Higher Nickel, Cobalt and Fertilizer Prices Drive Sherritt's Strong Second Quarter Results

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Sherritt International Corporation ("Sherritt", the "Corporation", the "Company") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three and six months ended June 30, 2022. All amounts are in Canadian currency unless otherwise noted.

"Strong long-term fundamentals for our nickel, cobalt and fertilizer products gave us the confidence to use some of our available cash to deleverage our balance sheet by repurchasing almost $60 million principal amount of our outstanding notes," said Leon Binedell, President and CEO of Sherritt International Corporation. "On the strength of commodity prices in the quarter, our Adjusted EBITDA increased by more than 460% compared to the same quarter last year and almost doubled our first quarter of the year. Our NDCC at the Moa JV of US$2.19/lb was the lowest since Q3 2018, notably due to higher fertilizer by-product credits, and we received $19 million in distributions from the Moa JV during the quarter."

Mr. Binedell added, "Despite some steady headwinds moving into Q3 as nickel and cobalt prices come off recent highs, we continue to be encouraged by long-term market fundamentals and will continue to make progress towards our expansion targets and further strengthening our balance sheet through increased distributions from our Moa JV during the balance of the year."

SELECTED Q2 2022 DEVELOPMENTS

- As part of its priority of strengthening its balance sheet, Sherritt successfully purchased an aggregate of $59.2 million of Sherritt's 8.5% second lien secured notes and 10.75% unsecured PIK option notes at a total 24% discount which will result in a reduction in annualized interest expense of approximately $5.5 million.
- Net earnings from continuing operations were $81.5 million, or $0.21 per share, compared to a net loss from continuing operations of $10.4 million, or $0.03 per share, in Q2 2021.
- Adjusted EBITDA[1] was $102.0 million compared to $18.0 million in Q2 2021. The improved Adjusted EBITDA was driven by higher nickel, cobalt, and fertilizer realized prices which offset lower sales volumes and higher input commodity prices. This quarter's results also include a share-based compensation recovery of $17.2 million due to the impact of a reduction in Sherritt's share price during the quarter. This compares to a $9.4 million share-based compensation expense in Q2 2021. Excluding the impact of share-based compensation in administrative expense, Q2 2022 administrative expenses were 27% lower than Q2 2021.
- Sherritt's share of finished nickel and cobalt production at the Moa Joint Venture (Moa JV) were 3,704 tonnes and 396 tonnes, respectively. Finished production was lower in the current year period primarily due to timing of the planned annual maintenance shutdown. Last year, the plant maintenance shutdown occurred in Q3.
- Finished nickel and cobalt sales volumes for the three months ended June 30, 2022 were lower than production primarily due to logistics-related challenges in transporting finished product to customers and the deferral of orders by certain customers that were impacted by the slowdown of economic activity in China as a result of the country's zero-COVID policies and recent global economic headwinds. The affected sales orders were partially offset by higher netback sales to other markets and sales to new customers, with a portion of the new customer contracts finalizing after quarter end. Subsequent to period end, additional sales of nickel and cobalt continue to reduce inventory towards more typical levels.

- Net direct cash cost (NDCC)[(1)] at the Moa JV was US$2.19/lb, the lowest since Q3 2018. During the current quarter, significantly increased cobalt and fertilizer by-product credits more than offset higher input and maintenance costs. Input commodity costs reflect a 178% increase in global sulphur prices, 102% increase in natural gas prices and 75% increase in fuel oil prices. Sherritt's Q2 2022 NDCC continued to rank in the lowest cost quartile of all nickel producers according to annualized information tracked by Wood Mackenzie.
- Received $19.2 million (US$15 million) as its share of Moa JV distributions in Q2 to bring total distributions received in the year to $43.4 million (US$34 million) which exceeds the total amount of distributions received in all of 2021. Given prevailing nickel and cobalt prices, planned spending on capital, including growth capital, working capital needs, and other expected liquidity requirements, Sherritt continues to anticipate higher distributions in the second half of 2022 compared to the first half of the year.
- The Moa JV advanced its expansion strategy aimed at growing annual nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced in FY2021 once all projects are completed, and extending the life of mine at Moa beyond 2040. The first phase of this expansion, the slurry preparation plant at Moa, continues under construction and remains on budget and on schedule for completion in early 2024. Sherritt continues to evaluate its growth capital spend estimates in light of supply chain challenges and inflationary price pressures on construction materials, equipment, and labour costs. Additional engineering and design work continues and will facilitate more accurate cost estimates. The most recent assessment of expansion capital costs continues to indicate that costs are expected to be approximately US$25,000 per tonne of new nickel capacity consistent with previous disclosure. Progress in Q2 2022 included:
  - ongoing construction of the slurry preparation plant with 50% of civil construction complete, 85% of the contracts for supply of materials and services awarded, and completed slurry pipeline design and ordered all materials;
  - completed a feasibility study for the leach plant sixth train at Moa and confirmed previously installed equipment is in an acceptable condition for use;
  - continued with basic engineering on the acid plants at Moa to meet the acid requirements from the expansion projects; and
  - continued with basic engineering on de-bottlenecking projects at the refinery.

Sherritt expects to provide an update on the rollout and spending on capital related to the expansion strategy with each of its quarterly results with full project approval expected in the second half of 2022.

- Completed the first of the London Metal Exchange's (LME) Responsible Sourcing requirements for LME-Listed Brands. The Corporation completed a LME-conformant Red Flag Assessment of its mineral supply chain and did not identify any red flags such as human rights violations, association with conflict, financial crimes or corruption. Independent LME-approved auditors validated this assessment and recommended that the LME confirm Sherritt's conformance with its responsible sourcing requirements.

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

Q2 2022 FINANCIAL HIGHLIGHTS

	For the three months ended			For the six
	2022	2021		2022
$ millions, except per share amount	June 30	June 30	Change	June 30
Revenue	$ 65.9	$ 31.0	113%	$ 100.0
Combined revenue[(1)]	221.5	152.3	45%	423.7
Earnings (loss) from operations and joint venture	74.0	(7.3)	nm[(2)]	97.5
Net earnings (loss) from continuing operations	81.5	(10.4)	884%	97.9
Net earnings (loss) for the period	81.1	(10.7)	858%	96.8
Adjusted EBITDA[(1)]	102.0	18.0	467%	160.5

Net earnings (loss) from continuing operations ($ per share)	0.21	(0.03)	800%	0.25
Cash provided (used) by continuing operations for operating activities	25.6	1.5	nm	31.2
Combined free cash flow(1)	23.5	2.6	nm	21.8
Average exchange rate (CAD/US$)	1.277	1.228	4%	1.272

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

(2) Not meaningful (nm).

	2022	2021	
$ millions, as at	June 30	December 31	Change
Cash and cash equivalents	$ 124.6	$ 145.6	(14%)
Loans and borrowings	393.4	444.5	(11%)

Cash and cash equivalents at June 30, 2022 were $124.6 million, down from $145.5 million at March 31, 2022. The reduction in cash was primarily due to the $44.8 million used to repurchase notes, $15.2 million in interest payments on the 8.50% second lien secured notes and $3.3 million of capital expenditures, partially offset by $19.2 million of distributions received from the Moa JV and strong fertilizer receipts.

Total distributions from the Moa JV to the end of the second quarter 2022 totaled $43.4 million (US$34 million) which exceeds the total amount of distributions received in all of 2021. Distributions from the Moa JV are determined based on available cash in excess of liquidity requirements, including anticipated nickel and cobalt prices, planned capital spend, working capital needs, and other expected liquidity requirements. Sherritt continues to expect distributions to be higher in the second half of the year than the first.

Sherritt also received US$12.2 million ($15.6 million) from Energas in Q2 which was used to facilitate foreign currency payments for the Energas operations. Total overdue receivables at June 30, 2022 were unchanged during the quarter at US$153.1 million. Collections on overdue amounts from Sherritt's Cuban energy partners continue to be adversely impacted by Cuba's reduced access to foreign currency as a result of ongoing U.S. sanctions and the global pandemic's impact on tourism. Sherritt continues to work with its Cuban partners to accelerate receipt of payments on overdue amounts.

Of the $124.6 million of cash and cash equivalents, $28.6 million was held in Canada, down from $50.4 million as at March 31, 2022, and $91.8 million was held at Energas, up from $81 million as at March 31, 2022. The remaining amounts were held in Cuba and other countries.

Mandatory redemptions of the Corporation's 8.5% second lien secured notes, as at the interest payment date in April 2022, was not required for the two-quarter period ended December 31, 2021 as the conditions pursuant to the redemption provisions of the indenture agreement were not met. For the two-quarter period ended June 30, 2022, excess cash flow, as defined in the indenture agreement, was $11.0 million. Subject to the minimum liquidity condition as defined in the indenture agreement, at the interest payment date in October 2022 the Corporation will be required to redeem, at par, total second lien secured notes equal to 50% of excess cash flow, or $5.5 million. In determining the minimum liquidity amounts in October 2022, the $44.8 million of cash used to repurchase second lien secured notes and unsecured PIK option notes during the three months ended June 30, 2022 will be added back in the calculation of minimum liquidity before and after any such redemption.

Adjusted net earnings (loss) from continuing operations(1)

	2022	2021
For the three months ended June 30		

$ millions

$/share

$ millions

$/share

Net earnings (loss) from continuing operations	$ 81.5	$ 0.21	$ (10.4)	$ (0.03)
Adjusting items:				
Sherritt - Unrealized foreign exchange gain - continuing operations	(3.8)	(0.01)	(8.6)	(0.02)
Corporate - Gain on repurchase of notes	(13.8)	(0.03)	(0.8)	-
Corporate - Transaction finance charges on repurchase of notes	1.2	-	-	-
Corporate - Severance and other contractual benefits expense	-	-	2.4	0.01
Corporate - Unrealized losses on commodity put options	-	-	3.7	0.01
Oil and Gas and Power - ACL revaluation	1.2	-	(0.1)	-
Other(2)	-	-	0.8	-
Total adjustments, before tax	$ (15.2)	$ (0.04)	$ (2.6)	$ -
Tax adjustments	(0.3)	-	-	-
Adjusted net earnings (loss) from continuing operations	$ 66.0	$ 0.17	$ (13.0)	$ (0.03)

		2022		2021
For the six months ended June 30	$ millions	$/share	$ millions	$/share
Net earnings (loss) from continuing operations	$ 97.9	$ 0.25	$ (12.3)	$ (0.03)
Adjusting items:				
Sherritt - Unrealized foreign exchange gain - continuing operations	(4.9)	(0.02)	(11.2)	(0.03)
Corporate - Gain on repurchase of notes	(13.8)	(0.03)	(2.1)	(0.01)
Corporate - Transaction finance charges on repurchase of notes	1.2	-	-	-
Corporate - Severance and other contractual benefits expense	-	-	2.4	0.01
Corporate - Unrealized losses on commodity put options	(0.9)	-	4.3	0.01
Corporate - Realized losses on commodity put options	0.9	-	-	-
Oil and Gas - Gain on disposal of property, plant and equipment	(1.3)	-	-	-
Oil and Gas and Power - ACL revaluation	1.5	-	1.5	-
Other(2)	0.5	-	2.6	0.01
Total adjustments, before tax	$ (16.8)	$ (0.05)	$ (2.5)	$ (0.01)
Tax adjustments	(0.4)	-	(0.5)	-
Adjusted net loss from continuing operations	$ 80.7	$ 0.20	$ (15.3)	$ (0.04)

(1) A non-GAAP financial measure. For additional information see the Non-GAAP and other financial measures section of this press release.

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

METALS MARKET

Nickel

Following extreme volatility and multi-year highs experienced in the first quarter of 2022, the second quarter nickel prices experienced a period of reasonably stable prices before they declined towards the end of the quarter, with prices ending Q2 at US$10.48/lb, down from US$15.15/lb at the end of Q1. The nickel price averaged US$13.13/lb for Q2 2022, compared to US$11.97/lb for Q1 2022, a 10% increase. Reduced volatility on the London Metal Exchange (LME), continuing COVID-19 restrictions in China, inflationary pressures, and global economic recession concerns have all played a role in tempering the nickel price. Since the beginning of Q3, prices have continued to decline to US$9.66/lb at July 27.

Inventory levels on the LME and Shanghai Futures Exchange (SHFE) continued to decrease in Q2 with the LME inventory falling from 72,570 tonnes to 66,780 tonnes and the SHFE from 6,097 tonnes to 958 tonnes.

Near-term visibility of market fundamentals, including inventory levels, beyond 2022 is limited given the uncertainty caused by a number of recent geopolitical and macroeconomic developments relating to Russia's invasion of Ukraine, slower than expected resumption of demand from China, the ongoing impacts caused by COVID-19, continued global logistics issues, inflationary pressures and global economic recession concerns.

The long-term outlook for nickel remains positive on account of the strong demand expected from the stainless steel sector, the largest market for nickel, and the rapidly growing electric vehicle (EV) battery market. Some market observers, such as Wood Mackenzie, have forecast a prolonged nickel supply deficit beginning in 2026 due to strong demand from the electric vehicle market and insufficient nickel production coming on stream in the near term.

According to Wood Mackenzie in June 2022, they estimated nickel demand to increase by 41% between 2021 and 2026 and increase to 2040 at a compound annual growth rate (CAGR) of 4%, with EV battery and storage accounting for 38% of nickel demand in 2040 a CAGR of 10.5%.

As a result of its unique properties, high-nickel cathode formulations remain the dominant choice for long-range and high performance electric vehicles manufactured by automakers. Sherritt is particularly well positioned to meet Class 1 demand given its production capabilities and the fact that Cuba possesses the world's fourth largest nickel reserves. The adoption of lithium iron phosphate (LFP) cathode battery chemistry, which is less expensive than nickel-manganese-cobalt (NMC) cathode chemistry but with lower energy density and less vehicle range, may soften nickel demand from this segment of the market.

Cobalt

Cobalt prices experienced a steady decline during the quarter due to concerns relating to the slow rate of full reopening of the Chinese economy, global inflation and economic recession concerns.

While the average price for Standard Grade cobalt in Q2 2022 of US$38.19/lb was 6.3% higher than Q1 2022's average of US$35.90/lb, according to data collected by Fastmarkets MB, cobalt prices steadily declined from US$39.35/lb at the end of Q1 to close at US$32.25/lb, down 18%. Since the beginning of Q3, prices continued to fall to US$25.70/lb at July 27.

Near term visibility on cobalt prices are limited for much of the same reasons as nickel and the ongoing logistics issues relating the transportation of cobalt hydroxide from the Democratic Republic of Congo (DRC), the world's largest supply market.

Longer-term, the demand for cobalt is forecast to be positive as cobalt is a significant component in electric vehicle battery chemistries. Given the expected increase in EV adoption in the coming years, cobalt demand is expected to increase despite the EV industry's efforts to minimize cobalt content to reduce battery cost. According to CRU in June 2022, they estimated that cobalt demand is expected to increase at a CAGR of 13% over the next five years (from 173 thousand tonnes in 2021 to 320 thousand tonnes in 2026), with EV battery driving much of this increase with a forecast CAGR of 23%.

REVIEW OF OPERATIONS

Moa Joint Venture (50% interest) and Fort Site (100%)

	For the three months ended			For the six months	
	2022	2021		2022	202
$ millions (Sherritt's share), except as otherwise noted	June 30	June 30	Change	June 30	June
FINANCIAL HIGHLIGHTS					
Revenue[1]	$ 205.7	$ 142.2	45%	$ 391.3	$ 268
Cost of Sales[1]	125.7	120.2	5%	241.7	216
Earnings from operations	78.4	19.7	298%	146.1	47.
Adjusted EBITDA[2]	91.9	34.1	170%	173.1	75.
CASH FLOW					
Cash provided by continuing operations for operating activities	$ 41.7	$ 21.6	93%	$ 65.9	$ 45.
Free cash flow[2]	29.5	13.8	114%	43.0	32.
PRODUCTION VOLUMES (tonnes)					
Mixed Sulphides	3,906	4,020	(3%)	8,032	7,9
Finished Nickel	3,704	4,230	(12%)	7,579	8,4
Finished Cobalt	396	476	(17%)	842	953
Fertilizer	61,965	69,516	(11%)	125,052	133
NICKEL RECOVERY[3] (%)	89%	85%	5%	89%	84%
SALES VOLUMES (tonnes)					
Finished Nickel	3,148	4,268	(26%)	6,906	8,4
Finished Cobalt	248	452	(45%)	646	929
Fertilizer	49,951	64,722	(23%)	81,390	91,
AVERAGE-REFERENCE PRICE (USD)					
Nickel (US$ per pound)[4]	$ 13.13	$ 7.87	67%	$ 12.54	$ 7.9
Cobalt (US$ per pound)[5]	38.19	21.06	81%	37.00	21.
AVERAGE-REALIZED PRICE (CAD)[2]					
Nickel ($ per pound)	$ 16.99	$ 9.46	80%	$ 15.83	$ 9.7
Cobalt ($ per pound)	44.16	22.82	94%	42.62	22.
Fertilizer ($ per tonne)	1,090.96	409.06	167%	922.38	380
UNIT OPERATING COST[2] (US$ per pound)					

Nickel - net direct cash cost	$ 2.19	$ 4.58	(52%)	$ 2.85	$ 4.2
SPENDING ON CAPITAL(2)					
Sustaining	$ 12.5	$ 7.7	62%	$ 28.2	$ 12.
Growth	0.8	-	-	1.1	-
	$ 13.3	$ 7.7	73%	$ 29.3	$ 12.

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

(2) Non-GAAP financial measures. For additional information see the Non-GAAP and other financial measures section of this press release.

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

(4) The average nickel reference price for the six months ended June 30, 2022 was impacted by the suspension of nickel trading and disruption events on the LME in March 2022. The calculation of the average nickel reference price for the six months ended June 30, 2022 is based on LME guidance for disruption events, which uses the next available price after a disruption event.

(5) Average standard grade cobalt published price per Fastmarkets MB.

Revenue in Q2 2022 increased by 45% to $205.7 million from $142.2 million last year. The revenue increase was largely attributable to higher average-realized prices(1) for nickel, cobalt, and fertilizer which were up 80%, 94%, and 167%, respectively, which more than offset lower sales volumes compared to Q2 2021.

Mixed sulphides production at the Moa JV in Q2 2022 was 3,906 tonnes, down 3% from the 4,020 tonnes produced in Q2 2021. The variance was primarily due to limited access to planned mining faces and reduced Leach Plant capacity due to unplanned maintenance.

Sherritt's share of finished nickel production in Q2 2022 totaled 3,704 tonnes, down 12% from the 4,230 tonnes produced in Q2 2021 while finished cobalt production for Q2 2022 was 396 tonnes, down 17% from the 476 tonnes produced in the same period last year. Lower finished metals production in Q2 2022 was primarily a result of timing of the annual maintenance shutdown. All work has been completed and full production has resumed. In 2021, the annual shutdown was moved to Q3 due to the impact of COVID-19 and contractor availability. Guidance for nickel and cobalt production remains unchanged; however, based on the expected nickel to cobalt ratio in the ore, finished cobalt production is estimated to be at the lower end of the 3,400 - 3,700 tonne range.

Finished nickel and cobalt sales volumes for the three months ended June 30, 2022 were lower than production primarily due to logistics-related challenges in transporting finished product to customers and the deferral of orders by certain customers that were impacted by the slowdown of economic activity in China as a result of the country's zero-COVID policies and recent global economic headwinds. The affected sales orders were partially offset by higher netback sales to other markets and sales to new customers, with a portion of the new customer contracts finalizing after quarter end. Subsequent to period end, additional sales of nickel and cobalt continue to reduce inventory towards more typical levels.

Fertilizers production for the three months ended June 30, 2022 was lower compared to the same period in the prior year in line with lower metals production. Fertilizer sales volume was lower as a result of lower production and reduced demand caused by wet weather conditions in western Canada including flooding in Manitoba.

Mining, processing and refining (MPR) costs per pound of nickel sold in Q2 2022 were up 29% from Q2

2021. Higher MPR costs in Q2 2022 continue to be driven by the significant rise in input costs, which were further compounded by Russia's invasion of Ukraine, and higher maintenance costs. Most notably for the Moa JV, sulphur, natural gas and fuel oil prices were 178%, 102% and 75% higher, respectively, when compared the same period last year. Increased input costs were partly offset by lower purchased sulphuric acid consumption. Purchased sulphuric acid consumption was required in the prior year to offset lower sulphuric acid production at Moa ahead of the planned sulphuric acid plant shutdown in the second quarter of 2021. Higher maintenance costs primarily reflected the timing of the annual maintenance shutdown at the refinery which occurred in the second quarter of 2022 compared to the third quarter of 2021.

Net direct cash cost (NDCC)[1] per pound of nickel sold decreased by 52% to US$2.19/lb in Q2 2022 from US$4.58/lb for Q2 2021. The improvement was primarily due to higher cobalt and net fertilizer by-product credits generated by higher average-realized prices which offset lower sales volumes and higher input commodity prices as discussed above. NDCC for Q2 2022, which was the lowest since the third quarter of 2018, continued to rank Sherritt in the lowest cost quartile of all nickel producers according to annualized information tracked by Wood Mackenzie. Guidance for NDCC remains unchanged; however, it is expected to be at the higher end of the US$4.00 - US$4.50/lb range with finished cobalt production estimated to be at the lower end of the guidance range.

Sustaining spending on capital in Q2 2022 was $12.5 million, up 62% from $7.7 million in Q2 2021. The year-over-year increase was due primarily to higher planned spending at both the Moa JV and Fort Site. Growth spending on capital, which represents spending on the joint venture's expansion projects, was $0.8 million. Of that, $0.6 million was spending on the slurry preparation plant. The Corporation revised its guidance for sustaining spending on capital at Moa JV and Fort Site from $75 million to $60 million as a result of freight and order delays and lower contractor availability.

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

Expansion and growth update

The Moa JV advanced with its expansion strategy aimed at growing annual nickel and cobalt production by 15 to 20% from the combined 34,710 tonnes produced in FY2021, which should result in an increase in annual nickel production by approximately 4,700 to 6,200 tonnes (100% basis), once all projects are completed, and extending the life of mine at Moa beyond 2040. Progress in Q2 2022 included:

Slurry Preparation Plant

- Construction of the slurry preparation plant at Moa is progressing on schedule with civil construction 50% complete, 85% of the contracts for supply of materials and services have been awarded and the slurry pipeline design has been completed and all materials have been ordered. In addition, the structural steel has arrived at site and pre-fabrication will commence in early Q3 with field assembly in the latter half of Q4.
- The project cost and schedule remain on track at an estimated cost of US$27 million (100% basis) with expected completion in early 2024. In 2022, US$9 million (100% basis) in growth spending on capital, all of which has been committed, will be used for long lead materials and equipment, civil and mechanical construction.
- The project is expected to deliver a number of benefits, including reduced ore haulage, lower carbon intensity from mining, and increased annual production of nickel and cobalt contained in mixed sulphides of approximately 1,700 tonnes commencing in mid-2024.

Moa Processing

- The feasibility study for a leach plant sixth train has been completed and approved by the Cuban authorities. Inspection of previously installed equipment has been completed by third party experts and determined to be in acceptable condition.
- Basic engineering continues on the acid plants to meet the acid requirements from the expansion projects.
- Initiated assessment of plant capacity and other infrastructure with expected completion in Q3.

Refinery

- An external engineering firm has been contracted and basic engineering has commenced.

Economic Cut-Off Grade and Life of Mine

- External consultants continued to advance on the initial pit designs for reserves.
- Continued to engage with the Oficina Nacional de Recursos Minerales (ONRM), Cuba's Natural Resources Ministry, with expected approval during the second half of the year.
- Sherritt plans to release an updated NI 43-101 Technical Report before the end of year.

Sherritt continues to evaluate its growth capital spend estimates in light of supply chain challenges and inflationary price pressures on construction materials, equipment, and labour costs. Additional engineering and design work continues and will facilitate more accurate cost estimates. The most recent assessment of expansion capital costs continues to indicate that costs are expected to be approximately US$25,000 per tonne of new nickel capacity consistent with previous disclosure. Sherritt will review additional ESG considerations in the expansion plans as engineering advances.

Spending on growth capital is expected to be self-funded by the Moa JV primarily using operating cash flows with the option to utilize Sherritt's revolving credit facility for up to $30 million at the refinery in Fort Saskatchewan. Total growth spending on capital of US$30 million (100% basis) is expected in 2022 for the slurry preparation plant, ordering of long lead items, and engineering work related to finalizing costs of the remaining expansion projects.

Sherritt expects to provide an update on the rollout and spending on capital related to the expansion strategy with each of its quarterly results with full project approval expected in the second half of 2022.

Power

	For the three months ended			For the six months	
	2022	2021		2022	20
$ millions (33 ?% basis), except as otherwise noted	June 30	June 30	Change	June 30	June
FINANCIAL HIGHLIGHTS					
Revenue	$ 8.6	$ 7.0	23%	$ 17.6	$ 12
Cost of sales	6.5	6.2	5%	12.5	12
Earnings (loss) from operations	2.3	(0.2)	nm[1]	2.8	(1.
Adjusted EBITDA[2]	6.3	3.7	70%	10.7	6.5
CASH FLOW					
Cash provided by continuing operations for operating activities	$ 6.1	$ 11.5	(47%)	$ 14.8	$ 14
Free cash flow[1]	6.1	11.5	(47%)	14.3	14
PRODUCTION AND SALES					
Electricity (GWh[3])	133	115	16%	270	21
AVERAGE-REALIZED PRICE[2]					
Electricity ($/MWh[3])	$ 55.21	$ 52.60	5%	$ 54.97	$ 53
UNIT OPERATING COSTS[2]					

Electricity ($/MWh)	20.10	21.03	(4%)	17.86	23
NET CAPACITY FACTOR (%)	41	37	11%	42	33
SPENDING ON CAPITAL[2]					
Sustaining	$ -	$ -	-	$ 0.5	$ -
	$ -	$ -	-	$ 0.5	$ -

(1) Not meaningful (nm).

(2) Non-GAAP financial measures. For additional information see the Non-GAAP and other financial measures section of this press release.

(3) Gigawatt hours (GWh), Megawatt hours (MWh).

Power production in Q2 2022 was 133 gigawatt hours (GWh) of electricity, up 16% from 115 GWh produced in the comparable period of 2021 primarily as a result of timing of maintenance activities. In Q2 2021 maintenance at the Boca facility reduced production and sales volumes. Accordingly, revenue in Q2 2022 totalling $8.6 million, was up 23% from $7 million for the same quarter last year as a result of the higher power production.

Unit operating costs[1] in Q2 2022 were $20.10/MWh, down 4% from $21.03/MWh for Q2 2021. The year-over-year improvement was driven by higher power production and sales volumes.

Sherritt received US$12.2 million ($15.6 million) in the quarter, all of which was used to facilitate foreign currency payments for the Energas operations. Subsequent to the quarter end, Sherritt received an additional payment of US$4.2 million ($5.4 million) and expects to continue to receive sufficient liquidity to support operations for the remainder of the year.

The Power business unit had negligible spending on capital in the second quarter of 2022. Spending on capital at the Power business in FY2022 is forecast at $5 million, which will be primarily earmarked towards maintenance activities in Q4.

Sherritt continues in discussion with its Cuban partners to expedite payment of overdue receivables and increase availability of natural gas needed to increase power production. The formal approvals process remains underway through the Cuban government to extend the power generation agreement with Energas, which is currently slated to expire in March 2023. The requisite feasibility study was submitted to the Cuban government in Q1 2022 and has been approved by eight of nine impacted ministries. Sherritt anticipates a final decision on extending the power generation agreement from Cuba's Executive Council before the end of the year.

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

Technologies

During the three months ended June 30, 2022, Sherritt Technologies (Technologies) continued to support the Moa JV's expansion strategy. These activities included establishing an economic cut-off grade for determining reserves to optimize mine planning and upgrade resources into reserves, and supporting on-going process plant capacity testing and debottlenecking work at both Moa and the Fort Site locations.

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

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

  During the quarter, Technologies continued discussions with potential interested parties on the selection of the optimal process and commercialization routes as well as potential batch testing and piloting programs;

- Dense slurry hydroprocessing (DSH) - metallurgical reactor technology being applied to the processing of bio-oils into second-generation renewable fuels, upgrading of refinery vacuum residue to create value add products and upgrading heavy oils and bitumen.

  During the quarter, Technologies commenced batch testing on the bio-fuels/refinery vacuum residue applications to quantify the performance of the technology on these streams, and continued front-end engineering work to assess different scale facilities to satisfy the technical assessment requirements of potential partners;

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

  During the quarter, Technologies completed initial unit operation pilot testing with results demonstrating the ability for selective leaching of nickel and cobalt from both saprolite and limonite ores.

2022 REVIEW OF STRATEGIC PRIORITIES

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

2022 Strategic Priorities	Selected Actions
ESTABLISH SHERRITT AS A LEADING GREEN METALS PRODUCER	Accelerate plans to expand Moa JV nickel an tonnes produced in 2021.
	Rank in lowest quartile of HPAL nickel produ
LEVERAGE TECHNOLOGIES FOR TRANSFORMATIONAL GROWTH	Support Moa JV expansion, operational impr
	Advance Technologies solutions toward com

ACHIEVE BALANCE SHEET STRENGTH	Maximize collections of overdue Cuban recei Maximize available liquidity to support growth Continue to optimize costs to reflect operating
BE RECOGNIZED AS A SUSTAINABLE ORGANIZATION	Deliver on actions identified in the Sustainabi Achieve year-over-year ESG improvements i Deliver on 'Diversity and Inclusion' global fra
MAXIMIZE VALUE FROM CUBAN ENERGY BUSINESSES	Extend economically beneficial Energas pow

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

OUTLOOK

2022 production volumes, unit operating costs and spending on capital guidance

Production volumes, unit operating costs and spending on capital	Guidance for 2022 - Total	Year-to-date actuals - Total	Updated 2022 guidance - Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	15,158	No change
Cobalt, finished	3,400 - 3,700	1,684	No change
Electricity (GWh, 33?% basis)	450 - 500	270	No change
Unit operating costs(1)			
Moa Joint Venture - NDCC (US$ per pound)	\$4.00 - \$4.50	\$2.85	No change
Electricity (unit operating cost, \$ per MWh)	\$26.50 - \$28.00	\$17.86	No change
Spending on capital(1)(\$ millions)			
Sustaining			

Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	$75.0	$28.2	$60.0
Power (33?% basis)	$5.0	$0.5	No change
Growth			
Moa Joint Venture (50% basis), Fort Site (100% basis)(2)	$19.0	$1.1	No change
Spending on capital(3)	$99.0	$29.8	$84.0

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

(2) Spending is 50% of expenditures for the Moa Joint Venture and 100% expenditures for Fort Site fertilizer and utilities.

(3) Excludes spending on capital of the Metals Other, Oil and Gas, Technologies and Corporate segments.

Guidance for nickel and cobalt production remains unchanged; however, based on the expected nickel to cobalt ratio in the ore, cobalt production is estimated to be at the lower end of the 3,400 - 3,700 tonne range.

Guidance for NDCC remains unchanged; however, is expected to be at the higher end of the US$4.00 - US$4.50/lb range with cobalt production estimated to be at the lower end of the guidance range.

The Corporation revised its guidance for sustaining spending on capital at Moa JV and Fort Site from $75 million to $60 million primarily as a result of freight and order delays and lower contractor availability.

Growth spending on capital in 2022 for the Moa Joint Venture and Fort Site are primarily related to expansion spending for the slurry preparation plant, ordering of long lead items and engineering work related to finalizing costs of the remaining expansion projects. Additional expenditures related to expansion activities are currently being assessed. Sherritt expects to provide updates on the rollout and spending on capital related to the expansion strategy with each of its quarterly results.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast July 28, 2022 at 10:00 a.m. Eastern Time to review its Q2 2022 results. Dial-in and webcast details are as follows:

North American callers, please dial:	1 (888) 396-8049 Passcode: 89786551
International callers, please dial:	1 (416) 764-8646 Passcode: 89786551
Live webcast:	www.sherritt.com

Please dial in 15 minutes before the start of the call to secure a line. Alternatively, listeners can access the conference call and presentation via the webcast available on Sherritt's website.

An archive of the webcast and replay of the conference call will also be available on the website.

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2022 are available at www.sherritt.com and should be read in conjunction with this news release. Financial and operating data can also viewed in the investor relations section of Sherritt's website on SEDAR at www.sedar.com.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

The non-GAAP and other financial measures are reconciled to their most directly comparable IFRS measures in the Appendix below. This press release should be read in conjunction with Sherritt's condensed consolidated financial statements for the three and six months ended June 30, 2022.

ABOUT Sherritt International Corporation

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

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "potential", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements regarding strategies, plans and estimated production amounts resulting from expansion of mining operations at the Moa Joint Venture, growing and increasing nickel and cobalt production, extending the Moa life of mine, conversion of mineral resources to reserves, commercializing Technologies projects, growing shareholder value, updating technical reports and optimizing mine planning and performance; statements set out in the "Outlook" section of this press release and certain expectations regarding production volumes, operating costs and capital spending; sales volumes; revenue, costs and earnings; supply, demand and pricing outlook in the nickel, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt's strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; anticipated payments of outstanding receivables, distributions from the Corporation's Moa Joint Venture; the impact of the U.S. sanctions on Cuba; anticipated economic conditions in Cuba; sufficiency of working capital and capital project funding; strengthening the Corporation's capital structure and reducing annual interest expenses;and amounts of certain other commitments.

Forward-looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; global demand for electric vehicles and the anticipated corresponding demand for cobalt and nickel; the commercialization of certain proprietary technologies and services; advancements in environmental and greenhouse gas (GHG) reduction technology; GHG emissions reduction goals and the anticipated timing of achieving such goals, if at all; statistics and metrics relating to Environmental, Social and Governance (ESG) matters which are based on assumptions or developing standards; environmental rehabilitation provisions; development and exploration wells and enhanced oil recovery in Cuba; environmental risks and liabilities; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; collection of accounts receivable; availability of regulatory and creditor approvals and waivers; risks related to the U.S. government policy toward Cuba; and certain corporate objectives, goals and plans for 2022. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that the assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this press release not to place undue reliance on any forward-looking statement as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the impact of infectious diseases (including the COVID-19 pandemic), the impact of global conflicts; changes in the global price for nickel, cobalt, oil, gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; the risk to Sherritt's entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; identification and management of growth opportunities risk of future non-compliance with debt restrictions and covenants; Sherritt's ability to replace depleted mineral reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; risks associated with mining, processing and refining activities; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; growth opportunity risks; the possibility of equipment and other failures; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's operation of large projects generally; risks related to the accuracy of capital and operating cost estimates; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding climate change and greenhouse gas emissions; maintaining the Corporation's social license to grow and operate; risks relating to community relations; credit risks; shortage of equipment and supplies; competition in product markets; future market access; interest rate changes; risks in obtaining insurance; uncertainties in labour relations; uncertainty in the ability of the Corporation to enforce legal rights in foreign jurisdictions; uncertainty regarding the interpretation and/or application of the applicable laws in foreign jurisdictions; legal contingencies; risks related to the Corporation's accounting policies; uncertainty in the ability of the Corporation to obtain government permits; risks to information technologies systems and cybersecurity; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the Corruption of Foreign Public Officials Act or applicable local anti-corruption law; the ability to accomplish corporate objectives, goals and plans for 2022; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents.

The Corporation, together with its Moa Joint Venture is pursuing a range of growth and expansion opportunities, including without limitation, process technology solutions, development projects, commercial implementation opportunities, life of mine extension opportunities and the conversion of mineral resources to reserves. In addition to the risks noted above, factors that could, alone or in combination, prevent the Corporation from successfully achieving these opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, commissioning, procurement, construction, ramp-up to commercial scale production and completion; and securing regulatory and government approvals. There can be no assurance that any opportunity will be successful, commercially viable, completed on time or on budget, or will generate any meaningful revenues, savings or earnings, as the case may be, for the Corporation. In addition, the Corporation will incur costs in pursuing any particular opportunity, which may be significant. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in the Corporation's other documents filed with the Canadian securities authorities, including without limitation the "Managing Risk" section of the Management's Discussion and Analysis for the three and six months ended June 30, 2022 and the Annual Information Form of the Corporation dated March

24, 2022 for the period ending December 31, 2021, which is available on SEDAR at www.sedar.com.

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

APPENDIX - NON-GAAP AND OTHER FINANCIAL MEASURES

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

The non-GAAP and other financial measures are reconciled to the most directly comparable IFRS measure as presented in the condensed consolidated financial statements for the six months ended June 30, 2022.

Combined revenue

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

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

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

	For the three months ended			For the six months ended		
	2022	2021		2022	2021	
$ millions	June 30	June 30	Change	June 30	June 30	Change
Revenue by reportable segment						
Moa Joint Venture and Fort Site(1)	$ 205.7	$ 142.2	45%	$ 391.3	$ 268.5	46%
Metals Other	2.3	1.8	28%	4.3	3.4	26%
Oil and Gas	4.0	1.2	233%	9.0	8.7	3%
Power	8.6	7.0	23%	17.6	12.9	36%
Technologies	0.8	0.1	700%	1.1	0.2	450%
Corporate						

0.1

-

-

0.4

0.3

33%

Combined revenue	$ 221.5	$ 152.3	45%	$ 423.7	$ 294.0	44%
Adjustment for Moa Joint Venture	(155.6)	(121.3)		(323.7)	(241.1)	
Financial statement revenue	$ 65.9	$ 31.0	113%	$ 100.0	$ 52.9	89%

(1) Revenue of Moa Joint Venture and Fort Site for the three months ended June 30, 2022 is composed of revenue recognized by the Moa Joint Venture of $168.1 million (50% basis), which is equity-accounted and included in share of earnings of Moa Joint Venture, net of tax, and revenue recognized by Fort Site of $17.5 million, which is included in consolidated revenue (for the three months ended June 30, 2021 - $119.8 million and $6.5 million, respectively).

Adjusted EBITDA

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

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

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

$ millions, for the three months ended June 30

	Moa JV and Fort Site(1)	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustm for Moa Joint Venture
Earnings (loss) from operations and joint venture per financial statements	$ 78.4	$ (0.6)	$ (2.3)	$ 2.3	$ (2.9)	$ 8.9	$ (9.8
Add (deduct):							
Depletion, depreciation and amortization	2.8	-	0.2	4.0	0.1	0.4	-
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	10.7	-	-	-	-	-	-
Net finance expense	-	-	-	-	-	-	2.7
Income tax expense	-	-	-	-	-	-	7.1
Adjusted EBITDA	$ 91.9	$ (0.6)	$ (2.1)	$ 6.3	$ (2.8)	$ 9.3	$ -

$ millions, for the three months ended June 30

	Moa JV and Fort Site[1]	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustr for Moa Joint Venture
Earnings (loss) from operations and joint venture per financial statements	$ 19.7	$ (0.5)	$ (5.0)	$ (0.2)	$ (2.9)	$ (13.3)	$ (5.1)
Add (deduct):							
Depletion, depreciation and amortization	3.1	-	1.7	3.9	0.1	0.1	-
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	11.3	-	-	-	-	-	-
Income tax expense	-	-	-	-	-	-	5.1
Adjusted EBITDA	$ 34.1	$ (0.5)	$ (3.3)	$ 3.7	$ (2.8)	$ (13.2)	$ -

$ millions, for the six months ended June 30

	Moa JV and Fort Site[2]	Metals Other	Oil and Gas	Power	Techno-logies	Corporate	Adjustr for Moa Joint Venture
Earnings (loss) from operations and joint venture per financial statements	$ 146.1	$ (1.2)	$ (0.7)	$ 2.8	$ (6.9)	$ (14.7)	$ (27.9
Add (deduct):							
Depletion, depreciation and amortization	5.4	-	0.7	7.9	0.1	0.7	-
Gain on disposal of property, plant and equipment	-	-	(1.3)	-	-	-	-
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	21.6	-	-	-	-	-	-
Net finance expense	-	-	-	-	-	-	5.0
Income tax expense	-	-	-	-	-	-	22.9
Adjusted EBITDA	$ 173.1	$ (1.2)	$ (1.3)	$ 10.7	$ (6.8)	$ (14.0)	$ -

$ millions, for the six months ended June 30

	Moa JV and	Metals	Oil and		Techno-		Adjustr for Moa Joint

Fort Site(2)

Other

Gas

Power

logies

Corporate

Venture

Earnings (loss) from operations and joint venture							
per financial statements	$ 47.5	$ (1.1)	$ (8.9)	$ (1.3)	$ (6.2)	$ (22.8)	$ (8.4)
Add (deduct):							
Depletion, depreciation and amortization	5.7	0.1	4.3	7.8	0.1	0.4	-
Adjustments for share of earnings of Moa Joint Venture:							
Depletion, depreciation and amortization	22.6	-	-	-	-	-	-
Net finance income	-	-	-	-	-	-	(2.4)
Income tax expense	-	-	-	-	-	-	10.8
Adjusted EBITDA	$ 75.8	$ (1.0)	$ (4.6)	$ 6.5	$ (6.1)	$ (22.4)	$ -

(1) Adjusted EBITDA of Moa Joint Venture and Fort Site for the three months ended June 30, 2022 is composed of Adjusted EBITDA at Moa Joint Venture of $68.0 million (50% basis) and Adjusted EBITDA at Fort Site of $23.9 million (for the three months ended June 30, 2021 - $34.2 million and $(0.1) million, respectively).

(2) Adjusted EBITDA of Moa Joint Venture and Fort Site for the six months ended June 30, 2022 is composed of Adjusted EBITDA at Moa Joint Venture of $144.9 million (50% basis) and Adjusted EBITDA at Fort Site of $28.2 million (for the six months ended June 30, 2021 - $76.8 million and $(1.0) million, respectively).

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for power excludes by-product revenue, as this revenue is not earned directly for power generation. Transactions by a Moa Joint Venture marketing company, included in other revenue, are excluded.

Management uses this measure, and believes investors use this measure, to compare the relationship between the revenue per unit and direct costs on a per unit basis in each reporting period for nickel, cobalt, fertilizer and power and provide comparability with other similar external operations.

Average-realized price for fertilizer is the weighted-average realized price of ammonia and various ammonium sulphate products.

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

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

$ millions, except average-realized price and sales volume, for the three months ended June 30

	Moa Joint Venture and Fort Site					
						A fo
	Nickel	Cobalt	Fertilizer	Power	Other(1)	V
Revenue per financial statements	$ 118.0	$ 24.1	$ 54.5	$ 8.6	$ 16.3	$

Adjustments to revenue:				
By-product revenue	-	-	-	(1.3)
Revenue for purposes of average-realized price calculation	118.0	24.1	54.5	7.3
Sales volume for the period	6.9	0.5	50.0	133
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours
Average-realized price(2)(3)(4)	$ 16.99	$ 44.16	$ 1,090.96	$ 55.21

$ millions, except average-realized price and sales volume, for the three months ended June 30

	Moa Joint Venture and Fort Site					
	Nickel	Cobalt	Fertilizer	Power	Other(1)	A fo V
Revenue per financial statements	$ 89.0	$ 22.7	$ 26.4	$ 7.0	$ 7.2	$
Adjustments to revenue:						
By-product revenue	-	-	-	(1.0)		
Revenue for purposes of average-realized price calculation	89.0	22.7	26.4	6.0		
Sales volume for the period	9.4	1.0	64.7	115		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours		
Average-realized price(2)(3)(4)	$ 9.46	$ 22.82	$ 409.06	$ 52.60		

$ millions, except average-realized price and sales volume, for the six months ended June 30

	Moa Joint Venture and Fort Site					
	Nickel	Cobalt	Fertilizer	Power	Other	Adjus for Mo Ventu
Revenue per financial statements	$ 241.0	$ 60.7	$ 75.1	$ 17.6	$ 40.7	$ (32
Adjustments to revenue:						
Third-party finished nickel revenue	(14.1)	-	-	-		
By-product revenue	-	-	-	(2.8)		
Revenue for purposes of average-realized price calculation	226.9	60.7	75.1	14.8		
Sales volume for the period	15.2	1.4	81.4	270		

Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours
Average-realized price[1][2][3]	$ 15.83	$ 42.62	$ 922.38	$ 54.97

$ millions, except average-realized price and sales volume, for the six months ended June 30

	Moa Joint Venture and Fort Site					
	Nickel	Cobalt	Fertilizer	Power	Other[1]	Adj for Ver
Revenue per financial statements	$ 180.8	$ 45.7	$ 34.9	$ 12.9	$ 19.7	$ (
Adjustments to revenue:						
By-product revenue	-	-	-	(1.7)		
Revenue for purposes of average-realized price calculation	180.8	45.7	34.9	11.2		
Sales volume for the period	18.6	2.0	91.8	210		
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes	Gigawatt hours		
Average-realized price[2][3][4]	$ 9.71	$ 22.35	$ 380.50	$ 53.60		

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

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

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

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

Unit operating cost/NDCC

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

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

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

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

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

$ millions, except unit cost and sales volume, for the three months ended June 30

	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture
Cost of sales per financial statements	$ 125.7	$ 6.5	$ 13.2	$ (96.9)
Less:				
Depletion, depreciation and amortization in cost of sales	(13.5)	(4.0)		
	112.2	2.5		
Adjustments to cost of sales:				
Cobalt by-product, fertilizer and other revenue	(87.8)	-		
Impact of opening/closing inventory and other[2]	(5.2)	-		
Cost of sales for purposes of unit cost calculation	19.2	2.5		
Sales volume for the period	6.9	133		
Volume units	Millions of pounds	Gigawatt hours		
Unit operating cost[3][4]	$ 2.77	$ 20.10		
Unit operating cost (US$ per pound) (NDCC)[5]	$ 2.19			

$ millions, except unit cost and sales volume, for the three months ended June 30

	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture
Cost of sales per financial statements	$ 120.2	$ 6.2	$ 11.1	$ (97.2)
Less:				
Depletion, depreciation and amortization in cost of sales	(14.4)	(3.9)		
	105.8	2.3		
Adjustments to cost of sales:				
Cobalt by-product, fertilizer and other revenue	(53.2)	-		
Impact of opening/closing inventory and other[2]	0.3	-		

Cost of sales for purposes of unit cost calculation	52.9	2.3
Sales volume for the period	9.4	115
Volume units	Millions of pounds	Gigawatt hours
Unit operating cost[3][4]	$ 5.62	$ 21.03
Unit operating cost (US$ per pound) (NDCC)[5]	$ 4.58	

$ millions, except unit cost and sales volume, for the six months ended June 30					2
	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture	T
Cost of sales per financial statements	$ 241.7	$ 12.5	$ 22.5	$ (197.7)	$ 7
Less:					
Depletion, depreciation and amortization in cost of sales	(27.0)	(7.9)			
	214.7	4.6			
Adjustments to cost of sales:					
Cobalt by-product, fertilizer and other revenue	(150.3)	-			
Impact of opening/closing inventory and other[2]	(9.3)	-			
Cost of sales for purposes of unit cost calculation	55.1	4.6			
Sales volume for the period	15.2	270			
Volume units	Millions of pounds	Gigawatt hours			
Unit operating cost[3][4]	$ 3.62	$ 17.86			
Unit operating cost (US$ per pound) (NDCC)[5]	$ 2.85				

$ millions, except unit cost and sales volume, for the six months ended June 30					2
	Moa JV and Fort Site	Power	Other[1]	Adjustment for Moa Joint Venture	T
Cost of sales per financial statements	$ 216.6	$ 12.6	$ 25.9	$ (184.4)	$ 7
Less:					
Depletion, depreciation and amortization in cost of sales	(28.3)	(7.8)			
	188.3	4.8			
Adjustments to cost of sales:					

Cobalt by-product, fertilizer and other revenue	(87.7)	-
Impact of opening/closing inventory and other(2)	(3.1)	-
Impairment on assets	-	-
Cost of sales for purposes of unit cost calculation	97.5	4.8
Sales volume for the period	18.6	210
Volume units	Millions of pounds	Gigawatt hours
Unit operating cost(3)(4)	$ 5.24	$ 23.23
Unit operating cost (US$ per pound) (NDCC)(5)	$ 4.20	

(1) Other is composed of the cost of sales of the Metals Other, Oil and Gas and Technologies reportable segments.

(2) Other is primarily composed of royalties and other contributions, sales discounts and other non-cash items.

(3) Unit operating cost/NDCC may not calculate exactly based on amounts presented due to foreign exchange and rounding.

(4) Power, unit operating cost price per MWh.

(5) Unit operating costs in US$ are converted at the average exchange rate for the period.

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

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

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

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

	2022		2021	
For the three months ended June 30	$ millions	$/share	$ millions	$/share
Net earnings (loss) from continuing operations	$ 81.5	$ 0.21	$ (10.4)	$ (0.03)
Adjusting items:				
Sherritt - Unrealized foreign exchange gain - continuing operations				

(3.8)

(3.8)

(0.01)

(8.6)

(0.02)

Corporate - Gain on repurchase of notes	(13.8)	(0.03)	(0.8)	-
Corporate - Transaction finance charges on repurchase of notes	1.2	-	-	-
Corporate - Severance and other contractual benefits expense	-	-	2.4	0.01
Corporate - Unrealized losses on commodity put options	-	-	3.7	0.01
Oil and Gas and Power - ACL revaluation	1.2	-	(0.1)	-
Other(1)	-	-	0.8	-
Total adjustments, before tax	$ (15.2)	$ (0.04)	$ (2.6)	$ -
Tax adjustments	(0.3)	-	-	-
Adjusted net earnings (loss) from continuing operations	$ 66.0	$ 0.17	$ (13.0)	$ (0.03)

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

	2022		2021	
For the six months ended June 30	$ millions	$/share	$ millions	$/share
Net earnings (loss) from continuing operations	$ 97.9	$ 0.25	$ (12.3)	$ (0.03)
Adjusting items:				
Sherritt - Unrealized foreign exchange gain - continuing operations	(4.9)	(0.02)	(11.2)	(0.03)
Corporate - Gain on repurchase of notes	(13.8)	(0.03)	(2.1)	(0.01)
Corporate - Transaction finance charges on repurchase of notes	1.2	-	-	-
Corporate - Severance and other contractual benefits expense	-	-	2.4	0.01
Corporate - Unrealized losses on commodity put options	(0.9)	-	4.3	0.01
Corporate - Realized losses on commodity put options	0.9	-	-	-
Oil and Gas - Gain on disposal of property, plant and equipment	(1.3)	-	-	-
Oil and Gas and Power - ACL revaluation	1.5	-	1.5	-
Other(1)	0.5	-	2.6	0.01
Total adjustments, before tax	$ (16.8)	$ (0.05)	$ (2.5)	$ (0.01)
Tax adjustments	(0.4)	-	(0.5)	-
Adjusted net loss from continuing operations	$ 80.7	$ 0.20	$ (15.3)	$ (0.04)

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

Spending on capital

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

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

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

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

$ millions, for the three months ended June 30						2022
	Moa JV and Fort Site	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures[2]	$ 12.2	$ -	$ -	$ 12.2	$ (8.7)	$ 3.5
Intangible asset expenditures[2]	-	-	(0.2)	(0.2)	-	(0.2)
	12.2	-	(0.2)	12.0	$ (8.7)	$ 3.3
Adjustments:						
Accrual adjustment	1.1	-	-	1.1		
Spending on capital	$ 13.3	$ -	$ (0.2)	$ 13.1		

$ millions, for the three months ended June 30						2021
	Moa JV and Fort Site	Power	Other[1]	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures[2]	$ 7.8	$ -	$ -	$ 7.8	$ (5.2)	$ 2.6
Intangible asset expenditures[2]	-	-	0.3	0.3	-	0.3
	7.8	-	0.3	8.1	$ (5.2)	$ 2.9
Adjustments:						
Accrual adjustment	(0.1)	-	-	(0.1)		
Spending on capital	$ 7.7	$ -	$ 0.3	$ 8.0		

$ millions, for the six months ended June 30	2022
	Total

	Moa JV and Fort Site	Power	Other(1)	Combined total	Adjustment for Moa Joint Venture	derived from financial statements
Property, plant and equipment expenditures(2)	$ 22.9	$ 0.5	$ -	$ 23.4	$ (15.8)	$ 7.6
Intangible asset expenditures(2)	-	-	0.6	0.6	-	0.6
	22.9	0.5	0.6	24.0	$ (15.8)	$ 8.2
Adjustments:						
Accrual adjustment	6.4	-	-	6.4		
Spending on capital	$ 29.3	$ 0.5	$ 0.6	$ 30.4		

$ millions, for the six months ended June 30						2021
	Moa JV and Fort Site	Power	Other(1)	Combined total	Adjustment for Moa Joint Venture	Total derived from financial statements
Property, plant and equipment expenditures(2)	$ 12.4	$ -	$ 0.3	$ 12.7	$ (9.0)	$ 3.7
Intangible asset expenditures(2)	-	-	0.5	0.5	-	0.5
	12.4	-	0.8	13.2	$ (9.0)	$ 4.2
Adjustments:						
Accrual adjustment	-	-	(0.1)	(0.1)		
Spending on capital	$ 12.4	$ -	$ 0.7	$ 13.1		

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

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

Combined free cash flow

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

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

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

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

$ millions, for the three months ended June 30

	Moa JV and Fort Site[1]	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	Combined total	Adjustm for Moa Joint Venture
Cash provided (used) by continuing operations for operating activities[2]	$ 41.7	$ (0.9)	$ (3.9)	$ 6.1	$ (3.5)	$ (4.0)	$ 35.5	$ (9.9)
Less:								
Property, plant and equipment expenditures	(12.2)	-	-	-	-	-	(12.2)	8.7
Intangible expenditures	-	-	0.2	-	-	-	0.2	-
Free cash flow	$ 29.5	$ (0.9)	$ (3.7)	$ 6.1	$ (3.5)	$ (4.0)	$ 23.5	$ (1.2)

$ millions, for the three months ended June 30

	Moa JV and Fort Site[1]	Metals Other	Oil and Gas	Power	Technol-ogies	Corporate	Combined total	Adjustm for Moa Joint Venture
Cash provided (used) by continuing operations for operating activities[2]	$ 21.6	$ (5.1)	$ 4.5	$ 11.5	$ (2.7)	$ (19.1)	$ 10.7	$ (9.2)
Less:								
Property, plant and equipment expenditures	(7.8)	-	-	-	-	-	(7.8)	5.2
Intangible expenditures	-	-	(0.3)	-	-	-	(0.3)	-
Free cash flow								

$

13.8

$

(5.1)

$

4.2

$

11.5

$

(2.7)

$

(19.1)

$

2.6

$

(4.0)

$ millions, for the six months ended June 30

	Moa JV and Fort Site[3]	Metals Other	Oil and Gas	Power	Technol- ogies	Corporate	Combined total	Adjustm for Mo Joint Venture
Cash provided (used) by continuing operations for operating activities[4]	$ 65.9	$ (5.2)	$ (5.6)	$ 14.8	$ (7.0)	$ (17.1)	$ 45.8	$ (14.6)
Less:								
Property, plant and equipment expenditures	(22.9)	-	-	(0.5)	-	-	(23.4)	15.8
Intangible expenditures	-	-	(0.6)	-	-	-	(0.6)	-
Free cash flow	$ 43.0	$ (5.2)	$ (6.2)	$ 14.3	$ (7.0)	$ (17.1)	$ 21.8	$ 1.2

$ millions, for the six months ended June 30

	Moa JV and Fort Site[3]	Metals Other	Oil and Gas	Power	Technol- ogies	Corporate	Combined total	Adjust for Mo Join Ventu
Cash provided (used) by continuing operations for operating activities[4]	$ 45.1	$ 10.5	$ (0.2)	$ 14.3	$ (5.9)	$ (29.0)	$ 34.8	$ (36.
Less:								
Property, plant and equipment expenditures	(12.4)	-	(0.2)	-	-	(0.1)	(12.7)	9.0
Intangible expenditures	-	-	(0.5)	-	-	-	(0.5)	-
Free cash flow	$ 32.7	$ 10.5	$ (0.9)	$ 14.3	$ (5.9)	$ (29.1)	$ 21.6	$ (27.

(1) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was $8.7 million and $3.5 million, respectively, for the three months ended June 30, 2022 (June 30, 2021 - $5.2 million and $2.6 million, respectively).

(2) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $29.1 million and $12.6 million, respectively, for the three months ended June 30, 2022 (June 30, 2021 - $26.1 million and $(4.5) million, respectively).

(3) Property, plant and equipment expenditures and intangible expenditures for the Moa Joint Venture and Fort Site was $15.8 million and $7.1 million, respectively, for the six months ended June 30, 2022 (June 30, 2021 - $9.0 million and $3.4 million, respectively).

(4) Cash provided (used) by continuing operations for operating activities for the Moa Joint Venture and Fort Site was $58.0 million and $7.9 million, respectively, for the six months ended June 30, 2022 (June 30, 2021 - $59.5 million and $(14.4) million, respectively).

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