

# **SHERITT**

## **THE NAME IN NICKEL**

Bernstein Strategic Decisions Conference Presentation

David Pathe  
Chief Executive Officer  
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# Forward-looking statements

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This presentation 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 presentation and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; 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.

The Corporation cautions readers of this presentation 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; access to capital; access to financing; risks related to the liquidity of the Ambatovy Joint Venture; volatility in the adoption of electric vehicles and composition of electric vehicle battery materials; the risk to Sherritt’s entitlements to future distributions from the Ambatovy Joint Venture; risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation’s joint venture partners; variability in production at Sherritt’s operations in 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 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 Sherritt’s operations in Madagascar; risks associated with Sherritt’s development, construction and operation of large projects generally; 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; 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; uncertainties in growth management.

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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.

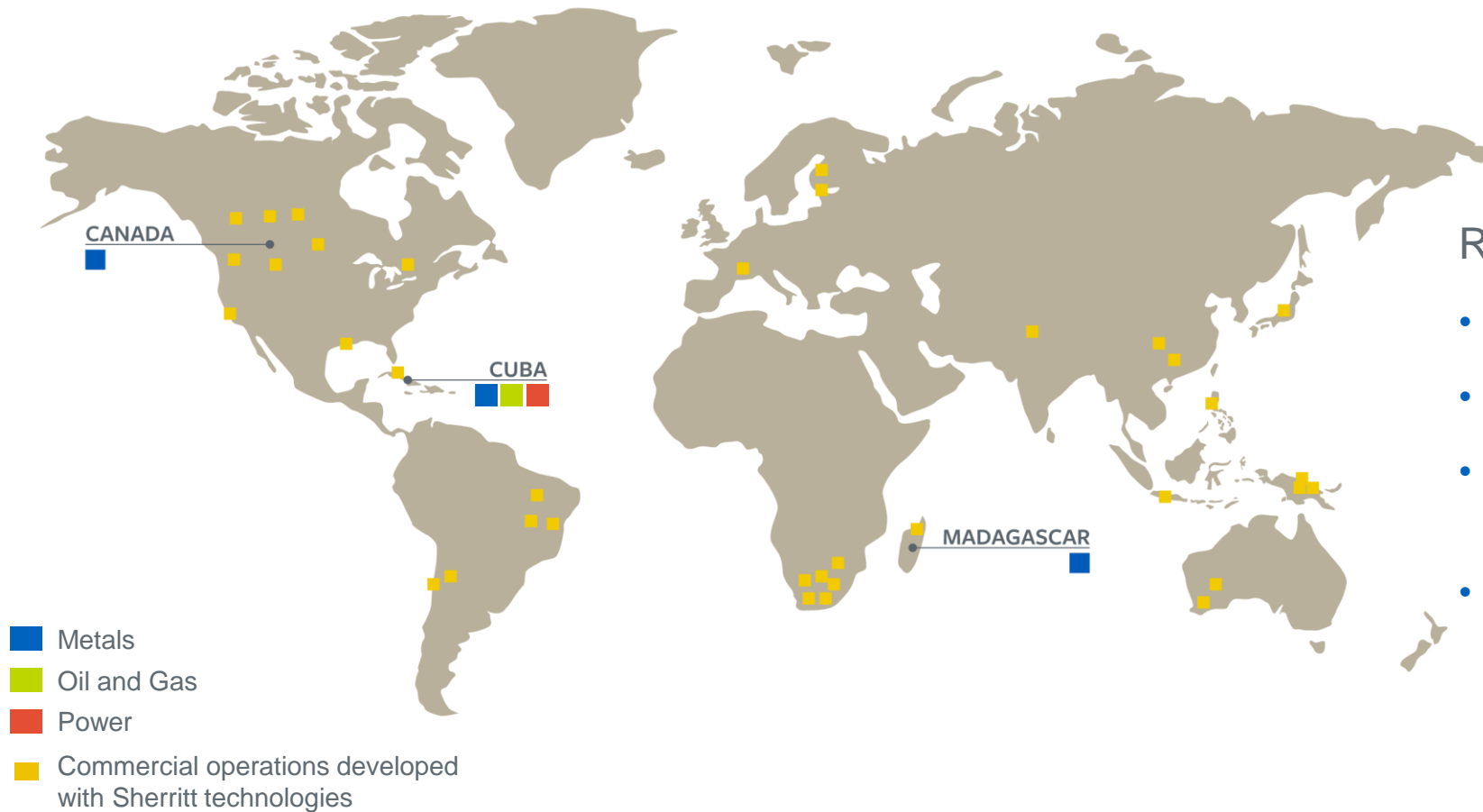


# 90 years of nickel and cobalt production



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# Sherritt is completing a transformation



## Recent progress & momentum:

- Eliminated \$2B of debt since 2014
- Restructured Ambatovy JV ownership
- Produced ~67,000 tonnes of nickel and ~6,600 tonnes of cobalt in FY2017\*
- Q2 production costs at Moa JV in the lowest quartile for 5<sup>th</sup> consecutive quarter








**Well positioned for growing adoption of electric vehicles**



**Electric vehicles start with  
nickel and cobalt**

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# Electric vehicles trend is a global phenomenon

		Initiative	Year
China		China targets 5M EVs on the road by 2020 and production of 7M EVs by 2025. EVs with range > 400km see increase in subsidies	2020, 2025
Norway		Change to taxes and incentives to achieve zero or low emission vehicle sales	2025
Holland		Ban all fossil fuel passenger car sales	2025
Germany		Change to taxes and incentives to achieve only zero-emission sales EU-wide	2030
India		Ban on the sale of petrol and diesel cars	2030
France		Ban on the sale of cars emitting greenhouse gases	2040
U.K.		Ban on the sale of all petrol and diesel cars and vans	2040

**Regulators in China and Europe are paving the way for electrification**

# Automotive industry is undergoing a dramatic transformation

**2019**

- China begins EV production quotas at 10% of all vehicles
- 100% of Volvo's fleet will be electric or hybrid
- Production of Tesla semi trucks begins

**2020**

- 100% of Jaguar Land Rover's fleet will be electric
- GM will have 10 EV models for Chinese market

**2022**

- Ford will launch an all-electric SUV + 24 hybrid and 16 full EVs as a result of \$11B investment
- Mercedes will launch 10 new EV models by 2022

**2025**

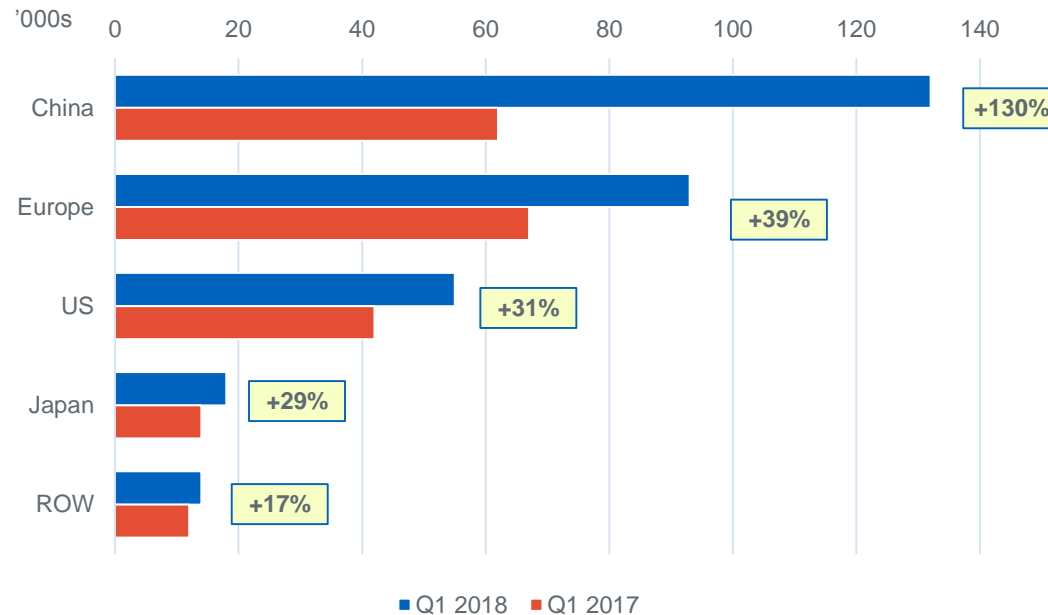
- 30% of Audi vehicle sales will be electric
- Volvo aims for >50% of its sales to be of all-electric models

**Pace of EV adoption is driving higher nickel and cobalt prices**

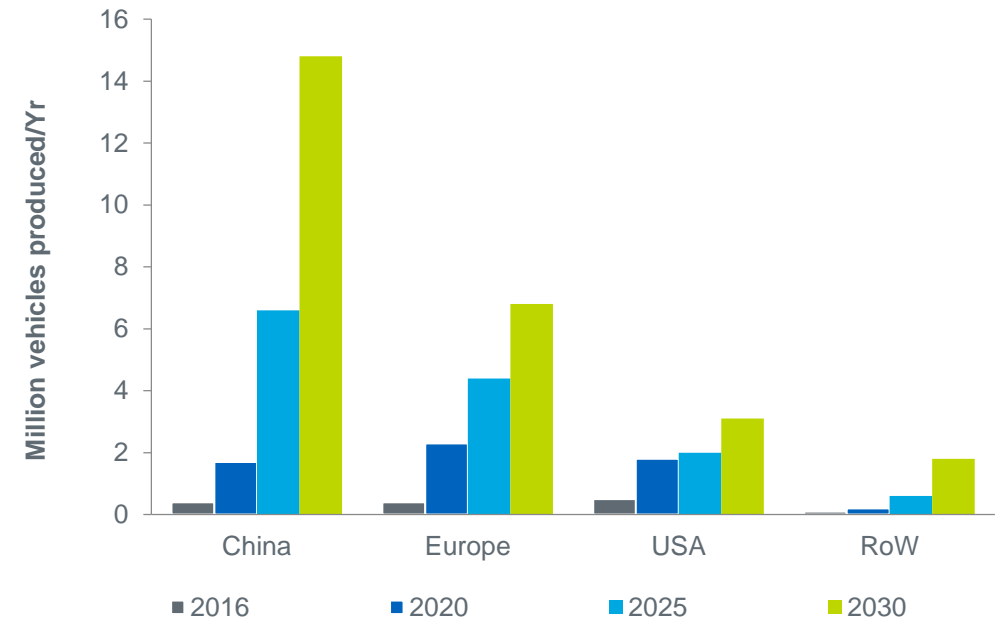


# EV sales are meeting forecasts

Global EV sales actuals



EV production forecasts



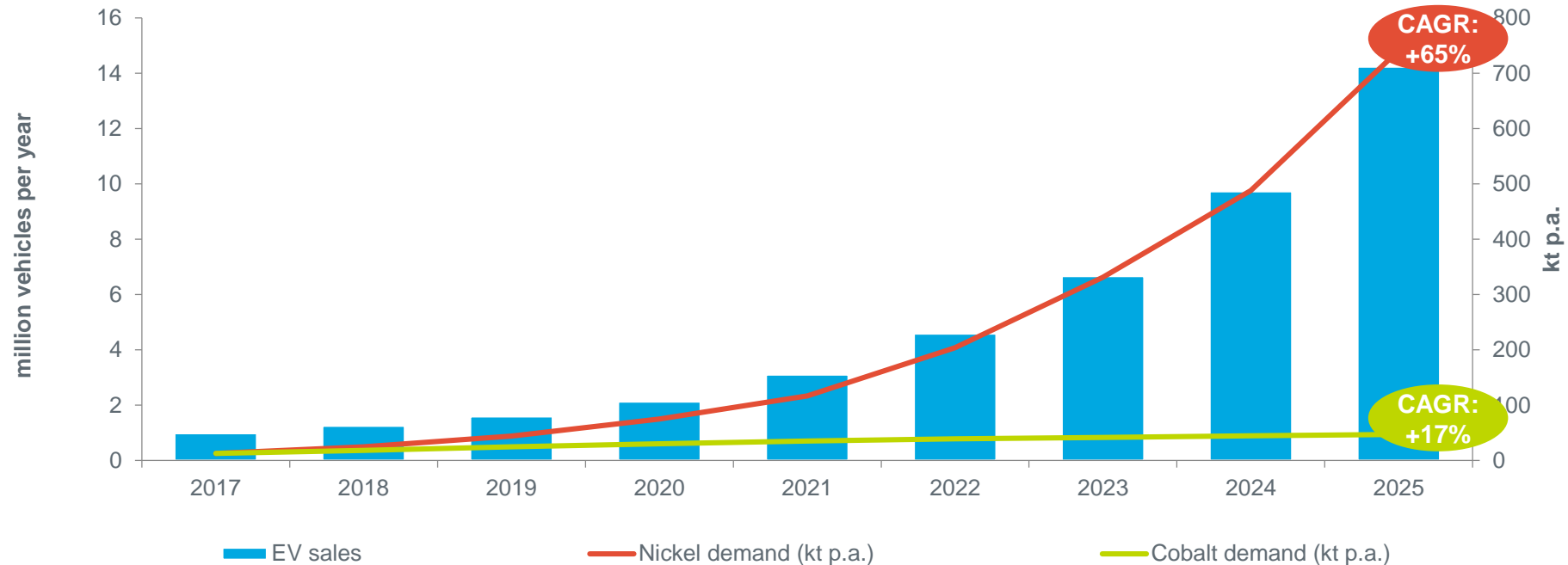
**5 years to reach first million EV sales; next million will take 6 months**

Source: EV Volumes, McKinsey



# Nickel and cobalt supply are integral to EV adoption

Nickel and cobalt demand from electric vehicles

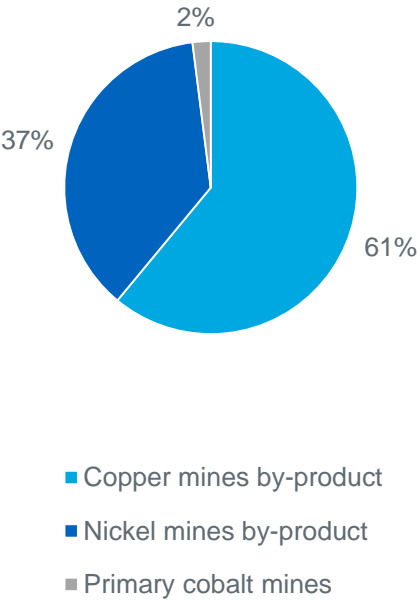


Mitigating supply chain risks is a key industry concern

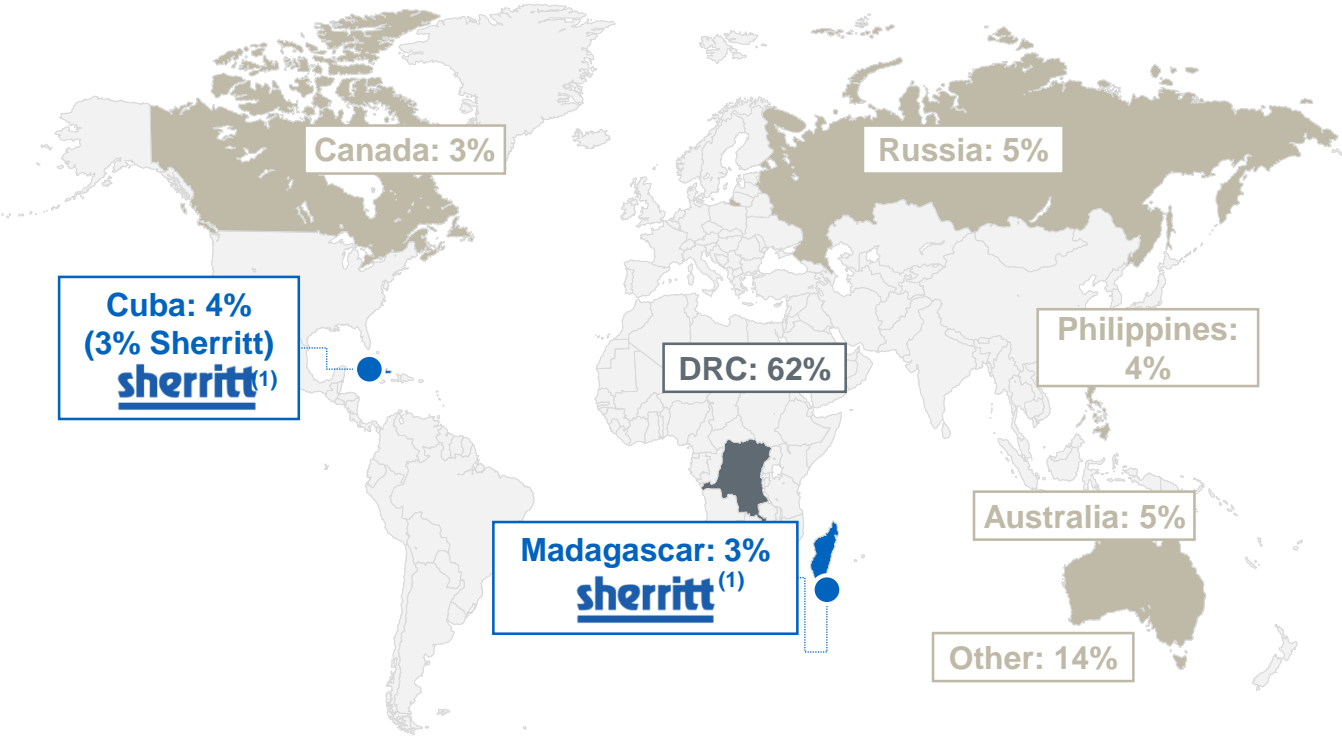
Source: UBS

# Cobalt supply marked by jurisdictional risk

Cobalt sources



Mine production by country (2017): total = 113 kt

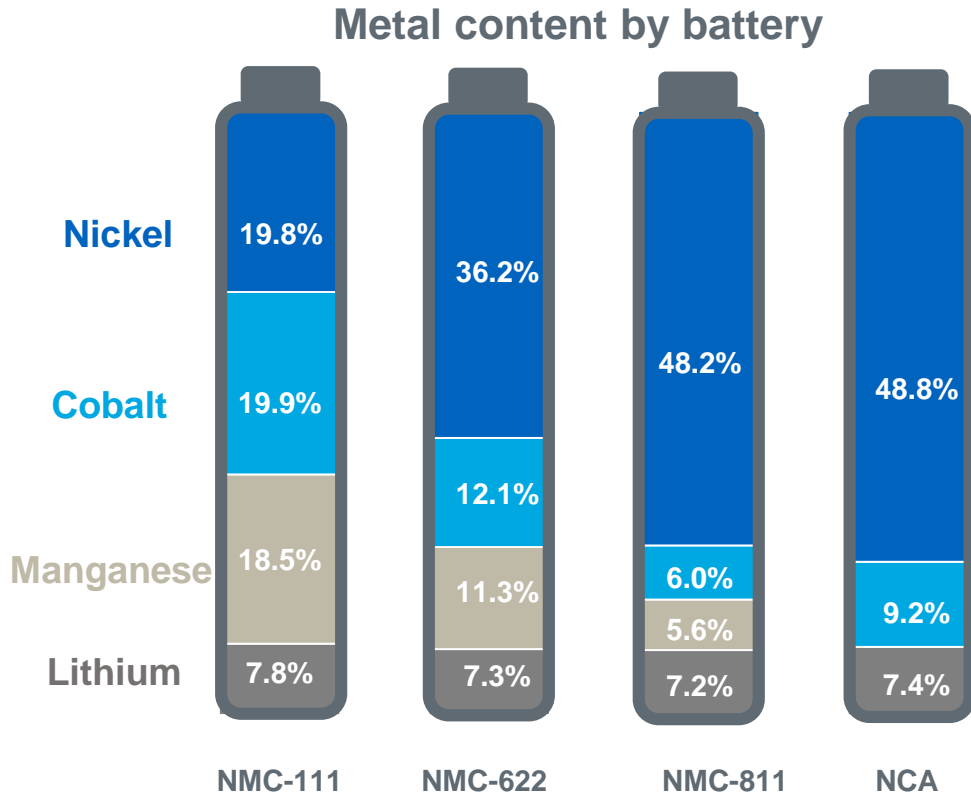


Sherritt’s operations adhere to mining best practices

Source: CRU, Sherritt

(1) On a 100% basis

# Supply risks are driving changes to battery chemistry



Other catalysts for change:

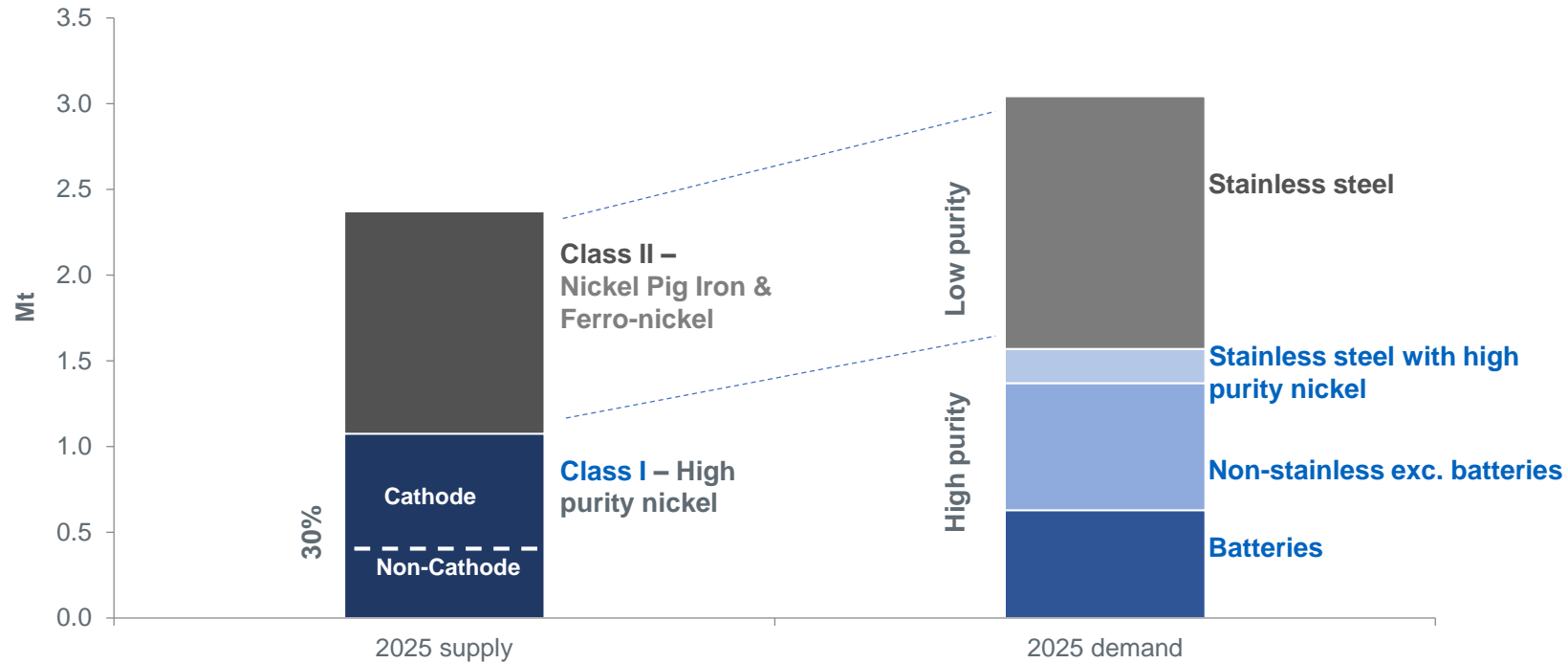
- Cobalt supply constraints
- Commodity pricing environment
- Surging end-product demand

**EV batteries will increasingly rely on nickel**

Source: Bernstein Research; CRU Group

# Not all nickel is the same

## Differences in nickel supply and uses



>70%

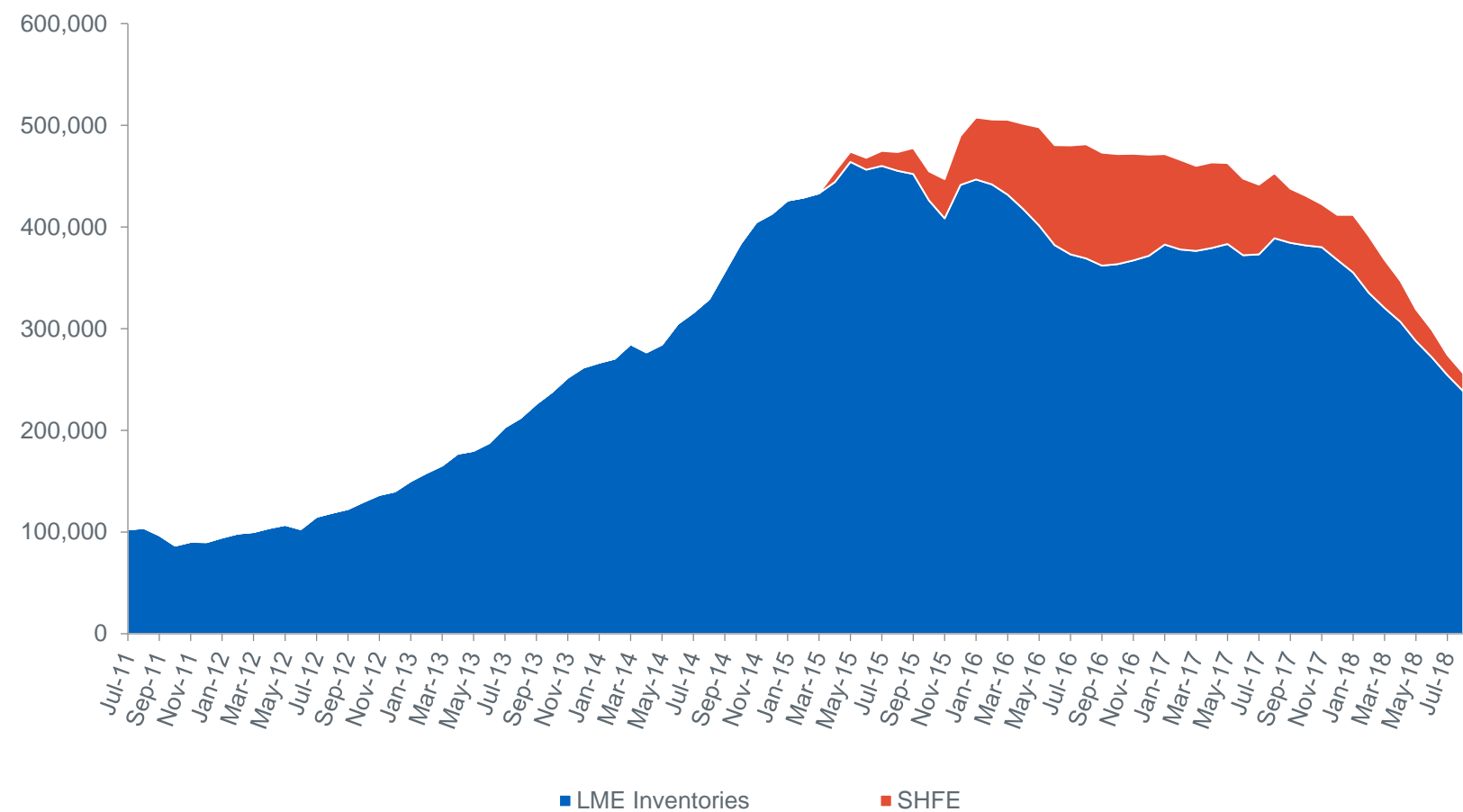
Of all nickel supply is unsuitable for EV battery market

**Sherritt produces 100% Class I nickel in briquette and powder forms**

Source: Bernstein, CRU, Wood Mackenzie



# Class 1 nickel supply deficit is accelerating



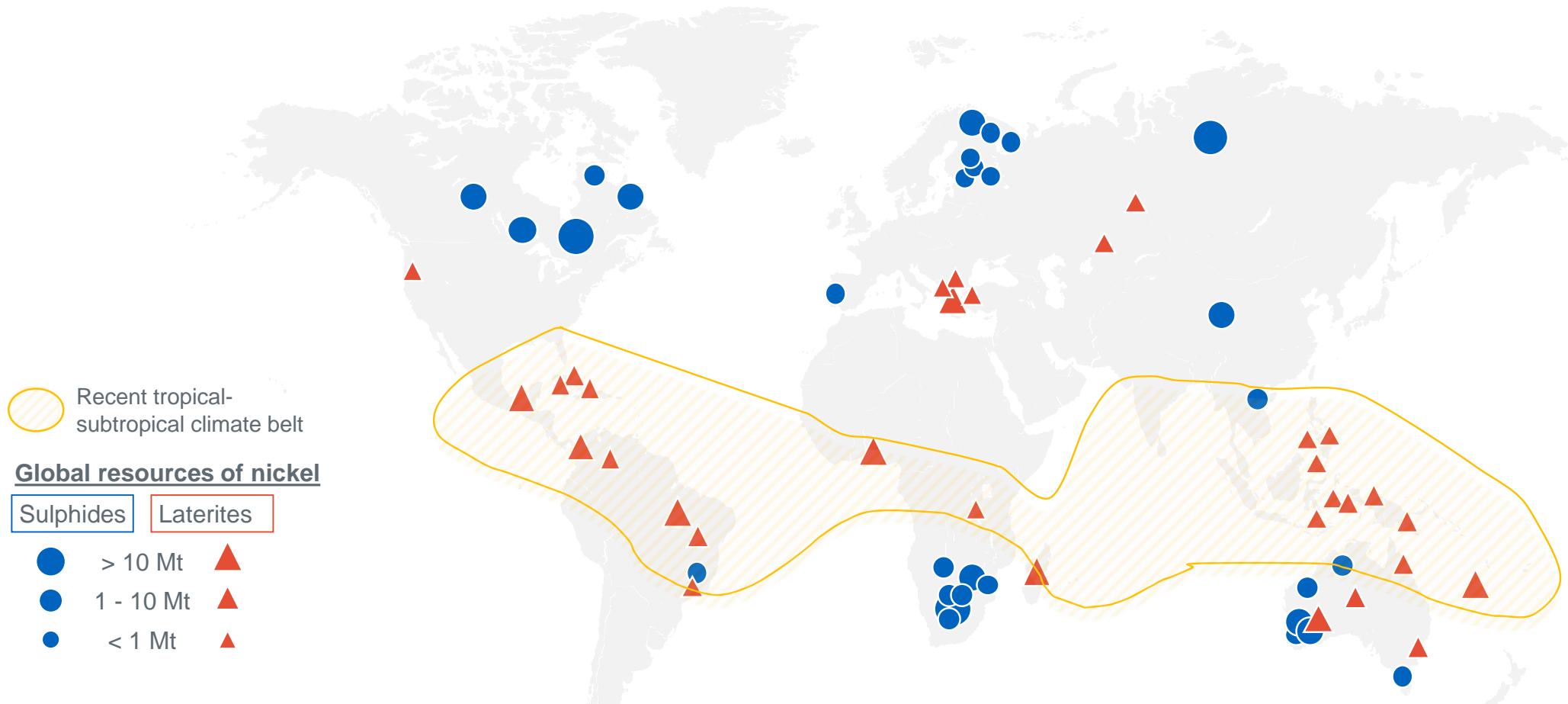
35%

inventory decline YTD

No new nickel mines currently in development

Source: LME, SHFE

# Where future Class 1 nickel supply will come from



**Sherritt is the world leader in processing and refining from lateritic ores**

# Sherritt has two long-life assets

## Moa

Reserve classification	Tonnage (Mt)	Ni (%)	Co (%)	Ni (000 t)	Co (000 t)
<b>Proven</b>					
Central Moa	43.59	1.14	0.12	497.2	51.3
Eastern Satellites	11.03	1.18	0.14	130.5	14.9
Sub-total	54.61	1.15	0.12	627.7	66.2
<b>Probable</b>					
Central Moa	2.22	1.13	0.11	25.1	2.4
Eastern Satellites	0	0	0		
Sub-total	2.22	1.13	0.11	25.1	2.4
Total proven and probable	56.83	1.15	0.12	652.8	68.7

**Represents ~17 years of mine life**

## Ambatovy

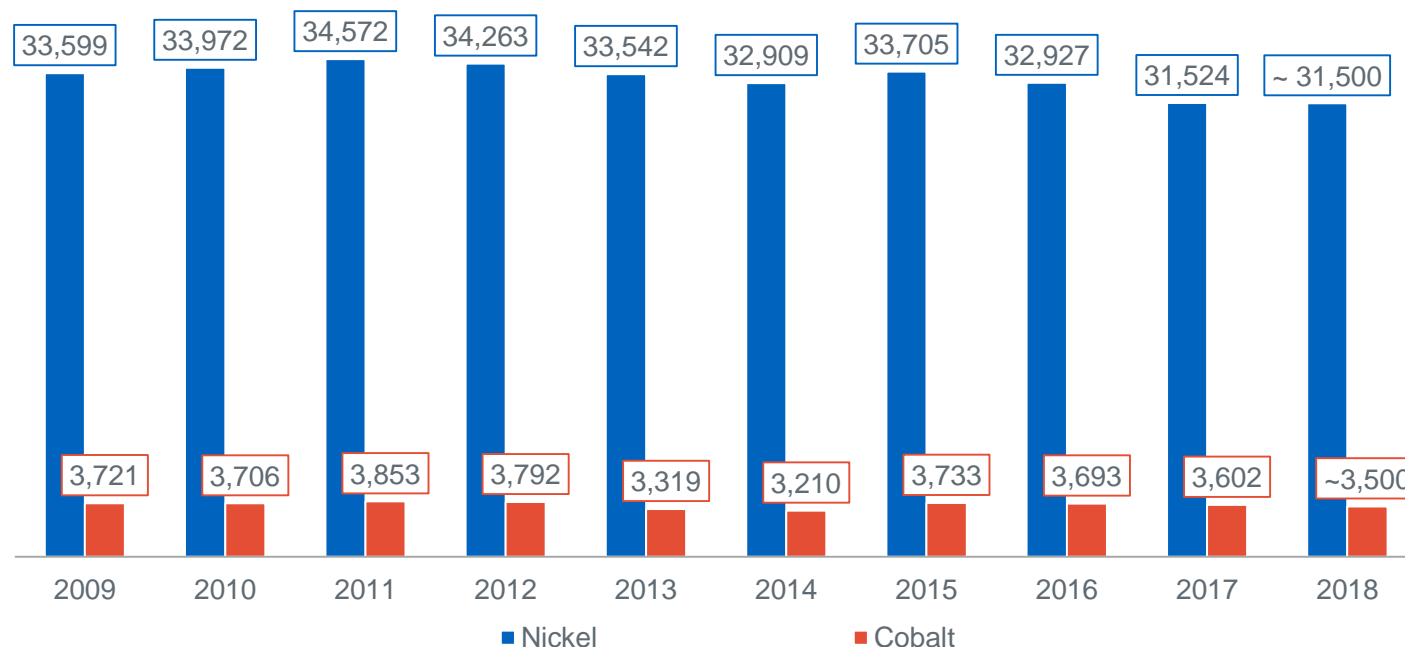
Reserve classification	Tonnage (Mt)	Ni (%)	Co (%)	Ni (000 t)	Co (000 t)
Proven	72.8	0.84	0.07	608.4	54.4
Probable	106.6	0.82	0.08	876.3	89.2
Total proven and probable	179.4	0.83	0.08	1,484.70	144.3

**Represents ~25 years of mine life**

**Located in mining areas with potential for resource expansion**

# Moa has a long track record of stable production

Nickel and cobalt production (tonnes, 100% basis)



- Average yearly nickel production: ~33,400T
- Average yearly cobalt production: ~3,600
- High cobalt-to-nickel production ratio

**Production costs are consistently in the low cost quartile**



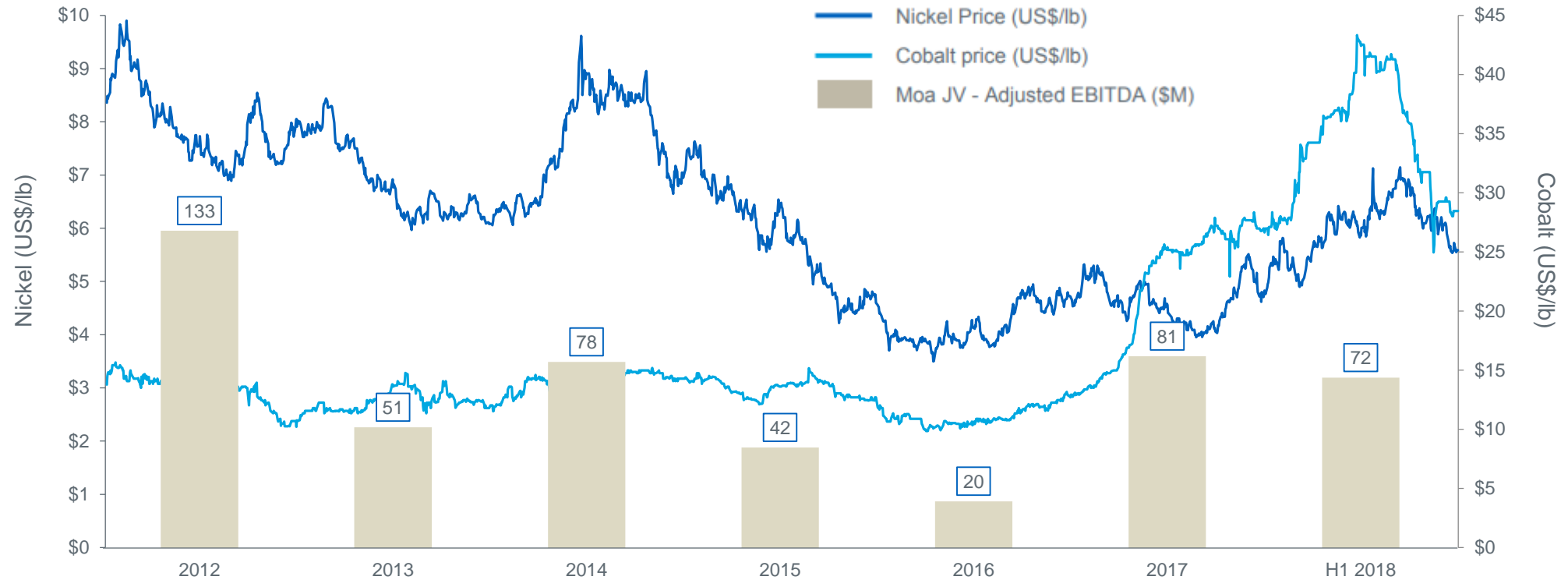
A worker in a green hard hat and safety gear is shown in a factory setting, handling metal shavings. The worker is wearing a dark blue long-sleeved shirt with yellow reflective stripes and white gloves. They are holding a small piece of metal in their right hand. In the background, there are yellow safety barriers and industrial equipment. The overall scene is dimly lit with some overhead lights visible.

## **Sherritt is well positioned for strong battery metals outlook**

- Low-cost producer of Class 1 nickel and cobalt
- High cobalt to nickel production ratio
- Produce nickel and cobalt in briquette and powder forms
- Experts in processing nickel from lateritic ores
- Strong relationships with battery manufacturers

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# Sensitivity to nickel and cobalt prices



**Sherritt is benefitting from nickel and cobalt price recoveries**

## Near-term outlook and catalysts

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**1**

**Higher nickel and cobalt production at Moa JV in H2 over H1**

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**2**

**Upside leverage to improving nickel and cobalt prices**

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**3**

**Preliminary Block 10 drill results expected by Nov. 1**

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**4**

**Continued focus on debt reduction**

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**5**

**Strengthened balance sheet**

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# Questions?

David Pathe  
Chief Executive Officer  
September 2018

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