



Q4 Earnings Call

February 14, 2019

# Forward-looking statements

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 “2019 Guidance” section of this presentation and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel cobalt and electric Vehicle markets; anticipated payments of outstanding receivables; future distributions from the Moa Joint Venture, funding of future Ambatovy Joint Venture cash calls; equipment availability, drill plans and results on exploration wells 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; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans. 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 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, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; risks related to the liquidity and funding of the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Moa and Ambatovy joint ventures; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; uncertainty of exploration results and Sherritt's ability to replace depleted mineral and oil and gas reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba and Madagascar; risks related to Sherritt's operations in Cuba; risks related to the U.S. government policy toward Cuba, including the U.S. embargo on Cuba and the Helms-Burton legislation; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies; 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 related to Sherritt's operations in Madagascar; 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; risks relating to community relations and maintaining the Corporation's social license to grow and operate; 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; identification and management of growth opportunities; 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 2019; 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, including without limitation the Annual Information Form of the Corporation dated February 13, 2019 for the period ending December 31, 2018, which is available on SEDAR at [www.sedar.com](http://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 presentation release and in the Corporation's 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 presentation 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.

## Non-GAAP Measures

Management uses combined results, Adjusted EBITDA, average-realized price, unit operating cost 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.

# Participants

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**David Pathe**

*President & CEO*



**Steve Wood**

*Executive Vice President & COO*



**Andrew Snowden**

*Senior Vice President & CFO*



# Highlights for Q4 and 2018

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## Stronger balance sheet

- Ended 2018 with \$207M, up from \$203M
  - Eliminated \$130M of debt
  - Moa JV provided \$47.7M in total contributions
  - Reduced G&A expenses by \$6.1M
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## Improved operational performance

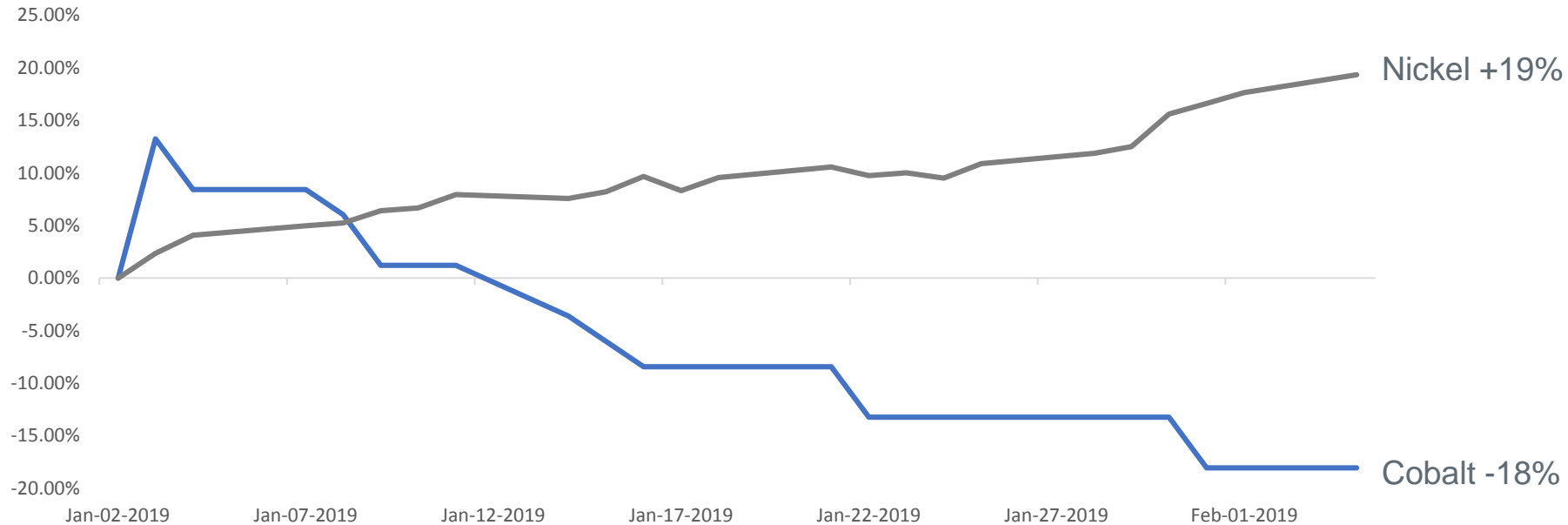
- Q4 nickel production at Moa JV was up 4%
- NDCC at Moa for FY2018 was in the lowest cost quartile
- Power and oil and gas production for FY2018 were in line with guidance
- Lost time safety record improved

**Sherritt is well positioned for 2019 and beyond**



# Market environment

# A tale of two commodity prices – YTD



Price movement is being driven by short-term and long-term trends

Source: LME

# Trends impacting cobalt prices

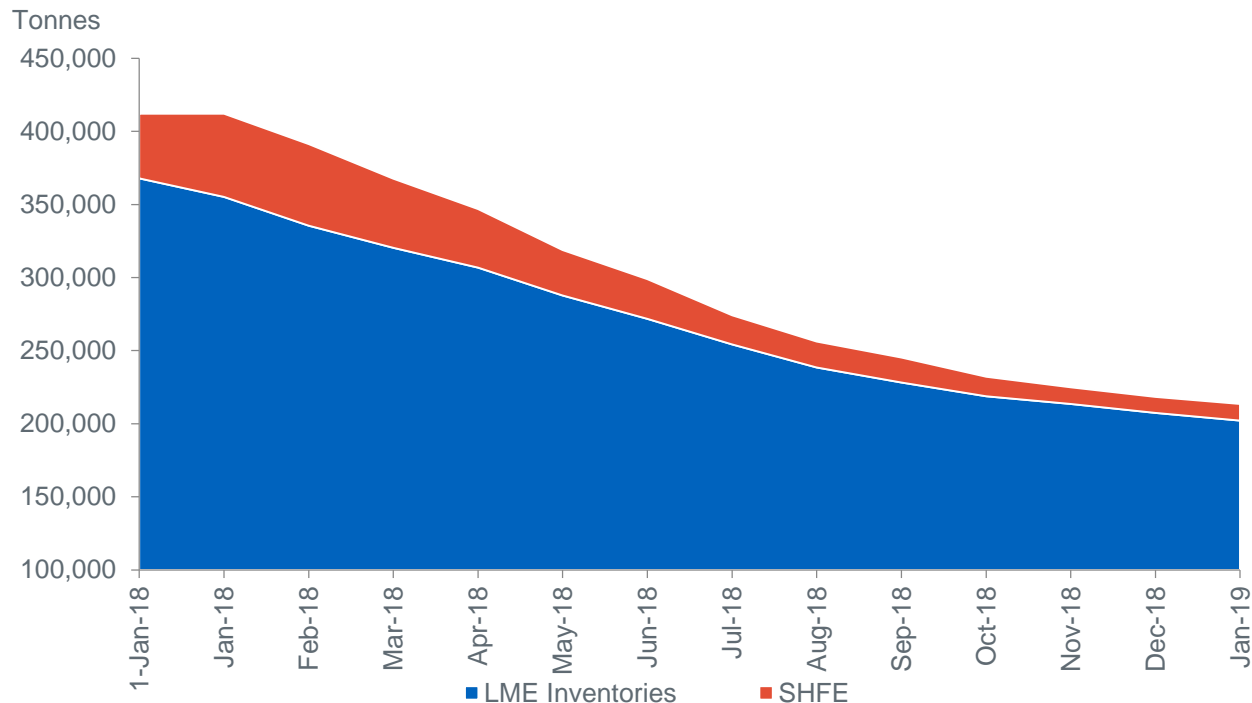
1. De-stocking of inventory by consumers
2. Increased supply of intermediate product from the DRC
3. Seasonal slowness due to Chinese New Year



**Downward cobalt price movement is expected to be temporary**



## Nickel prices are catching up to market fundamentals



**48%**  
Decline in inventory  
since Jan 1 2018

**Supply deficit for Class 1 nickel is accelerating**

Source: LME, SHFE



## Demand for nickel is growing\*



+4% growth per year

+2% growth per year

+33% growth per year

**Nickel consumption to grow to 2.4MT in 2019 and 2.5MT in 2020**



# Operations

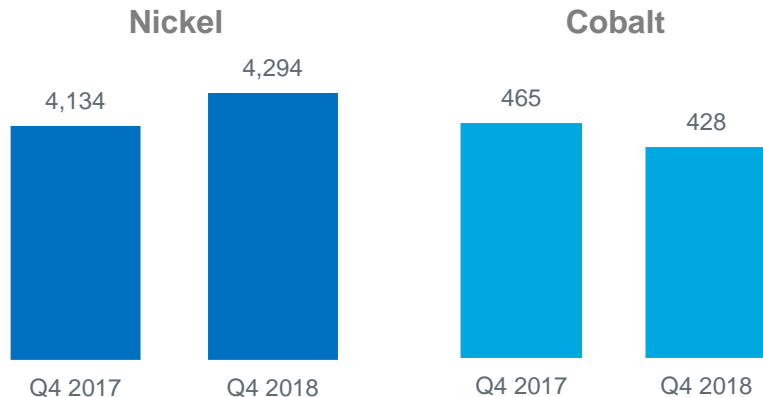
# Safety Update



Safety improvements driven by improving risk awareness and training

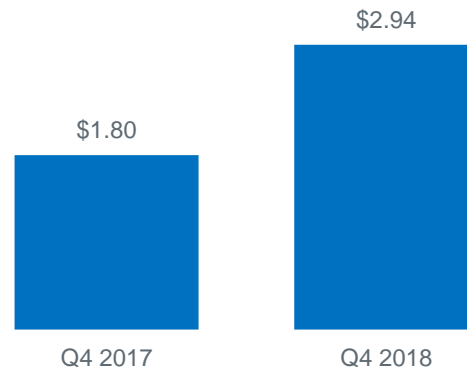
# Metals highlights - Moa JV

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



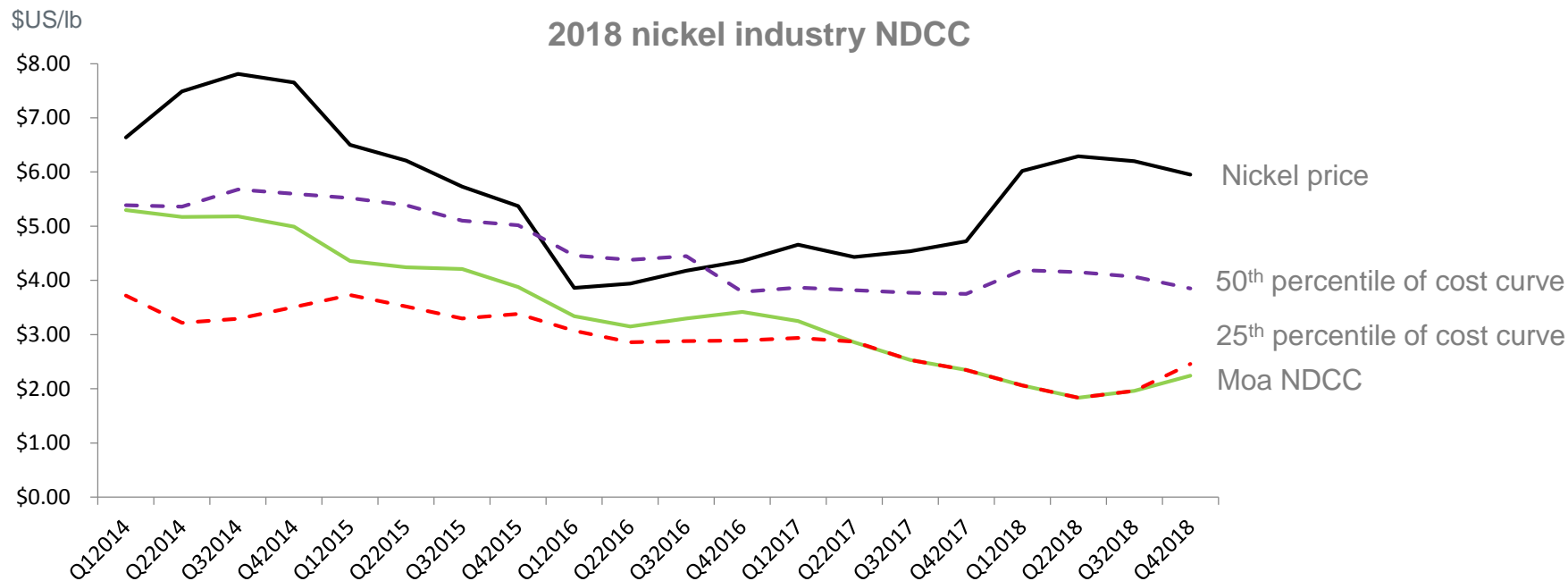
- Production impacted by disruption of H<sub>2</sub>S supply
- Nickel production growth driven by new mining equipment
- Cobalt production declined due to change in feed ratio

## NDCC (US\$/lb)



- Increase driven by higher sulphur and energy costs and lower cobalt sales volume
- NDCC for FY2018 was US\$2.24/lb – ranking it in the lowest cost quartile

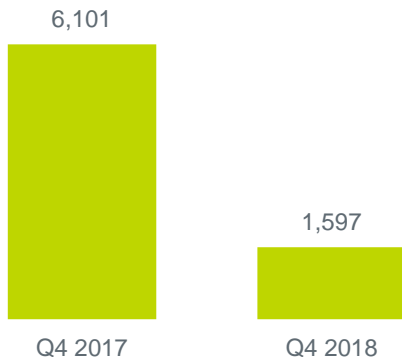
# Moa JV is low cost nickel producer



**Moa JV is the lowest cost HPAL operation in the world**

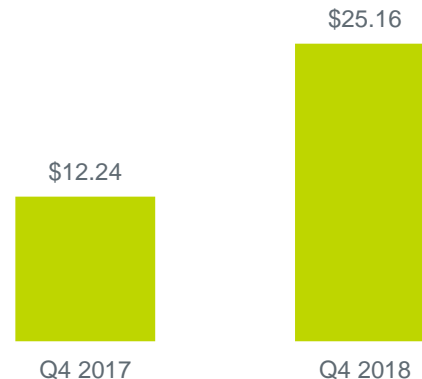
# Oil and Gas highlights

## Oil Production (total NWI, boepd)<sup>1</sup>



- Production decrease due to expiration of Varadero West PSC and natural reservoir decline
- Profit share at PE/Yumuri PSC reduced to 6%

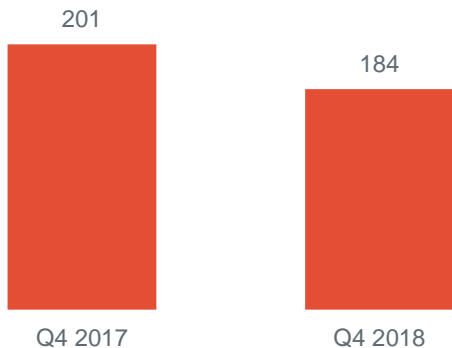
## Unit operating costs (Cuba GWI, \$/bbl)<sup>2</sup>



- Cost increase due to lower production volume
- Costs also negatively impacted by a stronger \$U.S.

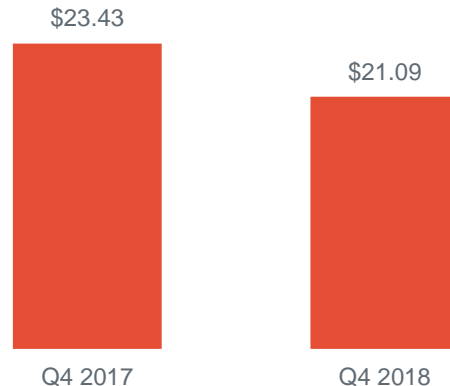
# Power highlights

## Electricity production (331/3%, GWh<sup>1</sup>)



- Production declined due to reduced natural gas supply

## Unit operating costs (\$/MWh<sup>2</sup>)



- Costs declined due to timing of maintenance activities
- Decline offset by a stronger \$U.S





# Financial highlights

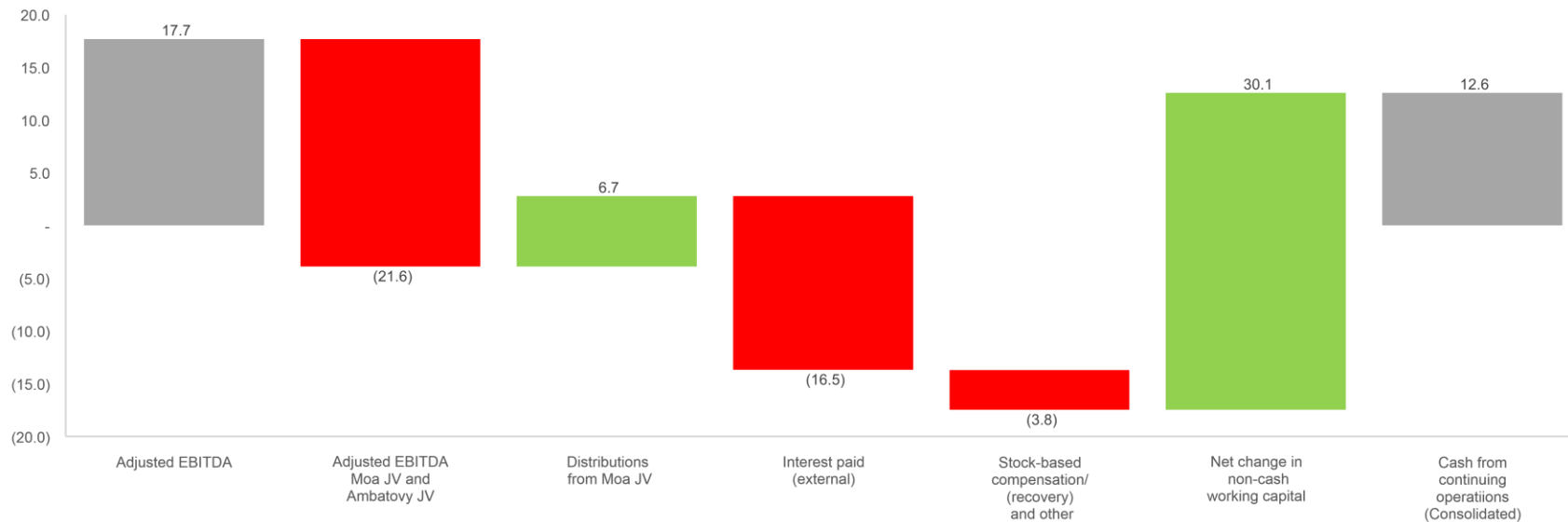
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# Change in consolidated cash in Q4



**\$6.1M reduction in G&A expenses paved the way for higher cash position**

# Adjusted EBITDA<sup>(1)</sup> to cash from operations - Q4 2018



**Cash from operations driven by distributions from the Moa JV and fertilizer sales**

# 2019 guidance summary\*

	Production	Unit Costs	Capital Spend
Moa JV	<ul style="list-style-type: none"><li>• 31,000– 33,000 Ni</li><li>• 3,300– 3,600 Co</li></ul>	<ul style="list-style-type: none"><li>• US\$3.40 - US\$3.90/lb</li></ul>	<ul style="list-style-type: none"><li>• US\$40M</li></ul>
Ambatovy JV	<ul style="list-style-type: none"><li>• 40,000– 45,000 Ni</li><li>• 3,500– 4,000 Co</li></ul>	<ul style="list-style-type: none"><li>• US\$3.80 - US\$4.30/lb</li></ul>	<ul style="list-style-type: none"><li>• US\$10M</li></ul>
Oil & Gas	<ul style="list-style-type: none"><li>• 3,800– 4,100</li></ul>	<ul style="list-style-type: none"><li>• C\$25.00 - \$26.50/bbl</li></ul>	<ul style="list-style-type: none"><li>• US\$21M</li></ul>
Electricity	<ul style="list-style-type: none"><li>• 650 - 700</li></ul>	<ul style="list-style-type: none"><li>• C\$25.25 - \$26.75/MWh</li></ul>	<ul style="list-style-type: none"><li>• US\$1M</li></ul>

**Production and unit costs estimates are based on conservative assumptions**

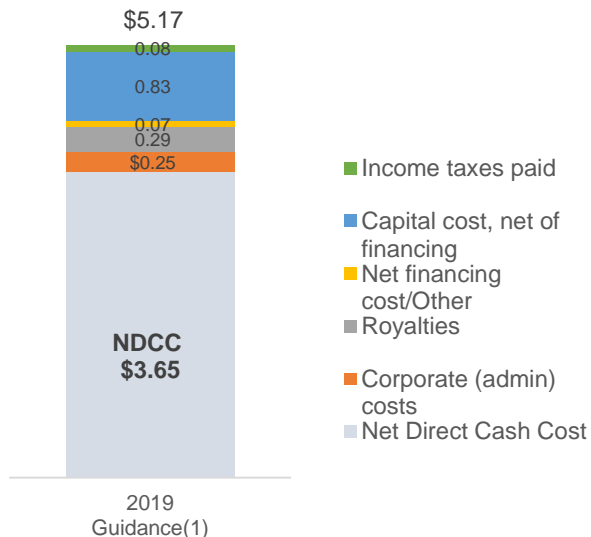
# 2019 capital spend considerations

	Capital spend <sup>(1)</sup>	Purpose
Moa JV	• \$40M	<ul style="list-style-type: none"><li>• New mining equipment</li><li>• Infrastructure</li></ul>
Ambatovy JV	• \$10M	<ul style="list-style-type: none"><li>• Acid plant reliability</li><li>• Process improvements</li></ul>
Oil & Gas	• \$21M	<ul style="list-style-type: none"><li>• Block 10 (\$5.8M)</li><li>• PE/Yumuri (\$7.3M)</li><li>• Equipment certification (\$3.7M)</li><li>• Internal costs and other (\$3.4M)</li></ul>
Power	• \$1M	<ul style="list-style-type: none"><li>• Maintenance</li></ul>

**Prevailing commodity prices will determine timing of capital spend projects**

# 2019 unit cost considerations – Moa JV

Total cost per pound of nickel (US\$/lb)



## Sensitivity

- A US\$5 increase in cobalt reference price results in a US\$0.50 decrease in NDCC
- A US\$20 decrease in the price of sulphur results in a US\$0.10 decrease in NDCC
- Capital and controllable costs will be managed depending on nickel price

**Guidance NDCC based on US\$25/lb cobalt price & US\$170/tn sulphur price<sup>1</sup>**



# Recent developments and outlook

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# Status of scheduled Cuban energy receivables

US\$M	Q4 progress			
	Q3 overdue	Expected/due	Received	Q4 overdue
Oil & Gas receivables	\$44.4	\$6.1	(\$12.8)	\$37.7
Power receivables	\$103.4	\$16.0	(\$4.6)	\$114.8
Total Cuban energy receivables	\$147.8	\$22.1	(\$17.4)	\$152.5

- Plan to address overdue receivables presented to Cuban partners
- Overdue receivables linked to Cuba's foreign currency availability

**Agreement in principle reached on payment plan to reduce overdue receivables**

# Update on Block 10



- Drilling is currently suspended
- Wellbore instability encountered between the upper and lower target reservoir
- 3<sup>rd</sup> party experts are assisting with data analysis and development of new drilling parameters
- Drilling to resume in March pending business case confirmation
- Drilling to make use of casing while drilling
- Completion expected in Q2

**Prudent drilling and capital spending driven by complex geological formation**

**Fort Saskatchewan refinery  
to reach 3B pounds of  
nickel production milestone  
in February**



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## Q&A Discussion



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