



# sherritt

THE NAME IN NICKEL

## Q3 Investor Call

October 25, 2017

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 set out in the “Outlook” sections of this press release and certain expectations production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; sources of funding for the Moa Joint Venture; restructuring of the Ambatovy Joint Venture shareholder interests and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; drill results on exploration wells; joint venture environmental rehabilitation costs and amounts of certain other commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. By their nature, forward-looking statements require the Corporation to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that those assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections.

The Corporation cautions readers of this 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 changes in the global price for nickel, cobalt, oil and gas or certain other commodities, share-price volatility, level of liquidity and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation's joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt's operations in Madagascar and Cuba; potential interruptions in transportation; uncertainty of gas supply for electrical generation; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; uncertainties in environmental rehabilitation provisions estimates; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks related to Sherritt's operations in Madagascar and Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; risks related to amounts owed to the Corporation by the Malagasy and Cuban governments; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; foreign exchange and pricing risks; compliance with applicable environment, health and safety legislation and other associated matters; risks associated with governmental regulations regarding 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; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; failure to comply with, or changes to, applicable government regulations; bribery and corruption risks, including failure to comply with the *Corruption of Foreign Public Officials Act* or applicable local anti-corruption law; uncertainties in growth management; risks related to information technology systems; and certain corporate objectives, goals and plans for 2017; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Readers are cautioned that the foregoing list of factors is not exhaustive and should be considered in conjunction with the risk factors described in this press release and in the Corporation's other documents filed with the Canadian securities authorities.

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this 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.

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## Non-GAAP Measures

Management uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, adjusted earnings, adjusted operating cash flow per share, free cash flow and Net Investment in Ambatovy 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 evaluate the results of its underlying business. These measures 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.

**David Pathe**

*President & CEO*



**Steve Wood**

*Executive Vice President & COO*



**Andrew Snowden**

*Senior Vice President & CFO*



**1**

**Increased cash position to \$291M**

**2**

**Reduced NDCC at Moa to \$1.94/lb – lowest since Q4 2004**

**3**

**Improving commodity prices and outlook**

**4**

**Safety & shutdown procedures limited Hurricane Irma's impact**

**Sherritt is well positioned for improving market fundamentals**



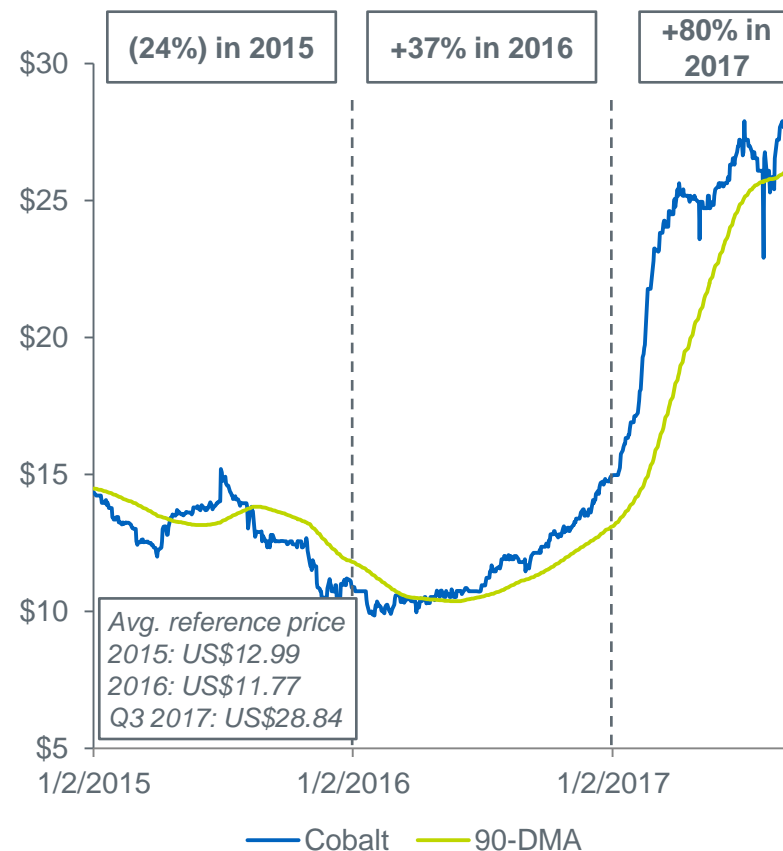
## MARKET ENVIRONMENT

# Nickel and cobalt price trends from 2015 to date

Nickel vs. 90-Day Moving Average (DMA)

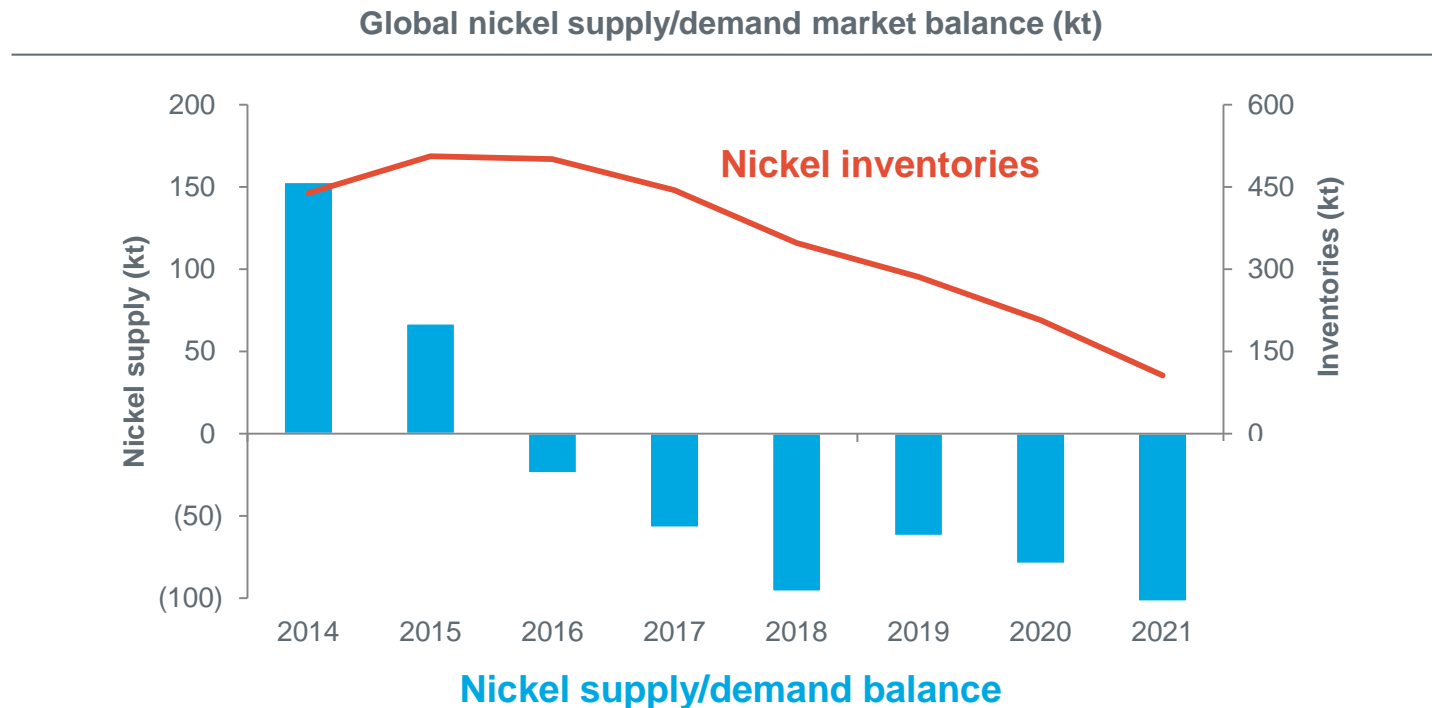


Cobalt vs. 90-Day Moving Average (DMA)



**Positive momentum for nickel and cobalt prices**





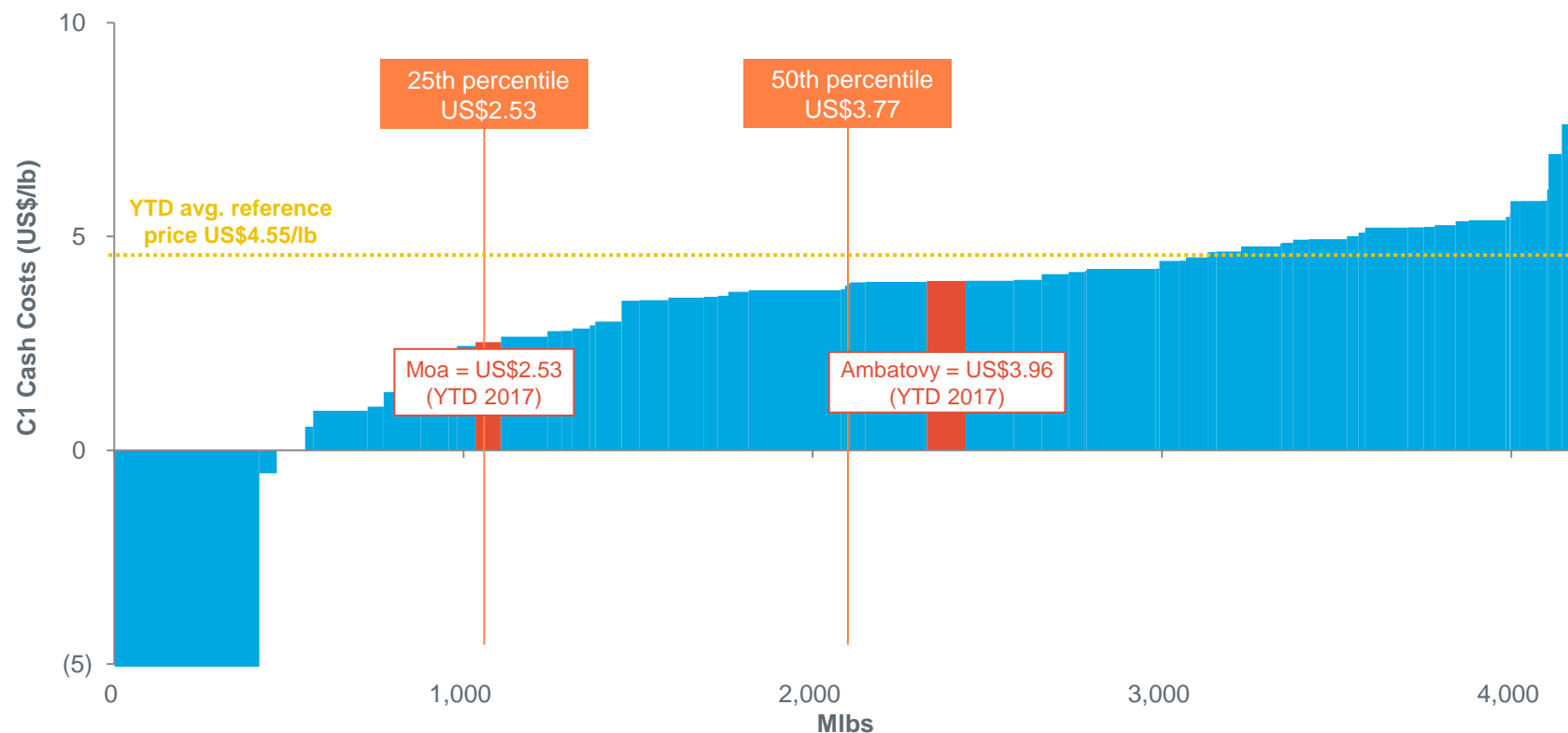
- Demand is tied to EV battery requirements
- Supply deficit to grow through 2021

**Imbalance will be driven by demand for Class 1 nickel**

Source: Wood Mackenzie

# Sherritt is a low cost nickel producer

2017 Nickel industry NDCC (YTD)



**Moa ranked in lowest cost quartile for two consecutive quarters**

Source: Wood Mackenzie, Dataset: Q3 2017





## THIRD QUARTER OPERATING RESULTS

## Production<sup>(1)</sup> (tonnes)

### Nickel

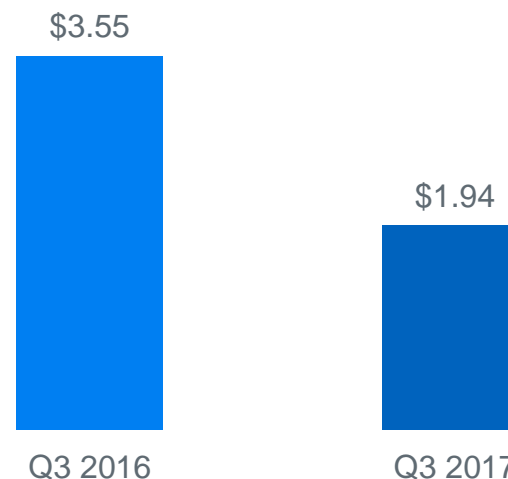


### Cobalt



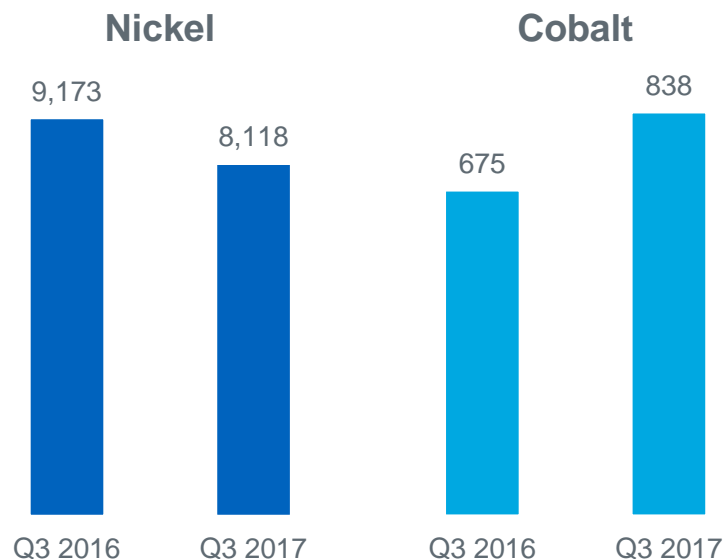
- Declines due to mixed sulphides shipment delays caused by Hurricane Irma
- Cobalt to nickel ratio is consistently high

## NDCC (US\$/lb)



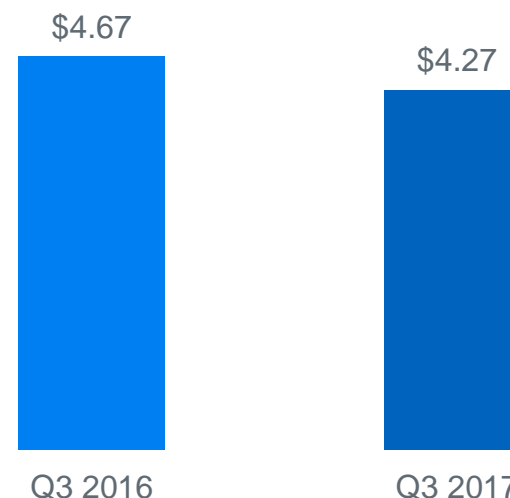
- Lowest NDCC since Q4 2004
- Driven by high cobalt credit and US\$0.50/lb cost savings from new acid plant

## Production<sup>(1)</sup> (tonnes)



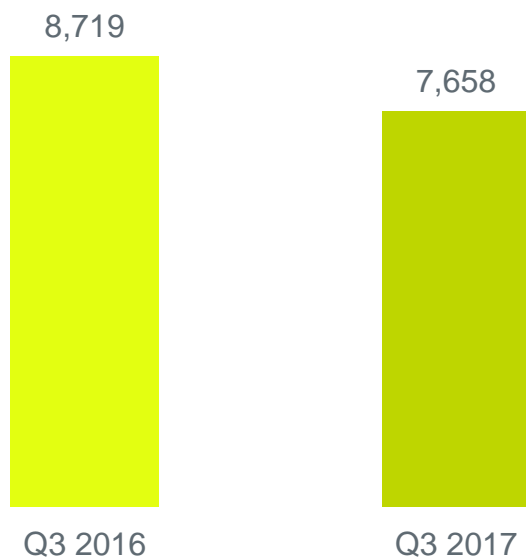
- Lower production due to asset reliability and planned asset plant shutdown in September
- Ongoing maintenance activities are expected to improve the plant reliability in the long term
- Higher cobalt production due to better head grade

## NDCC (US\$/lb)



- High cobalt credits contributed to improved NDCC despite lower production volumes
- NDCC near 50<sup>th</sup> percentile of industry costs

## Oil Production (total NWI, boepd)



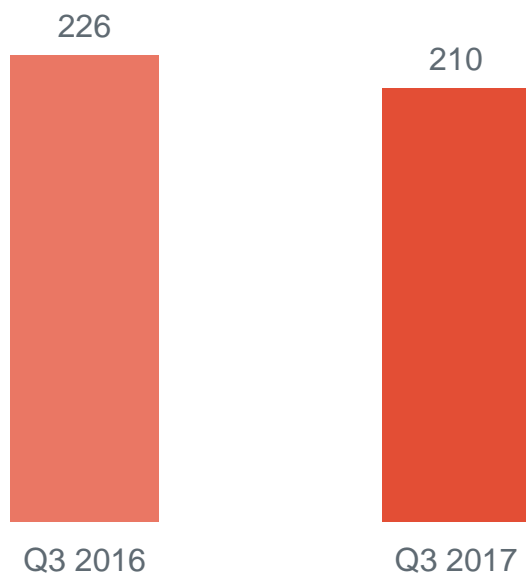
- Decrease due to natural reservoir decline and the impact of Hurricane Irma

## Unit operating costs (Cuba GWI, \$/bbl)



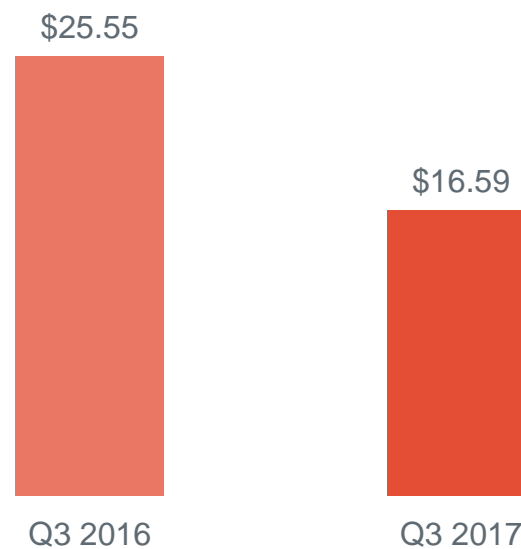
- Improved due to lower Opex and the strengthening of the Canadian dollar

## Electricity production (33<sup>1/3</sup>%, GWh)



- Decline due to reduced gas availability and the impact of Hurricane Irma

## Unit operating costs (\$/MWh)



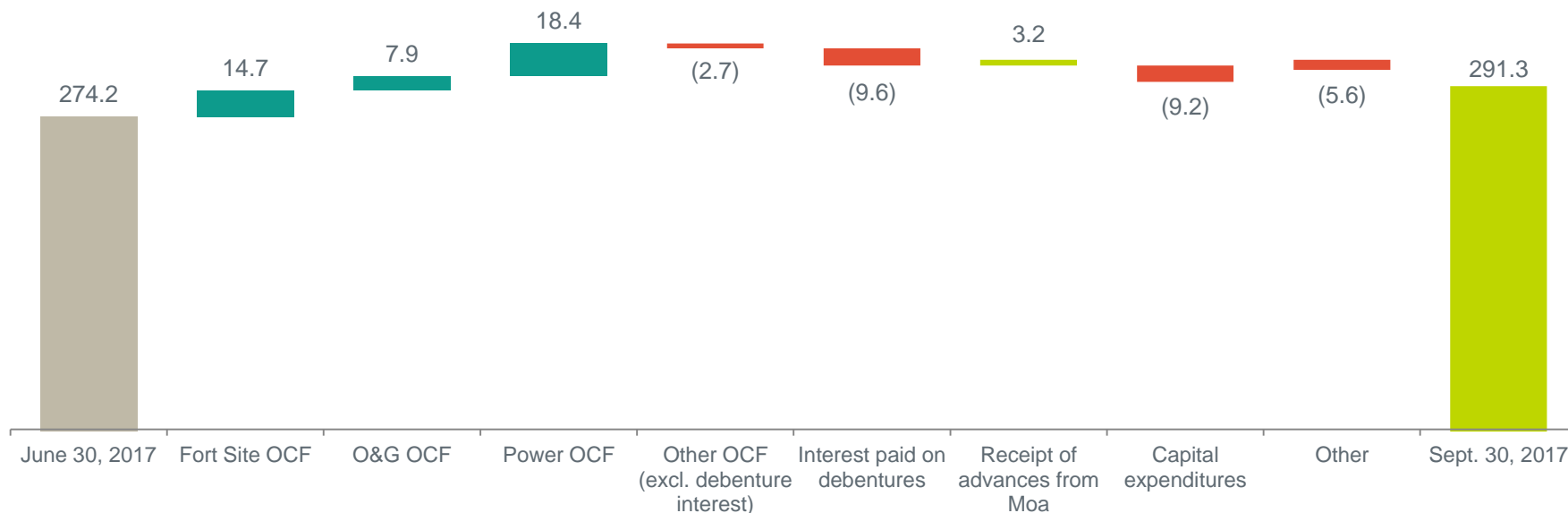
- Decrease to due lower non-capitalized maintenance costs at Boca and Escondido



## FINANCIAL HIGHLIGHTS

# Consolidated cash from June 30, 2017 to Sept. 30, 2017

*In million of dollars*



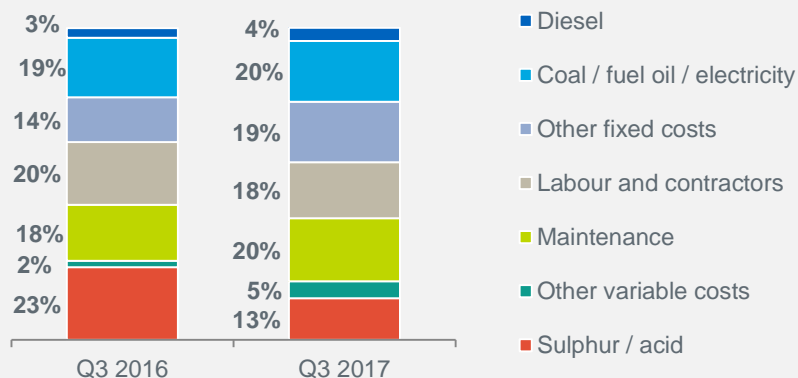
**Improvements due to Cuban energy payments and sensitivity to higher nickel and cobalt prices**



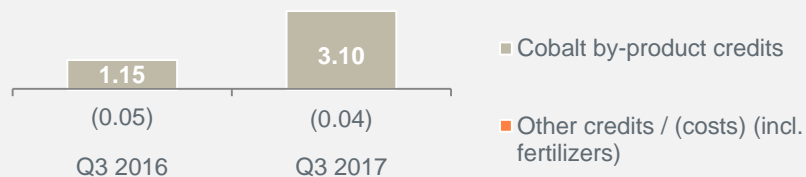
# Cash cost (NDCC) drivers for Moa and Ambatovy

## Moa

### Mining, processing and refining costs

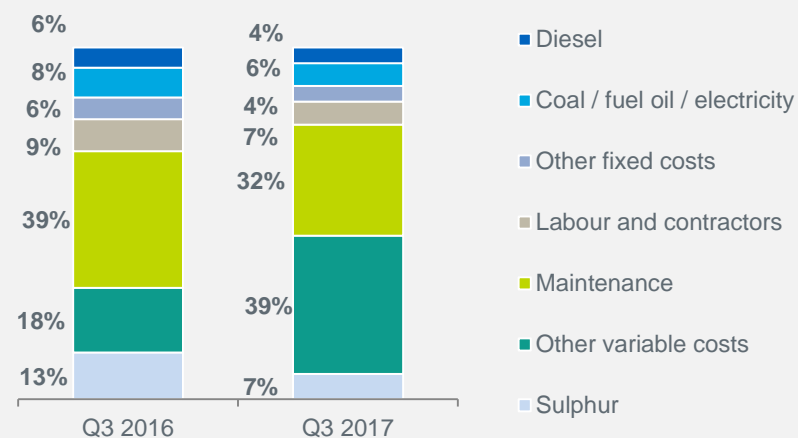


### By-product credits

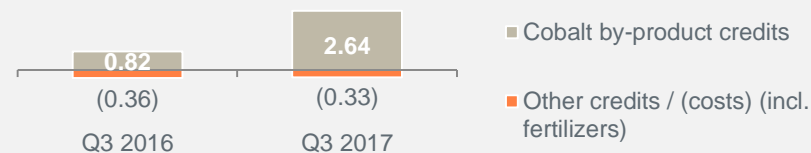


## Ambatovy

### Mining, processing and refining costs



### By-product credits



US\$ Millions	Q3 Progress			
	Q2 Overdue	Expected/Due	Received	Q3 Overdue
Oil & Gas receivables	\$22.7	\$21.4	(\$15.6)	\$28.5
Power receivables	\$67.5	\$21.5	(\$17.0)	\$72.0
Total Cuban energy Receivables	\$90.2	\$42.9	(\$32.6)	\$100.5

- Overdue receivables have always fluctuated over the years
- Timing of payments linked to foreign currency availability

**Sherritt has always managed to collect 100% of overdue receivables**

# Impact of Forex on results

Financial assets and liabilities	Balance as at Q3 2017 in \$M		Gain/ (loss) in \$M	Month-end exchange rates		
	CAD	USD	CAD	Date	USD: CAD	Q3 gain/ (loss)
Ambatovy JV partner and additional partner loans	\$1,450.1	\$1,161.9	\$58.4	Q3 2017	0.8013	
Ambatovy JV subordinated loans receivable	\$800.7	\$641.6	\$(32.3)			0.0307
Moa JV expansion loans receivable	\$227.0	\$181.9	\$(9.3)	Q2 2017	0.7706	
Other			\$(3.3)			
Unrealized foreign exchange gain (loss)			\$13.5			

**Balance sheet gains offset negative Forex impact on revenue and costs**



## **OUTLOOK & NEAR-TERM CATALYSTS**

	Guidance at June 30	Updated at Sept. 30
Nickel production at Ambatovy - tonnes	40,000 – 43,000	36,000 – 39,000
Cobalt production at Ambatovy - tonnes	3,600 – 3,900	3,300 – 3,600
Oil – Cuba (BOPD – GWI)	11,500 – 12,500	13,000 – 14,000
Oil – (BOEPD – NWI)	6,400 – 7,000	7,500 – 8,000
NDCC – Nickel at Moa JV – per lb	US\$2.80 - \$3.30	US\$2.50 - \$2.75
Unit cost - per barrel	\$11.00 - \$12.00	\$10.00 - \$10.50
Spending on Capital	US\$109M	US\$93M

**Updates reflect YTD performance, near-term visibility and timing of capital spending**

**1**

**Ambatovy JV restructuring expected in Q4**

**2**

**Block 10 drill results expected by year end**

**Sherritt is well positioned for improving market fundamentals**



Q&A





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