

An aerial photograph of a mining operation. Two large dump trucks are visible on a dirt road. One truck is on the left, and the other is on the right, facing away from the camera. Between them is a large pile of material covered in a white tarp. The background shows a dense forest. The image is split diagonally, with the top right portion being white.

# sheritt

THE NAME IN NICKEL

**Noteholder Maturity Extension Information Session**

June 22, 2016

# 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”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, certain expectations for securing additional Production Sharing Contracts in Cuba; capital costs and expenditures; global nickel market supply and demand forecasts; Cuban tax rates in the power business; corporate objectives, goals and plans for 2016; discussions and negotiations with Ambatovy lenders and/or partners; timing and ability to complete a Proposed Transaction.

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 document 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. Neither the Corporation, its management, directors, officers, employees, agents, shareholders or advisors, including Goodmans LLP and National Bank, and their respective affiliates, make any representations or warranties as to the accuracy or reasonableness of any assumptions in any forward-looking statement.

Key factors that may result in material differences between actual results and developments and those contemplated by this document include global economic and market conditions, and business, economic and political conditions in Canada, Cuba, Madagascar, and the principal markets for the Corporation's products. Other such factors include, but are not limited to, uncertainties in the ramp-up and operation of large mining, processing and refining projects; risks related to the availability of capital to undertake capital initiatives; changes in capital cost estimates in respect of the Corporation's capital initiatives; risks associated with the Corporation's joint-venture partners; risk of future non-compliance with financial covenants; potential interruptions in transportation; political, economic and other risks of foreign operations; the Corporation's reliance on key personnel and skilled workers; the possibility of equipment and other unexpected failures; the potential for shortages of equipment and supplies; risks associated with mining, processing and refining activities; uncertainty of gas supply for electrical generation; uncertainties in oil and gas exploration; risks related to foreign exchange controls on Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton legislation; risks related to the Cuban government's and Malagasy government's ability to make certain payments to the Corporation; risks related to exploration and development programs; uncertainties reserve estimates; risks associated with access to reserves and resources; uncertainties in environmental rehabilitation provision estimates; risks related to the Corporation's reliance on partners and significant customers; risks related to the Corporation's corporate structure; foreign exchange and pricing risks; uncertainties in commodity pricing; credit risks; competition in product markets; the Corporation's ability to access markets; 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; risks associated with future acquisitions; uncertainty in the ability of the Corporation to obtain government permits; risks associated with government regulations and environmental, health and safety matters; uncertainties in growth management; interest rate risk; risks related to political or social unrest or change and those in respect of community relations; risks associated with rights and title claims; 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 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 paragraphs and the risk factors described in this document and in the Corporation's other documents filed with the Canadian securities authorities including, but not limited to, the Corporation's Annual Information Form for the year ended December 31, 2015 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 document 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, combined adjusted operating cash flow per share and combined free cash flow, 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. For additional information, including a reconciliation of each non-GAAP measures to the most directly comparable GAAP measure, see the Non-GAAP measures section in our Management's Discussion and Analysis (MD&A) for the three months ended March 31, 2016 available on our website at [www.sherritt.com](http://www.sherritt.com).



David Pathe, President and CEO (L) & Dean Chambers, EVP  
and CFO (R)

sherritt





# Sherritt Overview

- Two fully integrated, LME quality HPAL nickel operations, which delivered 80,976 tonnes finished nickel in 2015
- Cuban oil production of 18,257 bopd (GWI) in 2015
- Cuban power generation business that creates steady cash flow
- Market cap \$235 million with \$369.9 million cash, and \$921 million recourse debt <sup>(1)</sup>

(1) As of 03/31/2016

## Situation Overview

- Nickel and oil prices reached 12-year lows in Q1 2016 with limited visibility on timing of a recovery
- Capital structure is highly levered in current market environment
- Negative current operating cash flow; enhanced stability will increase operational flexibility
- Sherritt well-positioned when turnaround occurs with proven management team and high quality assets

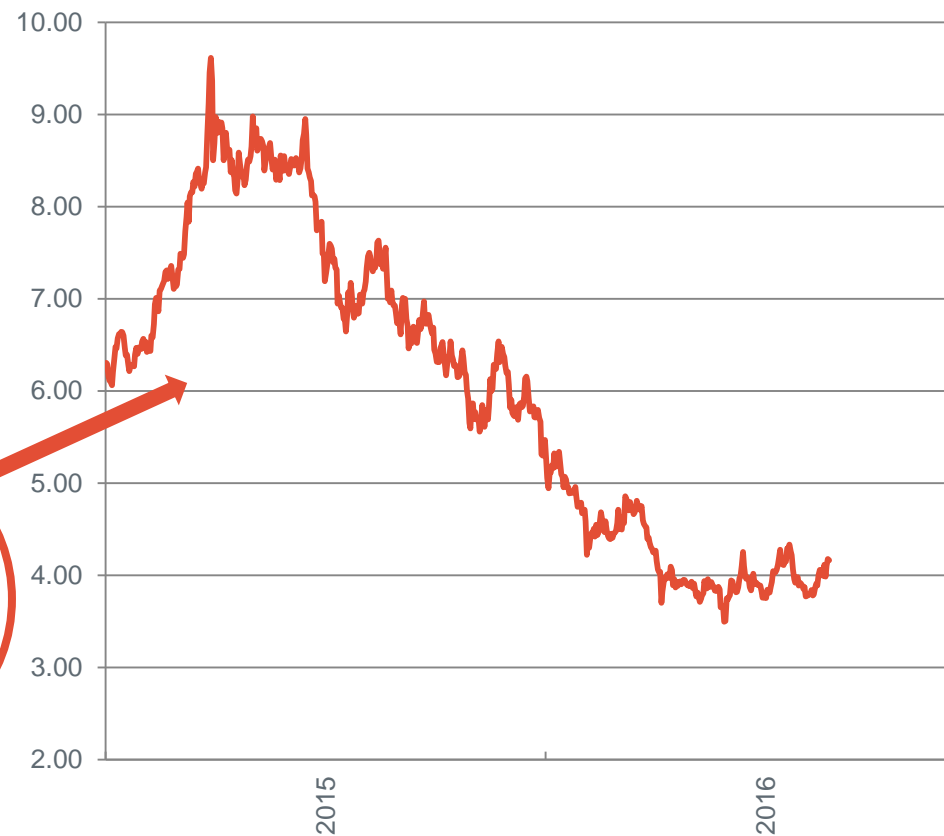
**With First Notes due in 2018, Now is the Time to  
Initiate a Recapitalization to Stabilize and Preserve Liquidity**

# Nickel – the most volatile base metal

**sheritt**



Nickel (\$/lb) 10 years



Nickel (\$/lb) 2 years

## Terms of the Offer to Noteholders

- In exchange for voting in favour of the Plan of Arrangement to extend the maturities of each series by three years, noteholders of record on June 15, 2016 that vote in favour and file an election by July 19, 2016 have the option to receive either:
  - 2% cash consent fee; or
  - 73.25 warrants for each \$1,000 of principal amount of Notes held on June 15, 2016; warrants are CDS eligible, will have a term of 5 years, are not expected to be listed on any exchange and have an exercise price of \$0.74 per share (equal to the 5-day volume weighted average trading price as at May 30, 2016)
- Will be implemented by way of Canada Business Corporations Act (“CBCA”) Plan of Arrangement

**Management and the Board of Directors Believe the Proposed Transaction is in the Best Interests of the Company and its Stakeholders**

## Transaction Benefits

- Extension of maturities enhances ability to repay all series of notes in full at maturity and creates stability
- Enhances ability to restructure its significant investment in Ambatovy
- Provides cash or equity consent consideration at the option of the Noteholder
- Provides an equitable solution across all series of Notes



# Timeline and Process

June 2016						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

  Denotes Key Dates  
  Denotes Holiday

July 2016						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

<b>Record Date:</b>	June 15
<b>Mailing of Materials:</b>	June 21
<b>Consent Date:</b>	July 19
<b>Noteholder Meeting to vote on Transaction:</b>	July 25
<b>CBCA Approval Hearing:</b>	July 27
<b>Implement Transaction:</b>	July 28

# Executing on our Strategic Priorities



## Focusing On Core Nickel Business

Acid plant on track to complete in Q2 with full operation in Q3

Q1 NDCC down 24% vs. Q1 2015

2016 Guidance on track

Environmental, Health, Safety & Sustainability Performance on track



## Extending The Life Of Cuban Energy Business

Capital allocation reduced in Q1, results from first well (Q3-4) will dictate next steps

Pipeline to deliver increased gas supply to our power operations



## Maintaining Strong Balance Sheet And Reducing Costs

End Q1 with \$370 million cash on hand after \$45 million repayment of credit facilities

Ceased funding Ambatovy cash calls due to the “40 for 12” issue

Project debt lenders agree to defer first principal repayment June 15 2016; conversations with lenders and partners continue



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