 2021.The majority of future oil and gas production will depend on new reserves in Blocks 10, 8A and 6A and/or the ability to obtain and develop additional PSCs. Sherritt cannot provide assurance that its exploration or development efforts will result in any new commercial operations or yield new mineral or oil and gas reserves to replace or increase current reserves. Failure to obtain significant oil production on Blocks 10, 8A and 6A to replace Sherritt's currently declining and expiring production volumes could have a material adverse effect on Sherritt's financial condition and operations.

RELIANCE ON PARTNERS

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

MINING, PROCESSING AND REFINING RISKS

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

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

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

OPERATING RISKS

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

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

TRANSPORTATION

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

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

UNCERTAINTY OF GAS SUPPLY TO ENERGAS

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

RELIANCE ON KEY PERSONNEL AND SKILLED WORKERS

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

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

EQUIPMENT FAILURE AND OTHER UNEXPECTED FAILURES

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

UNCERTAINTY OF RESOURCES AND RESERVE ESTIMATES

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

- mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;

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

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

ENVIRONMENTAL RISKS AND LIABILITIES

The Corporation is subject to risks related to environmental liability, including liability for reclamation costs and related liabilities, tailings facility failures and toxic gas releases. Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with the effects on the environment resulting from mineral development and production. Environmental regulation and increasing environmental awareness is broadening the scope of environmental stewardship responsibilities. The Corporation may be held responsible for the costs of addressing contamination at, or arising from, current or former activities. The costs associated with such responsibilities and liabilities may be substantial. The payment of such liabilities would reduce funds otherwise available and could have a material adverse effect on the Corporation.

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

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

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

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

RISKS RELATED TO SHERRITT'S CORPORATE STRUCTURE

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

POLITICAL, ECONOMIC AND OTHER RISKS OF FOREIGN OPERATIONS

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

Sherritt is also subject to other political, economic and social risks relating to foreign operations which include, but are not limited to, forced modification or cancellation of existing contracts or permits, currency fluctuations and devaluations, unfavourable tax enforcement, changing political conditions, political unrest, civil strife, uncertainty regarding the interpretation and/or application of applicable laws in foreign jurisdictions, reliance on foreign advisors and consultants, and changes in governmental regulations or policies with respect to, among other things, currency, production, price controls, profit repatriation, export controls, labour, taxation, trade, and environmental, health and safety matters or the personnel administering those regulations or policies. Any of these risks could have a material adverse effect on the Corporation's business, results of operations and financial performance.

PROJECT OPERATIONS

Generally

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

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

Capital and Operating Cost Estimates

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

FOREIGN EXCHANGE AND PRICING RISKS

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

ENVIRONMENT, HEALTH AND SAFETY

Legislative Risks

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

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

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

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

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

Risk of Injury and Environmental Damage

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

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

CLIMATE CHANGE/GREENHOUSE GAS EMISSIONS

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

Over the last few years the frequency and impact of extreme weather events, such as hurricanes and severe storms in Cuba pose increasing operating risks to the Corporation's facilities. The risk of damage is dependent upon such factors as intensity, footprint, wind direction and the amount of precipitation associated with the storm and tidal surges. While the Corporation maintains comprehensive disaster plans and its facilities have been constructed to the extent reasonably possible to minimize damage, there can be no guarantee against severe property damage and disruptions to operations.

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

COMMUNITY RELATIONS AND SOCIAL LICENSE TO GROW AND OPERATE

The Corporation's relationship with the communities in which it operates is critical to ensure the future success of its existing operations and the further development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain organizations and individuals are vocal critics of the resource industries and their practices. Adverse publicity generated by such organizations or individuals related to extractive industries generally, or to the Corporation's operations specifically, could have an adverse effect on the Corporation's reputation or financial condition and may impact its relationship with the communities in which it operates.

While the Corporation is committed to sustainable practices and has implemented certain initiatives with respect thereto, there is no guarantee that the Corporation's efforts will mitigate this potential risk.

CREDIT RISK

Sherritt's sales of nickel, cobalt, oil, gas, fertilizers and electricity expose the Corporation to the risk of non-payment by customers. Sherritt manages this risk by monitoring the creditworthiness of its customers, covering some exposure through receivables insurance, documentary credit and seeking prepayment or other forms of payment security from customers with an unacceptable level of credit risk. There are also certain credit risks that arise due to the fact that all sales of oil and electricity in Cuba are made to agencies of the Cuban government (see "*Risks Related to Sherritt's Operations in Cuba*"). Although Sherritt seeks to manage its credit risk exposure, there can be no assurance that the Corporation will be successful in eliminating the potential material adverse impacts of such risks.

SHORTAGE OF EQUIPMENT AND SUPPLIES

The global demand for some of the equipment and related goods used in Sherritt's operations vary and may exceed supply. If equipment or other supplies cannot be procured on a timely or competitive basis, Sherritt's growth activities, production, development or operations could be negatively affected. Additionally, due to the location and nature of its operations, the Corporation may sometimes rely on a single supplier, with no commercial reasonable alternative available. Furthermore, due to increased U.S. sanctions on Cuba the Corporation's ability to obtain certain equipment and supplies, including fuel, in that country may be limited.

COMPETITION IN PRODUCT MARKETS

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

FUTURE MARKET ACCESS

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

INTEREST RATE CHANGES

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

INSURABLE RISK

Sherritt employs risk management practices to reduce and mitigate operational risks and other hazard risks and exposures, although it is impossible to completely protect its operations from all such risks. The Corporation places types and an amount of insurance that it considers consistent with industry practice to the extent coverage is available and cost effective. Such coverage includes third party liability insurance and property and business interruption insurance. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the Corporation's insurance policies may not provide coverage for all losses related to the Corporation's business. The occurrence of losses, liabilities or damage not covered by insurance policies could have a material adverse effect on the Corporation's business, results of operations and financial performance.

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

LABOUR RELATIONS

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

LEGAL RIGHTS

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

LEGAL CONTINGENCIES

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

ACCOUNTING POLICIES

The Corporation’s audited consolidated financial statements for the year ended December 31, 2020, filed on SEDAR, were prepared using accounting policies and methods prescribed by IFRS as issued by the International Accounting Standards Board. Significant accounting policies under IFRS are described in more detail in the notes to the audited consolidated financial statements.

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

GOVERNMENT PERMITS

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

GOVERNMENT REGULATION

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

ANTI-CORRUPTION AND BRIBERY

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

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

Controls Relating to Corporate Structure Risk

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

Corporation's Control and Oversight of Subsidiaries and Joint Ventures

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

Appointment of Local Management

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

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

Strategic Direction

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

Internal Controls over Financial Reporting

For significant operations in the foreign jurisdictions over which the Corporation has operational control (**"foreign operations"**), internal controls over financial reporting are designed to operate in accordance with Canadian business, accounting and internal control standards and practices. These foreign operations are subject to the same internal reporting processes, policies and timelines as the Corporation's domestic operations, specifically:

(i) Foreign operations, specifically in Cuba, are under the senior leadership of persons or expatriates familiar with Canadian business, accounting and internal control standards and practices;

(ii) The Corporation has established and oversees entity-wide policies and procedures which are generally applicable to all domestic and foreign operations;

(iii) Each of the Corporation's foreign operations has its own audit committee which includes representation from the Corporation's management or from Canadian-based senior management;

(iv) Foreign operations have a compliance department which undertakes periodic reviews of operations in accordance with the Corporation's compliance program. This program is directly overseen by corporate management who report to the Corporation's Audit Committee;

(v) Each of the Corporation's foreign operations has an established National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (**"NI 52-109"**) internal control over financial reporting evaluation program (overseen by corporate management) designed to address risks and identify controls specific to the local business, cultural and accounting environment;

(vi) As part of its quarterly reporting process, the Corporation's foreign operations' management are required to provide corporate management with certifications based on Form 52-109F2, quarterly, and Form 52-109F1, annually. These certifications confirm that internal controls over financial reporting for the foreign operations are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of the foreign operations in accordance with the Corporation's generally accepted accounting principles. In addition, the foreign operations' management are required to report to corporate management any material weaknesses in internal control over financial reporting design and/or operating effectiveness;

(vii) Internal control over financial reporting design and operating effectiveness at the foreign operations is evaluated annually by applying the Committee of Sponsoring Commissions of the Treadway Commission (COSO-2013) framework consistent with the Corporation's domestic operations;

(viii) The Corporation's management reviews the foreign operations' reporting documents, certifications, disclosure controls and procedures checklists and internal control over financial reporting design/results of effectiveness testing memos and provides reports, as necessary, to the Board;

(ix) Reporting documents containing material information of the foreign operations are reviewed quarterly by the Corporation's senior management and the Audit Committee;

(x) Management undertakes independent, periodic reviews of the foreign operations' NI 52-109 compliance and reports to the Audit Committee;

(xi) Periodic internal control reviews of the foreign operations are initiated by the Board using the Corporation's independent internal audit department (separate from the Corporation's NI 52-109 internal control over financial reporting compliance program) in accordance with identified priorities as per the annual internal audit plan; and

(xii) The Corporation has established, among other policies governing operating activities, a code of conduct, reportable concerns and foreign anti-corruption policies which are applicable to the foreign operations.

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

Fund Transfers to the Corporation

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

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

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

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

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

Removal of Directors of Subsidiaries

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

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

Records Management of the Corporation and its Subsidiaries

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

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

4. Dividends

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

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

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

5. Capital Structure

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

The Corporation also has two series of Notes outstanding:

(a) the 8.50% second lien secured notes ($357.5 million in aggregate principal) issued August 31, 2020 pursuant to a trust indenture dated August 31, 2020 between the Corporation and AST Trust Company of Canada, as trustee and collateral agent.

(b) the 10.75% unsecured PIK option notes ($75 million in aggregate principal) issued August 31, 2020 pursuant to a trust indenture dated August 31, 2020.

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

The indenture contains optional redemption provisions and provide for customary events of default, which include non-payment of principal or interest, failure to comply with covenants, the bankruptcy or insolvency of the Corporation or a material subsidiary, unsatisfied final judgment against the Corporation or a material subsidiary in excess of $20.0 million, and failure by the Corporation or a material subsidiary to pay or otherwise comply with the terms of other indebtedness which singly or in the aggregate is in excess of $25.0 million, which default results in an acceleration of such indebtedness. The second lien indenture requires mandatory redemptions from excess cash (subject to the minimum liquidity condition noted below and the other terms and conditions). The mandatory excess cash flow redemption provision is in effect beginning with the two-quarter period ending June 30, 2021 and mandatory redemptions are based on excess cash flow (a measure calculated based on cash provided by (used in) operating activities excluding Energas, less sustaining property, plant and equipment expenditures excluding Energas, plus all cash distributed by Energas to the Corporation held in Canada, which mandatory redemption shall be required to be made only if the Corporation has minimum liquidity of $75.00 million calculated in accordance with the indenture.

The unsecured PIK option notes are direct, unsecured obligations of the Corporation which rank equally and rateably with each other and all other unsecured and unsubordinated indebtedness of the Corporation, except to the extent prescribed by law.

Ratings

On February 27, 2020, following the Corporation’s announcement of the Transaction, Morningstar DBRS downgraded Sherritt’s Issuer Rating to Selective Default from B and the Debenture rating to Default from CCC (high) with the related Recovery Rating discontinued and withdrawn. On December 2, 2020, DBRS upgraded Sherritt’s Issuer Rating from Selective Default to a rating of B with a Stable trend and removed the Under Review/Positive Implications status following the release of the Company's 2020 third quarter results and discussions with management. The increase came as a result of Sherritt's business risk profile, which is in the BB category, and relatively long reserve life and lower operating cost structure at its nickel operations, partially offset by its pending smaller size. Sherritt's new Second Lien Notes also received a new rating of CCC (high).

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

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

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

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

6. Market for Securities

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

The following table sets out the 2020 monthly price ranges and volume data for the Shares and the price ranges for the Notes.

	Shares			8.00% Debentures(1)		7.50% Debentures(1)		7.875% Debentures(1)		8.50% Notes(1)		10.75% PIK Option Notes(1)	
2020	High($)	Low($)	Volume	High($)	Low($)	High$)	Low($)	High($)	Low($)	High($)	Low($)	High($)	Low($)
January	0.22	0.18	9,703,600	48.30	29.00	33.50	12.50	27.00	14.00	–	–	–	–
February	0.18	0.15	9,128,400	40.00	27.00	27.00	12.50	24.00	13.00	–	–	–	–
March	0.17	0.07	20,810,300	34.00	7.50	34.00	6.50	34.50	6.00	–	–	–	–
April	0.12	0.11	8,481,700	12.50	7.00	13.00	9.00	27.50	13.00	–	–	–	–
May	0.16	0.11	7,731,900	24.50	8.50	9.00	7.50	21.00	20.00	–	–	–	–
June	0.15	0.11	11,801,600	30.50	10.00	31.00	10.00	29.00	11.00	–	–	–	–
July	0.22	0.12	15,981,200	37.50	22.00	17.00	16.00	–	–	–	–	–	–
August	0.21	0.17	7,503,800	25.00	14.50	20.00	15.00	15.00	15.00	–	–	–	–
September	0.23	0.17	14,349,700	–	–	–	–	–	–	53.00	19.00	25.00	4.50
October	0.30	0.19	20,862,800	–	–	–	–	–	–	45.50	30.00	15.00	7.00
November	0.36	0.25	16,149,800	–	–	–	–	–	–	53.00	40.00	25.00	9.00
December	0.44	0.31	24,052,500	–	–	–	–	–	–	57.00	46.00	35.00	16.50

Notes:

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

7. Directors and Officers

The following table sets forth, as at March 17, 2021, the names, place of residence and principal occupation of the directors of the Corporation and the period of service as a director of the Corporation.

Name and Place of Residence	Principal Occupation	Director Since
1) Sir Richard Lapthorne(2)(3) *(London, England)*	Chair, Corporate Director	September 2011
2) Adrian Loader(1)(3)(5) *(London, England)*	Corporate Director	July 2013
3) Timothy Baker(1)(3)(4)(5) *(British Columbia, Canada)*	Corporate Director	May 2014
4) David Pathe *(Ontario, Canada)*	President and Chief Executive Officer of the Corporation	January 2012
5) Lisa Pankratz(1)(2)(3)(5) *(British Columbia, Canada)*	Corporate Director	November 2013
6) John Warwick(2)(3)(4) (*Ontario, Canada*)	Corporate Director	June 2017
7) Maryse Bélanger(1)(3)(4) (*British Columbia, Canada*)	Corporate Director	February 2018

Notes:

(1) Member of the Reserves, Operations & Capital Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating and Corporate Governance Committee.

(4) Member of the Environment, Health, Safety and Sustainability Committee.

(5) Member of the Human Resources Committee.

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

The following sets out as at March 17, 2021 the principal occupations of the directors for the past five years and provides additional information about the directors:

Timothy Baker has served as a director of the Corporation since May 2014. Mr. Baker is currently the Chairman of Golden Star Resources Ltd. He retired from his positions as Executive Vice President and Chief Operating Officer of Kinross Gold Corporation in October 2010. Prior to joining Kinross in 2006, Mr. Baker was with Placer Dome, where he served in several key roles including Executive General Manager of Placer Dome Chile and of Placer Dome Tanzania, and Senior Vice President of the copper producing Compañia Minera Zaldivar. Mr. Baker also served as a director of Pacific Rim Mining Corp. (until November 2013), Augusta Resource Corporation (until October 2014), Eldorado Gold Corporation (until December 2012), Alio Gold (formerly Rye Patch Gold) (until July 2019) and Antofagasta PLC (until May 2020). Mr. Baker holds a B.Sc. (Geology) and the ICD.D certification from the Institute of Corporate Directors.

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

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

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

Adrian Loader has served as a director of the Corporation since July 2013. Mr. Loader has extensive international experience from Royal Dutch Shell in energy management, projects, strategy, business development and new market entry. He held regional responsibility for Royal Dutch Shell's operations in Latin America/Africa, Middle East/Far East and Europe. He was subsequently the Royal Dutch Shell Director responsible for Strategy and Business Development, as well as for Scenarios, Group Planning, Health, Safety & Environment, and External Affairs. Before retiring from Royal Dutch Shell at the end of 2007, Mr. Loader served as President and Chief Executive Officer of Shell Canada (**"Shell Canada"**) where he was responsible, *inter alia*, for Shell Canada's oil sands open pit mining activities and their expansion. Mr. Loader has served on the following public company boards – Alliance-Unichem, Shell Canada Ltd., Alliance-Boots, Candax Energy Inc. and Compton Petroleum. In January 2008, he joined the Board of Toronto-based Candax Energy Inc. and was Chairman until June 2010. He then served as Chairman of Compton Petroleum, Calgary, until August 2012 and was also Chairman of the Board of Directors of Oracle Coalfields PLC, London (an international coal developer in Pakistan) from 2011 to 2016. He is currently a director of LarfargeHolcim Ltd. (a Swiss global supplier of cement and aggregates) and the Chairman of Resero Gas Limited (a private UK company developing LNG to power projects). He served as a director on the board of Alderon Iron Ore Corp. (a Canadian iron ore project developer) until April 2020. Mr. Loader is a Fellow of the Chartered Institute of Personnel and Development and holds a Master's degree in History from Cambridge University, England.

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

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

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

David Pathe has served as a director of the Corporation since January 2012. Mr. Pathe was appointed as President and Chief Executive Officer of the Corporation effective January 1, 2012 and was Chairman of the Corporation from June 13, 2017 to June 26, 2019. Prior to that, he served as Senior Vice President, Finance and Chief Financial Officer of the Corporation from March 2011, as Senior Vice President, General Counsel and Corporate Secretary from July 2009, as Vice President, General Counsel and Corporate Secretary from October 2008 and as Assistant General Counsel and Assistant Corporate Secretary from June 2007.

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

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

The following table sets forth as at March 17, 2021 the names, province of residence and office of the executive officers of the Corporation.

Name and Province of Residence	Office with the Corporation
1. David Pathe *(Ontario, Canada)*	President and Chief Executive Officer
2. Stephen Wood *(Ontario, Canada)*	Executive Vice-President and Chief Operating Officer
3. Elvin Saruk *(Alberta, Canada)*	Senior Vice President, Oil & Gas and Power
4. Edward (Ward) Sellers *(Ontario, Canada)*	Senior Vice President, General Counsel and Corporate Secretary
5. Nathan Reeve *(Ontario, Canada)*	Interim Chief Financial Officer
6. Karen Trenton *(Ontario, Canada)*	Senior Vice President, Human Resources

The following sets out as at March 17, 2021, the principal occupations of the executive officers (other than Mr. Pathe, in respect of whom information is provided above) for the past five years:

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

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

Nathan Reeve was appointed Interim Chief Financial Officer effective January 1, 2021. Mr. Reeve previously served as Vice-President, Finance since joining Sherritt in October 2018, and has more than 25 years of industry experience across a number of accounting, finance and treasury roles. Mr. Reeve holds a Master of Arts degree from Cambridge, University, an MBA from the Richard Ivey School of Business, and is a designated CPA, CA.

Karen Trenton was appointed Senior Vice President, Human Resources effective February 2014. Prior to this appointment, Ms. Trenton served as Vice President, Human Resources from February 2007.

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

7. Directors and Officers (cont.)

The number and percentage of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Corporation as a group, as at March 17, 2021, was as follows:

Security	Number of voting securities	Approximate percentage of outstanding voting securities[(1)]
Common shares	2,378,690	0.60%%

(1) Sherritt had 397,285,750 Shares issued and outstanding as of March 17, 2021.

Effective September 19, 2014, the non-executive director shareholder requirement increased from three times to five times, the cash component of non-executive director annual remuneration which is required to be held in either common shares or director deferred share units (**"DDSUs"**). Each non-executive director has 5 years from the later of: (1) the date of election or appointment to the board; and (2) the date of the policy change to comply with the policy. For purposes of determining compliance with the non-executive director share ownership policy Shares owned and/or controlled by the non-executive director along with DDSUs are valued using the greater of the acquisition/grant date value and the market value on December 31. The number of DDSUs granted to each non-executive director is calculated by dividing the compensation value of the award by the market price in respect of the specific acquisition/grant date. The number of DDSUs held by all non-executive directors, as at March 17, 2021, was as follows:

Security	Number of securities
Directors' Deferred Share Units	4,345,327

8. Transfer Agent and Registrar

The Corporation's transfer agent and registrar for its Shares and Notes is AST Trust Company (Canada) ("AST"). The location at which transfer of the Corporation's securities may be affected by AST) is as follows:

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

9. Material Contracts

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

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

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

10. Interest of Experts

Auditors

Deloitte LLP are the Corporation's auditors and have issued an opinion with respect to Sherritt's consolidated financial statements as at and for the year ended December 31, 2020.

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

Qualified Persons

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

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

11. Additional Information

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

11.1 Additional Documents

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular dated November 11, 2020 for its most recent annual meeting of shareholders held December 15, 2020 and involving the election of directors.

Additional financial information is provided in the Corporation's financial statements and management's discussion and analysis for the 2020 financial year, filed on SEDAR and available at www.sedar.com.

11.2 Audit Committee

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

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

COMPOSITION OF THE AUDIT COMMITTEE

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

EDUCATION AND EXPERIENCE

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

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

John Warwick has served as a member of the Audit Committee since June 13, 2017. Mr. Warwick is a Chartered Financial Analyst. He holds an MBA from the University of Toronto and has 40 years of experience in investment research and banking.

PRE-APPROVAL POLICIES AND PROCEDURES

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

AUDIT FEES

The following table sets out total fees paid to the Corporation's external auditor, Deloitte relating to audit fees, audit-related fees, tax fees and other fees for 2020 and 2019:

	2020	2019
Audit fees(1)	$ 2,590,000	$ 2,845,000
Audit-related fees(2)	$ 0	$ 0
Tax-related fees(3)	$ 147,000	$ 165,000
Other fees(4)	$ 0	$ 0
Total fees	$ 2,737,000	$ 3,010,000

Notes:

(1) Audit fees consist of fees for the audit and review of the Corporation's annual and quarterly consolidated financial statements, respectively, or services that are normally provided in connection with statutory and regulatory filings or engagements. During 2020 and 2019, the services provided in this category included research of accounting and audit-related issues and assurance audits.

(2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported as audit fees.

(3) Tax-related fees consist of fees for assistance and advice in relation to the preparation of corporate income tax returns and expatriate services, other tax compliance and advisory services.

(4) Other fees related to training and development, and strategy consulting services.

SCHEDULE A

GLOSSARY OF TERMS

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

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

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

“appraisal program” means a series of activities, including drilling of wells, necessary to determine whether a discovery of hydrocarbons can be developed for commercial production.

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

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

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

“boepd” means barrels of oil equivalent per day.

“bopd” means barrels of oil per day.

“Co” means cobalt.

“CO_2” means carbon dioxide.

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

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

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

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

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

“development well” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

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

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

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

"Fe" means iron.

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

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

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

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

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

"future net revenue", in the context of Oil and Gas, means a forecast of revenue, estimated using forecast prices and costs, arising from the anticipated development and production crude oil, net of associated royalties, operating costs, development costs and abandonment and reclamation costs.

"gas" or **"natural gas"** means a naturally occurring mixture of hydrocarbon gases and other gases.

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

"GHG" means greenhouse gas and, more specifically, can be any of the commonly used gasses that are known to have the potential to add to global warming. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6). Some of these have subcategories. Each GHG has a global warming potential in relation to CO_2.

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

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

"GW" means gigawatt; equivalent to one million kilowatts.

"GWh" means a gigawatt hour; equivalent to one million kilowatt hours.

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

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

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

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

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

“Indicated Resource” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered from locations such as outcrops, trenches, pits, workings, and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“Inferred Resource” is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes.

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

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

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

“LIBOR” means the London Inter-Bank Offer Rate.

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

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

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

“Mbbl” means thousands of barrels.

“Mcf” means thousand cubic feet.

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

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

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

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

“Mineral Resource” means, in respect of mineral properties, an Inferred, Indicated or Measured Resource.

“Mineral Reserve” means, in respect of mineral properties, a Proven or Probable Reserve.

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

"MMbbl" means millions of barrels.

"MMcf" means million cubic feet.

"MMcfpd" means millions of cubic feet per day.

"MT" means millions of tonnes.

"MW" means a megawatt; equivalent to one thousand kilowatts.

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

"net reserves" means a working-interest (operating or non-operating) share of oil and gas reserves after deduction of royalty obligations and of reserves to be allocated to government authorities under a production-sharing contract or other oil and gas permit plus including the Corporation's royalty interests in reserves.

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

"Ni" means nickel.

"overburden" means materials that overlie a mineral deposit.

"pool" means a subsurface oil accumulation.

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

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

"Probable Reserve" means, in a context other than oil and gas, the economically mineable part of an Indicated Resource and, in some circumstances, a Measured Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"Proven Reserve" means, in a context other than oil and gas, the economically mineable part of a Measured Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

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

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

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

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

“stratigraphic test well” means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon production.

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

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

“Tpd” means tonnes per day.

“USGC HSFO” means U.S. Gulf Coast High Sulfur Fuel Oil, a benchmark residual fuel oil and has replaced GCF06 as a reference benchmark as of January 3, 2017.

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

“workover” means the re-entry of an existing well to conduct various operations intended to restore or increase production.

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

SCHEDULE B

TECHNICAL INFORMATION

MOA JOINT VENTURE

Properties

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

Moa Project

Property Description, Location and Access

The Central Moa property consists of six separate mineral concessions which cover approximately 9,146 ha (see the section entitled "*Mineral Reserves and Resources – Moa Joint Venture*" for more information) and are located approximately four kilometres to the south and southeast of the city of Moa in the province of Holguin in northeastern Cuba at an elevation of approximately 25 metres. The main open pit lateritic ore mines lie south of the city. The Moa nickel plant site, which processes the mined ore into mixed sulphides using high-pressure acid leaching, lies on the southern edge of the residential area of the city of Moa.

The operating mining areas are connected to the plant site through a well-developed network of secondary paved roads and dirt roads. The processing plant and the technical and administrative offices can be accessed from Moa city streets. The City of Moa is connected to the provincial capital of Holguin by both paved highway and a small commercial airport with limited schedules to other Cuban cities. The closest large international airports are at Holguin and Santiago de Cuba.

The Eastern Satellite property is comprised of the La Delta, Cantarrana and Santa Teresita mineral concessions which lie 10 to 15 kilometres southeast of the Moa Nickel processing plant and cover approximately 3,096 ha (see the section entitled "*Mineral Reserves and Resources – Moa Joint Venture*" for more information). These concessions can be accessed by a network of secondary dirt roads that provide access from the paved coastal highway, although accessibility can be difficult in the wet season.

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

- Moa Nickel has the right to mine the limonite, along with normal mining dilution at the top and bottom of the limonite horizon;
- Moa Nickel has received official approval to mine and utilize in the existing process a portion of the saprolite underlying the limonite ore in the deposit areas. Moa Nickel has the right to utilize saprolite underlying the Moa Oriental deposit and portions of the Moa Occidental deposit (total 1,104 ha), and to utilize saprolite with more than 1% nickel and 25% to 35% iron underlying the Camarioca Norte and Camarioca Sur deposits (total 4,374 ha); and
- When the property rights revert to the ONRM, the mining rights to the saprolite may be granted to another company.

History

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

From the early 1960s to the early 1990s, the Cuban government's state mining company mined the Moa Occidental concession. In 1994, the Corporation and GNC formed Moa Nickel. Moa Nickel was granted mining rights on December 1, 1994. It continued mining operations at the Moa Occidental concession and initiated mining operations at Moa Oriental in 2000.

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

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

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

Geological Setting Mineralization and Deposit Types

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

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

The upper zone of the commercial laterite profile called limonite is defined either by a nickel cut-off of 1% and an iron cut-off of 35% or, in certain deposits, by a ‘nickel equivalent’ grade cut-off that reflects the relative long-term price expectations for nickel and cobalt. The nickel equivalent cut-off grade typically ranges between 1.25% and 1.35%, depending mainly upon the ore haulage distance and overburden stripping ratios for the ore body. The limonite zone typically varies from three to seven metres in thickness, locally increasing to a thickness of up to 20 metres. The lower contact of the limonite zone is defined by the 35% iron grade cut-off and is highly irregular with frequent ‘ribs’ and ‘pinnacles’ of decomposing bedrock material projecting up into the limonite. Saprolite zone mineralization is usually encountered below the limonite zone. The original mining concession granted the right to mine in the limonite zone only. However, the ONRM has granted the Moa Joint Venture the rights to mine the upper portions of the saprolite zone on certain mineral concessions.

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

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

Exploration and Drilling

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

The majority of the deposits were drilled prior to the formation of the Moa Joint Venture using progressively closer grid spacings from 300 to 33 metres. In addition, test pits were excavated to yield information on mineralogy, moisture content and tonnage factors. Drilling campaigns conducted by the Moa Joint Venture have generally drilled exploration on grids of 100 metres and 33-35 metres-spacings and drilled exploitation grids at 16 metre-spacing for definition of the overburden thickness, grade control and metallurgical characterization of the ore. In 2019, 750 drillholes were completed on the 16 metre grid for Camarioca Norte and 19 drillholes were completed in Camarioca Sur (offset 35 metre grid, to complete the exploitation 25 × 25 metre grid.).

In addition to drilling, Moa Nickel also dug several dozen criollo pits in four of the mineral concession areas prior to production and conducted field trials of ground penetrating radar technology in the Camarioca Concessions.

Exploration on the Eastern Satellites concessions began in the 1960s and included drilling on a 100 metre square grid. The Gencor Campaign in-filled a number of the existing lines to 33 metre spacing. In 2008, Moa Nickel undertook a drilling campaign (conducted by Geominera) in certain regions where the historical data suggested strong Ni-Co mineralization. The 2008 drilling was done on a square 100 metre grid, offset from the historical grid, creating a regular grid with hole spacing of approximately 70 metres along the diagonals of the grid. All stages of drilling used truck-mounted spiral augers. Additional exploration work has been conducted by Centro Internacional de La Habana S.A., an external contractor.

Sampling, Analysis and Data Verification

Sample Preparation

Drill cuttings are logged manually by field geologists in a notebook at the drill site. Logged notes are then later entered into a computer data base in the office. Each interval, usually 1 metre, is divided in half, one part for chemical analysis and the other for metallurgical test work, including sedimentation tests. The samples are removed from the auger spirals, placed in plastic bags and tagged with the sample number. The sample numbers are simple sequences without the borehole number. In selected holes, a composite sample of 3-4 kilograms is taken for leaching tests. For every tenth sample, the geologist takes a duplicate assay sample for use as an internal control and another duplicate sample for use as an external control.

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

Through early September 2007, samples were shipped by truck to Geominera's facilities in Santiago de Cuba. Since September 2007, assay pulp preparation has been carried out at a new facility in Moa and the pulps shipped to Santiago de Cuba for assay at the Elio Trincado Figueredo Laboratory operated by Geominera. An independent consultant retained by the Corporation has examined the sample preparation facilities and the Geominera assay laboratory and reviewed their procedures, and believes that they are satisfactory. The Geominera work at the new sample preparation facility in Moa has been directly monitored by a Moa Nickel geologist.

Sample analyses

Analysis of Ni, Co, Al_2O_3, Cr_2O_3, Fe_2O_3, MgO, MnO and SiO_2 are done by sodium carbonate fusion and inductively coupled plasma atomic emission spectroscopy (ICP-AES), an emission spectrophotometric technique that uses the fact that excited electrons emit energy at a given wavelength as they return to their ground state. For the past many years, the annual production reconciliations have confirmed that there is no systematic bias in resources and reserves calculated from the drill hole data.

From time to time, Fe is checked volumetrically by titration with potassium dichromate.

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

Security of Samples

The lateritic material from auger holes is laid on the polyethylene sheet at the drill site and visually logged to record its geological characteristics. The clayey material is then cut into samples 1 metre in length, numbered and sealed in polyethylene bags. The sample bags are transported by truck from the field directly to the processing facility operated by Geominera in Moa. At no point are the bags re-opened until the laboratory begins its preparation work. If bags are broken, have become unsealed or appear to be contaminated with other material, which occurs very rarely, the laboratory does not process the sample and no analytical data is available for that sample interval.

Data Verification

Quality assurance and quality control (**"QA/QC"**) of the analytical data and the assay data bases is conducted by Geominera, who uses reference materials to monitor the accuracy of assay data and to detect systematic biases, and internal duplicates to monitor the precision or repeatability of assays. Additional duplicate samples checked by external labs provide additional data for monitoring the reliability of assay data. Blanks are currently not used; these would provide information on any cross-contamination that may be occurring during sample preparation.

Geominera's procedures for the analysis of this data, and the use of it to reject batches of unreliable assays, are not as rigorous and intensive as current international norms. The Corporation's personnel and consultants continue to work with Geominera, and the Corporation continues to conduct check assays at an external lab to ensure validity of results.

To address the specific weaknesses in Geominera's QA/QC protocols and procedures, the Corporation's consultants have met with the Geominera staff to discuss how to resolve certain issues. The Geominera staff have been willing to implement practical ideas to ensure alignment with approaches used by commercial assay laboratories faced with similar problems elsewhere in the world.

Despite the issues mentioned above, there is a general consistency between grades predicted from Geominera assay data and grades actually mined, as measured by Moa Nickel's own plant process control data, as well as with the external check assays.

Mining and Processing, Refining, Expansion, Marketing and Sales

Mining Operations

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

Mining has been carried out within the area covered by the Moa Occidental concession for close to 60 years. Prior to the formation of the Moa Joint Venture, the property was operated by the Cuban state and, prior to the Cuban Revolution, private mining companies. Prior to the Moa Joint Venture, the annual mining rate averaged approximately 1.6 million tonnes of ore. In the past 20 years, improvements in mining operations and at the processing plant have allowed the annual production rate to rise. In 2020, a total of 5.7 million tonnes of ore was mined.

Processing and Recovery Operations

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

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

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

In 2020, production of nickel and cobalt contained in mixed sulphides at Moa Nickel was 34,858 tonnes (100% basis), compared to production of 34,021 tonnes (100% basis) in 2019.

Refining

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

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

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

In 2020, total production of finished nickel and cobalt was 31,506 tonnes and 3,370 tonnes (100% basis), respectively, compared to 33,108 tonnes and 3,376 tonnes (100% basis), respectively, in 2019.

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

Expansion

The Expansion Agreement provides for an expansion of the annual production capacity at the Moa Nickel facilities by 16,000 tonnes of nickel plus cobalt in mixed sulphides, to a total of 49,000 tonnes, and a corresponding expansion of the CRC facilities to process the additional mixed sulphides. Following completion of basic engineering for the expansion in the fall of 2006 at both the Moa and Fort Saskatchewan facilities, the Corporation and GNC agreed to execute the expansion in phases.

The first phase of expansion was completed in 2008, increasing annual production capacity to a total of 37,000 tonnes of nickel plus cobalt contained in mixed sulphides. In response to weakening commodity markets, the Corporation announced a temporary suspension of capital contributions to the Moa/Fort Saskatchewan expansion in the fourth quarter of 2008. Demobilization of the construction workforce was substantially completed by the end of 2008 and equipment and material primarily on the Moa site are being preserved, where possible, to allow for completion of the remaining expansion circuits on an opportunistic basis using capital. While expansion at Moa Nickel remains an important growth initiative, no significant decisions have been made on the completion of expansion circuits beyond the completion of the new sulphuric acid plant in 2016, the new slurry preparation plant dump pocket in 2019 and the fifth sulphide precipitation autoclave in 2020.

Infrastructure, Permitting and Compliance Activities

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

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

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

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

The Eastern Satellites concessions cover a total of 3,096 ha. The boundaries of the Eastern Satellites concessions are subject to review and potential adjustment every three years by the ONRM.

For mining to commence on the Eastern Satellites concessions, Moa Nickel will have to apply to the ONRM at the appropriate time to have the exploration concessions set out above converted to exploitation concessions.

In 2017, exploration reports were submitted by the Moa Joint Venture to ONRM for Playa la Vaca and Zona Septentrional. The application for exploitation was approved in 2020. Exploitation permits for La Delta and Cantarrana were approved in 2018.

MANDATE OF THE AUDIT COMMITTEE

Mandate

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

Duties and Responsibilities

(a) review and recommend for approval to the Board the Corporation’s interim financial statements, MD&A and earnings press releases prior to disclosure and report to the Board thereon;

(b) review and recommend for approval to the Board the Corporation’s annual financial statements, MD&A and earnings press releases and report to the Board thereon;

(c) ensure the adequacy of procedures for the review of other corporate disclosure that is derived or extracted from the financial statements and periodically assess the adequacy of those procedures;

(d) ensure that management fulfills its responsibilities to maintain effective disclosure controls and procedures and an effective system of internal control over financial reporting; report any deficiencies to the Board;

(e) ensure management adequately identifies, manages, monitors and discloses the principal financial and business risks that could impact the Corporation’s financial results and reporting;

(f) recommend and propose guidelines for the disclosure of information, such that relevant information is disclosed in a timely manner and is not selective;

(g) ensure that, taken together, the work of the external and internal auditors provides an appropriate level of audit coverage and is effectively coordinated, to the extent appropriate;

(h) oversee procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or auditing matters, and procedures to allow confidential and anonymous submission of concerns regarding questionable accounting or auditing matters;

(i) review all material public documents relating to the Corporation’s financial performance, financial position or financial analyses prior to release, including the AIF, annual guidance and earnings call presentation;

(j) review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year;

(k) review all litigation and claims involving the Corporation which could materially affect its financial position and which the auditors or General Counsel may refer to the Committee;

(l) approve the Corporation’s tax policy;

(m) review, at least annually, the Corporation’s tax status, significant tax issues and reviews by tax authorities

(n) review, at least annually, management’s IT strategy and assess the adequacy of the Corporation’s cyber-security plan;

(o) review the adequacy of insurance coverage;

(p) ensure management undertake an appropriate enterprise risk management process and review management identification and evaluation of risks and risk mitigation procedures (including hedging);

(q) review other information provided by management relating to the financial affairs of the Corporation;

(r) review, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel; and

(s) perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

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

Relationship with External Auditors

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

(a) recommend for approval to the Board the appointment and oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services;

(b) approve the audit plan (including scope, timing and materiality);

(c) review the qualifications and performance of the external auditors and recommend approval of fees;

(d) report to the Board regarding the nomination, remuneration and other material terms of the engagement of the external auditors as well as their performance;

(e) review the results of the external auditors' work. The external auditors' report on the results of their work should include their views on the quality, not just the acceptability, of the implementation of generally accepted accounting principles, with a particular focus on the accounting estimates made by management and management's selection of accounting principles;

(f) assess working relationships with management and resolve any disagreements between management and the external auditors about financial reporting;

(g) pre-approve the nature and fees of non-audit services. The Chair has the authority to pre-approve proposals for services to be provided by the Company's auditors up to a value of C$150,000 per engagement, and to report any such approvals to the Committee as a whole at the next Committee meeting and

(h) review and approve the hiring policies regarding partners and employees and former partners and employees of the present and former external auditors.

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

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

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

Relationship with Internal Auditors

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

(a) approve the mandate for the internal audit department and annually review its objectives and goals and staffing levels;

(b) approve the internal audit charter;

(c) approve the internal audit plan;

(d) approve the internal audit budget and resource plan;

(e) receive communications from the Internal Audit function on performance relative to its plan and other matters;

(f) ensure that the Internal Auditor function has direct and open communication with the Committee with respect to progress on planned audits, significant audit findings, recommendations made and management's response;

(g) approve the appointment or removal of the Chief Internal Auditor; and

(h) review management's decisions related to the need for an internal audit.

Composition and Chair

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

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

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

Meetings

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

Notice of every meeting will be given to each member.

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

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

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

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

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

- management;
- external auditors; and
- internal auditors

Reporting

The Committee will:

- regularly report to the Board on all significant matters it has addressed and with respect to such other matters that are within its responsibilities; and

- oversee the preparation of any disclosure required under applicable Canadian securities laws with respect to matters that are within its responsibilities.

Resources and Authority of the Committee

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

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

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

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

Tenure

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

Removal and Vacancies

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

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Sherritt International Corporation
Bay Adelaide Centre, East Tower
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