2019 Management information circular
Notice of 2019 annual meeting of shareholders

Sherritt International Corporation
May 24, 2019

sherritt

NOTICE OF OUR 2019 ANNUAL MEETING OF SHAREHOLDERS

Please join us at our 2019 annual meeting

Where
Torys LLP
79 Wellington St. W.
33rd Floor
TD South Tower
Toronto, ON M5K 1N2

When
Monday, June 24, 2019
10:00 a.m. (Eastern Time)

Business of the meeting

1. Receiving our 2018 financial statements
2. Re-appointing our auditor and authorizing the directors to set their compensation
3. Voting on our approach to executive compensation
4. Electing our directors
5. Considering any other business properly brought before the meeting

Your vote is important

You can vote at the meeting if you owned Sherritt common shares at the close of business on April 25, 2019 (the record date of the meeting). Please read the voting section starting on page 3 of the attached management information circular for details, including proxy deadlines.

By order of the Board,

Ward Sellers
Senior Vice President, General Counsel & Corporate Secretary

Toronto, Ontario
May 24, 2019

Questions about voting?

Contact our proxy solicitation agent, Kingsdale Advisors:

By telephone
- 1 800 749 9197 (toll-free in North America)
- 416 867 2272 (call collect outside of North America)

By email
- contactus@kingsdalesadvisors.com

Dear fellow shareholders

On behalf of Sherritt's Board of Directors and our management team, I invite you to attend our annual meeting of shareholders to be held **Monday, June 24, 2019 at 10:00 a.m. (Eastern Time)**

Attending the meeting is an opportunity to exercise your voting rights in person, and to meet me, the other directors and members of Sherritt's leadership team. I hope you can attend. You can also vote by proxy if you cannot attend the meeting in person.

2018 truly was a year of two halves. The first half was marked by positive global sentiment and increasing prices for the commodities we produce. The second was marked by increasing volatility and economic uncertainty, leading to declining prices. Nickel prices fell by 33% during the year from a high in the second quarter of US$7.14/lb to US$4.81/lb at the end of the year. More significantly, cobalt prices dropped 39%, from a high of US$44.55/lb to US$27.25/lb at the end of 2018. Throughout the year, management focused and made progress on those matters that are within our control to better manage the challenges created by the resulting uncertainty. We were guided by our previously articulated priorities, which have been to:

- Preserve liquidity and build balance sheet strength;
- Uphold operational leadership in finished nickel laterite production; and
- Optimize opportunities in our Cuban energy business.

In this respect, 2018 saw strong performance in a number of areas but disappointments in others.

Preserve liquidity and build balance sheet strength

For several years now, throughout an extended period of low nickel and cobalt prices, we have been relentlessly focused on debt reduction. We made further progress on this objective in 2018. With the proceeds of an innovative and successful equity issuance in Q1, we repurchased for cancellation more than $130 million of our public debenture debt, resulting in annual interest savings of approximately $11 million. Over the last 5 years, we have eliminated more than $2 billion in indebtedness from Sherritt's balance sheet.

Our liquidity was enhanced by higher commodity prices in the first half of the year. However, falling nickel and cobalt prices in the second half of the year, and the impact of geopolitical events on Cuba, affected our cash flow generating capacity in the second half of the year as our Cuban partner was unable to keep up on our receivables in the oil and power business.

We continued to focus on controllable costs. Administrative expenses were reduced by a further $6.1 million, or 13%, in 2018 through various cost-saving initiatives, including the relocation of the Toronto corporate office to lower cost premises, lower consulting fees and reduced employee costs.

Uphold operational leadership in finished nickel laterite production

Production at the Moa JV was negatively impacted by a number of factors including the highest level of rainfall at the mine site in Cuba in more than 20 years, shipment delays to our refinery in Fort Saskatchewan by a Canadian railway service provider, and interruption to the third party supply of a key reagent used to produce finished nickel and cobalt. These all contributed to lower nickel and cobalt production totals than we would have otherwise achieved for the year.

We therefore took action to ensure we achieve our nickel and production targets in the future. At the Moa JV, we acquired new mining equipment to support production reliability while reducing maintenance costs. Similarly, we increased ore stockpiles to limit our exposure to adverse weather conditions at the mine site. These actions are already paying dividends. In the first quarter of 2019, the Moa JV had the highest first quarter nickel and cobalt production in its history.

Net direct cash costs at the Moa JV ranked in the lowest quartile for 2018 and the Moa JV was the lowest cost nickel HPAL operation in the world (according to data tracked by Wood Mackenzie). Strong cobalt prices, particularly in the first half of the year, contributed to this performance. We also improved our safety performance, not just at the Moa JV but in our Oil & Gas and Power operations as well. In all three businesses, Sherritt ranked in the top performing quartile of benchmark peer data.

Sherritt is a world leader in the mining and refining of nickel and cobalt from lateritic ores and a key objective is to maintain that leadership position.

Optimize opportunities in our Cuban energy business

In 2018, we took steps to extend the life of our oil business in Cuba. We extended the production sharing contract at Puerto Escondido/Yumuri for three years to 2021, but our primary focus was advancing the drilling on Block 10. Difficulties collecting receivables in our Cuban energy business in 2018 caused us to put other opportunities on hold and focus on Block 10.

In our drilling activities over the course of 2018, we encountered complex geological formations that impeded our progress on the well. There was significant loss of circulation in the course of drilling that required us to pause drilling activities and deploy a new casing solution that had never been previously used in Cuba. Later in the year, well-bore instability once again caused us to delay in order to evaluate new technological solutions. That process was completed in 2019 with the assistance of third-party industry experts. These measures have allowed us to resume drilling at the beginning of April, and we anticipate results during the second quarter.

The year so far

In 2019, market volatility and geopolitical uncertainty have continued. The cobalt price in particular has declined significantly, resulting in a 70% year-over-year decline compared to Q1 of 2018 and adversely affecting our cash flow. Increased global trade tensions continue to weigh on commodity prices. Collections in our Cuban energy receivables were disappointing in Q1 as Cuba deals with increased economic challenges. A more aggressive U.S. stance towards Cuba and foreign companies, like Sherritt, doing business in Cuba have exacerbated the challenge. We continue to work closely with our Cuban partners on a sustainable solution to our receivables issues in these difficult circumstances.

Over the longer term, we remain optimistic about the underlying market fundamentals for nickel and cobalt. Nickel, in particular, has experienced strong demand over the past 18 months, and global inventory levels have declined by more than 50%. With no meaningful new supply of Class 1 nickel coming on stream in the near term, and demand expected to grow because of the increased need for nickel in electric vehicle batteries, we remain optimistic that we will see prices rise in the coming years.

Everyone at Sherritt remains focused on our priorities, managing Sherritt in the best interests of the company, and addressing more immediate threats to our business in this challenging and complex global environment.

The notice of the meeting and the attached management information circular provide specific details about the matters to be presented at this year's meeting for your approval. You may notice changes to the management information circular – it has been updated to improve how we communicate with shareholders. If you cannot attend the meeting in person, please remember to vote your shares by proxy.

I would like to acknowledge our Lead Director, Peter Gillin. After over nine years as a director, Peter has decided to retire from our board. For myself, and on behalf of everyone at Sherritt, I would like to thank Peter for his support and his unwavering dedication to Sherritt over the years.

I also want to thank our employees all across Sherritt. Once again, the Sherritt team has put in a tremendous effort and made an enormous difference in circumstances that at times have been challenging to say the least. My personal thanks and gratitude to all of you.

On behalf of the Board and Sherritt's senior management team, I would like to thank you for your continued support. We continue to work in the best interest of Sherritt and look forward to success in 2019 and beyond.

Sincerely,

David Pathe
Chairman, President and Chief Executive Officer
Sherritt International Corporation

May 24, 2019

OVERVIEW OF THE 2019 MANAGEMENT INFORMATION CIRCULAR

Sherritt is one of the world's largest producers of nickel from lateritic sources, with operations in Canada, Cuba and Madagascar. We pride ourselves on being a leading low-cost producer that generates sustainable prosperity for our investors, employees and the communities in which we operate. We are also the largest independent energy producer in Cuba, with oil and power operations across the island.

Our 2019 management information circular tells you what you need to know to vote at our annual meeting of shareholders. This overview highlights some key information, including our governance and compensation practices. Please read the entire document before you vote your shares.

What's inside

GOVERNANCE

At Sherritt, we believe that sound corporate governance is critical to earning and retaining the trust of our shareholders. Our governance practices reflect the goals and priorities that we promote as a company, and support ethical behaviour and high performance standards throughout the organization – all critical elements for improving overall company performance.

Sound governance

Sherritt's Board of Directors is responsible for overseeing the management of the business and our affairs. The Board promotes fair reporting, including financial reporting, to shareholders and other stakeholders as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls. We comply with the rules and regulations that apply to us as a Canadian public company including National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines*.

Qualified and experienced Board

We have a strong, independent Board supported by a Lead Director. Six of this year's seven nominated directors (86%) are independent. The only non-independent director nominee is David Pathe, who also serves as our President and Chief Executive Officer.

	Age	Director since	Independent	2018 meeting attendance	2018 voting result
David Pathe (Chairman)	48	Jan 2012	no	100%	90.93% *for*
Timothy Baker	67	May 2014	yes	100%	92.10% *for*
Maryse Bélanger	57	Feb 2018	yes	95%	94.30% *for*
Sir Richard Lapthorne	76	Sept 2011	yes	100%	90.64% *for*
Adrian Loader[1]	70	July 2013	yes	91%	90.65% *for*
Lisa Pankratz	58	Nov 2013	yes	100%	91.24% *for*
John Warwick	65	June 2017	yes	100%	90.85% *for*

1 Adrian Loader attended all regularly scheduled board meetings in 2018.

Qualified and experienced nominees

100%

Experience in mining/ resource industry, international business or capital projects

100%

Experience in risk management and evaluation

71%

Financially literate or have experience in financial reporting, finance or mergers and acquisitions

86%

Experience in human resources or executive compensation

Appropriate compensation

Directors receive fixed compensation only, paid in cash and deferred share units (DSUs) that can't be redeemed until they leave the Board.

Regular shareholder communications

We are committed to communicating with shareholders and the public openly and in a timely way.

We continued our shareholder outreach program in 2018, inviting 28 shareholders, representing 39% of the issued and outstanding shares at that time, to meet with the Lead Director and Chair of the Human Resources Committee. Over the course of 2018, they met with sixteen shareholders (some several times), representing approximately 38% of our issued and outstanding shares, as well as two proxy advisory firms, as part of our general shareholder engagement program. Discussions ranged from questions and comments on Sherritt's strategy and performance, to our approach to executive compensation and incentive plan metrics. The insights from these meetings provide valuable input to the Committee and the Board when reviewing our compensation policies and practices.

You can read more about this year's nominated directors beginning on page 9, governance at Sherritt beginning on page 14 and executive pay beginning on page 31.

HOW WE PAY OUR EXECUTIVES

Executive pay at Sherritt is designed to support our strategy, motivate our executives to achieve our strategic objectives without encouraging them to take undue risks, and align their interests with the long-term interests of our shareholders. It is an important tool to attract and retain a strong, focused and resilient executive team to lead the company through all phases of the commodity cycle.

Strategic design

Our executive compensation program is based on four core principles that drive how we attract, retain and pay our executive team, motivate them to achieve our strategy and deliver value to shareholders.

Evolving program

Our compensation program has evolved over the last three years, to improve the link between pay and performance aligned with our strategic priorities, enhance our oversight of compensation risk, and other appropriate refinements:

Key changes in 2017	Increased the proportion of pay tied to performance Reduced the use of options from 50% to 25% of equity incentives
Key changes in 2018	Continued to reduce the use of options while assessing alternatives Enhanced risk management policies Simplified retirement savings for executives
Plans for 2019	Simplifying the short-term incentive plan, and tying the measures more closely to our 2019 strategic objectives Replacing option awards with restricted share units while we continue to assess alternatives to options

Compensation approach

Strategic

Strategically aligned with performance, does not encourage undue risk-taking, executives aligned with shareholders

Appropriate

Aligned with our organizational structure and the scope of the role

Fair

Internally equitable and benchmarked to the market

Competitive

Attracts a strong, focused and resilient executive team to lead us through all phases of the commodity cycle

Snapshot of 2018 compensation decisions

Total compensation paid to the named executives in 2018 was 4% lower than target and 3% higher than 2017:

- **Salaries** – remained the same, and have not increased since 2016, except to recognize the CFO for his promotion to the position in 2017.[1]
- **Short-term incentives** – awards were between 71% and 93% of target, based on corporate, operational and individual performance, except for the CEO, whose award does not include an individual component.
- **Equity incentives** – awarded at target, and allocated 30% to restricted share units (RSUs), 50% to performance share units (PSUs) and 20% options for all named executives except the CEO. The CEO's award was allocated 37.5% to RSUs and 62.5% to PSUs.
- **Payout of 2015 RSU awards** – paid out at 49% of the grant value (32% for Steve Wood). 20% of the units were performance-based and did not vest because our total shareholder return (TSR) was below the threshold performance of the combined weighted index.

The table below shows the total direct compensation awarded to the named executives for 2018 (see page 46 for details).

	Salary	Short-term incentive	Equity incentives	2018 compensation	**Pay tied to performance (*at risk*)**	Compared to target	Compared to 2017
David Pathe	$825,000	$585,750	$1,750,000	$3,160,750	**74%**	-7%	+2%
Andrew Snowden[1]	$350,000	$160,475	$ 400,000	$910,475	**62%**	-2%	+24%
Steve Wood	$450,000	$265,230	$ 565,000	$1,280,230	**65%**	-4%	-2%
Tim Dobson	$400,000	$242,580	$ 485,000	$1,127,580	**65%**	-2%	+3%
Elvin Saruk	$380,000	$199,728	$ 485,000	$ 1,064,728	**64%**	-3%	-2%

2019 MANAGEMENT INFORMATION CIRCULAR

You have received this management information circular because you owned common shares of Sherritt International Corporation as of the close of business on April 25, 2019 and are entitled to receive notice of our 2019 annual meeting of shareholders and to vote your shares. The meeting will be held on Monday, June 24, 2019 at Torys LLP, 79 Wellington St. W., 33rd Floor, TD South Tower, Toronto, ON M5K 1N2, beginning at 10:00 a.m. (Eastern Time), or at a reconvened meeting if the meeting is postponed or adjourned.

This management information circular provides important information about the business of the meeting, the voting process, governance at Sherritt and how we pay our directors and executives.

The Board has approved the contents of this circular and has authorized us to send it to our shareholders of record, each director and the external auditor.

By order of the Board,

David Pathe
Chairman, President and Chief Executive Officer

Toronto, Ontario
May 24, 2019

In this document:

- *we*, *us*, *our*, *company* and *Sherritt* mean Sherritt International Corporation
- *you*, *your* and *shareholder* mean holders of Sherritt common shares
- information is in Canadian dollars, unless indicated otherwise
- information is as of April 25, 2019, unless indicated otherwise

Record date
April 25, 2019

Registered office
Sherritt International Corporation
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 4220
Toronto, ON M5H 4E3

ABOUT THE MEETING

If you held Sherritt common shares at the close of business on April 25, 2019, you are eligible to vote at our 2019 annual shareholder meeting. Each share is entitled to one vote on each item of business to be voted on. This section of our circular tells you about the meeting – where and when to vote, what you will be voting on, and where to find more information.

Please join us at our 2019 annual meeting

Where
Torys LLP
79 Wellington St. W.
33rd Floor
TD South Tower
Toronto, ON M5K 1N2

When
Monday, June 24, 2019
10:00 a.m. (Eastern Time)

Where to find it

VOTING

Who can vote

If you held Sherritt common shares at the close of business on April 25, 2019, you are eligible to vote at our 2019 annual shareholder meeting. Each share is entitled to one vote on each item of business to be voted on.

Our authorized capital consists of an unlimited number of common shares. We had 397,281,686 shares outstanding as of the record date. Our directors and executive officers are not aware of any person or entity who beneficially owns or exercises direction or control over, directly or indirectly, more than 10% of our total shares outstanding.

The Board and management are soliciting your proxy for the meeting. Solicitation is mostly by mail, but you may also be contacted by a Sherritt director, officer or employee to encourage you to vote. We have also engaged Kingsdale Advisors to provide strategic shareholder advisory services and act as proxy solicitation agent for the meeting. We are paying Kingsdale approximately $30,000 (plus certain out-of-pocket expenses) for their services as solicitation agent. We may also reimburse brokers and others for the costs of sending our proxy materials to the beneficial holders of Sherritt shares.

How to vote

Registered shareholders

You are a registered shareholder if your name appears on your share certificate. Your package includes a proxy form.

Vote in person

If you would like to vote in person, do not complete your proxy form because your vote will be taken and counted at the meeting. Bring the form with you and your photo ID and check in with a representative of our transfer agent, AST Trust Company (Canada) (AST) when you arrive at the meeting.

Vote by proxy

Voting by proxy is the easiest way to vote. It means you appoint another person (your proxyholder) to attend the meeting for you and vote your shares according to your instructions.

Counting the votes
Votes will be counted and tabulated by our transfer agent, AST Trust Company (Canada), to keep individual shareholder votes confidential. Proxies are kept confidential unless it is clear that a shareholder has a message for management, the validity of the proxy is in question or it is required by law.

You can appoint the Sherritt representatives named in the proxy form to act as your proxyholder, or you can appoint someone else. This person does not need to be a Sherritt shareholder. If you would like to appoint another person, strike out the names of the Sherritt representatives and print that person's name or entity in the space provided in the form. Make sure they know that you have appointed them as your proxyholder and that they must attend the meeting on your behalf and vote your shares according to your instructions.

How to submit your voting instructions

Vote by internet or phone:

Internet	Go to www.astvotemyproxy.com and follow the on-screen instructions
Phone	Call 1-888-489-7352 from a touch-tone phone and following the voice instructions. You will need the 13-digit control number on your proxy form for identification purposes Note that you can give us your voting instructions by phone only if you have appointed the Sherritt representatives to be your proxyholder

Or complete your form, sign and date it and send it by:

Email	Scan your form and email it to proxyvote@astfinancial.com
Fax	Fax both sides of your form to 1-866-781-3111 (toll free in North America) or (416) 368 2502
Mail	Mail your form to AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, ON M1S 0A1

AST must receive your voting instructions by 10:00 a.m. (Eastern Time) on June 20, 2019 and, if the meeting is adjourned or postponed, no later than 10:00 a.m. on the date (excluded Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed meeting.

The Chairman of the meeting can accept or reject late proxies, and waive or extend the deadline for receiving proxies at his discretion and without notice.

If you appointed the Sherritt representatives named in the proxy form to be your proxyholder and do not specify your voting instructions, your shares will be voted:

- FOR the reappointment of Deloitte LLP as our auditor and to authorize the directors to set their compensation
- FOR our approach to say on executive pay
- FOR each of the nominated directors.

Only registered shareholders or duly appointed proxyholders are permitted to vote at the meeting.

Non-registered shareholders

You are a non-registered shareholder if your shares are registered under the name of an intermediary (your securities dealer, brokerage firm, bank, trust company, administrator of a registered plan (like an RRSP, RRIF or RESP) or other financial institution, or held in the name of a clearing agency (such as CDS) that your intermediary deals with.) You are the *beneficial* owner of the shares and you have the right to instruct your intermediary how to vote your shares. Your package includes a voting instruction form (or proxy form provided by your intermediary, if you have requested your intermediary to appoint you as a proxyholder (the *voting document*).

Vote in person

Print your name in the space provided in your voting document or write to them to ask that you be appointed proxyholder. Then follow your intermediary's instructions for returning the form. Each intermediary has its own procedures so please follow the instructions provided by them.

Bring your photo ID and check in with an AST representative when you arrive at the meeting.

Vote by proxy

Voting by proxy is the easiest way to vote. It means you appoint another person (your proxyholder) to attend the meeting for you and vote your shares according to your instructions.

You can appoint the Sherritt representatives named in the proxy form to act as your proxyholder, or you can appoint someone else. This person does not need to be a Sherritt shareholder. If you would like to appoint another person, strike out the names of the Sherritt representatives and print that person's name or entity in the space provided in the form. Make sure they know that you have appointed them as your proxyholder and that they must attend the meeting on your behalf and vote your shares according to your instructions.

How to submit your voting instructions

Internet	Go to www.astvotemyproxy.com and follow the on-screen instructions	
Phone	**Canadian shareholders:** Call 1-800 474 7493 (English) or 1 800 474 7501 (French)	**US shareholders:** Call 1 800 454 8683
Mail	Complete your form, sign and date it and send it to the address provided by your intermediary and before the deadline provided	

We also use the Broadridge QuickVote™ service to help non-registered shareholders vote their shares over the phone. Non-registered shareholders may be contacted by Kingsdale to help them with this service. Broadridge tabulates the results of all the voting instructions received and provides the appropriate instructions for those shares at the meeting.

Submit your voting instructions right away to allow enough time for your intermediary to process your voting instructions. AST must receive your voting instructions by 10:00 a.m. (Eastern Time) on June 20, 2019 and, if the meeting is adjourned or postponed, no later than 10:00 a.m. on the date (excluding Saturdays, Sundays and holidays) preceding the date of an adjourned or postponed meeting.

Questions about voting?
Contact our proxy solicitation agent, Kingsdale Advisors:

By telephone
- 1 800 749 9197 (toll-free in North America)
- 416 867 2272 (call collect outside North America)

By email
contactus@kingsdalesadvisors.com

Shares will be voted or withheld from voting according to shareholder's instructions on any ballot that may be called for.

The Chairman of the meeting can waive or extend the deadline for receiving proxies at his discretion and without notice.

If you appointed the Sherritt representatives named in the Voting Document to be your proxyholder and do not specify your voting instructions, your shares will be voted:
- FOR the reappointment of Deloitte LLP as our auditor and to authorize the directors to set their compensation
- FOR our approach to say on executive pay
- FOR each of the nominated directors.

Changing your vote

You can revoke your voting instructions if you change your mind:

Registered shareholders

- go online and submit new voting instructions
- submit another proxy form and send it by mail or fax to AST. A properly completed proxy form with a later date automatically revokes a previously submitted proxy
- send a written statement to AST indicating your wish to have your proxy revoked.

Send your new proxy form or written statement to AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721 Agincourt, Ontario M1S 0A1. They must receive it before 10:00 a.m. (Eastern Time) on the last business day before the meeting (or reconvened meeting if the meeting is postponed or adjourned).

Non-registered shareholders

- go online and submit new voting instructions
- complete another Voting Document and follow the instructions for returning the form provided by your intermediary. A properly completed Voting Document with a later date automatically revokes a previously submitted form
- send a written statement to your intermediary indicating that you wish to have your Voting Document revoked.

Send your new form or written statement to your intermediary right away because they must forward it to AST. AST must receive the new form or statement before 10:00 a.m. (Eastern Time) on the last business day before the meeting (or reconvened meeting if the meeting is postponed or adjourned).

Regardless of whether you are a registered or non-registered shareholder, you can also give your notice to the Chairman of the meeting before the start of the meeting (or reconvened meeting if the meeting is postponed or adjourned), or send new instructions in any other manner permitted by law.

BUSINESS OF THE MEETING

We must have quorum for the shareholder meeting to proceed and to transact business. Quorum is two or more persons present in person or by proxy, representing at least 25% of the votes entitled to be cast at the meeting.

There are five items of business to be covered at the meeting. We require a simple majority of votes cast for an item to be approved by shareholders, except for the election of directors. See below to read about our majority voting policy for election of directors. Voting results for our 2019 annual meeting will be posted on our website (www.sherritt.com) and filed on SEDAR (www.sedar.com).

We are not aware of any director or executive officer at any time in 2018, or a director nominee or an associate or affiliate, having a material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any item of business.

1. Receiving our 2018 financial statements

If you asked us to send you our annual financial statements for the year ended December 31, 2018, you should have already received a copy in a separate mailing. If you haven't received it, you can find a copy of our Management's Discussion and Analysis (MD&A) and Audited Consolidated Financial Statements in our 2018 Annual Report, which is available on our website (www.sherritt.com) and on SEDAR (www.sedar.com).

2. Re-appointing our auditor and approving their compensation

You will vote on re-appointing Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants (Deloitte LLP) as our external auditor for the 2019 financial year and authorize the directors to set the auditor's compensation. Deloitte LLP has served as our auditor since November 1995.

Deloitte LLP is independent of Sherritt and our subsidiaries within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The Board recommends that shareholders vote FOR the reappointment of Deloitte LLP to serve as external auditor of Sherritt for 2019 and to authorize the Board to set the auditor's compensation.

The table below shows the fees paid to the external auditor for 2017 and 2018.

	2017	2018
Audit fees For the audit of our annual consolidated financial statements and review of our quarterly consolidated financial statements and services normally provided for statutory and regulatory filings or engagements such as research of accounting and audit-related issues and assurance audits	$3,225,000	$2,600,000
Audit-related fees For assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported as audit fees	$165,000	–
Tax-related fees For assistance and advice relating to the preparation of corporate income tax returns and expatriate services, other tax compliance and advisory services	$306,000	$273,000
Other fees Relating to training and development, and strategic consulting services.	$57,000	$125,000
Total	$3,753,000	$2,998,000

3. Voting on our approach to executive compensation

Our executive compensation program is designed to pay for performance and align the interests of our executive team with the long-term interests of our shareholders.

The Board recommends that shareholders vote FOR our approach to executive compensation.

Please take some time to read about our executive compensation program and 2018 pay decisions starting on page 31 before you vote your shares.

We hold an annual advisory vote on "say on pay" to support good governance and to give shareholders the opportunity to approve our approach to executive compensation as described in this circular. Last year 72.65% of the votes cast were *for* our approach to executive compensation.

This year you will vote on the following resolution:

RESOLVED THAT:
on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in Sherritt's management information circular delivered in connection with the 2019 annual meeting of shareholders.

While this vote is non-binding on the Board, the Board will review the results and feedback it receives when reviewing executive compensation in the future.

If a significant number of shares are voted against the resolution, the Board will review our executive compensation program and any concerns expressed by shareholders and discuss the steps it took following the outcome and any changes being implemented as a result in next year's circular.

4. Electing our directors

The Board has decided that seven directors will be elected to the Board this year to serve a term of one year until the end of our 2020 annual meeting, unless a director resigns or otherwise leaves office.

The Board recommends that shareholders vote FOR each of the nominated directors.

You can read about the nominated directors beginning on page 9.

You will be asked to elect the following nominees as directors. Each of them currently serves on our Board, is qualified and experienced, and has expressed his or her willingness to serve another term.

You can vote for all, vote for some and withhold your vote for others, or withhold your vote for all of the nominees:

1. Timothy Baker
2. Maryse Bélanger
3. Sir Richard Lapthorne
4. Adrian Loader
5. Lisa Pankratz
6. David Pathe
7. John Warwick

Management does not contemplate that any of the nominees will be unable, or for any reason become unwilling, to serve as a director. If for any reason this happens before the meeting, the persons named in your proxy form or voting instruction form have the right to vote for another nominee, at their discretion, unless you have specified in your proxy form or voting instruction form that your shares are to be withheld from voting in the election of any of the directors.

Majority voting policy

Shareholders can vote FOR or WITHHOLD from voting separately for each director nominee.

Our majority voting policy, which was adopted in 2009 and amended in 2016, requires that a nominee who receives more “withhold” votes than “for” votes at a shareholder meeting must submit his or her resignation to the Board immediately after the meeting. The Nominating and Corporate Governance Committee will review the matter and accept the resignation unless there are exceptional circumstances that would warrant the director to continue serving on the Board.

The Board will announce its decision in a press release within 90 days including the reasons for accepting or rejecting the resignation and also provide a copy to the Toronto Stock Exchange (TSX). The resignation will take effect when it is accepted by the Board. The director does not participate in any discussions or vote on the matter.

The policy only applies in an uncontested meeting where the number of director nominees matches the number of board seats available.

5. Considering any other business properly brought before the meeting

As of the date of this circular, the directors and management are not aware of any amendments, variations or other matters that may be brought before the meeting (or any adjournment or postponement).

If this happens, your proxyholder has discretionary authority to vote on the matters as they see fit.

ABOUT THE NOMINATED DIRECTORS

We have a strong, independent Board supported by a Lead Director. Six of the seven nominated directors (86%) are independent. David Pathe, our Board Chair, is not independent because he also serves as our President and Chief Executive Officer.

All seven nominated directors currently serve on our Board and have committed to serving on the Board for another one-year term. Each is qualified and experienced and brings a strong mix of skills and experience across disciplines and industry sectors.

INDEPENDENCE
86% are independant

GENDER DIVERSITY
29% are women

GEOGRAPHIC DIVERSITY
71% Canada
29% International

AVERAGE AGE
63 years

AVERAGE TENURE
5 years

2018 attendance

The table below is a summary of the board and committee meetings held in 2018 (including the annual shareholder meeting) and the attendance of the nominated directors. You can read about each director's attendance record on page 27.

	Number of meetings attended	Overall meeting attendance
Board of directors	9	96%
Audit Committee	5	100%
Environment, Health, Safety and Sustainability Committee	4	100%
Human Resources Committee	6	100%
Nominating and Corporate Governance Committee	5	100%
Resources, Operations and Capital Committee	4	100%

You can read more about the nominated directors in the profiles that follow, including their background and experience, 2018 meeting attendance, compensation and voting results as well as their equity ownership and other directorships.

Information about the Sherritt equity each nominee owns beneficially or exercises control or direction over has been provided by each nominee. Non-executive directors receive an equity retainer in deferred share units (DSUs), which are notional units that track the value of Sherritt common shares and earn dividend equivalents at the same rate as dividends paid on our common shares. The value shown in each director profile is calculated by multiplying the number of units/shares by the higher of the grant/purchase price or the closing price of our shares on the TSX on December 31 ($0.45 for 2018).

Qualified and experienced nominees

100%
Experience in mining/ resource industry, international business or capital projects

100%
Experience in risk management and evaluation

71%
Financially literate or have experience in financial reporting, finance or mergers and acquisitions

86%
Experience in human resources or executive compensation

DAVID PATHE

Chairman, President and
Chief Executive Officer,
Sherritt International
Not independent

Residence: Ontario, Canada
Age: 48
Director since: January 2012
2018 attendance: 100%
2018 vote: 90.93% *for*

Areas of expertise

- Mining/Resource industry
- International business
- Capital projects
- Enterprise management
- Financial literacy and reporting
- Corporate governance
- Risk management and evaluation
- Finance/M&A
- Government relations
- Board leadership

Business experience

David Pathe was appointed President and Chief Executive Officer on January 1, 2012, and Chairman of the Board on June 13, 2017. He joined Sherritt in 2007 and held a number of progressively senior positions prior to his current position:

- Senior Vice President, Finance and Chief Financial Officer (March 2011-January 2012)
- Senior Vice President, General Counsel and Corporate Secretary (July 2009-February 2011)
- Vice President, General Counsel and Corporate Secretary (October 2008-June 2009)
- Assistant General Counsel and Assistant Corporate Secretary (June 2007-September 2008)

Other public company boards in the past five years

None

Other boards

30% Club (Co-chair, Canada)
Catalyst Canada's Advisory Board (member)

Public board interlocks

None

Education

B.A. (Queen's University)
L.L.B. (University of British Columbia)

Equity ownership

Shares: 383,456
Performance share units: 1,604,167
Restricted share units: 2,176,348
Total value: $5,048,714

Meets his equity ownership requirement as President and CEO (see page 39).

TIMOTHY BAKER

Corporate Director
Independent

Residence: Ontario, Canada
Age: 67
Director since: May 6, 2014
2018 attendance: 100%
2018 vote: 92.10% *for*

Areas of expertise

- Mining/Resource industry
- International business
- Capital projects
- Reserve evaluation
- Operations
- Human resources/ Executive compensation
- Environment, health, safety and sustainability
- Risk management/evaluation
- Board leadership

Business experience

Timothy Baker is the former Executive Vice President and Chief Operating Officer of Kinross Gold Corporation, a position he held from June 2006 to October 2010 when he retired from the company. Prior to joining Kinross in 2006, he was with Placer Dome, where he held several key roles including Executive General Manager of Placer Dome Chile, Executive General Manager of Placer Dome Tanzania and Senior Vice President of the copper producing Compañia Minera Zaldivar. He is a former director of Pacific Rim Mining Corporation and Eldorado Gold Corporation.

Other public company boards in the past five years

Antofagasta PLC (member, Compensation Committee)
Alio Gold Inc. (formerly Rye Patch Gold Corp.) (member, Compensation Committee)
Golden Star Resources Ltd. (Chairman of the Board)
Augusta Resource Corporation (2008 to 2014)

Other boards

None

Public board interlocks

None

Education

B.Sc. (Geology) (Edinburgh University, Scotland)
Executive Program (Queen's University)
ICD.D (Institute of Corporate Directors)

Equity ownership

Shares: 72,100
Deferred share units: 350,383
Total value: $517,048

Meets his equity ownership requirement (see page 28).

MARYSE BÉLANGER

President and Chief Operating Officer,
Atlantic Gold Corp.
Independent

Residence: British Columbia, Canada
Age: 57
Director since: February 7, 2018
2018 attendance: 95%
2018 vote: 94.30% *for*

Areas of expertise

- Mining/Resource industry
- International business
- Government relations
- Capital projects
- Reserve evaluation
- Enterprise management
- Operations
- Human resources/Executive compensation
- Environment, health, safety and sustainability
- Risk management/evaluation
- Board leadership

Business experience

Maryse 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, Chief Operating Officer and Director of Atlantic Gold Corp., where she is responsible for the overall operational and technical management of the company. Prior to joining Atlantic Gold, she served as the Chief Executive Officer and Managing Director of Mirabela Nickel Ltd., where she led the restructuring of the Santa Rita open pit nickel operations in Brazil.

Other public company boards in the past five years

Atlantic Gold Corporation (member, Compensation Committee)
Plateau Energy Metals (member, Compensation Committee)
Sigma Lithium Resources (member, Compensation Committee)
Kirkland Lake Gold Inc. (2016 - 17)
Kirkland Lake Gold Ltd. (2016)
Newmarket Gold (acquired by Kirkland Lake Ltd. in 2016) (2016)
Mirabela Nickel (2014 to 2016)
True Gold (acquired by Endeavor in 2016) (2015 to 2016)

Other boards

None

Public board interlocks

None

Education

Bachelor of Science (Geology) (Université du Québec à Chicoutimi)
Graduate certificate in Geostatistics (MINES ParisTech)

Equity ownership

Shares: 0
Deferred share units: 61,527
Total value: $49,074

Has until February 7, 2023 to meet her share ownership requirement (five years from her appointment to the Board) (see page 28).

SIR RICHARD LAPTHORNE

Corporate Director
Independent

Residence: Buckinghamshire, UK
Age: 76
Director since: September 14, 2011
2018 attendance: 100%
2018 vote: 90.64% *for*

Areas of expertise

- International business
- Government relations
- Capital projects
- Enterprise management
- Financial literacy and reporting
- Corporate governance
- Operations
- Human resources/Executive compensation
- Risk management/evaluation
- Finance and M&A
- Board leadership

Business experience

Sir Richard Lapthorne has served as a Finance Director or as Chairman of various FTSE 100 and non-quoted companies in the United Kingdom since 1986. He is currently the Chairman of CPP Group plc. global financial assistance product provider listed on the London Stock Exchange. Between June 2009 and April 2010, he served as Chairman of McLaren Group Limited. From 1996 to May 2003 he was Chairman of Amersham International plc (now GE Healthcare), joining the board as a non-executive director in 1989. He was Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999.

Other public company boards in the past five years

CPP Group plc.
Cable & Wireless Communications plc (Chairman) (2003 to 2016)
Cable & Wireless plc. (Chairman) (2003 to 2016)

Other boards

None

Public board interlocks

None

Education and distinctions

Fellow, Chartered Institute of Management Accountants (UK)
Fellow, Chartered Association of Certificated Accountants (UK)
Fellow, Corporate Treasurers Association (UK)
Bachelor of Commerce, Liverpool University, England

Equity ownership

Shares: 90,500
Deferred share units: 383,555
Total value: $861,945

Meets his equity ownership requirement (see page 28).

ADRIAN LOADER

Corporate Director
Independent

Residence: London, England
Age: 70
Director since: July 29, 2013
2018 attendance: 96%
2018 vote: 90.65% *for*

Areas of expertise

- Mining/Resource industry
- International business
- Government relations
- Capital projects
- Reserve evaluation
- Enterprise management
- Corporate governance
- Operations
- Human resources/Executive compensation
- Environment, health, safety and sustainability
- Risk management/evaluation
- Finance and M&A
- Board leadership

Business experience

Adrian Loader has extensive international experience working for Royal Dutch Shell in energy management, projects, strategy, business development and new market entry. He held regional responsibility for operations in Latin America/Africa, Middle East/ Far East and Europe and was the Royal Dutch Shell Director responsible for Strategy and Business Development, Scenarios, Group Planning, Health, Safety & Environment, and External Affairs Before retiring at the end of 2007, he was President and Chief Executive Officer of Shell Canada, where he was responsible for, among other things, Shell Canada's oil sands open pit mining activities and their expansion. He has served on the board of directors of Alliance-Unichem, Shell Canada Ltd., Alliance-Boots, Candax Energy Inc. and Compton Petroleum. He joined the board of Candax Energy Inc. in January 2008 and was Chairman until June 2010, and then Chairman of Compton Petroleum until August 2012

Other public company boards in the past five years

LafargeHolcim Ltd. (Swiss global supplier of cement and aggregates
Oracle Coalfields PLC (international coal developer in Pakistan) (Chairman from 2011 to 2016)

Other boards

Resero Gas Limited (a private UK company developing LNG to power projects) (Chairman)

Public board interlocks

None

Education and distinctions

Fellow, Chartered Institute of Personnel and Development
MA (History) (Cambridge University, England)

Equity ownership

Shares: 19,000
Deferred share units: 367,475
Total value: $543,094

Meets his equity ownership requirement (see page 28).

LISA PANKRATZ

Corporate Director
Independent

Residence: British Columbia, Canada
Age: 58
Director since: November 13, 2013
2018 attendance: 100%
2018 vote: 91.24% *for*

Areas of expertise

- International business
- Capital projects
- Enterprise management
- Financial literacy and reporting
- Corporate governance
- Operations
- Human resources/Executive compensation
- Risk management/evaluation
- Finance and M&A
- Board leadership

Business experience

Lisa Pankratz has over 30 years of experience in the investment industry and capital markets in both executive and advisory capacities, working with multinational and international companies. For over 17 years, she has served as a board member of corporations in the financial services and global media industries. She is an advisor to the Audit Committee for the Canadian Museum for Human Rights. She previously served on the boards Canwest Media, Inc. (2005 to 2008), The Insurance Corporation of British Columbia (2001 to 2007), and was a member of the Accounting Policy and Advisory Committee advising the Ministry of Finance for the Province of British Columbia (2002 to 2004). From 2006 to 2010, she was the President of Mackenzie Cundill Investment Management Ltd., and from 2002 to 2006 was the President, Chief Compliance Officer and Director of Cundill Investment Research Ltd. and the Chief Compliance Officer of The Cundill Group.

Other public company boards in the past five years

None

Other boards

Friends of the Museum for Human Rights
UBC Investment Management Trust Inc.
HSBC Independent Review Committee, HSBC Global Asset Management (Canada) Limited
Vancouver Foundation (member of Investment Committee and Audit and Finance Committee)

Public board interlocks

None

Education and distinctions

Fellow, Institute of Chartered Professional Accountants of British Columbia, Chartered Financial Analyst
Honours Bachelor of Arts in Business Administration, Richard Ivey School of Business, University of Western Ontario

Equity ownership

Shares: 29,300
Deferred share units: 361,348
Total value: $520,896

Meets her equity ownership requirement (see page 28).

JOHN WARWICK

Corporate Director
Independent

Residence: Ontario, Canada
Age: 65
Director since: June 13, 2017
2018 attendance: 100%
2018 vote: 90.85% *for*

Areas of expertise

- Mining/Resource industry
- International business
- Capital projects
- Enterprise management
- Financial literacy and reporting
- Human resources/Executive compensation
- Risk management/evaluation
- Finance and M&A
- Board leadership

Business experience

John Warwick is a special advisor to Paradigm Capital Inc. He was previously 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, he was Executive Vice President and Vice Chairman of Gordon Capital Corporation and previously a mining analyst at Gardner Watson, and at Burns Fry, where he was a top-ranked base metals analyst.

Other public company boards in the past five years

NorZinc Ltd. (previously Canadian Zinc Corporation) (member, Audit Committee and Compensation Committee)

Other boards

None

Public board interlocks

None

Education

MBA, University of Toronto
Chartered Financial Analyst

Equity ownership

Shares: 100,000
Deferred share units: 106,955
Total value: $256,330

Has until June 13, 2022 to meet his share ownership requirement (five years from his appointment to the board) (see page 28).

Other information about the directors

June 2014 to June 2016, Maryse 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.

Lisa Pankratz was a member of the board of directors of CanWest Global Communications Corp. (CanWest) from 2005 until her resignation in February 2010. She served on the board's Audit and Pension Committees and was Chair of the Pension Committee from 2008 until her resignation. CanWest filed for court protection from its creditors October 2009. CanWest's newspaper subsidiary filed separately for protection under the CCAA in January 2010.

GOVERNANCE

At Sherritt, we believe that sound corporate governance is critical to earning and retaining the trust of our shareholders.

Our governance practices reflect the vision and priorities that we promote as a company and support ethical behaviour and high performance standards throughout the organization – all critical elements for improving overall company performance.

Where to find it

ABOUT THE BOARD

Board structure

Shareholders	Elect the Board for a term of one year. See page 8 for our majority voting policy.
Board of directors	Responsible for governance and stewardship of the company, and accountable to Sherritt shareholders. You can find a copy of the Board's mandate in Appendix A and on our website (www.sherritt.com).
Board Committees	Established by the Board to help carry out its responsibilities: • Audit Committee • Environment, Health, Safety and Sustainability Committee • Human Resources Committee • Nominating and Corporate Governance Committee • Reserves, Operations and Capital Committee The Committees provide expertise and resources in specific areas, enhance the quality of discussion at board meetings and facilitate decision-making. All five Committees are made up of independent directors. The Board and its committees each meet in camera (without management present) at every in-person meeting. There were seven in-camera meetings of the Board, six of the Human Resources Committee, five of the Nominating and Corporate Governance Committee, four of the Audit and Environment, Health, Safety & Sustainability Committees and three of the Reserves, Operations and Capital Committee in 2018. Each committee meets and operates independently of management. Membership is reviewed annually and members are selected by the Board on the recommendation of the Nominating and Corporate Governance Committee. You can read about each committee beginning on page 20. Committee mandates are reviewed annually and approved by the Board, and are posted on our website (www.sherritt.com).

The Board is responsible for overseeing the management of the business and our affairs. Our articles stipulate that our Board must have three to 15 directors. The Board is authorized to set the number of directors from time to time in accordance with our by-laws and a special resolution of shareholders.

For 2019, the Board will consist of seven members and each director is qualified and experienced in business and sound corporate governance practices. The Board has a written mandate that sets out its purpose, responsibilities and composition. A copy of the mandate is in Appendix A starting on page 75.

The Board has delegated certain responsibilities to its five standing committees to help it fulfill its responsibilities. The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board about our approach to corporate governance including the annual review of our governance policy.

Independence

The majority of our Board is independent – all of our directors are independent except the Chairman, David Pathe, because he also serves as our President and Chief Executive Officer.

We determine independence of our directors using the definition set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (NI 58-101). A material relationship exists if the Board believes that a relationship could be reasonably expected to interfere with the director's independent judgment and is deemed to exist under certain prescribed circumstances set out in NI 58-101.

About conflicts of interest
A director who has a real or perceived conflict of interest about a matter under consideration is required to recuse him or herself from all Board deliberations or discussions on the matter.

We also have a Lead Director to support independent board leadership, who is appointed by the Board following the annual meeting of shareholders in cases where there is no independent Board Chair. We established the role of Lead Director to ensure board independence in June 2017 when Mr. Pathe assumed the combined CEO/Chairman role.

The Lead Director facilitates the functioning of the Board independent of management and serves as an independent leadership contact for the directors, senior executives and stakeholders. The Lead Director is responsible for approving the agenda for board meetings, leading discussions of the independent directors, providing feedback on the sessions to the Board Chair, and otherwise serving as a liaison between the independent directors and the Board Chair, among other things. The Lead Director is also a direct contact for shareholders and other stakeholders. A copy of the Lead Director's terms of reference are available at www.sherritt.com.

Meeting in camera

The independent directors meet in camera without management present at every in-person meeting of the Board and at other times as necessary. The Lead Director chairs these meetings.

Our board committees consist of independent directors and they also meet in camera at each in-person committee meeting and as often as necessary. Committees operate independently of management in fulfilling their mandates and making recommendations to the Board.

The Audit Committee meets separately with the external auditor at least once every quarter without management present to discuss our financial affairs.

The Lead Director and committee Chairs update management on the substance of the in camera meetings if action is required.

Position descriptions

We have formal position descriptions for key leadership roles including the Board Chair, committee Chairs and the President and Chief Executive Officer.

Board Chair

The Board Chair provides leadership to the Board and is responsible for effectively managing the affairs of the Board and ensuring that it functions efficiently. The Board Chair, if independent, also advises the President and Chief Executive Officer on all matters concerning the interests of Sherritt, the Board and the relationships between management and the Board.

Where to find the position descriptions

You can find a copy of the position description for the Board Chair in Appendix B on page 78. The position descriptions for the Chairs of each of the Board's five standing committees and the President and Chief Executive Officer are available on our website (www.sherritt.com).

Committee Chairs

The Chair of each Board Committee is responsible for leading their Committee in fulfilling its duties and responsibilities as set out in the Committee's Mandate. The Committee Chair reports to the Board at its next meeting, updating the Board on any decisions or recommendations reached by the Committee and its considerations in the process.

President and Chief Executive Officer

The President and Chief Executive Officer has primary responsibility for the management of the business and our affairs in accordance with our corporate strategy and objectives approved by the Board and within the limitations of authority determined by the Board.

THE ROLE OF THE BOARD

The Board is responsible for overseeing the management of our business and our affairs.

Corporate governance

Sound corporate governance practices are essential to the well-being of Sherritt and the promotion and protection of our shareholders' interests. The Board oversees our governance framework, in part, through the work of the Nominating and Corporate Governance Committee.

The Board promotes fair reporting, including financial reporting, to shareholders and other stakeholders as well as ethical and legal corporate conduct through an appropriate system of corporate governance, internal controls and disclosure controls. The Board believes that Sherritt is best served by a board that is informed and engaged and functions independently of management.

We comply with the rules and regulations that apply to us as a Canadian public company including National Instrument 58-101 – Disclosure of Corporate Governance Practices and National Policy 58-201 – Corporate Governance Guidelines.

Strategic direction

The Board, with the assistance of its committees, is responsible for assessing and approving our strategic plan and the annual business plans developed and proposed by management. The Board provides input and advice about strategic opportunities, as well as issues and concerns relating to risk.

The Board is also responsible for approving our business and operational policies which govern our approach to capital expenditures, acquisitions and dispositions, disclosure and communications, finance and investment, risk management and human resources. It also reviews our processes to assess and manage risk and discusses this with management. Management updates the Board on our principal risks at each regularly scheduled board meeting.

Risk oversight

The Board is responsible for overseeing how management assesses and manages risk, including identification of principal risks and appropriate systems to manage them. The Audit Committee ensures that management adequately identifies, manages, monitors and discloses risks that could impact our financial results and reporting. The Environment, Health, Safety and Sustainability Committee reviews and oversees the management of environment, health and safety, security and sustainability risks on behalf of the Board. The Human Resources Committee assists the Board in fulfilling its oversight responsibilities in relation for compensation risk.

Managing compensation risk
See page 38 for information about how the Human Resources Committee manages compensation risk.

Our principal risks range from market conditions, liquidity and access to capital, to operating, jurisdictional and political risks, depletion of reserves, commodity risk, climate change and greenhouse gas emissions, labour relations and environment, health and safety, among other things. You can read more about our risk factors in our 2018 Annual Information Form and our 2018 MD&A on our website (www.sherritt.com) and on SEDAR (www.sedar.com).

Sherritt's divisions each compile a risk register based on a common matrix, which is reviewed by the Senior Management of the division. The risk registers forms the basis of the Enterprise Risk Management (ERM) report which is presented quarterly to the senior executive team by finance. Finance also reviews external publications on risks and emerging risks related to the mining industry.

The ERM report contains information about the *top known risks* (those that could have an impact on our financial strength, strategic position or reputation) and *significant known risks*, as identified in the risk register and by Finance. The final ERM report is presented twice a year to the Board and includes a description of each top known risk, a discussion of the context of the risk, an action plan to manage the risk, board accountability and an update on the steps management has taken to address the risk. The significant known risks are listed for the purpose of discussion. As part of its annual risk assessment, Finance also reviews the top known risks and significant known risks against the Internal Audit plan.

Management succession planning

The Human Resources Committee is responsible for succession planning and uses a multi-year, talent management framework managed by human resources.

The Committee reviews the succession plan for the CEO position annually and discusses its review and recommendations with the Board without Mr. Pathe present. The Committee meets annually with the Senior Vice President, Human Resources to review other key management positions and the development of our leadership talent.

The succession process includes reviewing our talent pool by several criteria including the hiring, selection and de-selection process, analysis of average age and years of service, gender representation, time in the role and performance. The review includes all key positions including our divisions and as well as finance, legal, human resources and other functional areas reporting to the Executive Vice President and Chief Operating Officer. Mr. Pathe provides input and feedback to the Committee on the positions that report directly to the CEO role.

Leadership diversity

Our diversity and inclusion policy also makes diversity one of the criteria that senior management considers in evaluating the suitability of candidates for all positions. We currently have one female executive officer representing 14% of the executive team. We continue to build our pipeline of talent below the senior executive level. We currently have 14 employees at the Vice President level, and 21% of them are female.

In 2016 we established diversity and inclusion as a strategic priority and have committed to a multi-year plan that includes establishing the CEO's Global Diversity & Inclusion Steering Committee, local diversity groups to address site-specific obstacles, a review of human resources policies and practices to identify and remove any systemic barriers, a comprehensive education and communication plan and a framework of metrics to track progress.

David Pathe, our Chairman, President and Chief Executive Officer, is Co-chair of the 30% Club in Canada, a global campaign aimed at promoting women to senior business roles. We are also a member of Catalyst, an organization working to help accelerate progress for women in the workplace, and David is a member of Catalyst Canada's Advisory Board.

Disclosure and communications

We are committed to communicating with shareholders and the public openly and in a timely way and complying with legal and regulatory requirements including our continuous disclosure obligations under securities laws.

Disclosure policy

We have enterprise-wide policies that safeguard confidential information, protect material information about the company and guide our disclosure practices, among other things.

Our timely disclosure and confidentiality policy ensures that material information about Sherritt is disclosed in a timely, consistent, fair and factually accurate manner and applies to all methods and forms of communication.

Disclosure Committee

Our Disclosure Committee (or in certain cases, one of its members) reviews and approves all news releases and public filings with securities regulators and stock exchanges before being released, as well as all written, electronic and oral statements for public dissemination that may or may not include material information.

The Committee is chaired by the General Counsel & Corporate Secretary and includes the Senior Vice President and Chief Financial Officer, Executive Vice President and Chief Operating Officer and the Director, Investor Relations and External Communications as members.

Each board committee reviews the public disclosure relevant to its mandate, before it is reviewed and approved by the Board. For example, all press releases and public filings disclosing financial information are reviewed by the Audit Committee, including the annual and interim financial statements and MD&A.

We also have mechanisms in place to evaluate the design and effectiveness of our disclosure controls.

Shareholder engagement

We communicate with shareholders in various ways including through our website, disclosure documents and management's quarterly conference calls with analysts, which shareholders and the public can access. Specific shareholder inquiries are handled by our Investor Relations group.

We also have a shareholder outreach program where the Lead Director and Chair of the Human Resources Committee meet with our shareholders to discuss governance and compensation matters. We started the program in 2016 and have received good response every year. After the 2018 Annual General Meeting, we reached out to 28 of our largest shareholders representing 36% of our issued and outstanding shares. The Lead Director and Committee Chair also met with 8 shareholders (some multiple times), representing approximately 5% of our issued and outstanding shares, as well as two proxy advisory firms, Institutional Shareholder Services and Glass Lewis. Over the course of 2018, these two directors met with 16 shareholders in total representing 38% of our issued and outstanding shares, as part of our general shareholder engagement program. Discussions were engaging and ranged from questions and comments on Sherritt's strategy and performance to our philosophy on executive compensation and incentive plan metrics, all of which provided important context for our work in preparing this year's circular. The insights from the meetings also provide valuable input to the Committee and the Board when reviewing our policies and practices.

Communicating with the Board

The Board welcomes input from shareholders at any time. If you wish to contact the Board or any of the committees, please send your note to the Corporate Secretary:

Board of Directors of Sherritt International Corporation
c/o Corporate Secretary
Sherritt International Corporation
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 4220
Toronto, ON M5H 4E3

BOARD COMMITTEES

The Board has five standing committees and each is made up of independent directors. The committees operate independently of management and have their own mandates which set out their duties and responsibilities. The committee Chairs are responsible for leading their committee and ensuring that they fulfill the committee's mandate. Committee mandates are posted on our website (www.sherritt.com). Board committees can retain special counsel or consultants up to $150,000. Fees exceeding this amount must be approved by the Board.

Audit Committee

Independent: 100%	Members:
Meetings in 2018: 5	Lisa Pankratz, FCPA, FCA, CFA (Chair since June 13, 2017)
	Sir Richard Lapthorne, John Warwick

The Audit Committee is responsible for ensuring the integrity and accuracy of Sherritt's financial reporting and disclosure controls and procedures. This includes reviewing our financial and related disclosure and overseeing compliance with legal and regulatory requirements relating to financial reporting, the external auditor's qualifications and independence, and the performance of the internal and external auditors.

The Audit Committee also oversees management of our principal financial and business risks, our internal controls, our tax status, the adequacy of our insurance coverage, among other things. It also approves the external audit plan and the nature and fees of non-audit services and recommends the external auditors to the Board.

Each member is financially literate within the meaning of National Instrument 52-110 – *Audit Committees*.

Some members of the Audit Committee are also members of the Human Resources Committee, the Reserves, Operations and Capital Committee and the Environment, Health, Safety and Sustainability Committee to ensure alignment of discussions and decisions.

You can find more information about the Audit Committee in our 2018 Annual Information Form on our website (www.sherritt.com) and on SEDAR (www.sedar.com).

Environment, Health, Safety and Sustainability Committee

Independent: 100%	Members:
Meetings in 2018: 4	Timothy Baker (Chair since May 12, 2015)
	Maryse Bélanger, Peter Gillin, John Warwick

The Environment, Health, Safety and Sustainability Committee oversees our environment, health and safety, security and other sustainability management systems, policies, programs and targets.

The Committee makes recommendations to the Board about the scope of environment, health and safety, security and sustainability risks to our operations and future growth, voluntary commitments we have made in this area, and compliance with legal and regulatory requirements. It also monitors legislative trends, domestic and international norms, stakeholder expectations and industry best practices and reviews sustainability information and performance data, corporate-level audits and management response and plans, our crisis management plan and our annual sustainability report.

The Committee ensures its assessment of controls to manage environment, health and safety, security and sustainability risks aligns with the Audit Committee's oversight of internal controls. It also consults with the Reserves, Operations and Capital Committee about the environment, health, safety and sustainability risks relating to our current and future capital projects. It visits at least one site of our major operations once a year.
Some members of the Environment, Health, Safety and Sustainability Committee are also members of the Audit Committee and the Human Resources Committee to ensure alignment of discussions and decisions.

Human Resources Committee

Independent: 100%	Members:
Meetings in 2018: 6	Adrian Loader (Chair since June 13, 2017)
	Timothy Baker, Lisa Pankratz

The Human Resources Committee oversees our director and executive compensation, in addition to the human resources strategic plan, incentive compensation plans, performance assessment, retirement benefits and succession planning. It also establishes our human resources and compensation policies and oversees compensation risk.

The Committee reviews director compensation to ensure that is continues to be appropriate for the duties, responsibilities and risks of being a director and stays competitive with the market and makes recommendations to the Board as appropriate.

The Committee also makes recommendations to the Board about executive compensation including the program structure, balance of fixed and variable elements of compensation, terms and conditions of employment, incentive plan design, performance evaluations for our senior executive officers, compensation decisions and management succession planning. It oversees our retirement plans through the work of the Management Retirement Committee.

The Human Resources Committee meets with its independent advisor without management present and the external advisor attends all regular committee meetings to provide advice and counsel. Management is invited to attend committee meetings to present recommendations and updates.

Some of the members of the Human Resources Committee are also members of the Audit Committee, the Environment, Health, Safety and Sustainability Committee and the Reserves, Operations and Capital Committee to ensure alignment of discussions and decisions.

Nominating and Corporate Governance Committee

Independent: 100%	Members:
Meetings in 2018: 5	Sir Richard Lapthorne (Chair since May 23, 2013)
	Timothy Baker, Maryse Bélanger, Peter Gillin, Adrian Loader,
	Lisa Pankratz, John Warwick

The Nominating and Corporate Governance Committee oversees all governance matters and establishes our corporate governance policies and practices. It is also responsible for identifying new candidates for nomination or appointment to the Board.

The Committee makes recommendations to the Board about the size, composition and mandates of the Board and committees, the qualifications of director candidates and nominees, candidates for the Lead Director position, board succession, the board assessment process and position descriptions or terms of reference for the President and Chief Executive Officer, Board Chair, Lead Director and Chair of each Board committee.

The Committee also oversees director orientation and continuing education, all proposed related party transactions and situations for potential conflicts of interest, and it reviews our code of business conduct and ethics.

Reserves, Operations and Capital Committee

Independent: 100%	Members:
Meetings in 2018: 4	Adrian Loader (Chair since May 12, 2015)
	Timothy Baker, Maryse Bélanger, Lisa Pankratz

The Reserves, Operations and Capital Committee is responsible for reviewing our mineral reserves (including oil and gas reserves) and those of affiliated and related entities. It also oversees the availability, maintenance, growth and integrity of our reported reserve base, including any additional potential reserves.

The Committee reviews the selection criteria and appointment of our designated qualified persons, the report of the qualified persons and the disclosure of our annual reserves and resources information, the annual reconciliation of reserves to mine production, our internal controls and disclosure controls and procedures relating to reserves and resources estimation.

The Committee receives reports from management on all material matters related to reserves and resources estimation, industry standards and regulations about the estimation and publication of reserves and resources and developments and monitors steps by management to manage our risk exposures. It also reviews our procedures relating to the disclosure of information on oil and gas activities, the selection of the qualified reserves evaluators or auditors selected to report to the Board on our oil and gas reserves and resource data, and our annual reserves and resource estimates prior to disclosing publicly.

With respect to its responsibility for overseeing production and related activities, the Committee reviews, monitors and oversees our ongoing production and related operations to enhance alignment with Sherritt's strategic objectives and initiatives.

The Committee is also responsible for reviewing, monitoring and overseeing our major capital projects and expenditures on a world-wide basis which either have or may have a material impact on Sherritt. This includes the prioritization of capital projects and expenditures.

Some of the members of the Reserves, Operations and Capital Committee are also members of the Audit Committee, the Environment, Health, Safety and Sustainability Committee and the Human Resources Committee to ensure alignment of discussions and decisions.

BOARD COMPOSITION

Our goal is to assemble a high performing board with a diversity of skills, background and experience to ensure that the Board can carry out its responsibilities effectively. Our directors are strong leaders in their field (ideally from an industrial background with experience in mining, energy, operations or large capital-intensive industry) have strong experience in either corporate strategy and/or operations, can engender trust and respect in the boardroom and bring diversity to the Board.

The individual skills, knowledge and experience of individual directors complement those of their colleagues on the Board. This provides diversity, balance of views and perspectives, ensures well informed oversight and thoughtful exchange with management.

Diversity

We recognize the value of diversity and inclusion and believe that we benefit from the insight, innovation and good judgment that comes from including a variety of perspectives in the decision-making and strategic planning process. Our diversity and inclusion policy makes diversity of the Board one of the criteria that the Nominating and Corporate Governance Committee considers in recruiting and selecting director candidates.

The policy was updated in 2018 to include our commitment to have women represent at least 30% of the independent directors by 2022. We currently have two female independent directors who represent 25% of the Board and 29% of the independent directors.

Skills matrix

The Board maintains a skills matrix to evaluate the competencies and skills of its members based on the background and experience of each director. The skills matrix is updated every year based on a self-assessment completed by each director and used to identify gaps or areas for strengthening the Board when recruiting new director candidates to fill board vacancies. The skills matrix below shows the skill set of the current Board.

	Timothy Baker	Maryse Bélanger	Peter Gillin	Sir Richard Lapthorne	Adrian Loader	Lisa Pankratz	David Pathe	John Warwick	Total
App	May 2014	February 2018	January 2010	September 2011	July 2013	November 2013	January 2012	June 2017	
Mining/Resource industry	✓	✓	✓		✓		✓	✓	6
International business	✓	✓	✓	✓	✓	✓	✓	✓	8
Government relations		✓		✓	✓		✓		4
Capital projects	✓	✓	✓	✓	✓	✓	✓	✓	8
Reserve evaluation	✓	✓			✓				3
Enterprise management		✓	✓	✓	✓	✓	✓	✓	7
Financial literacy and reporting			✓	✓		✓	✓	✓	5
Corporate governance				✓	✓	✓	✓		4
Operations	✓	✓	✓	✓	✓	✓			6
Human resources/Executive compensation	✓	✓	✓	✓	✓	✓		✓	7
Environment, health, safety and sustainability	✓	✓			✓				3
Risk management/Evaluation	✓	✓	✓	✓	✓	✓	✓	✓	8
Finance and M&A			✓	✓	✓	✓	✓	✓	6
Board leadership	✓	✓	✓	✓	✓	✓	✓	✓	7
Language skills	Spanish	French Spanish		French	French Spanish		French		

Our working language across the organization is English, however, the official languages of Cuba and Madagascar, the main jurisdictions of our foreign operations are Spanish (Cuba), and Malagasy and French (Madagascar). Three directors are fluent in Spanish and four are fluent in French. Foreign language skills allow directors to interact more effectively with local stakeholders, including government officials and employees.

Orientation

The Nominating and Corporate Governance Committee is responsible for making sure that new directors receive a proper orientation to Sherritt and their duties and responsibilities as directors.

The orientation program focuses on new directors having a clear understanding of their responsibilities, developing a good working relationship with the other members of the Board, and becoming familiar with our operations and management team so they can actively participate in meetings from the outset.

The program has several components and covers the director's first year on the Board:

- Site visits – new directors have an opportunity to visit our business units and major projects
- Interaction with management – new directors meet with key members of the management team
- Legal obligations – new directors attend a session with our outside counsel so they have a full understanding of their legal obligations as a director
- Committee orientation – committee Chairs, together with appropriate management representatives, provide orientation on the committees the new director will be joining. They also attend meetings of other committees as an observer.

New directors also receive a package of reference materials including a handbook with relevant corporate and business information (articles, by-laws, organization and corporate charts, board mandate, committee mandates, etc.), current continuous disclosure documents, and board presentations from the previous year.

Continuing education

We expect directors to keep abreast of issues affecting our business.

We organize continuing education sessions that include meetings with management, and outside experts as appropriate, to discuss regulatory changes, corporate governance developments, developments in the mining and oil and gas industries and market conditions, among other things.

Directors complete continuing education sessions and attend briefings on various topics relating to the jurisdictions where our subsidiaries and joint ventures operate, including the various political, regulatory and economic environments.

We provide directors with quarterly updates on our foreign operations, which includes updates on political, economic and social developments in Cuba and Madagascar. We also retain the services of consultants with knowledge of the political and economic situation in those countries to advise on current developments from time to time. Directors also participate in scheduled trips to our operations in Canada, Cuba and Madagascar, where they meet with the senior executives responsible for local operations, participate in site visits, meet with government officials, local leaders and stakeholders, and learn about the local business culture and practices.

The table below is a summary of the continuing education sessions directors attended in 2018. We reimburse directors for any out-of-pocket expenses.

Site visits		Presented/hosted by	Attendees
April	Moa	Sherritt	Tim Baker Maryse Bélanger Peter Gillin John Warwick

Site visits		Presented/hosted by	Attendees
October	Fort Saskatchewan	Sherritt	Tim Baker Maryse Bélanger Peter Gillin Lisa Pankratz John Warwick
November	Havana, Cuba and Block 10	Sherritt	Adrian Loader
Mining industry			
January	Association for Mineral Exploration (AME) Roundup Convention	AME	John Warwick
March	Prospectors & Developers Association of Canada (PDAC) Convention	PDAC	Tim Baker Maryse Bélanger Peter Gillin John Warwick
April	Putting Country Risk Front and Centre	Canadian Institute of mining, Metallurgy and Petroleum (CIM)	John Warwick
Accounting/Audit/Finance			
July	Mining Audit Committee Roundtable for Audit Committee Chairs	KPMG	Lisa Pankratz
Economic outlook			
June	Secular Outlook and Economic Update	PIMCO	Lisa Pankratz
Executive compensation			
June	Executive Pay Trends and Issues	Hugessen Consulting	Peter Gillin
November	How to Attract and Motivate a High Performance Executive Team	Global Governance Advisors	Peter Gillin
April	Board Oversight of Responsible Investing	Institute of Corporate Directors (ICD)	Lisa Pankratz
January	Business Ethics, Risk, Resilience and Cybersecurity	PwC	Lisa Pankratz
June	Digital Transformation	KPMG	Lisa Pankratz
December	Governance Trends in Canada	Korn Ferry	Peter Gillin
June	ICD Annual conference	ICD	Lisa Pankratz
March	ICD designation received	ICD	Maryse Bélanger
September	Mining Executive and Director Forum	KPMG	Peter Gillin
October	Proxy Season Review: Encountering the Changing Expectations of Investors	Kingsdale Advisors	Tim Baker Maryse Bélanger Peter Gillin Richard Lapthorne Adrian Loader Lisa Pankratz John Warwick
April	Shareholder Activism: When Shareholders Come Knocking	ICD	Peter Gillin
November	Trends in Governance	Laurel Hill Advisory Group	Peter Gillin
October	Corporate Governance Roles & Responsibilities	The Board-Level Professional	Adrian Loader
Institutional investors			
March	Investment Perspectives for Institutional Investors	PH&N	Lisa Pankratz
May	Disruptors, Defenders and Innovation	Burgundy Asset Management	Lisa Pankratz

Assessment

Our Board assessment process includes an annual director self-assessment and peer evaluation and, at the discretion of the Nominating and Corporate Governance Committee, a periodic Board assessment conducted by an independent third party.

The evaluation process considers the skills and expertise of each director as well as their individual contributions to the Board and committees and also assesses overall Board and committee effectiveness.

The Lead Director, or a director acting on his or her behalf, is responsible for administering the annual Board assessment process. The Lead Director or his nominee solicits feedback from each of the director's peers on the particular director's performance over the course of the past year, on overall Board and committee effectiveness and on potential opportunities to enhance Board effectiveness, while the Chair of the Nominating and Corporate Governance Committee (or designate) solicits feedback on the Lead Director. The Lead Director or Chair of the Nominating and Corporate Governance Committee discusses the feedback with each director as part of their annual performance review.

Board succession and renewal

We monitor board renewal to ensure a reasonable turnover and orderly succession of directors. We achieve board renewal through a skills gap assessment by the Nominating and Corporate Governance Committee, the board assessment process and ordinary attrition as directors decide not to stand for re-election. If there is not sufficient renewal through our normal process, the Committee will take appropriate incremental steps to ensure reasonable renewal. There is no expectation that a director will remain on the Board for any particular "term" or period of time, and renewal processes apply equally to newer and longer serving directors.

The Nominating and Corporate Governance Committee is responsible for recommending desirable competencies to the Board and for identifying new candidates for nomination or appointment to the Board.

The Committee considers several factors in the search process including the necessary competencies and skills for serving on our Board, the existing skillset of the Board and any desirable skills and competencies. The Committee also considers the candidate's background and experience, personal attributes and their ability to devote sufficient time and resources to serving as a member of our Board.

Candidates meet with the Lead Director, Chair of the Nominating and Corporate Governance Committee (or designate) and the Chairman, President and Chief Executive Officer to discuss their background and experience in more detail and our expectations of directors. Candidates also receive an overview of the business in these meetings.

Two new independent directors have joined the Board in the past five years – one in 2018 and one in 2017. Our average Board tenure is 5 years.

Retirement and term limits

We do not have a mandatory retirement policy or term limit for directors. The Board believes that mandatory retirement and term limits may result in the loss of effective directors with deep knowledge of Sherritt. The Board also believes these limits are too restrictive – directors face the risk of being listed under Title IV of the Helms-Burton Act and being denied entry to the United States, making it more difficult for us to recruit them.

Instead, we follow our director assessment process every year to make sure director effectiveness and board renewal are considered together.

WHAT WE EXPECT OF DIRECTORS

We expect our directors to demonstrate sound judgment and to act in our best interests.

Integrity and ethical conduct

Our business ethics policy sets out the rules and guidelines for ethical behaviour at Sherritt and is based on our values and the laws, regulations and rules that apply to our business. The policy applies to Sherritt directors, officers and employees and all new directors and employees must read the policy when hired and acknowledge that they will abide by the policy. The Board has never waived any aspect of the business ethics policy.

Our whistleblower policy allows employees and others to report any violations or concerns regarding the policy confidentially and without fear of reprisal for anyone acting in good faith. Concerns can be reported anonymously to the internal auditor, who will bring the reports to the attention of the Audit Committee for investigation and response, or through our independent whistleblower hotline (online or by phone) which is managed by a third party and forwards any reports to the internal auditor for follow-up.

Our commitment to integrity and ethical conduct extends to all aspects of our business. We have separate policies and procedures that address specific areas of business ethics including anti-corruption, timely disclosure and confidentiality, reportable concerns and insider trading, among others. You can read more about our corporate governance practices on our website (www.sherritt.com). If you would like a copy of any of the policies mentioned above, please contact us at info@sherritt.com.

Anti-corruption policy

Our anti-corruption policy, adopted in 2012 and amended in 2014 and 2016, sets out standards of conduct and practices which must be followed by Sherritt employees and representatives in dealing with public officials in order to comply with Canada's Corruption of Foreign Public Officials Act and other applicable anti-corruption laws.

The policy applies to our directors, officers, employees and agents and we have conducted training sessions across the organization to make sure our people, particularly those who have significant interactions with governments and third parties, understand the policy and how it applies to them.

Meeting attendance

Regular board and committee meetings are set at least a year in advance, with special meetings scheduled as required. Directors are expected to attend all board meetings and all of their committee meetings unless there are exceptional circumstances that preclude attendance and to come fully prepared and remain in attendance for the duration of the meetings. Directors are invited to all committee meetings regardless of whether they are a member of that committee.

The table below shows the 2018 director attendance record for meetings of committees they were a member of.

	Board		Audit		Human Resources		Nominating and Corporate Governance		Reserves, Operations and Capital		Environment, Health, Safety and Sustainability	
Timothy Baker	9 of 9	100%			6 of 6	100%	5 of 5	100%	4 of 4	100%	4 of 4	100%
Maryse Bélanger[1]	7 of 8	88%					4 of 4	100%	3 of 3	100%	3 of 3	100%
Peter Gillin	9 of 9	100%					5 of 5	100%			4 of 4	100%
Sir Richard Lapthorne	9 of 9	100%	5 of 5	100%			5 of 5	100%				
Adrian Loader[2]	7 of 9	77%			6 of 6	100%	5 of 5	100%	4 of 4	100%		
Lisa Pankratz[3]	9 of 9	100%	5 of 5	100%	6 of 6	100%	5 of 5	100%	2 of 2	100%		
David Pathe	9 of 9	100%										
John Warwick	9 of 9	100%	5 of 5	100%			5 of 5	100%			4 of 4	100%

1 Maryse Belanger was appointed to the Board on February 7, 2018 and to the Environment, Health, Safety and Sustainability Committee, Nominating and Corporate Governance Committee and Reserves, Operations and Capital Committee on April 24, 2018.
2 Adrian Loader attended all regularly scheduled board meetings in 2018.
3 Lisa Pankratz was appointed to the Reserves, Operations and Capital Committee on June 12, 2018.

Equity ownership

We require directors to own Sherritt equity to align their interests with those of our shareholders. Directors are required to hold five times their cash retainer in shares and/or DSUs and have five years from the date they joined the Board to meet the requirement.

We calculate the value of each director's Sherritt equity by multiplying the number of their units/shares by the higher of the grant/purchase price and the closing price of our shares on the TSX on December 31 ($0.45 for 2018).

The table below shows director share ownership as at December 31, 2018.

	Required equity ownership			Actual equity ownership as of December 31, 2018			Status	
	Retainer	Multiple	Amount	Shares	DSUs	Total		
Timothy Baker	$90,000	5.0x	$450,000	$118,844	$398,205	$447,048	5.7x	meets requirement
Maryse Bélanger	$90,000	5.0x	$450,000	$0	$49,074	$49,074	0.5x	has until February 2023
Peter Gillin	$90,000	5.0x	$450,000	$126,197	$684,298	$810,494	9.0x	meets requirement
Sir Richard Lapthorne	$90,000	5.0x	$450,000	$286,263	$575,682	$861,945	9.6x	meets requirement
Adrian Loader	$90,000	5.0x	$450,000	$76,580	$466,514	$543,094	6.0x	meets requirement
Lisa Pankratz	$90,000	5.0x	$450,000	$76,944	$443,952	$520,896	5.8x	meets requirement
John Warwick	$90,000	5.0x	$450,000	$140,000	$116,330	$256,330	2.8x	has until June 2022

1 David Pathe does not appear in this table because he is an executive director and a named executive officer, and does not receive any compensation for serving as a director or Chairman of the Board. Please see page 55 for information about his compensation.

Serving together on other boards

As of the date of this circular, none of the nominated directors serve together on the board of another public company.

DIRECTOR COMPENSATION

Director compensation is reviewed regularly so we can continue to attract and retain qualified directors to the Board. Compensation is benchmarked against the same comparator group used to benchmark executive compensation so we stay competitive with the market.

Directors receive an annual retainer that is split 50/50 between cash and equity to align with shareholder interests and recognize directors for their time and commitment to carrying out their Board and committee duties and responsibilities. The equity component is paid in deferred share units (DSUs), phantom share units that track the value of Sherritt common shares. DSUs vest immediately and earn dividend equivalents as additional units at the same rate as dividends paid on our common shares, if any, and are redeemed for cash when a director retires from the Board (no later than December 31st of the year following the date the director left the Board). We use the volume-weighted average trading price of our shares on the TSX for the five days immediately before the redemption date to value the DSU payout. The Board can amend the DSU plan at any time as long as the changes do not materially affect the right of the director participating in the plan. The Board can also approve any variations to the terms of DSUs that have been granted, with the consent of the participant.

2018 Director fee schedule

The table shows our 2018 director fee schedule. Other than the establishment of a Lead Director fee in May 2017, director fees have not changed since January 1, 2013. Compensation is paid in equal instalments following the end of each quarter. The Board approves our director compensation based on the recommendations of the Human Resources Committee.

	Cash	Equity
Annual retainer		
Director	$90,000	$90,000
Additional retainers		
Lead Director	$45,000	
Audit Committee Chair	$15,000	
Human Resources Committee Chair	$15,000	
Other committee Chairs	$5,000	

Director compensation table

The table below shows the total compensation paid to each director for the 2018. Ms. Bélanger was appointed to the Board on February 7, 2018 and her compensation has been prorated for the year. Total compensation for all directors for 2018 was $1,309,015.

	Fees earned	DSU awards[1]	Option-based awards	Non-equity incentive compensation	All other compensation	Total compensation
Timothy Baker	$95,000	$90,002	–	–	–	$185,002
Maryse Bélanger	$58,250	$80,752	–	–	–	$139,002
Peter Gillin	$135,000	$90,002	–	–	–	$225,002
Sir Richard Lapthorne	$95,000	$90,002	–	–	–	$185,002
Adrian Loader	$110,000	$90,002	–	–	–	$200,002
Lisa Pankratz	$105,000	$90,002	–	–	–	$195,002
John Warwick	$90,000	$90,002	–	–	–	$180,002

1 Director compensation is awarded following the end of each quarter. We calculated the number of DSUs granted to each director by dividing the dollar amount of the award by the volume-weighted average trading price of our common shares on the TSX for the five trading days immediately before each grant date: $1.12 (April 15, 2019), $1.12 (July 16, 2018), $0.76 (October 15, 2018) and $0.47 (January 15, 2019). The number of units granted has been rounded up to the nearest whole unit.

Outstanding DSU awards

The table shows the market or payout value of vested DSUs not paid out or distributed as of December 31, 2018. Directors do not receive other share-based awards or option grants.

The value is based on the number of DSUs held by the director at year-end, multiplied by the closing price of our shares on the TSX on December 31, 2018 ($0.45).

	Market or payout value of vested DSUs not paid out or distributed
Timothy Baker	$157,672
Maryse Bélanger	$27,687
Peter Gillin	$179,327
Sir Richard Lapthorne	$172,600
Adrian Loader	$165,364
Lisa Pankratz	$162,607
John Warwick	$48,130

Value of DSU awards vested or earned during the year

The table shows the total dollar value that would have been realized by each director if the DSUs that vested in 2018 had been paid out on the vesting date.

The value vested during the year is calculated by multiplying the number of DSUs granted to each director by the volume-weighted average trading price of our common shares on the TSX for the five trading days immediately before the grant date: $1.58 (January 15, 2018), $1.12 (April 15, 2018), $1.12 (July 16, 2018) and $0.76 (October 15, 2018).

	DSU awards
Timothy Baker	$90,003
Maryse Bélanger	$58,252
Peter Gillin	$90,003
Sir Richard Lapthorne	$90,003
Adrian Loader	$90,003
Lisa Pankratz	$90,003
John Warwick	$90,003

HOW WE PAY OUR EXECUTIVES

Executive pay at Sherritt is designed to support our strategy, motivate our executives to achieve our strategic objectives without encouraging them to take undue risks, and align their interests with the long-term interests of our shareholders. It is an important tool to attract and retain a strong, focused and resilient executive team to lead the company through all phases of the commodity cycle.

This section of our circular describes how we compensation our 2018 named executive officers:

- David Pathe, Chairman of the Board, President and Chief Executive Officer (CEO)
- Andrew Snowden, Senior Vice President and Chief Financial Officer (SVP & CFO)
- Steve Wood, Executive Vice President and Chief Operating Officer (EVP & COO)
- Tim Dobson, Senior Vice President, Metals (SVP, Metals)
- Elvin Saruk, Senior Vice President, Oil & Gas and Power (SVP, OGP)

Where to find it

Letter from the Chairman of the Human Resources Committee

In my second year as the Chair of the Human Resource Committee, I have continued to learn how shareholders perceive our approach to executive compensation, and to refine the program both to meet their expectations and to better achieve program's key objectives, described below. One key signal is our say on pay result. Last year, shareholders voted 72.65% FOR our approach to executive compensation. While this is a significant improvement from the 2017 vote, the Committee was disappointed with this result, and understands that we still have work to do.

In response, the Committee took the following actions this year:

1. We met with our shareholders – After the 2018 Annual General Meeting, we reached out to 28 of our largest shareholders representing 36% of our issued and outstanding shares. The Lead Director and I met with eight shareholders (some several times), representing approximately 5% of our issued and outstanding shares, as well as two proxy advisory firms, Institutional Shareholder Services and Glass Lewis. Insights from these meetings provides valuable input to the Committee and the Board when reviewing our compensation policies and practices.

2. We continued to make improvements to our compensation program – The Committee worked with its independent advisor, participated in compensation workshops that involved management, the Board and the Committee, and approved changes to simplify the compensation program, and link pay more closely to performance and our strategy as it develops. You can read more about this below.

3. We reviewed how we explain our program – We are committed to communicating with shareholders and the public openly and in a timely way, and complying with legal and regulatory requirements including our continuous disclosure obligations under securities laws. Part of being transparent is making sure we clearly explain our compensation program in this document.

Our approach to executive compensation

The Human Resources Committee is responsible for all aspects of executive compensation at Sherritt, including incentive compensation plans, organizational and individual performance assessment and succession planning. The Committee also establishes our human resources and compensation policies and oversees compensation risk. We are 100% independent, and our members have experience in executive management, human resources, executive compensation, corporate governance and risk. Some of the members of the Committee also sit on the Audit Committee, the Environment, Health, Safety and Sustainability Committee and the Reserves, Operations and Capital Committee, to ensure alignment of discussions and decisions.

The Committee is tasked with designing an executive compensation program that is:

- **Strategic**: strategically aligned with performance, does not encourage undue risk-taking, and aligns the interests of executives with those of our shareholders
- **Appropriate**: aligned with our organizational structure and the scope of the role
- **Fair**: internally equitable and benchmarked to the market
- **Competitive**: attracts and retains a strong, focused and resilient executive team to lead us through all phases of the commodity cycle

An evolving program

Sherritt's purpose is to be a leader in the low-cost production of finished nickel and cobalt that creates sustainable prosperity for our investors, employees and communities. Protecting the health and safety of our employees, contractors and communities is paramount to our success.

We have confidence in the long-term prospects for nickel and cobalt, and in Sherritt's ability to capitalize on them, but are also cognizant of our need to actively manage more immediate threats to our business– you can read more about these issues in the CEO's letter at the beginning of this document.

We make sure executive compensation supports the company's future in the following ways:

- benchmarking to provide market context and make sure the design of our incentive plans, mix of components and target compensation are competitive with the market (see page 40)
- offering a competitive total rewards program: fixed pay, incentive pay based on performance, and benefits including retirement, health and well-being and other benefits. The mix of components is well balanced, rewarding short-, mid- and long-term performance through a mix of cash and equity (see page 45)
- supporting compensation decisions with a strategic, vertically aligned goal setting and performance management process (see page 43)
- integrating risk management into our culture, our compensation policies (including clawbacks, anti-hedging and equity ownership requirements), and the design of our compensation program (see page 38).

The table below shows you how we have evolved the compensation program over the last three years, to improve the link between pay and performance aligned with our strategic priorities, enhance our oversight of compensation risk, and make other appropriate refinements.

Key changes in 2017	Key changes in 2018	Plans for 2019
Increased the proportion of performance-based pay • Increased the amount allocated to performance share units (PSUs) from 10% to 50% of equity incentives. • Added a second performance condition. PSU performance is now measured against a unit cost of production measure and our relative total shareholder return (TSR). **Reduced the use of options** • Reduced the use of options from 50% to 25% of equity incentives.	**Continued to reduce the use of stock options** • Did not award options to the CEO (allocated PSUs instead), and reduced option awards to the other named executives by 20%. • Continued to review how best to align equity incentives with our strategy and our shareholders. **Enhanced risk management policies** • Extended the CEO's share ownership requirements for one-year post-retirement. • Changed our recoupment policy to allow us to claw back compensation if there is a restatement of the financials, whether or not there was misconduct. **Simplified retirement savings for executives** • Closed the executive supplemental pension plan to future contributions.	**Simplifying the short-term incentive plan, and tying the measures more closely to our 2019 strategic objectives** • Narrow the performance score range – threshold now 20% below target; maximum 20% above target. • Improve safety and environment measures in the scorecard. • Base divisional measures on specific divisional priorities. Add a new strategic component that aligns directly with 2019 actions tied to achieving our strategic plan. **Assessing the use of options** • We are replacing option awards with restricted share units (RSUs) while we continue to assess alternatives to options.

Snapshot of 2018 compensation decisions

Total compensation awarded to the named executives was 4% lower than target and 3% higher than 2017.

Salaries (see page 46)	Salaries remained the same, and have not increased since 2016 except to recognize the promotion of the CFO in 2017.
Short-term incentives (see page 46)	Awards were between 71% and 93% of target, based on corporate, operational and individual performance (except for the CEO whose award does not include an individual component). The corporate score was calculated below target, at 69, mainly because we did not meet our free cash flow target and had one environmental incident. Operational scores ranged from 15 for Ambatovy to 103 for Oil & Gas and Power, based on performance against unit cost of production and safety, environment, and production targets. The Committee did not make any adjustments to the calculated short-term incentive awards except for the adjustment to the targets for Oil & Gas. See page 51 for details.
Equity incentives (see page 52)	Awarded at target, and allocated 30% to RSUs, 50% to PSUs, and 20% to options for all named executives except the CEO. The CEO's award was allocated 37.5% to RSUs and 62.5%% to PSUs.
Payout of 2015 RSU awards (see page 54)	Payouts were at 49% of the grant value (32% for Steve Wood's award, which was off-cycle based on his date of hire). 20% of the units were performance-based and did not vest because our TSR was below threshold performance of the combined weighted index. The Committee did not make any adjustments to the calculated awards.

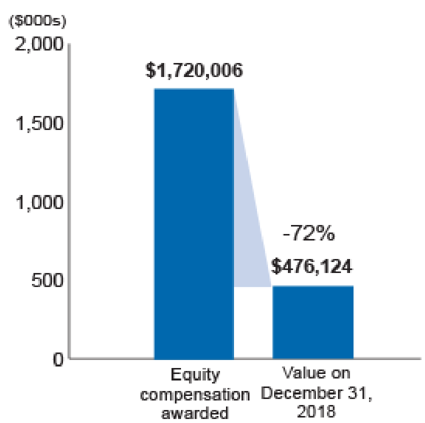
CEO: pay for performance look-back

We link a significant portion of what the named executives earn to our shares to align the executive team and shareholders. The result is that actual payouts to the management team differ greatly from reported compensation values, particularly in a declining share price environment. The graph below shows the impact that performance and our share price have had on the value of the CEO's average equity compensation over the past five years, illustrating the direct link between equity compensation, company performance, and shareholder experience. You can read more about David's compensation on page 55.

AVERAGE EQUITY COMPENSATION (2014-2018)

The chart shows the impact that performance and our share price have had on David's equity compensation for the past five years.

The value on December 31, 2018 is 72% lower than the awarded value.



Average equity compensation awarded includes the average equity incentives awarded in from 2014 to 2018, valued at the grant date as reported in the summary compensation table.

Value on December 31, 2018 includes the average of the *realized* and *realizable* value of the compensation awarded each year, as at December 31, 2018:

- *realized value*: payouts of RSUs and PSUs that had vested, and gains realized from options that had been exercised as of December 31, 2018
- *realizable value*: the value of RSUs and PSUs that had not vested as of December 31, 2018 (assuming all units vest), and outstanding stock options that were in-the-money, using $0.45, the closing price of our shares on the TSX on December 31, 2018.

We welcome your feedback

The Human Resources Committee and the Board welcome your feedback, and invite you to have a say on pay at the upcoming annual meeting. We thank you for your continuing confidence.

Sincerely,

Adrian Loader
Chairman of the Human Resources Committee

OVERVIEW

Executive pay at Sherritt is designed to support our strategy, motivate our executives to achieve our strategic objectives without encouraging them to take undue risks, and align their interests with the long-term interests of our shareholders. It is an important tool to attract and retain a strong, focused and resilient executive team, to lead the company through all phases of the commodity cycle.

Compensation approach

We approach executive compensation keeping four principles in mind:

Strategic
Pay is strategically aligned with performance

Most of what our executives earn is variable and based on performance.

Performance metrics, goals and weightings are defined every year based on our strategic plan and annual business plan.

Appropriate
Pay is aligned with our organizational structure and the scope of the role

The pay mix for more senior executives is more heavily weighted to pay tied to performance, because they have more influence on organizational performance over the long term.

Fair
Pay is internally equitable

Compensation targets and awards are fair and in line with what others in the company are earning.

Competitive
Pay is externally competitive

We benchmark executive compensation to provide market context and make sure the design of our incentive plans, mix of components and target compensation are competitive with the market.

How we link executive pay to our corporate strategy

Sherritt's goal is to be a leader in the low-cost production of finished nickel and cobalt that creates sustainable prosperity for our investors, employees and communities. Protecting the health and safety of our employees, contractors and communities is an equal priority. The table below shows you our 2018 strategic priorities, and how they are linked to our 2018 compensation program.

We are refining the executive compensation program, to align more closely with our 2019 strategic objectives – see page 33 for details.

2018 Strategic priorities	How they are linked to our 2018 compensation program
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH • Continue to emphasize de-leveraging of the balance sheet • Optimize working capital and receivables collection • Operate the Metals businesses to maintain a leadership position as a low cost producer of finished nickel and cobalt while maximizing free cash flow	Financial metrics make up 75% of the corporate score for the short-term incentive plan: • Adjusted EBITDA and combined free cash flow are equally weighted to support our goal of preserving liquidity, building balance sheet strength and maximizing free cash flow

2018 Strategic priorities	How they are linked to our 2018 compensation program
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION • Further reduce net direct cash costs towards the goal of being consistently in the lowest cost quartile • Maximize production of finished nickel and cobalt and improve predictability over 2017 results • Achieve peer leading performance in environment, health, safety and sustainability	Safety and environment in our Metals business are included as performance metrics in the short-term incentive: • 25% of the corporate performance score • 30% of the operational score for executives who manage the Metals division Production and cost of production in our Metals business are key performance metrics in the short-term incentive plan: • 70% of the operational score for executives who manage the Metals division • 30% of the operational score for corporate executives Unit cost of production (normalized for fluctuations in market price of input commodities and by-product credits) makes up 50% of the performance score for the 2018 PSU awards, with Metals weighted at 50%.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS • Successfully execute Block 10 drilling program • Review opportunities to leverage Oil and Gas experience and relationships	Safety and environment in our Cuban energy business are included as performance metrics in the short-term incentive: • 25% of the corporate performance score • 30% of the operational score for executives who manage the Cuban energy business Production and cost of production in our Cuban energy business are key performance metrics in the short-term incentive plan: • 70% of the operational score for executives who manage the Cuban energy business division • 30% of the operational score for corporate executives Unit cost of production makes up 50% of the performance score for the 2018 PSU awards, with Oil & Gas and Power weighted at 30%.

COMPENSATION GOVERNANCE

The Human Resources Committee assists the Board in fulfilling its governance responsibilities for all matters relating to executive compensation. This includes the human resources strategic plan, incentive compensation plans, performance assessment, retirement benefits and succession planning. It also establishes our human resources and compensation policies and oversees compensation risk.

The Committee is 100% independent and has three qualified members who have experience in executive management, human resources, executive compensation, corporate governance and risk. It makes recommendations to the Board about executive compensation, including the program structure, balance of fixed and variable elements of compensation. It also recommends terms and conditions of employment, incentive plan design, performance evaluations for our senior executive officers, compensation decisions and management succession planning. The committee also oversees our retirement plans through the work of the Management Retirement Committee.

The Committee establishes an annual work plan at the beginning of every year, which typically includes:

- recommending
  - performance goals, salaries, target incentive awards for the senior executives
  - the total inventory of share-based compensation awards available for grant
- reviewing
  - say on pay results
  - management training and development and succession plans
  - relative corporate performance
  - governance trends
  - director compensation.

Regularly scheduled meetings include a review of the year-to-date organizational performance, equity-compensation report, human resources strategic initiatives report and the Management Retirement Committee report.

Some of the members of the Human Resources Committee are also members of the Audit Committee, the Environment, Health, Safety and Sustainability Committee and the Reserves, Operations and Capital Committee to ensure alignment of discussions and decisions.

Independent advice

The Committee meets with its independent advisor without management present and the independent advisor attends all regular committee meetings to provide advice and counsel. The Committee has retained Meridian Compensation Partners as its independent advisor since 2011. Meridian does not provide services to management.

Meridian attends all regularly scheduled Committee meetings and provides the following services:

- advising on the compensation comparator group
- benchmarking executive and director compensation
- reviewing incentive plan design and performance measures
- assessing compensation risk and compensation governance.

Fees paid to Meridian	2017	2018
Compensation-related fees	$70,696	$75,041
All other fees	–	–
Total	$70,696	$75,041

The Committee also retained Hugessen Consulting in 2017 and 2018 to support the committee in its direct engagement with shareholders and to review the compensation disclosure in the circular. Hugessen also conducted an independent review of our executive compensation program in 2017.

Fees paid to Hugessen	2017	2018
Compensation-related fees	$47,700	$14,859
All other fees	–	–
Total	$47,700	$14,859

Management is invited to attend Committee meetings to present recommendations and updates. You can read more about the Human Resources Committee on page 21.

MANAGING COMPENSATION RISK

The Human Resources Committee is responsible for evaluating compensation risk. It reviews the relationship between risk management policies, corporate strategy and executive compensation every year, and ensures that our executive compensation program is aligned with the risk assessment approved by the Board. See page 17 for more information about the Board's oversight of risk.

Based on its review of enterprise risks, incentive plans and the total reward program, the Committee, supported by its independent advisor, has concluded that Sherritt's compensation programs and policies are aligned with the company's risk appetite and risk management objectives, and do not encourage inappropriate risk-taking.

Risk management is integrated into three aspects of compensation at Sherritt:

Culture and process

- Our strong governance culture ensures effective oversight of compensation design, risk and rewards
- The Board has final decision-making authority on all executive compensation matters including recommendations by the Human Resources Committee

Policies

- Equity ownership – directors and executives are required to meet equity ownership requirements to align their interests with those of our shareholders. The CEO has to maintain his equity ownership requirements for at least one year after he retires
- Anti-hedging – our insider trading policy prohibits directors, officers and other employees from buying financial instruments designed to hedge or offset a decrease in the market value of our shares, and restricts the pledging of shares
- Clawbacks – our recoupment policy allows us to claw back short-term and equity incentive awards if there is a material restatement of our financials that results in an overpayment of incentive compensation

Plan design

- We use a balanced set of qualitative and quantitative measures to determine short-term incentive awards, based on executive level and line-of-sight and functional accountabilities
- Equity incentives vest over time, to keep management exposed to the long-term consequences of their decisions
- Equity incentives incorporate both time and performance vesting
- The Board can use its discretion to adjust the calculated awards up or down based on its overall assessment and any extenuating circumstances or factors outside of management's control, guided by a set of core principles. See page 43 for more about our decision-making process.

EQUITY OWNERSHIP

We introduced equity ownership requirements for executives in 2009. The requirement varies by level.

Executives have five years from the day the policy was introduced or amended, or from the day they are appointed to a position with a new equity ownership level, to meet the requirement. PSUs, RSUs and shares, including shares acquired through the employee share ownership plan are counted towards the equity ownership requirement. The CEO has to maintain his equity ownership requirement for at least one year after he retires.

The table below shows each executive's equity holdings as of December 31, 2018. All of the named executives meet their equity ownership requirement. All of the shares were purchased by the named executives either through our employee share ownership plan (see below), or personally using their own money.

		Required equity ownership		Actual equity ownership as of December 31, 2018			
	Salary	Multiple	Amount	Shares	RSUs/PSUs	Total	Status
David Pathe	$825,000	3x	$2,475,000	$1,111,214	$3,937,500	$5,048,714	6.1x meets requirement
Andrew Snowden	$350,000	1x	$350,000	$73,541	$664,071	$737,612	2.1x meets requirement
Steve Wood	$450,000	2x	$900,000	$115,396	$1,215,750	$1,331,146	3.0x meets requirement
Tim Dobson	$400,000	1x	$400,000	$0	$1,358,004	$1,358,004	3.4x meets requirement
Elvin Saruk	$380,000	1x	$380,000	$698,085	$1,101,753	$1,799,838	4.7x meets requirement

The value of shares is calculated using either the acquisition price or our share price on the TSX on December 31 (whichever is higher). The value of RSUs and PSUs is calculated by multiplying our assumption for the number of units that vest by $0.45 (the closing price of our shares on the TSX on December 31, 2018), or the grant price (whichever is higher). Vesting assumptions are as follows:

- RSUs granted in 2016: assumes a performance factor of 0 and that only 80% of the units vest (the portion that had time-based vesting).
- RSUs granted in 2017 and 2018: assumes 100% of the units vest.
- PSUs granted in 2017 and 2018: assumes a performance factor of 100 and that all of the units vest.

Employee share ownership plan

To encourage employee share ownership, we introduced a voluntary employee share ownership plan in 2014 with the following key features:

- Employees, including the named executives, can direct up to 10% of their base salary to purchase shares by payroll deduction.
- We match 50% of employee contributions, up to $2,500 per year.
- Shares are bought on the open market at the time the contribution is made.
- Employees must hold shares purchased with employer contributions until they have participated in the plan for at least 24 consecutive months.

COMPENSATION BENCHMARKING

We benchmark executive compensation to provide market context and make sure the design of our incentive plans, mix of components and target compensation are competitive with the market.

The Human Resources Committee uses two sources of data for benchmarking:
- proxy data from the comparator group below
- Korn Ferry Mining Compensation Review, Global Executive Report, which provides a broader view of the market and more specific analysis for certain executive roles. The report includes pay data by function, size of role and geographical location, covering 75 global mining organizations.

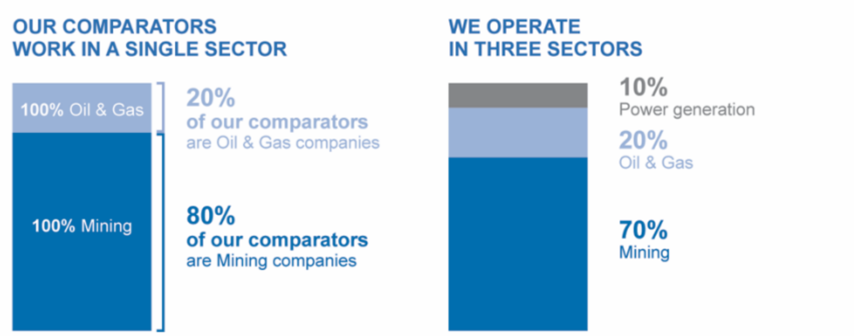
The Committee considers the median as a point of reference, but does not set pay at a specific percentile. Senior executive compensation is determined based on several factors including market data, the scope of the role, the executive's experience in the role, sustained executive performance, internal equity and retention risk. The independent advisor also provides market insights on senior executive compensation and the market context to the Committee.

How we choose a comparator group

It is difficult to find companies that are similar to Sherritt because of our diverse nature and the complexity of our business:
- we have operating assets in nickel, cobalt, oil & gas and power generation
- we operate in Canada, Cuba and Madagascar
- a significant portion of our business is conducted through joint ventures.

There are very few public nickel companies, and we compete with mining companies of other commodities for talent. We also have a unique combination of challenges not faced by any other company:
- our high legacy debt levels from Ambatovy and the relative underperformance of nickel compared to other metals significantly impede our share price and market capitalization
- companies with similar levels of market capitalization are not as complex because they do not have multiple assets, producing multiple products, in multiple jurisdictions
- Sherritt is Cuba's largest foreign investor and no other public company has such exposure to Cuba and the challenges in the United States from this investment
- our inability to access capital markets in the U.S. or banks with significant U.S. operations limits our ability to access credit and makes managing liquidity more difficult.

We have operating assets in nickel, cobalt, oil & gas and power generation



The Committee updated the comparator group in 2017 taking these unique challenges into consideration, with the input of both Meridian and Hugessen. We took a multi-dimensional approach, using the following principle criteria:

	What we considered	Why we included it
Financial	Total assets: $3 to $10 billion in total assets Total enterprise value: 0.5 to 2x Sherritt's total enterprise value	An asset range of $3 to $10 billion captures Sherritt's operating assets of approximately $10 billion, which represents both Moa and Ambatovy joint venture assets on a 100% basis Joint venture accounting rules, which require equity accounting, result in an understatement of revenue (see IFRS reporting requirements, below)
Industry	Nickel producers, to the extent feasible	Comparable sensitivity to nickel price in their performance results
Operational	Geographic scope Challenging jurisdictions Number of business units / metal mix	A proxy for the complexities of our business
External	Included in relevant comparator groups	"Peer of peer"
Stock listing	Publicly traded on a Canadian stock exchange	Operating in the same regulatory context provides consistency in disclosure

IFRS reporting requirements

We conduct much of our business, including all of our nickel and cobalt business, through joint ventures. International Financial Reporting Standards (IFRS) requires us to report our financial results in a way that does not fully reflect the complexity of our company and the accountabilities of management due to IFRS treatment of our nickel and cobalt joint ventures. This makes a comparison of financial metrics to assess an appropriate compensation comparator group challenging.

The IFRS joint venture accounting rules require us to understate the financial metrics we use to determine a comparator group:

- **reported revenue**: IFRS does not permit us to include all revenue generated by the Moa and Ambatovy Joint Ventures on our income statement
- **total assets**: IFRS required us to understate our proportionate share of the assets of the Moa and Ambatovy Joint Ventures by netting out the liabilities of Moa and Ambatovy within the Investment in Joint Venture and Investment in Associate line items on our balance sheet.

Metal prices

Our revenue relative to comparators who do not produce nickel as their primary product is also affected by the poor performance of the market price for nickel relative to that of other metals. See page 62 to read about the performance of nickel prices.

2018 Comparator group

The Committee reviews the comparator group every year to make sure it reflects our size, complexity, operations, geographic scope and the companies we compete with for business and executive talent. Nexen and Primera were removed from the 2018 comparator group because they were acquired.

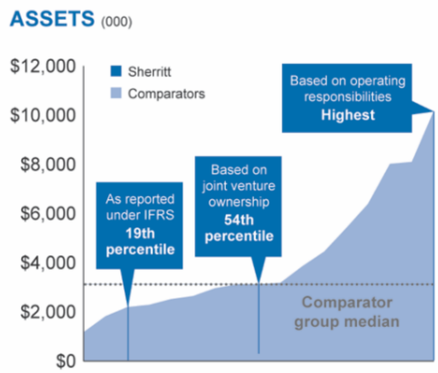
The table on the next page shows the 14 companies in the 2018 comparator group, their key financial metrics and Sherritt's percentile ranking for assets, revenue and enterprise value as reported in our financial statements under IFRS. It also includes the following information that the Committee believes is relevant context for interpreting the comparator group data:

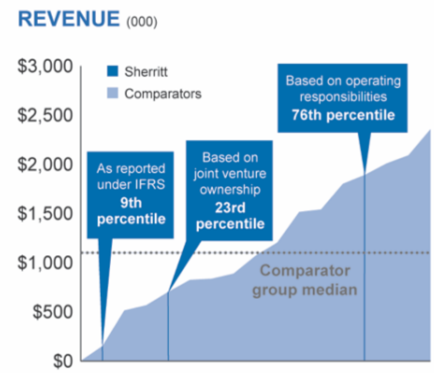
1. assets and revenue adjusted to include the revenue and assets of Moa and Ambatovy based on our 50% joint venture ownership interest in Moa and 12% joint venture ownership interest in Ambatovy
2. assets and revenue adjusted to reflect management's operating responsibilities at Moa and Ambatovy (includes the two joint ventures on a 100% basis).

A significant portion of our business is conducted through joint ventures

We look at our assets and revenue against our comparators in three ways:

1. As required by IFRS
2. Based on our joint venture ownership (50% Moa, 12% Ambatovy
3. Based on our operating responsibilities (100% Moa, 100% Ambatovy)





All financial data is sourced from S&P Capital IQ, as reported by each company as of December 31, 2018, and is shown in Canadian dollars. Assets represent the latest quarterly disclosure, revenue is trailing twelve months, and enterprise value and market capitalization are both measured as six-month averages ending December 31, 2018.

($millions)	Assets	Revenue	Enterprise value
Alamos Gold Inc.	$4,455	$889	$1,943
Cameco Corporation	$8,019	$2,092	$6,324
Capstone Mining Corp.	$1,823	$567	$663
Centerra Gold Inc.	$3,857	$1,541	$1,792
Dundee Precious Metals Inc.	$1,173	$515	$620
Enerplus Corporation	$3,118	$1,205	$3,881
Frontera Energy Corporation	$3,127	$1,802	$1,513
Gran Tierra Energy Inc.	$2,288	$837	$1,908
Hudbay Minerals Inc.	$6,394	$2,009	$2,462
IAMGOLD Corporation	$5,405	$1,516	$2,101
Ivanhoe Mines Ltd.	$2,521	$0	$1,915
Lundin Mining Corporation	$8,098	$2,355	$3,837
New Gold Inc.	$2,960	$825	$1,837
Pan American Silver Corp.	$2,644	$1,070	$2,762
Peer group median	**$3,122**	**$1,138**	**$1,929**
Sherritt International Corp			
As reported under IFRS	**$2,194**	**$153**	**$783**
	19th percentile	9th percentile	14th percentile
Based on our ownership interest in the Moa and Ambatovy Joint Ventures	$3,184	$702	
	54th percentile	23rd percentile	
Based on our operating responsibilities	$10,161	$1,892	
	Highest	76th percentile	

COMPENSATION PROCESS

Compensation decisions are supported by a strategic, vertically aligned goal setting and performance management process.

1	2	3	4	5
Review compensation program	Set target compensation, and performance measures and goals	Conduct an ongoing review of the market and performance	Assess corporate, divisional and individual performance	Award compensation

1. Review compensation program

The Human Resources Committee:

- reviews the strategic plan and annual business plan
- reviews our executive compensation programs and processes, including salaries, incentive plans, benefits, retirement plan and perquisites, in the context of market competitiveness and our business goals, with input from the independent advisor
- reviews director compensation against a market compensation study (see page 29 for more about director compensation)
- reviews the comparator group and an analysis of the principle criteria used to determine the comparator group.

2. Set target compensation, and performance measures and goals

Target compensation is set relative to market and internal relativity, based on each executive position's scope and accountabilities.

Performance goals are defined from the strategic plan and the annual business plan and cascaded to the senior executive team and their teams.

Corporate performance focuses on annual goals aligned with our strategic priorities. Corporate safety and sustainability and financial targets, and divisional safety and sustainability operational targets are established at the beginning of the year. These provide a balanced view of performance and reinforce our view that financial and production goals must be achieved safely, reliably and in a sustainable way. The measures are both quantitative and qualitative and are assessed at the corporate or divisional level, as appropriate.

For measures more within the control of management, threshold performance is set closer to target, because there is less tolerance for performance outside a reasonable expected range of performance. For measures management has less control over, the expected performance range is broader, providing a wider range of expected performance.

3. Conduct an ongoing review of market and performance

The Board and the Committee monitor corporate performance against the targets as a regular item on their quarterly meeting agendas. This includes a review of quantitative performance results that compare the quarterly results to target, any variance and management's qualitative commentary. This process provides the opportunity for feedback and to make course corrections, as required, to ensure that performance expectations remain aligned with organizational goals.

4. Assess corporate, divisional and individual performance

Corporate performance

The Committee reviews full year performance results and performance scores in the context of the overall market, the experience of shareholders during the fiscal year and global economic conditions. It looks at the company's response and risk mitigation, and considers factors beyond management's control and how they were managed.

Individual performance

CEO

At the end of the fiscal year, the CEO prepares his self-assessment of his achievements against his goals and reviews them with the Chair of the Committee. The Chair discusses the CEO's individual performance with each independent director. While the outcome of the CEO's individual performance assessment does not directly impact his short-term incentive award (which is based on 100% organizational performance), it provides a formal opportunity to provide the CEO with performance feedback and is a qualitative input for the Committee and Board to consider when making decisions about the CEO's salary and equity incentives.

Other senior executive officers, including the named executives

At the end of the fiscal year, all senior executive officers prepare self-assessments of their achievements measured against their individual goals for review with their immediate managing executive. Individual performance is assessed by the executive's immediate leader, and a performance rating recommended to the Committee. Performance is measured against both the annual goals that are set at the beginning of the year, the day-to-day execution of the position and the consistent demonstration of leadership capabilities, including focus on safety, operational excellence, operational effectiveness, leadership and tone from the top.

5. Award compensation

The CEO, in consultation with the EVP & COO for the divisional executives, prepares recommendations for salary, and short-term and equity incentive awards for the senior executive officers, taking into consideration the growth of individual capabilities, and organizational and individual performance. The CEO makes his recommendations to the Committee and the Board for approval.

The Committee recommends the CEO's salary and equity incentives to the Board for approval based on its assessment of corporate and divisional performance, and its discussions with the CEO.

Compensation is approved at the February committee and board meetings, including:

- organizational performance scores for the short-term incentive plan
- achievement of individual performance goals
- short-term incentives for the previous year
- salaries for the current year
- equity incentives for the current year.

The Committee and the Board make their final determinations by applying sound business judgment considering input from management and from their independent advisor. The Board has discretion to adjust awards up or down based on this qualitative overlay, and may make adjustments guided by a set of four core principles:

1. To avoid rewarding or penalizing management for unexpected events that are not within their primary area of responsibility.
2. To keep incentives aligned with Sherritt's long-term business strategy and the best interests of shareholders.
3. To provide flexibility to deal with unexpected events, so targets can be set rigorously.
4. To make sure incentive payouts make sense taking into account Sherritt's overall performance.

For example, the Board applied discretion to reduce the corporate score in 2017 to address overall company financial performance and fatalities at Moa, and in 2016 to address overall corporate performance.

COMPENSATION COMPONENTS

We offer a competitive total rewards program: fixed pay, incentive pay based on performance, and benefits including retirement, health and well-being and other benefits.

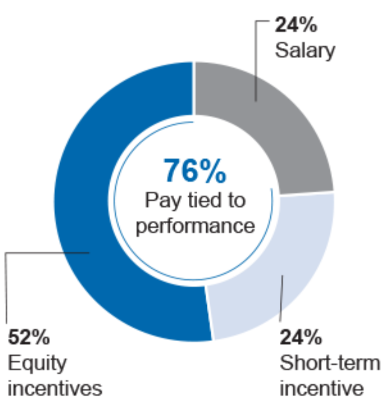
Fixed pay	**Salary** See page 46	Cash	Salary is based on the executive's role, skills and capabilities, and reviewed every year
Pay tied to performance	**Short-term Incentive** See page 46	Cash	Annual cash bonus depends on corporate, divisional and individual performance
	Equity incentives See page 52	Restricted share units (RSUs)	Three-year vesting. Payout depends on our share price at the time of vesting
		Performance share units (PSUs)	Three-year vesting. Payout depends on corporate performance and our share price at the time of vesting
		Options	10-year term. Vest over three years starting on the first anniversary of the grant. Payout depends on the exercise price and our share price at the time of vesting
Benefits	**Retirement savings** See page 70	Group retirement savings plan	We contribute a fixed percentage of the executive's salary to a retirement savings program, in line with market practice
	Employee share ownership plan See page 39	Voluntary share ownership plan	Encourages employee share ownership by matching 50% of employee contributions, up to $2,500 per year
	Other benefits and perquisites See page 65	Well-being benefits	Medical and dental benefits, disability coverage, life and accident insurance, and other benefits in line with market practice
		Perquisite allowance	Determined by executive level and market practice, fully taxable
		Expatriate premiums and allowances	Vary by location, based on working conditions and remoteness of foreign postings

The mix of components is well balanced, rewarding short-, mid- and long-term performance through a mix of cash and equity. The more senior the executive, the more pay is tied to performance because we believe they have more influence on organizational performance over the long-term.

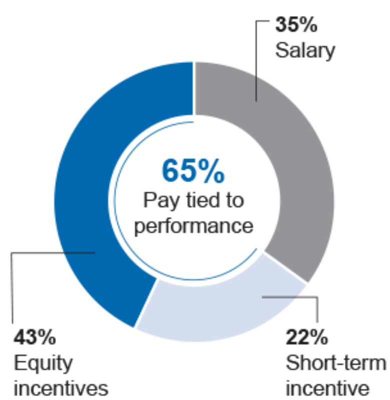
We are making changes to our executive compensation program in 2019 – see page 33 for details.

The graphs below show the 2018 target compensation mix (based on target performance). The 2018 target mix includes at least 50% PSUs for all named executives.

CEO TARGET PAY MIX



OTHER NAMED EXECUTIVES TARGET PAY MIX



2018 EXECUTIVE COMPENSATION DECISIONS

Salary

Salaries are reviewed at the beginning of every year, and are only adjusted to reflect an executive's consistent demonstration of increased capabilities, expertise and leadership in performing his or her role, or based on changes in the scope of the role or the market.

Salaries for the named executives have not increased since 2016, except for Andrew Snowden, whose salary increased to $350,000 on November 1, 2017 in recognition of his continued growth in his role of SVP & CFO. Salaries for the named executives remained unchanged in 2018.

	2017	2018
David Pathe	$825,000	$825,000
Andrew Snowden	$308,333	$350,000
Steve Wood	$450,000	$450,000
Tim Dobson	$400,000	$400,000
Elvin Saruk	$380,000	$380,000

Short-term incentive

Form and timeframe

Cash bonus based on corporate, operational and individual performance against pre-determined goals and paid early in the following year once the year-end results are finalized. See page 43 for more about our decision-making process.

We are making changes to our incentive plans in 2019, to align awards more closely to our 2019 strategic objectives – see page 33 for details.

Target incentive

Each executive's target award is based on market level, internal equity, their experience in the role and their performance for the year. Target awards are calculated as a percentage of salary (see the table on the next page). The CEO's target percentage has not changed since 2009. Targets for the other named executives except the CFO have not changed since 2013.

How we calculate the award

The amount of the award depends on the executive's short-term incentive score, which is calculated based on corporate, operational and individual performance against goals aligned with our strategic priorities. Goals are set at the beginning of the year and are both quantitative and qualitative.

Managing compensation risk
The short-term incentive can be clawed back if there is a material restatement of our financials that results in an overpayment of incentive compensation. See page 38 for more information about managing compensation risk.

The award is forfeited if the executive resigns or is terminated for cause (see page 71 for more information about termination).

Weightings vary by executive level and line-of-sight and functional accountabilities:

- **Corporate performance** focuses on corporate safety and sustainability and financial performance
- **Operational performance** focuses on operational safety and sustainability, production volume and unit cost of production
- **Individual performance** is measured against the annual goals set at the beginning of the year, as well as the day-to-day execution of the position and the consistent demonstration of leadership capabilities, including focus on safety, operational excellence, operational effectiveness, leadership and tone from the top. The range for the individual performance is 80% to 120% for performance that meets expectations and up to 150% for those who exceed expectations. See the profiles of our named executives beginning on page 55 for information about their individual performance this year.

The Board can use its discretion to adjust the calculated awards up or down based on its overall assessment and any extenuating circumstances or factors outside of management's control, guided by a set of four principles. See page 43 for more about our decision-making process.

2018 short-term incentive awards

The table below shows the 2018 short-term incentive award for each named executive. Payouts ranged from 71% to 93% of target based on each executive's short-term incentive score. Corporate, operational and individual weightings were based on the level of executive. The CEO's 2018 short-term incentive award was based on corporate and operational performance. After discussion, the Board decided there was no reason to use its discretion to adjust the awards from the calculated amounts.

	Salary	x	Short-term incentive target	x	2018 short-term incentive score (0-200%) Corporate (see below)		Operational (page 49)		Individual (page 55)	=		=	2018 short-term incentive award
David Pathe	$825,000	x	100%	x	**[69** x 50%	+	**73** x 50%]			=	**71%**	=	$585,750
Andrew Snowden	$350,000	x	50%	x	**[69** x 35%	+	**73** x 35%	+	**140** x 30%]	=	**92%**	=	$160,475
Steve Wood	$450,000	x	70%	x	**[69** x 35%	+	**73** x 35%	+	**115** x 30%]	=	**84%**	=	$265,230
Tim Dobson	$400,000	x	65%	x	**[69** x 25%	+	**89** x 45%	+	**120** x 30%]	=	**93%**	=	$242,580
Elvin Saruk	$380,000	x	60%	x	**[69** x 25%	+	**103** x 45%	+	**80** x 30%]	=	**88%**	=	$199,728

2018 Corporate performance score

The table below shows you how the 2018 corporate performance score was calculated. Scores for performance between threshold and maximum are calculated on a straight-line basis. Performance scores are capped at 150%. Performance below threshold receives a score of zero.

Safety and sustainability (25%)				Financial (75%)				
Target = 100 Link to strategy: • Achieve peer-leading performance in environment, health, safety and sustainability				Target = 100 Threshold: 50 Maximum = 150 Link to strategy: • Preserve liquidity and build balance sheet strength				
Safety (12.5%) Lost-time incidents	+	**Environment** (12.5%) High-severity environmental incidents	+	**Adjusted EBITDA** (37.5%) A proxy for cash generated by our operating activities (on an accrual basis), a standard industry metric	+	**Combined free cash flow** (37.5%) The cash generated or used by all of our business units	=	**Corporate score**
12.5		**0**		**56**		**0**		**69**

Safety and sustainability

Safety

Sherritt's operations are built on a zero harm health and safety culture. In 2018 we achieved peer-leading safety performance. The operations had a lost-time injury frequency rate of 0.04, in the lowest quartile of benchmark peer set data, resulting in a performance score of 100.

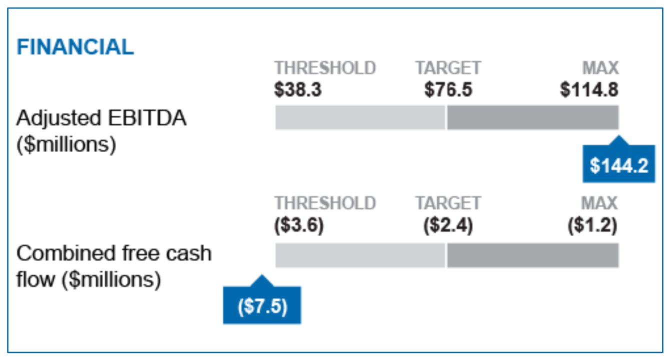
Environment

We understand that mining and energy production involve disturbing the natural environment. Our overriding approach to demonstrating environmental responsibility is to avoid impacts wherever we reasonably can, and ensure that any we create are minimized, managed and remediated. In 2018, we had one high-severity environmental incident, resulting in a performance factor of zero for this metric.

Financial

Adjusted EBITDA

2018 adjusted EBITDA was $144.2 million, exceeding target three-fold, resulting is a score of 150.



Combined free cash flow

2018 combined free cash flow was ($7.5) million, below the threshold of ($3.6) million resulting in a score of 0.

2018 operational performance scores

The table below shows you how the 2018 operational performance scores were calculated Operational performance is measured in two categories:

1. an operational score for executives who have direct responsibility for a division – they are compensated based on safety, environment, production and cost performance at the divisions they are accountable for
2. an operational score for corporate-level executives – they are compensated based on production and cost performance at all divisions.

Safety and sustainability	Production and costs
Target = 100 Link to strategy: • Achieve peer-leading performance in environmental health, safety and sustainability	Threshold: 50 Target = 100 Maximum = 150 Link to strategy: • Optimize metals businesses to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing free cash flow • Further reduce net direct cash costs towards the goal of being consistently in the lowest cost quartile • Optimize opportunities in our Cuban energy business

1. Operational score for executives who manage a division

The weighting of the three divisional scores varies by executive based on their accountabilities. We calculated the 2018 operational scores for the named executives as follows:

- Tim Dobson, 100% Metals = 89
- Elvin Saruk, 100% Oil & Gas and Power = 103

	Safety (15%) Lost-time incidents		**Environment** (15%) High severity environmental incidents		**Production** (35%) Annual production volume		**Unit cost of production** (35%) Our performance in managing operating costs relative to production levels		**Operational score for executives who manage a division**
Metals	**100** x 15% = 15	+	**100** x 15% = 15	+	**83** x 35% = 29	+	**85** x 35% = 30	=	**89**
Ambatovy	**100** x 15% = 15	+	**0** x 15% = 0	+	**0** x 35% = 0	+	**0** x 35% = 0	=	**15**
Oil & Gas and Power	**100** x 15% = 15	+	**100** x 15% = 15	+	**97** x 35% = 34	+	**111** x 35% = 39	=	**103**

See page 50 for details about each division's performance

- Scores for performance between threshold and maximum are calculated on a straight-line basis.
- Performance scores are capped at 150%. Performance below threshold receives a score of zero.
- We combine the results from Oil & Gas and Power for compensation purposes, because the two operations are integral parts of our Cuban energy business and share a common infrastructure and leader. The performance scores of the two divisions are weighted based on their relative financial contributions, which is approximately 3:1.

2. Operational score for corporate executives

This operational score applied to three of the 2018 named executives:

- David Pathe
- Andrew Snowden
- Steve Wood

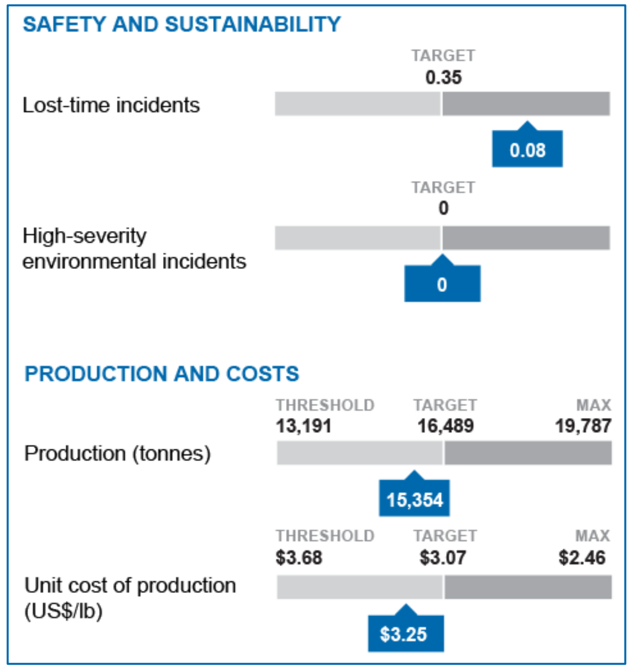
	Production (50%) Annual production volume		**Unit cost of production** (50%) Our performance in managing operating costs relative to production levels		**Operational score for corporate executives**
Metals	**83** x 50% = 42		**85** x 50% = 43		
Ambatovy	**0** x 20% = 0		**0** x 20% = 0		
Oil & Gas and Power	**97** x 30% = 29		**111** x 30% = 33		
Combined	**71** x 50% = **35.5**	+	**76** x 50% = **37.5**	=	**73**

Metals

We had strong, peer-leading performance on safety and the environment, resulting in a score of 100.

Finished nickel production was 3% lower than 2017 mainly because production of mixed sulphides was down, caused by unusually heavy rainfall at the mine site, and a Canadian rail transportation disruption in the first quarter of 2018. Finished cobalt production was lower compared to 2017. This resulted in a score of 83.

Adjusted net direct cash cost[1] of US$3.25/lb was higher than the target of US$3.07/lb because of lower production results, resulting in a score of 85.



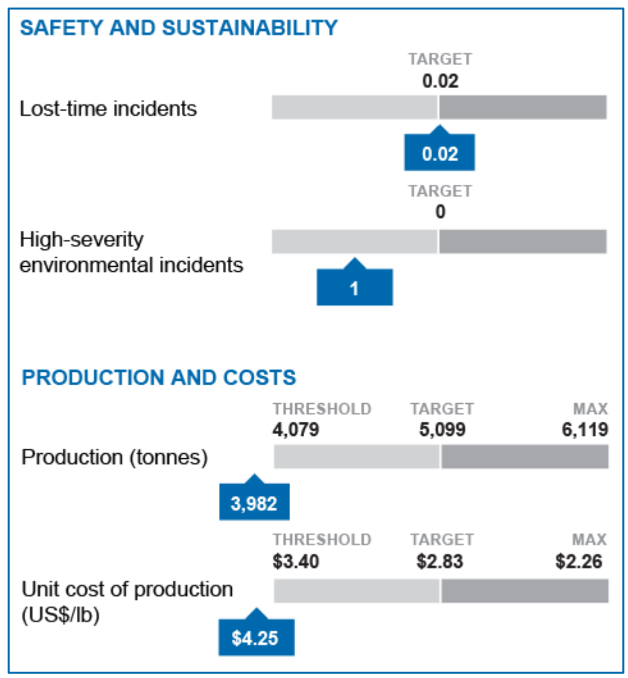
Ambatovy

Because we reduced our ownership interest in December 2017, our ability to direct local decision-making at Ambatovy has diminished. Production is presented on a 12% basis.

Ambatovy had strong, peer-leading performance on safety and one environmental incident, resulting in a score of 50.

Production of 3,982 tonnes of nickel was below the target of 5,099 tonnes and the threshold level of performance due to the shut-down and repairs necessitated by Cyclone Ava. This resulted in a score of 0.

Adjusted net direct cash cost[1] of US$4.25/lb was below the target of US$2.83/lb and did not meet the threshold level of performance (80% of target), resulting in a score of 0.



[1] Adjusted net direct cash cost uses budgeted commodity prices to exclude the impact of commodity price fluctuations outside of management's control, as a more accurate measure of cost efficiency.

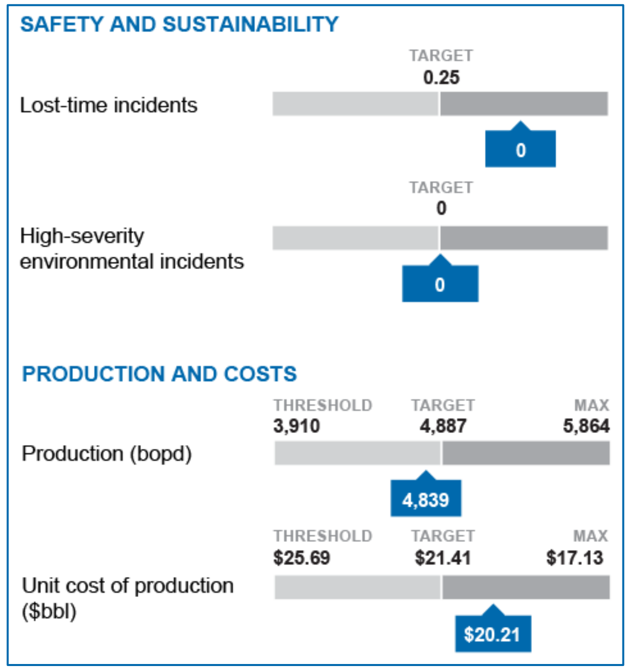
Oil & Gas

2018 performance was measured against adjusted targets because the PE/Yumuri extension was finalized after the initial targets were set. The adjusted targets were updated to align with the higher expectations resulting from the extension.

We had strong, peer-leading performance on safety and the environment, resulting in a score of 100.

Production of 4,839 bopd was below the adjusted target of 4,887 bopd mainly because natural reservoir declines were higher than forecasted. This resulted in a score of 98.

Unit cost of production of $20.21 bopd was lower than the target of $21.41 bopd, resulting in a score of 115.

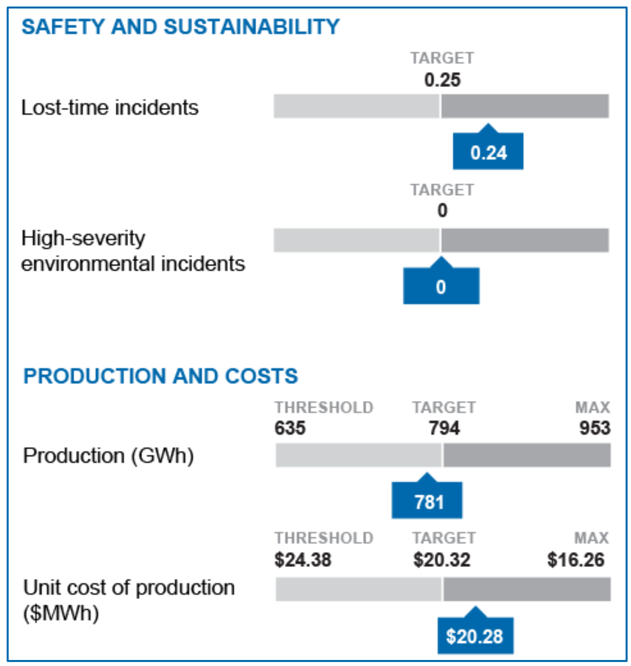


Power

We had strong, peer-leading performance on safety and the environment, resulting in a score of 100.

Production of 781 GWh was below the target of 794 GWh mainly because of lower gas supply. This resulted in a score of 96.

Unit cost of production was at target, at $20.28/MWh, resulting in a score of 100.



Equity incentives

Why we use them

- To align with shareholder interests through equity-based awards.
- To reward for contributions by recognizing the achievement of mid- and long-term corporate and strategic goals.
- To support retention through deferred vesting and settlement.

We are making changes to our incentive plans in 2019, to align awards more closely to our 2019 strategic objectives – see page 33 for details.

How we set the compensation target

Each executive's target award is based on the market, internal equity, experience in the role, performance and anticipated contributions to our future performance and growth, and set within a range for the position.

Form of the award

Awarded early in the year as an incentive for future performance. See page 43 for more about our decision-making process. Equity incentives are allocated to PSUs and RSUs, which are issued under our executive share unit plan, and to options, which are issued under our stock option plan (see page 68 for more information about the stock option plan). At least 50% of equity incentive awards are allocated to PSUs every year.

Managing compensation risk

Equity incentives (unvested RSUs and PSUs, issued options) can be clawed back if there is a material restatement of our financials that results in an overpayment of incentive compensation. See page 38 for more information about managing compensation risk.

RSUs, PSUs and options are forfeited if the executive resigns or is terminated for cause (see page 71 for more information about termination).

RSUs

RSUs are notional shares that vest at the end of three years and pay out in cash based on the price of our shares at the time of vesting.

RSUs also earn dividend equivalents at the same rate as dividends paid on our common shares, if any. The additional units are reinvested as additional RSUs, which vest at the same time as the initial award. RSUs cannot be assigned.

The amount the executive receives is calculated by multiplying the number of units that vest by the volume-weighted average price of our shares on the TSX for the five trading days immediately before the vesting date.

PSUs

PSUs are notional shares that vest at the end of three years and pay out in cash based on performance and on the price of our shares at the time of vesting.

PSUs earn dividend equivalents at the same rate as dividends paid on our common shares, if any. The additional units are reinvested as additional PSUs, which vest at the same time and with the same performance conditions as the initial award. PSUs cannot be assigned.

The number of PSUs that vests depends on our performance. See below for the performance conditions attached to the 2018 PSU awards.

The amount the executive receives on payout is calculated by multiplying the number of units that vest by the volume-weighted average price of our shares on the TSX for the five trading days immediately before the vesting date.

Options

Options are rights to buy our shares in the future at a specified price.

Options vest 1/3 per year over three years starting on the first anniversary of the grant. They expire after 10 years (or, if the expiry date falls in a restricted trading period, ten days following the end of the restricted trading period).

Each vested option can be used to buy one share at the option's exercise price (the volume-weighted average price of our shares on the TSX for the five trading days immediately before the grant date). The option is cancelled and a share is issued from treasury.

Some options issued before 2011 can be exchanged for a cash payment equal to the difference between the option's exercise price and the purchase price of our shares at the time of exercise. When exercised, those options will be cancelled and the shares underlying the cancelled options will no longer be available for issuance.

The Board can make changes to the executive share unit plan and the stock option plan subject to any required regulatory or shareholder approvals, although previously granted awards cannot be negatively affected without the participant's consent. See page 68 for more information about making changes to the stock option plan.

2018 equity incentive awards

The table below shows the 2018 equity incentive awards for each named executive, and how they were allocated. This year we reduced the amount allocated to options. See page 33 for more information.

We calculated the number of RSUs and PSUs awarded by dividing the dollar amount of the award by the volume-weighted average trading price of our shares on the TSX for the five trading days immediately before the grant date (rounded up to the nearest whole unit). We calculated the number of options awarded by dividing the dollar amount of the award by the market price of our shares on the date of the grant and the Black Scholes value (rounded up to the nearest whole unit). See page 64 for details.

	2018 equity incentive award	Allocation					
		RSUs (37.5%)		**PSUs** (62.5%)		**Options** (0%)	
David Pathe	$1,750,000	$656,250	525,000 units	$1,093,750	875,000 units		
		RSUs (30%)		**PSUs** (50%)		**Options** (20%)	
Andrew Snowden	$400,000	$120,000	96,000 units	$200,000	160,000 units	$80,000	93,023 units
Steve Wood	$565,000	$169,500	135,600 units	$282,500	226,000 units	$113,000	131,395 units
Tim Dobson	$485,000	$145,500	116,400 units	$242,500	194,000 units	$97,000	112,791 units
Elvin Saruk	$485,000	$145,500	116,400 units	$242,500	194,000 units	$97,000	112,791 units

Performance conditions for the 2018 PSU awards

The 2018 PSU awards will vest in 2021. The number of units that vest will depend on the PSU performance factor, which will be calculated using two equally-weighted metrics – TSR relative to our peers, and unit cost of production compared to budget.

Relative total shareholder return (50%)		Unit cost of production (50%)		PSU performance factor
Link to strategy: • Align executive performance with shareholder interests	+	Link to strategy: • Optimize metals and energy businesses to maintain a leadership position as a low-cost producer while maximizing free cash flow	=	

Relative total shareholder return (50%)

Measured against a combined weighted index that reflects the relative weighting of each of our metals and energy businesses:

- S&P/TSX Metals and Mining Industry Index (Bloomberg: STMETL) (67%)
- S&P/TSX Oil & Gas, Exploration & Production Industry Index (Bloomberg: STOILP) (33%)

Performance will be assessed using the following performance scale. The score is capped at 100% if our TSR for the performance period is negative, strengthening the alignment with what our shareholders experience. Values between threshold and maximum will be calculated on a straight-line basis.

	Minimum	Threshold	Target	Maximum
If our relative total shareholder return is:	More than 25 percentage points below the combined weighted index	25 percentage points below the combined weighted index	The same as the combined weighted index	50 percentage points or more above the combined weighted index
The performance score will be:	0	50	100	200

Unit cost of production (50%)

An internal measure aligned with our strategic goal of being a sustainable low-cost producer. The actual unit cost of production will be measured against each division's targeted unit cost of production for each fiscal year of the three-year performance period. Disclosure of these targets in advance would provide competitively sensitive information. Operation results for 2018 PSUs will be weighted as follows: Metals 50%, OGP 30% and Ambatovy 20**%.**

Performance will be assessed using the following performance scale. Values between threshold and target, and target and maximum will be calculated on a straight-line basis.

	Minimum	Threshold	Target	Maximum
If our unit cost of production is:	More than 20% above budget	20% above budget	At budget	More than 80% below budget
The performance score will be:	0	50	100	200

Payout of the 2015 RSU awards

The 2015 RSUs vested on March 13, 2018, and were paid out in cash. 20% of the units were performance-based and did not vest because the performance factor was zero (see below). The remaining 80% vested because they were time-based.

The RSUs paid out at 49% of the grant value (32% for Steve Wood's award, which was off-cycle based on his date of hire), based on the number of units vesting and our share price at the time of vesting (the volume-weighted average price of our shares on the TSX for the five trading days immediately before the redemption date).

	2015 grant	Share price on the grant date	PSUs granted and received as dividend equivalents	Number of vested units	x	Share price on vesting	=	Payout	As a percentage of the grant value
David Pathe	$875,006	$2.11	418,781	335,025	x	$1.28	=	$428,832	49%
Andrew Snowden	$40,000	$2.11	19,146	15,317	x	$1.28	=	$19,606	49%
Steve Wood	$255,000	$2.98	86,025	68,820	x	$1.18	=	$81,208	32%
Tim Dobson	$485,000	$2.11	232,124	185,700	x	$1.28	=	$237,696	49%
Elvin Saruk	$350,007	$2.11	167,514	134,012	x	$1.28	=	$171,535	49%

How we calculated the performance factor

20% of the 2015 RSUs were performance-based. Performance was assessed against a relative performance target set at the time of the award. The table below shows our TSR from February 23, 2015 to February 23, 2018, and the TSR of the combined weighted index over the same period. Performance was below the threshold, resulting in a performance factor of zero, so none of the performance-based RSUs vested.

S&P/TSX Metals and Mining Industry Index (Bloomberg: STMETL)	+	S&P/TSX Oil & Gas, Exploration & Production Industry Index (Bloomberg: STOILP)	=	Combined weighted index
17% x 67%	+	**-18%** x 33%	=	**5%**

	Minimum (0)	Threshold (50)	Target (100)	Maximum (200)
	More than 40 percentage points below the combined weighted index	40 percentage points below the combined weighted index	The same as the combined weighted index (see above)	40 percentage points or more above the combined weighted index
Combined weighted index		-35	**5%**	45
Sherritt TSR	**-45%**			

DAVID PATHE

Chairman of the Board
President & CEO

David Pathe is accountable for developing and implementing Sherritt's company-wide strategy, making major corporate decisions and managing our growth, operations and overall performance.

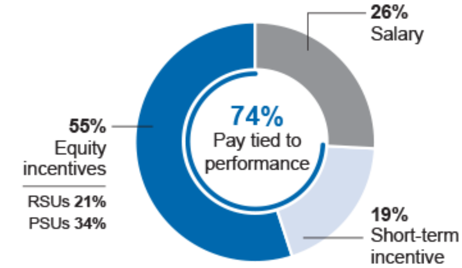
2018 Key results

- Reduced outstanding debenture debt by more than $130 million, using proceeds from the equity raise
- Sponsored the execution of organizational design plans
- Sponsored the continuance and embedding of operational excellence initiatives
- Adjusted to a $7 nickel $45 cobalt world and then back to a $4.80 nickel $20 cobalt world with agility
- Office move to reduce G&A

2018 Compensation review

The Human Resources Committee considered David's overall leadership and the progress achieved in an unprecedented market downturn, including the equity raise, the continued focus on debt reduction, and his ability to engage a resilient leadership team who are staying the course in the continuing volatile markets. The Human Resources Committee did not make any adjustments to the calculated short-term incentive formula. Equity incentives were awarded at target but the mix was adjusted to reduce the amount allocated to options.

		2017 Actual	2018 Target	2018 Actual
Salary	Cash	$825,000	$825,000	$825,000
Short-term incentive	Cash	$536,250	$825,000	$585,750
Equity incentives	RSUs	$437,500	$437,500	$656,250
	PSUs	$875,000	$875,000	$1,093,750
	Options	$437,500	$437,500	$0
Total direct compensation		$3,111,250	$3,400,000	$3,160,750
Compared to target				-7%
Compared to 2017				+2%



Short-term incentive (see page 47)

David's 2018 short-term incentive award was approved in February 2019. It paid out at 71% of his target, based on corporate and divisional performance. Individual performance is not considered for his short-term incentive award.

- Corporate score: 69 – below target mainly because we did not meet our free cash flow target and we had an environmental incident (see page 47).
- Operational score: 73 – a blend of results from Metals, Ambatovy and Oil & Gas and Power (see page 49).

Equity incentives (see page 52)

David's 2018 equity incentive award was allocated 37.5% to RSUs and 62.5% to PSUs. He did not receive options this year, as part of the evolution of our compensation program, which you can read about on page 33.

Five-year lookback

Total equity compensation 2014-2018

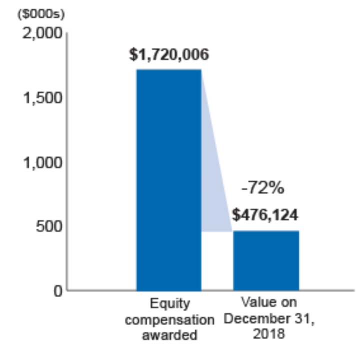
The table below shows David's equity compensation for each of the past five years, and the value on December 31, 2018. The graph shows the impact that performance and our share price have had on his equity awards over the five years, and demonstrates that his earnings are in line with what our shareholders have experienced. David has also purchased 383,456 shares since 2012 at a personal cost of over $1.1 million. At December 31, 2018, these shares were valued at $174,555, representing a loss in value of more than $925,000 or 84%.

	Equity compensation awarded	Value on December 31, 2018	Change
2014	$1,600,017	$250,557	-84%
2015	$1,750,006	$428,832	-75%
2016	$1,750,007	$579,044	-67%
2017	$1,750,000	$492,188	-72%
2018	$1,750,000	$630,000	-64%
Average	$1,720,006	$476,124	-72%

AVERAGE EQUITY COMPENSATION (2014-2018)

The chart shows the impact that performance and our share price have had on David's equity compensation for the past five years.

The value on December 31, 2018 is 72% lower than the awarded value.



Compensation awarded includes equity incentives valued at the grant date as reported in the summary compensation table.

Value on December 31, 2018 includes the *realized* and *realizable* value of the equity incentives awarded each year, as at December 31, 2018:

- *realized value*: payouts of RSUs and PSUs that had vested, and gains realized from options that had been exercised as of December 31, 2018
- *realizable value*: the value of RSUs and PSUs that had not vested as of December 31, 2018 (assuming all units vest), and outstanding stock options that were in-the-money, using $0.45, the closing price of our shares on the TSX on December 31, 2018.

Total direct compensation 2014-2018

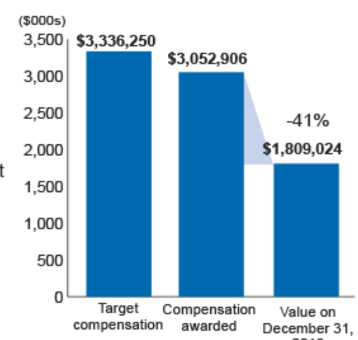
We also look at David's total direct compensation over time. The table below shows total direct compensation he has been awarded for each of the past five years, and the value on December 31, 2018. The graph shows the impact that performance and our share price have had on his average total direct compensation over the five years, and demonstrates that his earnings are in line with what our shareholders have experienced.

	Target compensation	Compensation awarded	Value on December 31, 2018	Change
2014	$3,100,000	$2,912,517	$1,563,057	-46%
2015	$3,381,250	$2,968,756	$1,647,582	-45%
2016	$3,400,000	$3,111,257	$1,940,294	-38%
2017	$3,400,000	$3,111,250	$1,853,438	-40%
2018	$3,400,000	$3,160,750	$2,040,750	-35%
Average	$3,336,250	$3,052,906	$1,809,024	-41%

AVERAGE TOTAL DIRECT COMPENSATION (2014-2018)

The chart shows the impact that performance and our share price have had on David's total direct compensation for each of the past five years.

The value on December 31, 2018 is 41% lower than the awarded value and 46% below target.



Compensation awarded includes salary, short-term incentive and equity incentives valued at the grant date as reported in the summary compensation table.

Value on December 31, 2018 includes the *realized* and *realizable* value of the compensation awarded each year, as at December 31, 2018:

- *realized value*: salary and short-term incentive paid for the year, payouts of RSUs and PSUs that had vested, and gains realized from options that had been exercised as of December 31, 2018
- *realizable value*: the value of RSUs and PSUs that had not vested as of December 31, 2018 (assuming all units vest), and outstanding stock options that were in-the-money, using $0.45, the closing price of our shares on the TSX on December 31, 2018.

ANDREW SNOWDEN

SVP & CFO

Andrew Snowden is accountable for the strategic coordination of all financial matters and current and long-term effectiveness of all financial functions, as well as Corporate Development, Investor Relations and Information Technology. He contributes to Sherritt's overall success through active participation in strategic planning and other key corporate processes.

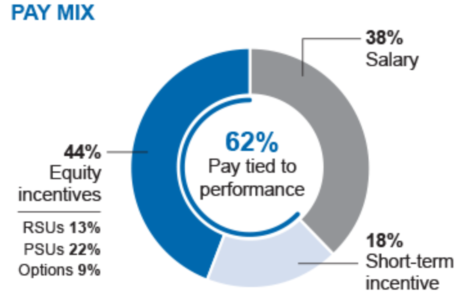
2018 Key results

- Continued to strengthen the balance sheet by moving quickly to execute the equity raise and debt tender offer transactions when market conditions were favourable
- Championed organizational change throughout the Finance and IT functions, including onboarding the new VP Finance

2018 Compensation review

Andrew was appointed CFO on January 1, 2017. The Human Resources Committee considered his personal growth in the position and his achievements is 2018. The Human Resources Committee did not make any adjustments to the calculated short-term incentive formula. Equity incentives were awarded at target, but the mix was adjusted to reduce the amount allocated to options.

		2017 Actual	2018 Target	2018 Actual
Salary	Cash	$308,333	$350,000	$350,000
Short-term incentive	Cash	$128,066	$175,000	$160,475
Equity incentives	RSUs	$75,000	$100,000	$120,000
	PSUs	$150,000	$200,000	$200,000
	Options	$75,000	$100,000	$80,000
Total direct compensation		$736,399	$925,000	$910,475
Compared to target				-2%
Compared to 2017				+24%



Short-term incentive (see page 47)

Andrew's 2018 short-term incentive award was approved in February 2019. It paid out at 92% of his target, based on corporate, divisional and individual performance.

- Corporate score: 69 – below target mainly because we did not meet our free cash flow target and we had an environmental incident (see page 47).
- Operational score: 73 – a blend of results from Metals, Ambatovy and Oil & Gas and Power (see page 49).
- Individual score: 140 – based on his individual achievements in 2018.

Equity incentives (see page 52)

Andrew's 2018 equity incentive award was allocated 30% to RSUs, 50% to PSUs and 20% to options.

Two-year lookback

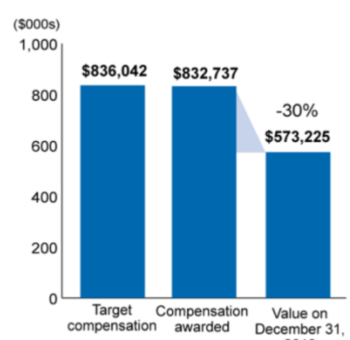
The table below shows Andrew's total direct compensation for each of the past two years in the position of CFO. The graph shows the impact that performance and our share price have had on his average total direct compensation over the two years, and demonstrates that his earnings are in line with what our shareholders have experienced (see page 56 for how we calculate total direct compensation awarded and value on December 31, 2018).

	Target compensation	Compensation awarded	Value on December 31, 2018	Change
2017	$747,083	$736,999	$520,774	-29%
2018	$925,000	$910,475	$625,675	-31%
Average	$836,042	$823,737	$573,225	-30%

AVERAGE TOTAL DIRECT COMPENSATION (2017-2018)

The chart shows the impact that performance and our share price have had on Andrew's total direct compensation for each of the past two years.

The value on December 31, 2018 is 30% lower than the awarded value.



STEVE WOOD

EVP & COO

Steve Wood is accountable for our operating divisions, marketing, technologies and for safety and sustainability. He contributes to the overall success of the company through active participation in strategic planning and other key corporate processes.

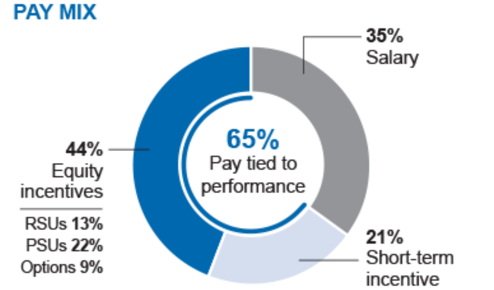
2018 Key results

- Continued to lead our strong focus on safety and sustainability
- Championed cultural change to one based on operational excellence
- Drove organizational design project towards the goal of cost effective sustainable operations
- Strengthened the Technologies division with rejuvenated strategic plan and onboarding of new VP Technologies

2018 Compensation review

Steve was successful in delivering on his goals and the compensation decisions considered his achievements in 2018. The Human Resources Committee did not make any adjustments to the calculated short-term incentive formula. Equity incentives were awarded at target, but the mix was adjusted to reduce the amount allocated to options.

		2017 Actual	2018 Target	2018 Actual
Salary	Cash	$450,000	$450,000	$450,000
Short-term incentive	Cash	$295,470	$315,000	$265,230
Equity incentives	RSUs	$141,250	$141,250	$169,500
	PSUs	$282,500	$282,500	$282,500
	Options	$141,250	$141,250	$113,000
Total direct compensation		$1,310,470	$1,330,000	$1,280,230
Compared to target				-4%
Compared to 2017				-2%



Short-term incentive (see page 47)

Steve's 2018 short-term incentive award was approved and paid in February 2019. It paid out at 84% of his target, based on corporate, divisional and individual performance.

- Corporate score: 69 – below target mainly because we did not meet our free cash flow target and we had an environmental incident (see page 47).
- Operational score: 73 – a blend of results from Metals, Ambatovy and Oil & Gas and Power (see page 49).
- Individual score: 115 – based on his individual achievements in 2018.

Equity incentives (see page 52)

Steve's 2018 equity incentive award was allocated 30% to RSUs, 50% to PSUs and 20% to options.

Three-year lookback

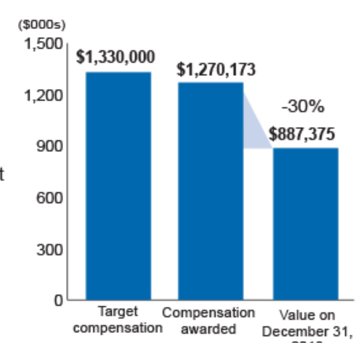
The table below shows Steve's total direct compensation for each of the past three years. The graph shows the impact that performance and our share price have had on his average total direct compensation over the three years, and demonstrates that his earnings are in line with what our shareholders have experienced (see page 56 for how we calculate total direct compensation awarded and value on December 31, 2018).

	Target compensation	Compensation awarded	Value on December 31, 2018	Change
2016	$1,330,000	$1,219,819	$879,800	-28%
2017	$1,330,000	$1,310,470	$904,376	-31%
2018	$1,330,000	$1,280,230	$877,950	-31%
Average	$1,330,000	$1,270,173	$887,375	-30%

AVERAGE TOTAL DIRECT COMPENSATION (2016-2018)

The chart shows the impact that performance and our share price have had on Steve's total direct compensation for each of the past three years.

The value on December 31, 2018 is 30% lower than the awarded value.



TIM DOBSON

SVP, Metals

Tim Dobson is accountable for safe, sustainable, cost effective leadership of the Metals Division. He contributes to our overall success through active participation in strategic planning and other key corporate processes.

2018 Key results

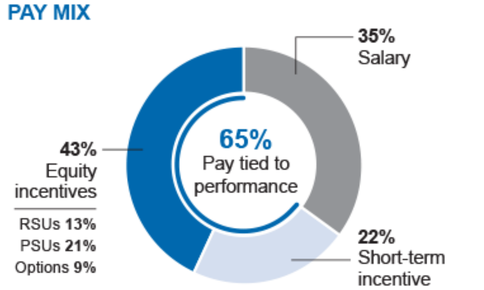
- Strong safety and sustainability leadership, delivering a strong peer-leading safety record
- Maintained net direct cash cost at the Moa JV in the bottom quartile despite the decline in our cobalt by-product as cobalt prices fell
- Took action to mitigate production impact of heavy rains at the mine site and Canadian transportation issues
- Significant organizational redesign and recruitment of new management team
- Continues to advance and embed a culture of operational excellence

2018 Compensation review

Tim was successful in delivering on his goals and the compensation decisions considered his achievements in 2018. The Human Resources Committee did not make any adjustments to the calculated short-term incentive formula. Equity incentives were awarded at target, but the mix was adjusted to reduce the amount allocated to options.

		2017 Actual	2018 Target	2018 Actual
Salary	Cash	$400,000	$400,000	$400,000
Short-term incentive	Cash	$212,290	$260,000	$242,580
Equity incentives	RSUs	$121,250	$121,250	$145,500
	PSUs	$363,750	$242,500	$242,500
	Options	–	$121,250	$97,000
Total direct compensation		$1,097,290	$1,145,000	$1,127,580
Compared to target				-2%
Compared to 2017				+3%

PAY MIX



Short-term incentive (see page 47)

Tim's 2018 short-term incentive award was approved and paid in February 2019. It paid out at 93% of his target, based on corporate, divisional and individual performance:

- Corporate score: 69 – below target mainly because we did not meet our free cash flow target and we had an environmental incident (see page 47).
- Operational score: 89 – based entirely on Metals results (see page 49).
- Individual score: 120 – based on his individual achievements in 2018.

Equity incentives (see page 52)

Tim's 2018 equity incentive award was allocated 30% to RSUs, 50% to PSUs and 20% to options.

Three-year lookback

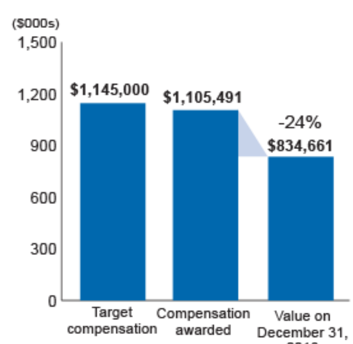
The table below shows Tim's total direct compensation for each of the past three years. The graph shows the impact that performance and our share price have had on his average total direct compensation over the three year period, and demonstrates that his earnings are in line with what our shareholders have experienced (see page 56 for how we calculate total direct compensation awarded and value on December 31, 2018).

	Target compensation	Compensation awarded	Value on December 31, 2018	Change
2016	$1,145,000	$1,091,603	$927,558	-15%
2017	$1,145,000	$1,097,290	$794,165	-28%
2018	$1,145,000	$1,127,580	$782,260	-31%
Average	$1,145,000	$1,105,491	$834,661	-24%

AVERAGE TOTAL DIRECT COMPENSATION (2016-2018)

The chart shows the impact that performance and our share price have had on Tim's total direct compensation for each of the past three years.

The value on December 31, 2018 is 24% lower than the awarded value.



ELVIN SARUK

SVP, Oil & Gas and Power

Elvin Saruk is accountable for safe, cost effective leadership of the Cuban-based energy businesses. Elvin runs our Oil & Gas business and a Power generation facility in Cuba. He contributes to our overall success through active participation in strategic planning and other key corporate processes.

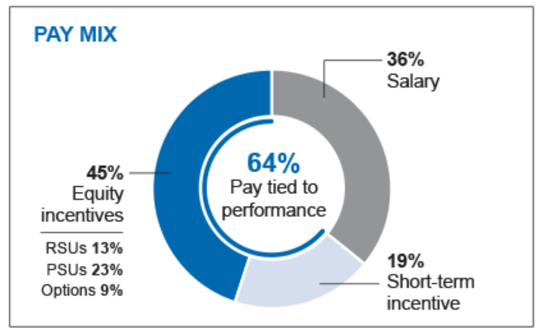
2018 Key results

- Focus on safety expectations and integration into daily routines has resulted in much improved safety outcomes
- Existing operation performance met expectations
- The complex geology of Block 10 hindered progress in 2018

2018 Compensation review

Elvin was successful on delivering on his goals and the compensation decisions considered his achievements in 2018. The Human Resources Committee did not make any adjustments to the calculated short-term incentive formula. Equity incentives were awarded at target, but the mix was adjusted to reduce the amount allocated to options.

		2017 Actual	2018 Target	2018 Actual
Salary	Cash	$380,000	$380,000	$380,000
Short-term incentive	Cash	$222,072	$228,000	$199,728
Equity incentives	RSUs	$121,250	$121,250	$145,500
	PSUs	$242,500	$242,500	$242,500
	Options	$121,250	$121,250	$ 97,000
Total direct compensation		$1,087,072	$1,093,000	$1,064,728
Compared to target				-3%
Compared to 2017				-2%



Short-term incentive (see page 47)

Elvin's 2018 short-term incentive award was approved and paid in February 2019. It paid out at 88% of his target, based on corporate, divisional and individual performance:

- Corporate score: 69 – below target mainly because we did not meet our free cash flow target and we had an environmental incident (see page 47).
- Operational score: 103 – based entirely on Oil & Gas and Power (see page 49).
- Individual score: 80 – based on his individual achievements in 2018.

Equity incentives (see page 52)

Elvin's 2018 equity incentive award was allocated 30% to RSUs, 50% to PSUs and 20% to options.

Three-year lookback

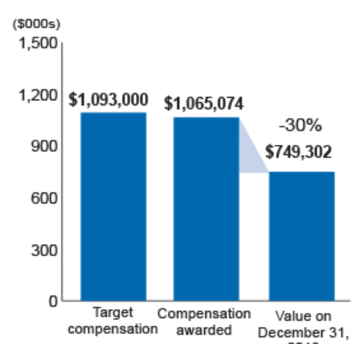
The table below shows Elvin's total direct compensation for each of the past three years. The graph shows the impact that performance and our share price have had on his average total direct compensation over the three year period, and demonstrates that his earnings are in line with what our shareholders have experienced (see page 56 for how we calculate total direct compensation awarded and value on December 31, 2018).

	Target compensation	Compensation awarded	Value on December 31, 2018	Change
2016	$1,093,000	$1,043,423	$790,020	-24%
2017	$1,093,000	$1,087,072	$738,478	-32%
2018	$1,093,000	$1,064,728	$719,408	-32%
Average	$1,093,000	$1,065,074	$749,302	-30%

AVERAGE TOTAL DIRECT COMPENSATION (2016-2018)

The chart shows the impact that performance and our share price have had on Elvin's total direct compensation for each of the past three years.

The value on December 31, 2018 is 30% lower than the awarded value.



SHARE PERFORMANCE AND EXECUTIVE COMPENSATION

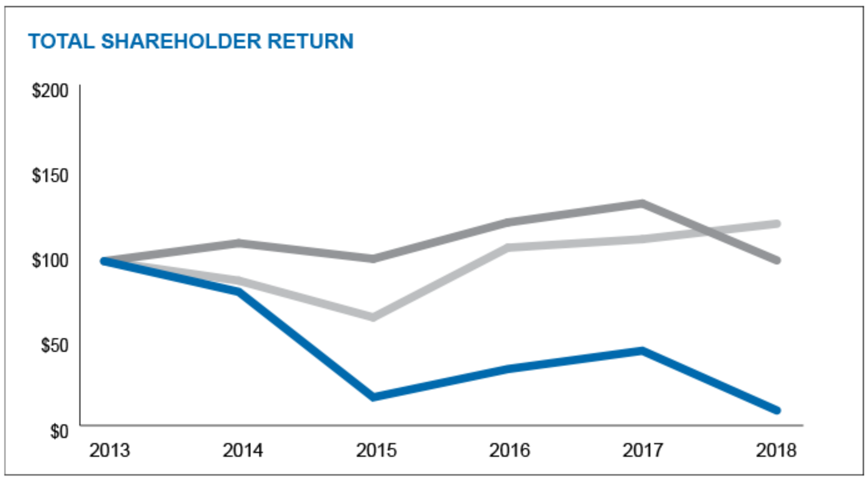
Share performance analysis

Consistent with a number of small-cap base metals peers, our share price performance over the past five years has fluctuated in response to a number of market and geopolitical developments.

In particular, our share price has been affected by volatile commodity prices. Through the five-year period from January 1, 2014 to December 31, 2018 nickel prices have ranged from a high of US$8.96/lb in May 2014 to US$4.81/lb at the end of 2018. During the same period, cobalt prices have fluctuated more dramatically from a low of US$9.00/lb to a high of US$44.55/lb.

Our share price performance in 2018 was especially impacted by the softening of nickel and cobalt prices. The downward price pressure was driven by a number of developments that tempered the short-term outlook for both metals. Chief among these were concerns that the international trade dispute between the U.S. and China would weaken global demand for nickel for a prolonged period. Market reaction to news of a planned facility in Indonesia that is expected to produce 50,000 tonnes per year of battery-grade material also contributed to softening nickel prices. Increased availability of nickel pig iron supply was another contributing factor in weakening nickel prices.

Cobalt prices experienced a sharp decline in the second half of 2018, declining by almost 40% to end the year at US$27.75/lb. This price decline has since continued through 2019. The price decline has been driven by increased supply of intermediate product from the Democratic Republic of Congo as well as by the destocking of inventory by Chinese consumers.



(as at December 31)						
Sherritt	$100	$82.00	$20.14	$36.69	$47.45	$12.42
S&P/TSX Metals and Mining Index	$100	$110.55	$101.34	$122.71	$133.85	$100.47
S&P/TSX Composite Index	$100	$88.57	$67.02	$107.90	$112.89	$121.96

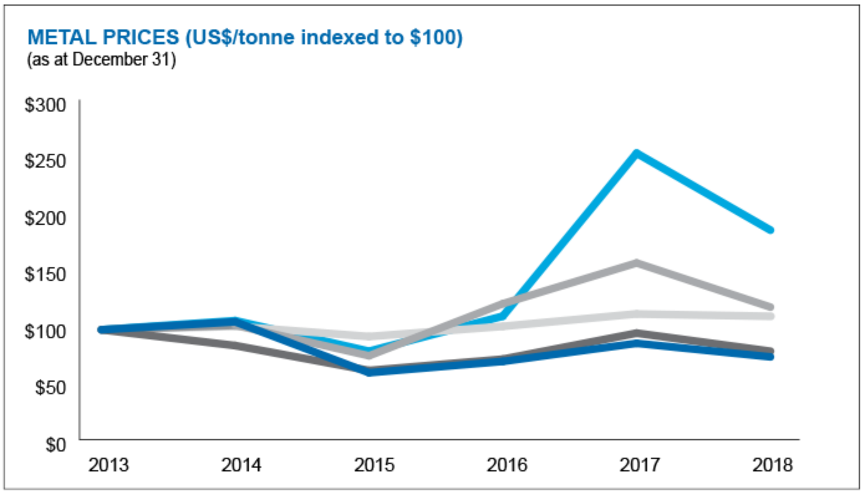
Understanding the impact of metal prices

Every resource company's share price is directly related to the performance of the metals it produces. The graph below shows the annual average price of five base metals over the past five years (in US$/tonne, indexed to $100 to provide a meaningful comparison).

These are the metals produced by the companies in our comparator group. None of the companies in our comparator group produces nickel as a primary product, and there are very few nickel companies in the S&P/TSX Metals and Mining Index. The underperformance of nickel prices to the base metals produced by the companies in our comparator group helps to put our share performance in context.

Despite the low nickel price environment, we have been diligently focused on controlling costs, and have managed to reduce more than $2 billion of debt over the past five years, by:

- selling non-core assets
- extending the maturities of debentures
- using the proceeds of the equity raise to restructure debt
- restructuring Ambatovy to align with our economic interests.



(as at December 31)						
Nickel	$100	$107	$62	$72	$88	$76
Copper	$100	$86	$64	$74	$97	$81
Zinc	$100	$104	$77	$123	$159	$120
Gold	$100	$103	$94	$103	$114	$112
Cobalt	$100	$108	$81	$112	$256	$188

CEO equity compensation and share performance

While we do not believe that executive performance should be assessed only against our share performance, mainly because there are other important factors to consider, we do link a significant portion of what the named executives earn to the price of our shares. Executives also invest in our shares through our employee share ownership plan, or personally (see page 39 for more about equity ownership).

The table below shows the CEO's equity compensation for the past five years and its realized and realizable value on December 31, 2018. It also compares the actual value of $100 of equity compensation awarded to the CEO to the value earned by shareholders over the same period.

This illustrates the impact that performance and our share price had on David Pathe's equity compensation for each of the past five years and demonstrates that his earnings are in line with what our shareholders have experienced.

	Equity compensation awarded	Value on December 31, 2018	Period	Value of $100 Sherritt CEO	Value of $100 Sherritt shareholders
2014	$1,600,017	$250,557	Jan 1, 2014 to Dec 31, 2018	$16	$12
2015	$1,750,006	$428,832	Jan 1, 2015 to Dec 31, 2018	$25	$15
2016	$1,750,007	$579,044	Jan 1, 2016 to Dec 31, 2018	$33	$62
2017	$1,750,000	$492,188	Jan 1, 2017 to Dec 31, 2018	$28	$34
2018	$1,750,000	$630,000	Jan 1, 2018 to Dec 31, 2018	$36	$26

Compensation awarded includes equity incentives valued at the grant date as reported in the summary compensation table.

Value on December 31, 2018 includes the *realized* and *realizable* value of the equity incentives awarded each year, as at December 31, 2018:

- *realized value*: payouts of RSUs and PSUs that had vested, and gains realized from options that had been exercised as of December 31, 2018
- *realizable value*: the value of RSUs and PSUs that had not vested as of December 31, 2018 (assuming all units vest), and outstanding stock options that were in-the-money, using $0.45, the closing price of our shares on the TSX on December 31, 2018.

Value of $100

- for Sherritt shareholders: represents the cumulative value of a $100 investment in common shares made on the first trading day of the period, assuming dividends are reinvested
- for the Sherritt CEO: his realized and realizable compensation indexed to $100 for ease of comparison.

Compensation details

SUMMARY COMPENSATION TABLE

The table below shows the total compensation awarded to the named executives for the last three years ended December 31.

		Salary	Share-based awards	Option-based awards	Annual incentive	Pension value	All other compensation	Total compensation
David Pathe	2018	$825,000	$1,750,000	$0	$585,750	n/a	$296,811	$3,457,561
Chairman of the Board President and CEO	2017	$825,000	$1,312,500	$437,500	$536,250	$75,490	$219,715	$3,406,455
	2016	$825,000	$875,000	$875,007	$536,250	$76,130	$217,169	$3,404,556
Andrew Snowden	2018	$350,000	$320,000	$80,000	$160,475	n/a	$176,693	$1,087,168
SVP & CFO	2017	$308,333	$225,000	$75,000	$128,066	n/a	$120,256	$856,655
	2016	$207,458	$140,000	n/a	$94,120	n/a	$50,915	$492,493
Steve Wood	2018	$450,000	$452,000	$113,000	$265,230	n/a	$210,153	$1,490,383
EVP & COO	2017	$450,000	$423,750	$141,250	$295,470	$30,490	$156,019	$1,496,979
	2016	$450,000	$340,000	$225,019	$204,800	$31,130	$66,934	$1,317,883
Tim Dobson	2018	$400,000	$388,000	$97,000	$242,580	n/a	$241,461	$1,369,042
SVP, Metals	2017	$400,000	$485,000	n/a	$212,290	n/a	$454,096	$1,551,386
	2016	$400,000	$485,003	n/a	$206,600	n/a	$407,542	$1,499,145
Elvin Saruk	2018	$380,000	$388,000	$97,000	$199,728	n/a	$191,242	$1,255,970
SVP, Oil & Gas and Power	2017	$380,000	$363,750	$121,250	$222,072	$19,590	$148,440	$1,255,102
	2016	$380,000	$350,003	$135,020	$178,400	$20,230	$148,207	$1,211,860

Share-based awards
The value of RSUs and PSUs awarded as equity incentives (see page 53). We calculated the number of units awarded by dividing the dollar amount of the award by $1.25 (2018), $1.20 (2017), and $0.68 (2016), the volume-weighted average trading price of our shares on the TSX for the five trading days immediately before each grant date (rounded up to the nearest whole unit).

Option-based awards
The value of options awarded as equity incentives (see page 53). We calculate the number of options by dividing the grant date fair value of the award by the market price of our shares on the date of the grant multiplied by each year's Black Scholes value (rounded up to the nearest whole unit).

The table to the right shows the assumptions we used for calculating the Black Scholes value each year. We use the continuous method for determining the dividend yield in 2017 and 2018. In 2016, we used the discrete method for determining the dividend yield.

	Market price	Black Scholes value	Option term	Share price volatility	Interest rate	Dividend yield
2018	$1.25	$0.86	10 years	58.71%	2.34%	nil
2017	$1.20	$0.80	10 years	57.91%	1.61%	nil
2016	$0.68	$0.80	10 years	57.80%	1.64%	nil

Annual incentive
The cash bonus awarded as an annual incentive (see page 47).

Pension value
Employer contributions to the executive supplementary pension plan. The plan was closed to contributions on January 1, 2018 and is being phased out (see page 70).

All other compensation

All other benefits and compensation in 2018. These amounts are fully taxable and not grossed up for tax purposes.

	David Pathe	Andrew Snowden	Steve Wood	Tim Dobson	Elvin Saruk
Retirement savings (see page 70)	$99,000	$42,000	$54,000	$48,000	$45,600
Employee share ownership plan (see page 39)	$2,500	$2,500	$2,500	$0	$0
Other benefits and perquisites (see page 45)	$195,311	$132,193	$153,653	$193,461	$145,642
Well-being benefits	$12,745	$12,693	$9,153	$7,431	$11,712
Perquisite allowance	$32,000	$32,000	$32,000	$32,000	$32,000
Helms-Burton allowance	$150,000	$87,500	$112,500	$100,000	$95,000
International allowance	$0	$0	$0	$54,030	$0
Other (parking and other taxable benefits)	$566	$0	$0	$0	$6,930
Total	$296,811	$176,693	$210,153	$241,461	$191,242

Helms Burton allowance

All of the named executives have been listed under Title IV of the *Helms-Burton Act,* and advised by the United States Department of State that they, their spouse and minor children are inadmissible for entry into the United States. In recognition of the hardship, loss of opportunity and emotional distress suffered by the named executives and their families, the named executives receive a Helms-Burton Allowance. These allowances are not considered compensation, but have been included in the table in the interest of providing full disclosure. Helms Burton Allowances are fully taxable and not grossed-up for tax purposes.

International allowance

This amount is a tax equalization allowance paid to Tim Dobson related to his international assignment to Ambatovy.

EQUITY COMPENSATION

Outstanding option-based and share-based awards

The table below shows all outstanding option-based awards and unvested share-based awards as of December 31, 2018. See page 52 for more information about equity incentives.

The value of unexercised in-the-money options is the difference between the option's exercise price and $0.45 (the closing price of our shares on the TSX on December 31, 2018). None of the options were in-the-money on December 31, 2018, so no value is reported.

We calculated the value of RSUs and PSUs by multiplying our assumption for the number of units that would vest by $0.45 (the closing price of our shares on the TSX on December 31, 2018). Vesting assumptions:

- RSUs granted in 2016: assumes a performance factor of 0 and that only 80% of the units vest
- RSUs granted in 2017 and 2018: assumes 100% of the units vest
- PSUs granted in 2017 and 2018: assumes a performance factor of 0 and that none of the units vest.

		Option-based awards				Share-based awards		
		Number of securities underlying unexercised options	Options exercise price	Option expiration date	Value of unexercised in-the-money options	Type of award	Number of units that have not vested	Market or payout value of unvested unit awards not paid out or distributed
David Pathe	2009	155,000	$5.16	June 16, 2019	$0	-	-	-
	2010	103,463	$8.33	March 22, 2020	$0	-	-	-
	2011	70,300	$9.10	March 4, 2021	$0	-	-	-
	2012	199,200	$6.04	March 2, 2022	$0	-	-	-
	2013	319,100	$5.14	March 11, 2023	$0	-	-	-
	2014	516,100	$3.00	March 3, 2024	$0	-	-	-
	2015	875,000	$2.11	March 13, 2025	$0	-	-	-
	2016	2,034,900	$0.68	February 23, 2026	$0	RSUs	1,286,765	$463,235
	2017	546,875	$1.20	February 28, 2027	$0	RSUs	364,583	$164,062
		-	-	-	-	PSUs	729,167	$0
	2018	-	-	-	-	RSUs	525,000	$236,250
		-	-	-	-	PSUs	875,000	$0
	Total	**4,819,938**			**$0**		**3,780,515**	**$863,548**
Andrew Snowden	2016	-	-	-	-	RSUs	175,105	$63,038
	2017	93,750	$1.20	February 28, 2027	$0	RSUs	62,500	$28,125
		-	-	-	-	PSUs	125,000	$0
	2018	93,023	$1.25	February 22, 2028	$0	RSUs	96,000	$43,200
		-	-	-	-	PSUs	160,000	$0
	Total	**186,773**			**$0**		**618,605**	**$134,363**
Steve Wood	2015	109,700	$2.98	May 11, 2025	$0	-	-	
	2016	523,300	$0.68	February 23, 2026	$0	RSUs	500,000	$180,000
	2017	176,563	$1.20	February 28, 2027	$0	RSUs	117,708	$52,969
		-	-	-	-	PSUs	235,417	$0
	2018	131,395	$1.25	February 22, 2028	$0	RSUs	135,600	$61,020
		-	-	-	-	PSUs	226,000	$0
	Total	**940,958**			**$0**		**1,214,725**	**$293,989**
Tim Dobson	2016	-	-	-	-	RSUs	713,240	$256,766
	2017	-	-	-	-	RSUs	101,042	$45,469
		-	-	-	-	PSUs	303,125	$0
	2018	112,791	$1.25	February 22, 2028	$0	RSUs	116,400	$52,380
		-	-	-	-	PSUs	194,000	$0
	Total	**112,791**			**$0**		**1,427,807**	**$354,615**

		Option-based awards				Share-based awards		
		Number of securities underlying unexercised options	Options exercise price	Option expiration date	Value of unexercised in-the-money options	Type of award	Number of units that have not vested	Market or payout value of unvested unit awards not paid out or distributed
Elvin Saruk	2009	155,000	$5.16	June 16, 2019	$0	-	-	-
	2010	103,463	$8.33	March 22, 2020	$0	-	-	-
	2011	70,300	$9.10	March 4, 2021	$0	-	-	-
	2012	52,700	$6.04	March 2, 2022	$0	-	-	-
	2013	71,800	$5.14	Mar 11, 2023	$0	-	-	-
	2014	87,100	$3.00	March 3, 2024	$0	-	-	-
	2015	135,000	$2.11	March 13, 2025	$0	-	-	-
	2016	314,000	$0.68	February 23, 2026	$0	RSUs	514,710	$185,296
	2017	151,563	$1.20	February 28, 2027	$0	RSUs	101,042	$45,469
		-	-	-	-	PSUs	202,083	$0
	2018	112,791	$1.25	February 22, 2028	$0	RSUs	116,400	$52,380
		-	-	-	-	PSUs	194,000	$0
	Total	**1,253,717**			**$0**		**1,128,235**	**$283,145**

Value vested or earned during the year

The table below shows:

- **Option-based awards**: What David Pathe, Elvin Saruk and Steve Wood would have realized from options that vested in 2018 if they had exercised them on the vesting date. One third of their 2015, 2016 and 2017 option awards vested in 2018. The value is the difference between the option's exercise price and the closing price of our shares on the TSX on the vesting date. The difference was negative in each case, so the options were not in-the-money and had no value. See page 52 for information about equity incentives.
- **Share-based awards**: The payout value of the 2015 RSUs that vested in 2018 – see page 54 for information about how we calculated the payout value.
- **Non-equity incentive plan compensation**: The value of the 2018 short-term incentive – see page 47 for details.

	Option-based awards Value vested during the year	Share-based awards Value vested during the year	Non-equity incentive plan compensation Value earned during the year
David Pathe	$0	$428,832	$585,750
Andrew Snowden	–	$19,606	$160,475
Steve Wood	$0	$81,208	$265,230
Tim Dobson	–	$237,696	$242,580
Elvin Saruk	$0	$171,535	$199,728

Securities authorized for issuance under equity compensation plans

The table below shows the total number of securities to be issued and available future issuance under our stock option plan (the *plan*) as at December 31, 2018. We are authorized to issue up to 17,500,000 shares (4.4% of the issued and outstanding shares as at December 31, 2018) under the plan. The number of shares available for future issuance includes shares that have not previously been reserved for an option grant and shares underlying unexercised options that have expired or were terminated.

	Securities to be issued upon exercise of outstanding options		Weighted-average exercise price of outstanding options	Securities remaining available for future issuance		Total securities issuable under option plan	
	Number	% of shares outstanding		Number	% of shares outstanding	Number	% of shares outstanding
Stock option plan approved by securityholders	9,897,219	2.49%	$2.31	1,193,985	0.30%	11,091,204	2.79%

Stock option plan

The plan was established in 1995, after the company was formed but before shares were distributed to the public. It was amended in 2005, 2007, 2010 and 2014. Under the plan, stock options can be issued to employees.

As of date of this circular:

- 9,897,219 options had been issued under the plan (2.49% of our issued and outstanding shares)
- 1,193,985 options were available for grant under the plan (approximately 0.30% of our issued and outstanding shares).

Burn rates as of December 31

Calculated as the total number of options issued each year divided by the weighted average number of shares outstanding at the end of the year:

	2016	2017	2018
Total number of options issued	3,802,326	1,382,814	738,139
Weighted average number of shares outstanding on December 31	293,880,001	294,201,943	396,883,368
Burn rate	**1.29%**	**0.47%**	**0.19%**

Limits

- Total number of shares that can be issued to one person (together with all other security based compensation arrangements): no more than 5% of our issued and outstanding securities
- Total number of shares that can be issued to insiders within a one year period, or that can be issuable to insiders at any time under the plan (together with all other security based compensation arrangements): 10% of our issued and outstanding securities.
- The exercise price of an option cannot be lower than the market price of the shares at the date of grant.
- Exercising options is subject to our insider trading policy (see page 38).

Making changes to the plan

The Board or the Human Resources Committee can change the terms of an option in compliance with the shareholder approved Stock Option Plan. The Board can make changes to the plan with required regulatory and shareholder approval, although a participant’s previously granted options cannot be negatively affected without the participant’s consent.

Change that do not require shareholder approval include (among others):

- administrative changes
- changes to the vesting provisions of the stock option plan or any option
- changes to the stock option plan to comply with tax laws
- changes to termination provisions not providing an extension beyond the original expiry date, or a date beyond a permitted automatic extension in the case of an option expiring during a blackout period
- adding, changing or removing a cashless exercise feature, payable in cash or shares and providing for a full deduction of underlying shares from the option reserve.

Changes to the plan that require shareholder approval:

- changing the number of shares issuable under the plan
- reducing the exercise price or purchase price of an option
- changing termination provisions to provide an extension beyond the original expiry date (or the permitted automatic extension for options expiring in a blackout period)
- changing eligibility requirements that could increase insider participation
- allowing options to be transferable or assignable other than for normal estate settlement purposes.

No changes were made to the plan in 2018.

RETIREMENT SAVINGS

Sherritt offers a Group retirement savings plan and an executive supplementary pension plan that is being phased out.

Group retirement savings plan (Group RSP)

Eligibility	All Canadian-based employees, including the named executives
Description	Contributions are made on behalf of the employee to the employee's individual account under a Group RSP
Contributions	An amount equal to a fixed percentage of base salary is invested, as directed by the employee, into investment funds that they select from an approved list established by Sherritt's Management Retirement Committee. We currently contribute 12% of each named executive's base salary to the group RSP. These amounts are reported under *All other* compensation in the summary compensation table (see page 64).
Withdrawal	Funds can be withdrawn at any time

Before 2018, senior executives who were subject to Canadian tax rules, and whose Group RSP contributions exceeded the limits prescribed by the *Income Tax Act* (Canada), were also able to participate in a supplementary pension plan. The plan was closed to contributions on January 1, 2018, and is being phased out.

The table below shows the value of the supplementary plans for the three executives who qualified to participate in the plan. We made no contributions to the named executives' supplementary plan accounts in 2018. The accumulated value of their accounts (less withholdings) will be paid out to them when their employment with Sherritt ends.

	Accumulated value at start of the year	Accumulated value at the end of the year
David Pathe	$599,910	$597,343
Steve Wood	$110,620	$105,335
Elvin Saruk	$526,688	$492,876

TERMINATION AND CHANGE OF CONTROL BENEFITS

Employment agreements

The table below shows the termination arrangements in the employment agreements we have with David Pathe and Steve Wood. Severance entitlements for the other named executives are based on statutory requirements and common law.

	David Pathe	Steve Wood
Salary	24 months	18 months
Short-term incentive	• 2x the average of the prior two years' payment value, plus • a pro-rata annual incentive for the year of termination	1.5x the greater of: • 75% of target for current year • actual award for the prior year (up to 100% of target)
Equity incentives	According to the terms of the plans for awards previously received	According to the terms of the plans for awards previously received
Benefits and perquisites	24 months	18 months

Termination arrangements

The table below describes how PSUs, RSUs and options are treated under different termination scenarios.

	Death or disability	Retirement	Resignation	Termination with cause	Termination without cause
RSUs and PSUs	Vest immediately The PSU performance factor will be assumed to be at target (100%)	Vest following the normal vesting schedule	Forfeited	Forfeited	Vest following the normal vesting schedule
Options	Vest on the date of death or disability and may be exercised within 180 days or the original expiry date, whichever is earlier	Continue to vest and may be exercised within five years of the retirement date or the original expiry date, whichever is earlier	Vested options and options that vest within 90 days of the date of resignation may be exercised Unvested options and vested options that have not been exercised after 90 days are cancelled	Vested and unvested options are cancelled	Vested options and options that vest within 90 days of the termination date may be exercised Unvested options and vested options that have not been exercised after 90 days are cancelled

Change of control

We have change of control agreements with all employees at the senior vice president level and above, including all of the named executives.

Under the terms of these agreements, if an executive's employment is terminated without cause or if they resign for good reason (as defined in the change of control agreement) within 24 months of a change of control or before a change of control at the request of an acquirer, the executive is entitled to certain benefits. The change of control agreements do not include non-compete or non-solicitation provisions.

Change of control is defined as:

(1) the acquisition (directly or indirectly) by any person or a combination of persons acting jointly or in concert (other than an entity or entities that were, immediately prior to such acquisition, affiliates of the company) of more than 50% of the voting securities of the company;

(2) fifty percent or more of the issued and outstanding voting securities of the Corporation become subject to a voting trust other than a voting trust controlled by any entity or entities that were, immediately prior to such disposition, affiliates of the company;

(3) a majority of the directors of the company are removed from office or fail to be re-elected at any annual or special meeting of Shareholders, or a majority of the directors resign from office over a period of 60 days or less, and the vacancies created thereby are not filled by appointments made by the remaining members of the Board;
(4) the disposition of all or substantially all of the assets of the company other than to an entity or entities that were, immediately prior to such disposition, affiliates of the company;
(5) where applicable, the disposition of all or substantially all of the assets of a division of the company in which the executive is employed other than to an entity or entities that were, immediately prior to such disposition, affiliates of the company;
(6) any resolution is passed or any action or proceeding is taken with respect to the liquidation, dissolution or winding-up of the company;
(7) the company amalgamates with one or more entities other than any entity or entities that were, immediately prior to such amalgamation, affiliates of the company, if the result of such amalgamation is that persons who were formerly shareholders of the company immediately prior to such amalgamation hold less than a majority of the voting securities of the amalgamated entity;
(8) the company enters into any transaction or arrangement which would have the same or similar effect as any of the transactions referred to in the foregoing paragraphs; or
(9) any person (other than the executive or any of his associates) makes a bona fide take-over bid for the shares of the company that, if successful, would result in a change of control of the company as defined in paragraph 1 above.

The treatment of share-based compensation awards upon a change of control is governed by:
- the terms of our compensation plans for a change of control without a termination, and
- the terms of the change of control agreement for change of control with a termination.

The table below describes what the named executives are entitled to if there is a change of control with and without termination.

	Change of control without termination	Double trigger change of control: change of control *and* termination without cause	
Severance	None	Lump sum payment equal to the sum of: • 2x base salary at date of termination • 2x annual incentive at target performance • 24 months of retirement savings contributions • 24 months of perquisite allowance • 24 months of benefit premiums.	
Helms-Burton allowance	Continues	Continues until the executive is removed from the Title IV list. Named executives are expected to take necessary action to be removed from the Title IV list, and will be provided with reasonable assistance as necessary	
RSUs, PSUs and options		*If Sherritt or the surviving or acquiring entity retains or assumes all of the outstanding RSUs, PSUs or options, or substitutes similar awards*	*If Sherritt or the surviving or acquiring entity does not retain, assume or substitute all of the outstanding RSUs, PSUs or options*
• RSUs and PSUs	Continue to vest following the normal vesting schedule	Outstanding RSUs and PSUs vest on termination (at target performance) if the units are not assumed or if employment is terminated without cause within 24 months of the change of control.	Outstanding RSUs and PSUs vest immediately before the change of control (at target performance). If only part of Sherritt is subject to the change of control, these provisions will apply only to executives employed in the affected part of the business.
• Options	Options granted after 2014 continue to vest and become exercisable according to the normal schedule Options granted in 2014 and earlier vest immediately	Outstanding options vest immediately and become exercisable in the 12 months following the termination date if employment is terminated without cause within 24 months of the change of control.	Outstanding options vest immediately before the change of control. If only part of Sherritt is subject to the change of control, these provisions will apply only to executives employed in the affected part of the business.

Incremental payments

The incremental amounts payable to each named executive under various termination scenarios are set out in the table below. The estimated amounts in the table below include the amounts described in the table above, as well as other amounts payable based on the terms of our incentive plans. The actual amount a named executive will receive may be higher or lower than what is described below.

We made the following assumptions to calculate the incremental benefit for each named executive:

- termination date of December 31, 2018
- closing share price as at December 31, 2018 of $0.45
- for retirement, termination without cause and change of control with termination, three months of Helms-Burton Allowance
- the incremental amount for termination without cause does not include amounts that may be payable under common law to Andrew, Tim and Elvin. The incremental amounts for David and Steve for a termination without cause are based on the terms of their employment agreements
- the unvested portions of the 2017 and 2018 options would have been in-the-money on December 31, 2018, and were used in calculating the incremental value associated with the double triggered change of control and termination without cause scenario.

	David Pathe	Andrew Snowden	Steve Wood	Tim Dobson	Elvin Saruk
Resignation	$0	$0	$0	$0	$0
Retirement	$37,500	$21,875	$28,125	$25,000	$23,750
Termination with cause	$0	$0	$0	$0	$0
Termination without cause	$3,072,490	$0	$1,289,060	$0	$0
Change of control without termination	$0	$0	$0	$0	$0
Double trigger: change of control *and* termination without cause	$5,326,222	$1,519,565	$2,162,701	$2,093,339	$1,926,080

OTHER INFORMATION

Loans to directors and executive officers

None of our current or former directors, executive officers have had any loans outstanding to Sherritt or any of our subsidiaries at any time since the beginning of 2018 other than for routine indebtedness.

Interest of informed persons in material transactions

We are not aware of an informed person, proposed director, or any of their associates or affiliates, having a material interest, direct or indirect, in any transaction since the beginning of 2018 or in any proposed transaction which has materially affected or would materially affect Sherritt or our subsidiaries.

Non-GAAP measures

Sherritt uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, adjusted operating cash flow and free cash flow to monitor our performance and the performance of our operating divisions. Management believes these measures help investors and analysts compare our financial performance with our competitors, and evaluate the results of our underlying business.

Non-GAAP measures do not have a standard definition under IFRS, should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS, and may not be comparable to similar measures provided by other companies. See our 2018 MD&A for more information and a reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

For more information

Financial information for the year ended December 31, 2018 is provided in our 2018 Audited Consolidated Financial Statements and MD&A. Please contact us at if you would like to be added to the list to receive copies in the future. Write to the Corporate Secretary, Sherritt International Corporation, Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Suite 4220, Toronto, ON M5H 4E3

Copies of our 2018 Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference, our most recently filed comparative annual financial statements, together with the auditor's report, and our interim financial statements that have been filed for any period after the end of our most recently completed financial year, and this circular are available free of charge, upon request, from the Corporate Secretary. Copies are also available on our website (www.sherritt.com) and on SEDAR (www.sedar.com).

APPENDIX A
SHERRITT INTERNATIONAL CORPORATION
MANDATE OF THE BOARD OF DIRECTORS

1. GENERAL

The Board of Directors (the “Board”) is responsible for overseeing the management of the business and affairs of Sherritt International Corporation (the “Corporation”) according to lawful and ethical standards and in accordance with the Corporation’s viability as a going concern.

The Board has the power to delegate its authority and duties to committees of the Board as it determines appropriate, as permitted by applicable law. Board committees are accountable to the Board, which at all times retains its oversight function and ultimate responsibility for all delegated responsibilities.

2. BOARD DUTIES AND RESPONSIBILITIES

Directors and Senior Management

- Appoint the Chairman, the Lead Director (in cases where the Chairman is not independent), the President and CEO and other senior officers and, as permitted by applicable law, delegate to senior management responsibility for the Corporation’s day-to-day operations.
- With the assistance of the Nominating and Corporate Governance Committee, evaluate the performance of the Chairman against the position description developed by the Board.
- With the assistance of the Human Resources Committee, evaluate the performance of the President and CEO against the position description developed by the Board. In cases where the role of Chairman and President and CEO is combined, the Chairman shall be excluded from this evaluation.
- With the assistance of the Nominating and Corporate Governance Committee, ensure that management maintains a process that adequately provides for succession planning of senior management.

Ethical Leadership

- Foster an ethical corporate environment and ensure that the President and CEO and other senior officers manage the business and affairs of the Corporation in an ethical and legal manner and exhibit ethical leadership throughout the Corporation.

Strategic Direction and Risk Assessment

- With the assistance of the applicable Board committee, assess and approve management’s strategic plan and review and approve annual business plans developed and proposed by management. The Board will:
  - provide advice and input regarding strategic opportunities, issues and circumstances which could threaten the Corporation’s viability as a going concern;
  - approve business and operational policies within which management will operate in relation to capital expenditures, acquisitions and dispositions, disclosure and communications, finance and investment, risk management and human resources;
  - set annual corporate and management performance targets consistent with the Corporation’s strategic plan;
  - review and discuss with management the process used by management to assess and manage risk, including the identification by management of the principal risks of the Corporation’s business and the implementation by management of appropriate systems to deal with such risks; and
  - confirm that processes are in place to address and comply with applicable legal, regulatory, corporate, securities and other compliance matters.

Financial Reporting and Management

- The Board will approve annual operating and capital budgets.
- With the assistance of the Audit Committee, the Board will:

- review and oversee the integrity of the Corporation with respect to its compliance with applicable audit, accounting and financial reporting requirements;
- oversee the integrity of the Corporation's disclosure controls and procedures and internal controls over financial reporting, and management information systems;
- review operating and financial performance results relative to established strategies, plans, budgets and objectives; and
- approve the Corporation's annual financial statements and related management's discussion and analysis and earnings press releases.

Disclosure, Communications and Insider Trading

- With the assistance of the Nominating and Corporate Governance Committee, satisfy itself that appropriate policies and procedures are in place regarding public disclosure, communications and restricted trading by insiders.

Corporate Governance

- With the assistance of the Nominating and Corporate Governance Committee, the Board will:
  - ensure that there exists an appropriate system of corporate governance, including practices to facilitate the Board's independence;
  - ensure that the necessary Board committees are in place and approve: (i) any changes to their respective mandates; (ii) the mandate of any new committee; and (iii) the authority delegated to each committee;
  - ensure that there exists appropriate processes for the annual evaluation of Board and committee effectiveness and the contributions of individual directors; and
  - approve the nomination of directors.

Independence

In cases where the Chairman is not independent, a Lead Director shall be appointed annually from among the independent directors, and may be removed, by a majority of the independent directors and shall be recommended by the Nominating and Corporate Governance Committee.

The principal role of the Lead Director is to facilitate the functioning of the Board independent of management and the Chairman and serve as an independent leadership contact for the directors and senior executives. The Lead Director shall consult with the Chairman and approve the agendas, board materials and schedules for board meetings, preside over in camera sessions of independent directors, call, if necessary, the holding of special meetings of the Board or independent directors and oversee the annual Board and individual director evaluation process (including providing the Chairman with an annual performance evaluation). The Lead Director shall also be available for consultation and direct communication with shareholders and other key stakeholders, from time to time.

Compensation of Senior Officers and Directors

With the assistance of the Human Resources Committee, the Board will:

- approve the compensation of the President and CEO and senior management reporting directly to the President and CEO, as well as compensation policies for the President and CEO and other senior officers;
- approve the compensation of directors, including the Chairman; and
- approve any equity-based compensation plans for eligible directors, officers and other employees of the Corporation.

Environment, Health, Safety and Sustainability

- With the assistance of the Environment, Health, Safety and Sustainability Committee, the Board will:
  - monitor the scope of environment, health and safety, security and sustainability risks to the Corporation's operations and future growth and ensure the adequacy and effectiveness of the Corporation's management systems and controls to mitigate these risks and attendant liabilities;
  - ensure compliance with legal and regulatory requirements and any voluntary commitments the Corporation has made related to environment, health and safety, security and sustainability with a focus on continuous improvement and ensuring consistent practice across the Corporation and its divisions;

3. DIRECTOR DUTIES AND RESPONSIBILITIES

- Each director must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders by exercising the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In order to fulfill this responsibility, each director is expected to:
  - participate with management in assessing strategic and business plans;
  - develop and maintain a thorough understanding of the Corporation's operational and financial objectives, financial position and performance and the performance of the Corporation relative to its principal competitors;
  - participate in each meeting, including seeking clarification from management and outside advisors where necessary to fully understand the issues under consideration;
  - disclose any personal interests that conflict with, or may appear to conflict with, the interests of the Corporation; and
  - engage in continuing education programs for directors, as appropriate.

4. BOARD COMPOSITION

- With the assistance of the Nominating and Corporate Governance Committee, determine the size and composition of the Board, Board member qualifications and Board member independence to ensure that a majority of directors qualify as independent directors as determined under applicable Canadian securities laws.

5. CHAIRMAN OF THE BOARD

In cases where the Chairman is an independent director, the Chairman is responsible for ensuring that the Board operates independently of management and that directors have an independent leadership contact.

Specific Roles and Responsibilities

- The Chairman will:
  - chair meetings of the directors and assume such other responsibilities which the directors as a whole may designate from time to time;
  - ensure that directors have adequate opportunities to meet without management present;
  - communicate to senior management as appropriate the results of private discussions among directors;
  - monitor compliance with the Corporation's governance policies; and
  - meet annually with each director to obtain insight as to areas where the Board and its committees could be operating more effectively.

  In cases where the Chairman is not an independent director, the Lead Director will chair all in camera meetings of the independent directors and ensure that such directors have adequate opportunities to meet without management, as well as informing the Chairman of the results of private discussion among the independent directors.

  Please refer to the Corporation's document entitled "Chairman's Terms of Reference", attached as Appendix "A" for additional responsibilities of the Chairman.

6. BOARD MEETINGS

- Board meetings are scheduled in advance and are held not less than quarterly.
- In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Corporation.
- An in-camera session will be held at each regularly scheduled Board meeting.
- The Board may also take action from time to time by unanimous written consent.
- A Board meeting may be called by the Chairman, the Lead Director (if applicable) or any director.

APPENDIX B
CHAIRMAN'S TERMS OF REFERENCE

The principal role of the Chairman of the Board of Directors ("Board") of Sherritt International Corporation (the "Corporation") is to provide leadership to the Board. The Chairman is responsible for effectively managing the affairs of the Board and ensuring that the Board is properly organized and that it functions efficiently and, in cases where the Chairman is an independent director, independent of management. Where the role of Chairman and President and Chief Executive Officer is not combined, the Chairman also advises the President and Chief Executive Officer in all matters concerning the interests of the Corporation, the Board and the relationships between management and the Board.

More specifically, the Chairman shall:

A. Strategy

1. Provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in the Mandate of the Board and as otherwise may be appropriate.
2. Work with the Board, the President and Chief Executive Officer and other management to monitor progress on the Corporation's business plans, annual budgets, policy implementation and succession planning.
3. Assist the President and Chief Executive Officer in presenting the corporate vision and strategies to the Board, large shareholders, partners and the outside world.

B. Advisor to President and Chief Executive Officer

4. In the case where the roles of the Chairman and President and Chief Executive Office is not combined:
    a. Provide advice, counsel and mentorship to the incumbent President and Chief Executive Officer; and
    b. In consultation with the President and Chief Executive Officer, ensure that there is an effective relationship between management personnel and the members of the Board.

C. Board Structure and Management

5. Preside over Board meetings and annual and special meetings of shareholders.
6. Provide advice, counsel and mentorship to fellow members of the Board.
7. Execute the responsibilities of a company director according to the lawful and ethical standards and in accordance with the Corporation's policies.
8. Take a leading role, together with the Nominating and Corporate Governance Committee, in determining the composition of the Board and its committees to achieve maximum effectiveness.
9. In consultation with the President and Chief Executive Officer, the Corporate Secretary, the Lead Director and the chairs of the Board committees, as appropriate, determine the frequency, dates and locations of meetings of the Board, of Board committees and of the shareholders.
10. In consultation with the President and Chief Executive Officer, Corporate Secretary and the Lead Director, review the annual work plan and the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities.
11. Ensure the proper flow of information to the Board and review, with the President and Chief Executive Officer, Corporate Secretary and the Lead Director, the adequacy and timing of materials in support of management personnel's proposals.

D. Compensation Matters and Succession Planning

In cases where the Chairman is independent, the Chairman shall, in conjunction with the Human Resources Committee**:**

12. Recommend compensation awards for President and Chief Executive Officer and be available to advise the Board on general compensation matters.
13. Advise the Board on performance of the President and Chief Executive Officer and succession planning of the President and Chief Executive Officer.
14. President and Chief Executive Officer, develop executive succession planning options to support the Corporation's strategies and to capitalize on opportunities for growth and/or acquisition.

If the Chairman is not independent, the Lead Director shall assume the responsibilities of the Chairman in respect of items 12, 13 and 14 above.

Questions? Need help voting?

Please contact our strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors

North America toll-free phone: 1-800-749-9197
E-mail: contactus@kingsdaleadvisors.com
Fax: 416-867-2271
Toll-free fax: 1-866-545-5580
Outside North America, banks and brokers call collect: 416-867-2272