



**sherritt**

THE NAME IN NICKEL

**Investor presentation**

October 2017

# 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 “Outlook” sections of this presentation and certain expectations about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding the partnership structure and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; completion of development and exploration wells; and amounts of certain joint venture 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 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 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 presentation 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 presentation 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 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.

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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.



**Electric vehicles start with nickel and cobalt**

## Auto industry is undergoing dramatic changes

# 54%

Of all new vehicles  
will be electric by  
2040\*

Demand driven by:

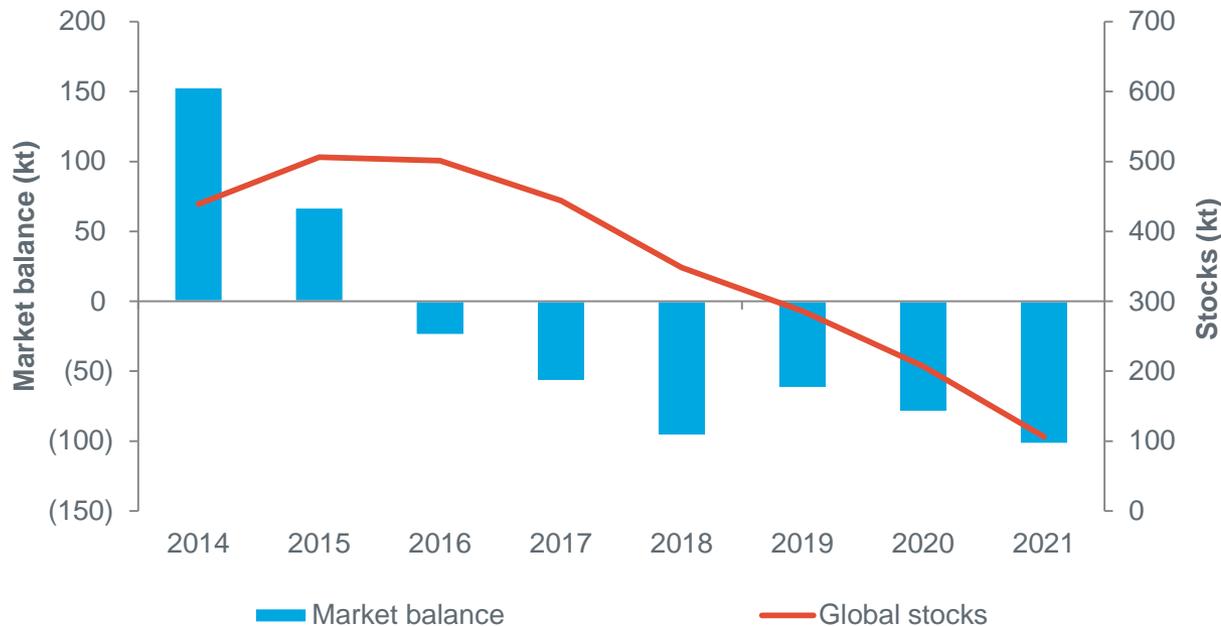
- Reduced emissions requirements
- Coming bans on fossil fuel cars
- Production quotas in China
- Vehicle affordability & reliability
- Increased energy storage capacity

**EV revolution will increase demand for nickel by 38% by 2025**

\*Source: Bloomberg New Energy Finance, UBS

# Nickel supply deficit is looming

Nickel market balance



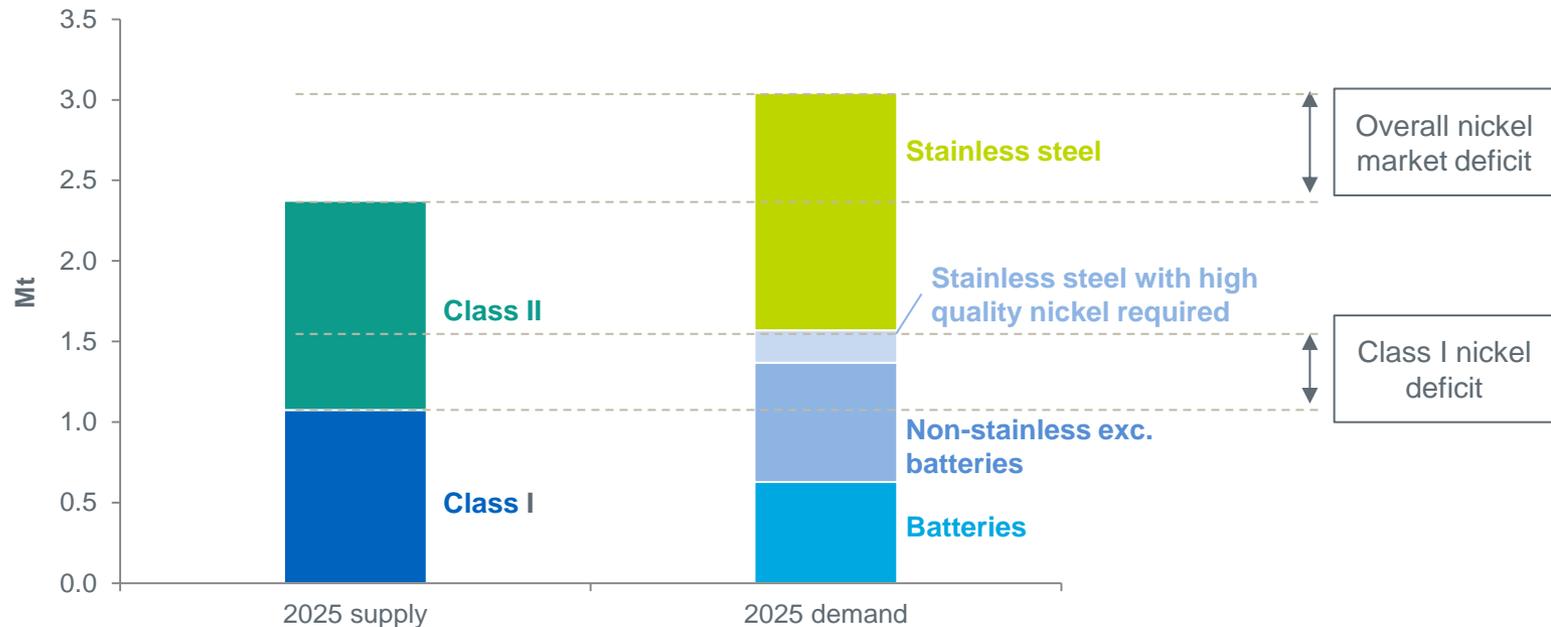
- Demand is tied to battery requirements
- Nickel is a key component for battery cathodes

**Expected to drive higher nickel prices**

Source: UBS

# Shortage of Class I nickel is expected in 2025

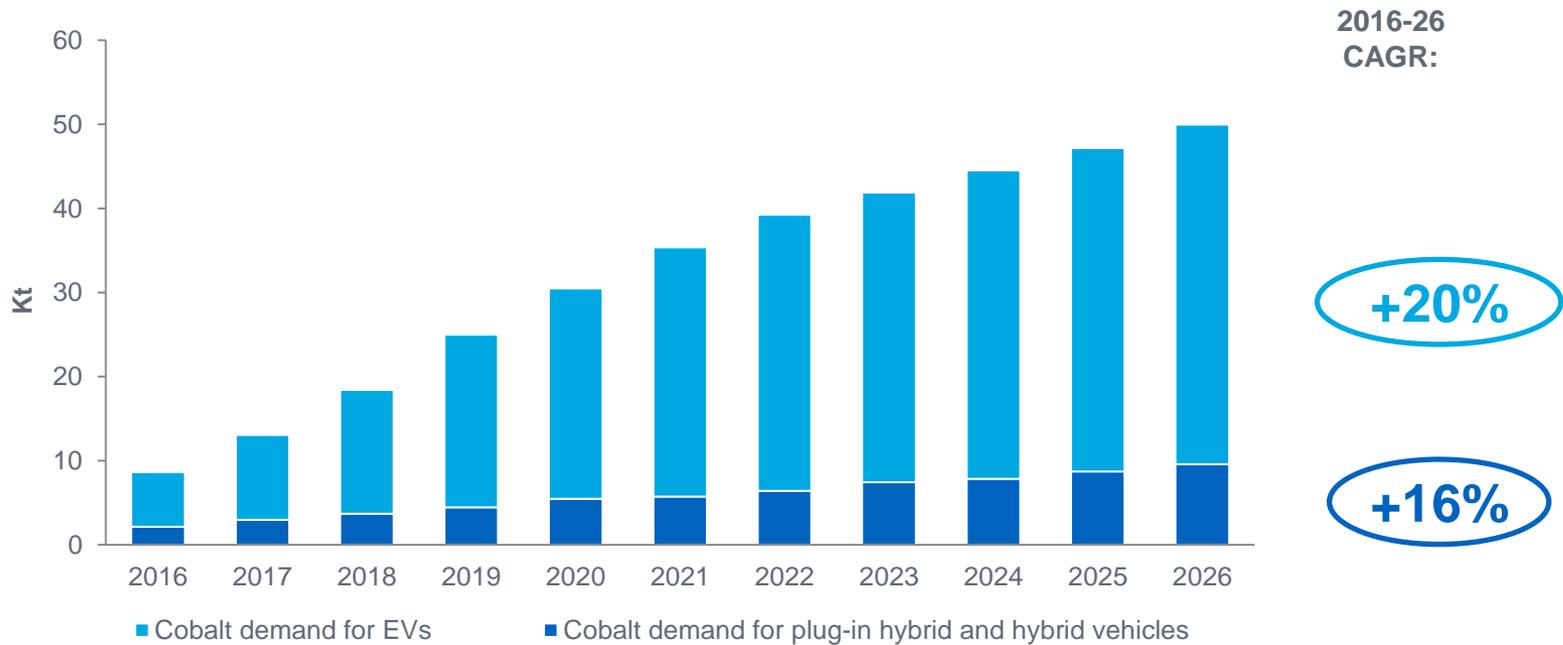
Nickel market balance in 2025



High quality nickel is required for EV batteries and Sherritt produces 100% Class I nickel

# Electric vehicles also driving cobalt demand

Cobalt demand from electric vehicles

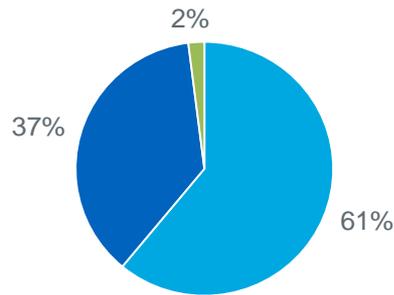


**Cobalt prices increased +85% YTD**

Source: CRU

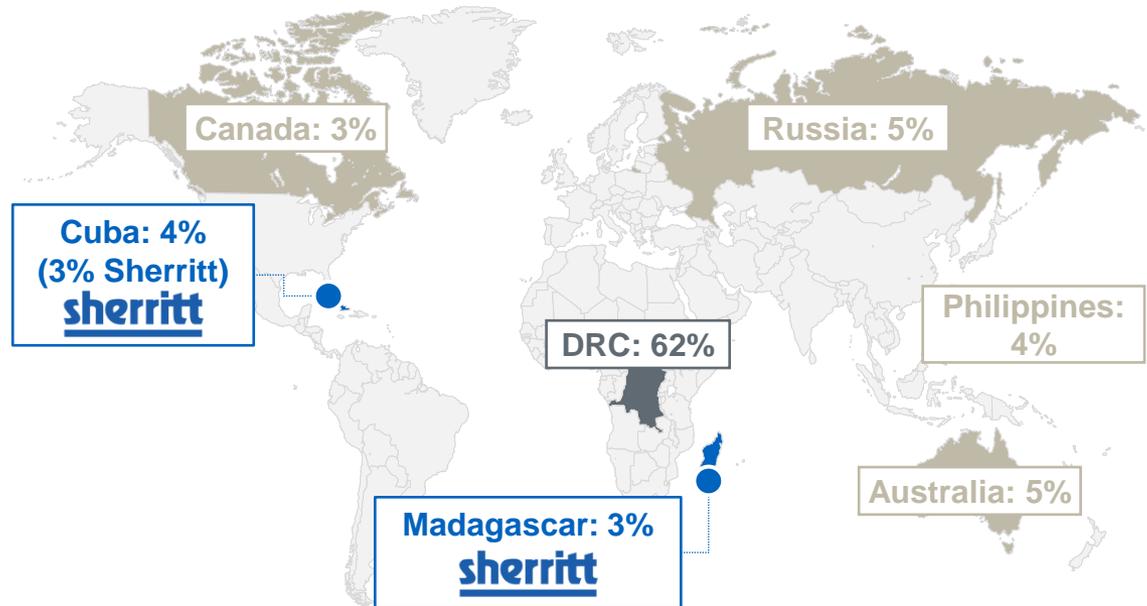
# Cobalt supply also marked by jurisdictional risk

Cobalt sources



- Copper mines by-product
- Nickel mines by-product
- Primary cobalt mines

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



Sherritt offers high purity cobalt and low risk

Source: CRU, Sherritt



# Sherritt is well positioned to capitalize on growing nickel and cobalt demand

**sherritt**

**1**

**Low cost; high purity producer**

**2**

**2 long-life assets in mining friendly jurisdictions**

**3**

**Innovative technology and processing capabilities**

**4**

**Highest cobalt to nickel production ratio**



**A 90 year track record with unique operating capabilities**

# Sherritt's production and processing capabilities



## Moa JV

50%



- 50/50 partnership with Cuba
- Mining and processing refining of nickel and cobalt from lateric ore bodies in

## Fort Site

100%



- Refining of Moa and other mixed sulphides completed in Alberta
- Includes fertilizer business, utilities and storage facilities

## Ambatovy

40%

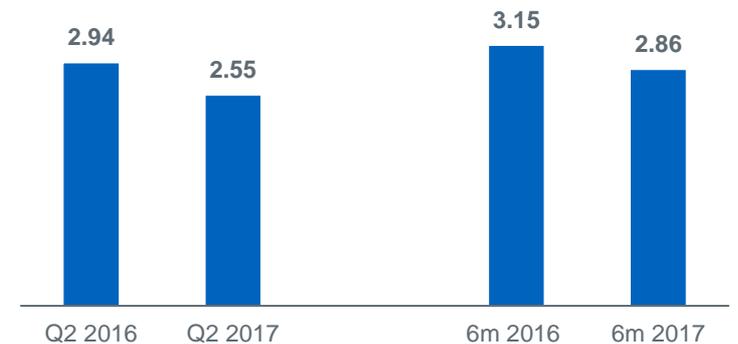


- Joint venture with Sumitomo and Kores
- Mining, processing and refining of nickel and cobalt from lateric ore bodies in Madagascar

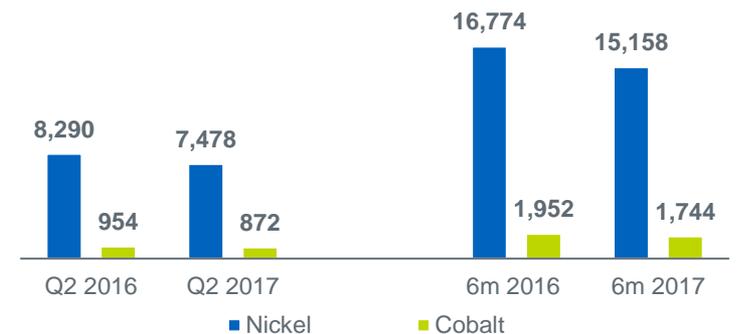
# Moa JV and Fort Site - Collaborative production

- A vertically integrated mining, processing and refining enterprise:
  - 60+ years HPAL experience at Moa
  - Class I refinery at Fort Site
- Lowest cost HPAL asset globally
- 15 years of proven reserve life
- Fort Site brings innovative technologies and processing capabilities
- Cash flow positive on an annual basis at most points in the nickel cycle

Unit operating costs (US\$/lb)



Production (100%, tonnes)

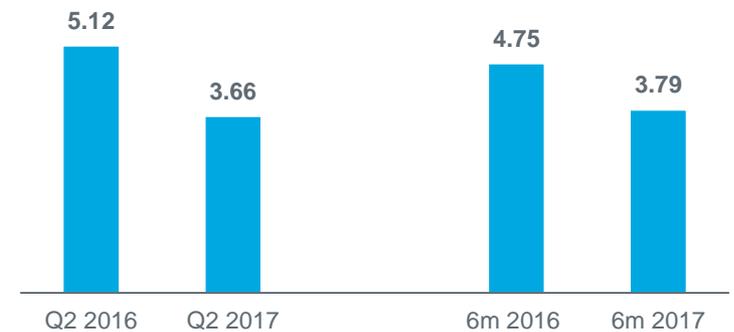


## Steady and profitable production

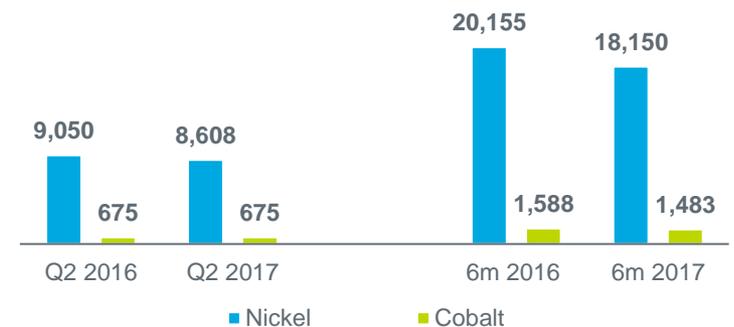
# Ambatovy - A long life asset

- World's largest finished nickel laterite project
- 25+ years mine life remaining
- LME specification nickel and cobalt
- Agreement in principle announced in May to restructure joint-venture

Unit operating costs (US\$/lb)



Production (100%, tonnes)



**Restructuring of Ambatovy JV will result in \$1.4B debt reduction**

# Cash cost drivers for Moa and Ambatovy

## Moa

### NDCC

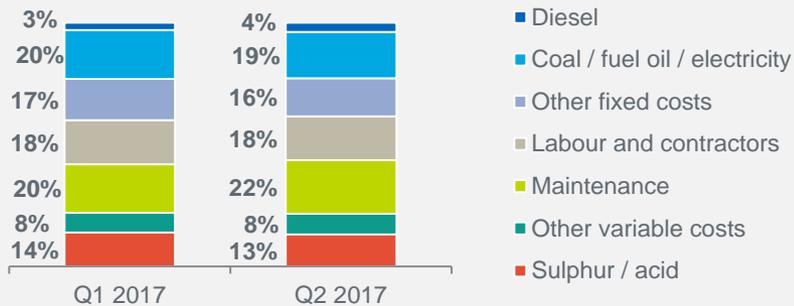
Q1 2017: US\$3.25/lb

Q2 2017: US\$2.55/lb

2017e: US\$2.80-3.30/lb



### Mining, processing and refining costs



### By-product credits



## Ambatovy

### NDCC

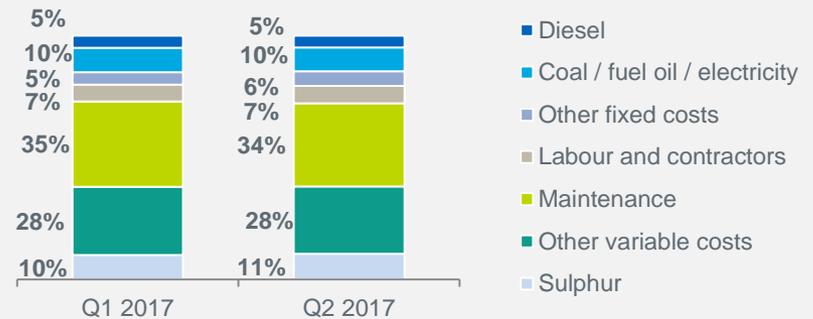
Q1 2017: US\$3.93/lb

Q2 2017: US\$3.66/lb

2017e: US\$3.10-3.40/lb



### Mining, processing and refining costs

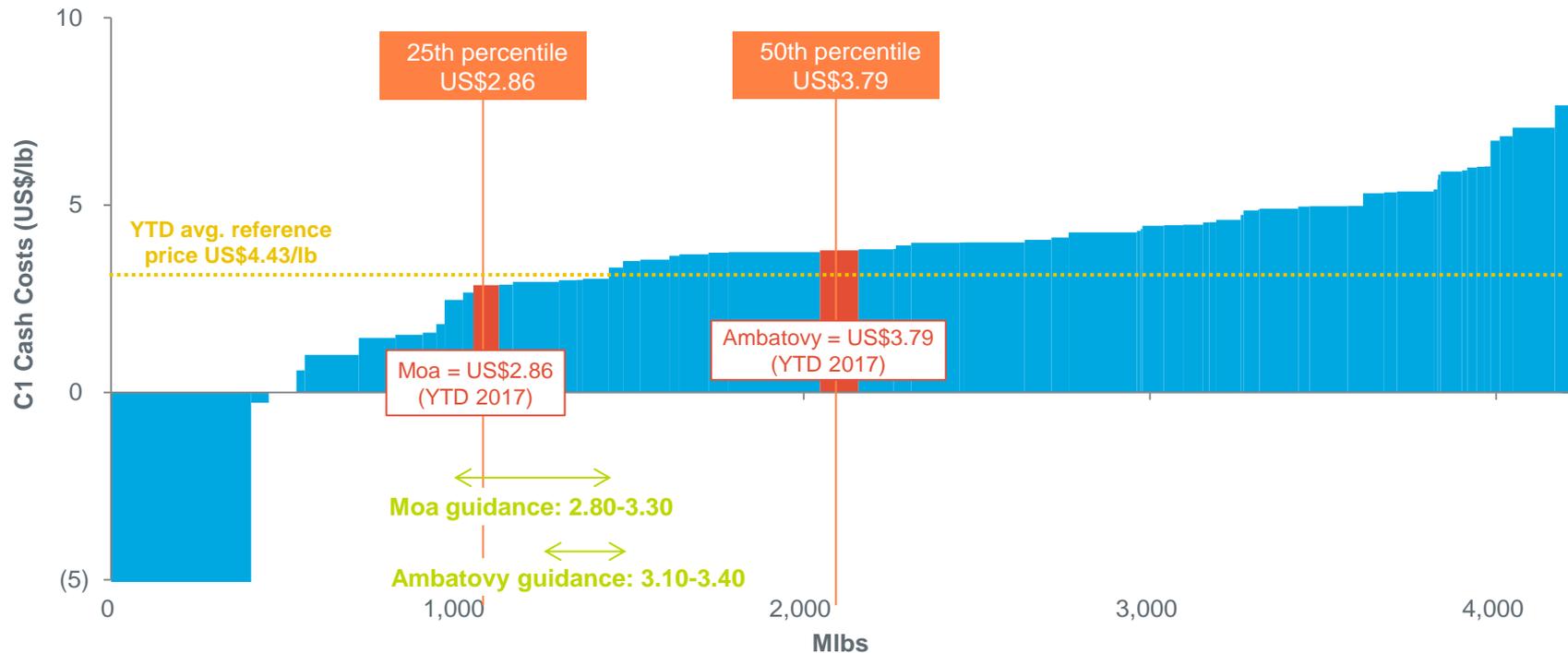


### By-product credits



# Sherritt is a low cost nickel producer

## 2017 Nickel industry NDCC

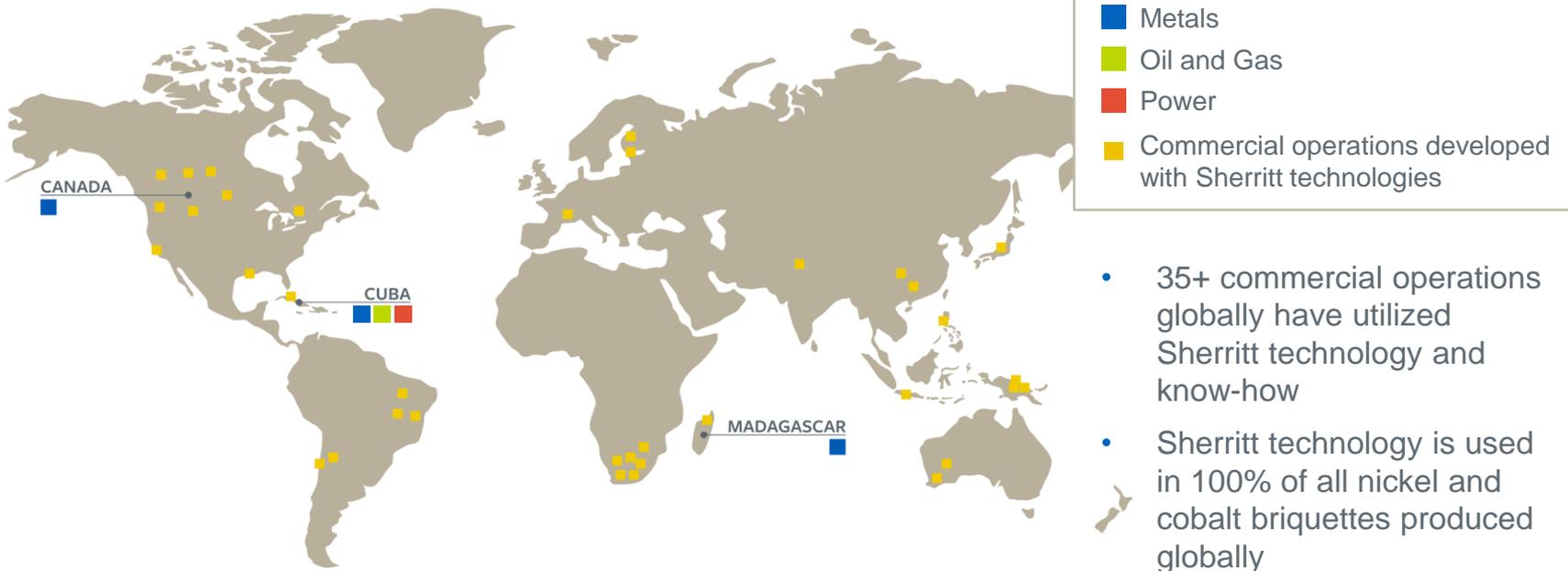


**Moa is ranked in lowest cost quartile**

Source: Wood Mackenzie, Dataset: Q2 2017

# Sherritt's complementary operations

## Global operations



## Energy assets provide optionality



**Sherritt is Cuba's largest independent oil producer  
and most efficient power producer**

# Energy operations provide strong EBITDA contributions

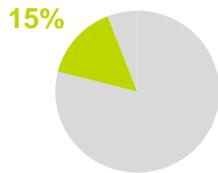
## Oil & Gas

- 8,848 boepd (NWI) / 14,877 bopd (GWI - Cuba) produced on average in the first 6 months of 2017

## Power

- 437 GWh generated in the first 6 months of 2017

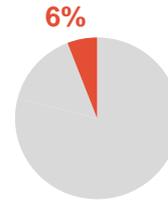
### YTD Performance as of June 30, 2017<sup>(1)(2)</sup>



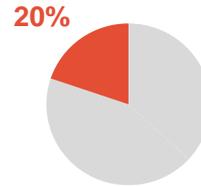
Total Revenue



Total Adj. EBITDA



Total Revenue



Total Adj. EBITDA



# Oil and Gas Operations

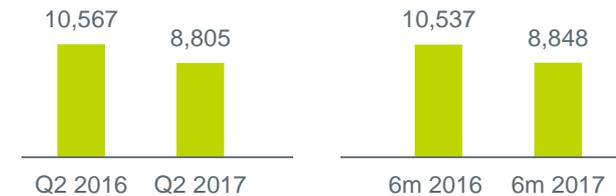
## Largest independent oil producer in Cuba

- 20+ year history in the country
- 209 wells drilled since 1992, 86% found oil
- Approximately 676,000 m drilled since 1992
- > 210 million barrels produced
- Q2 2017 production of 8,010 bopd (NWI)
- Vertically integrated, own and operate 2 rigs

## Strong contribution to adjusted EBITDA

- Low unit operating costs
- Benchmark realized prices to Gulf Coast Fuel Oil No. 6
- Gulf Coast Fuel No. 6 price is almost equal to WTI

## Total production (NWI, boepd)



## Cuba unit operating costs (\$/bbl)

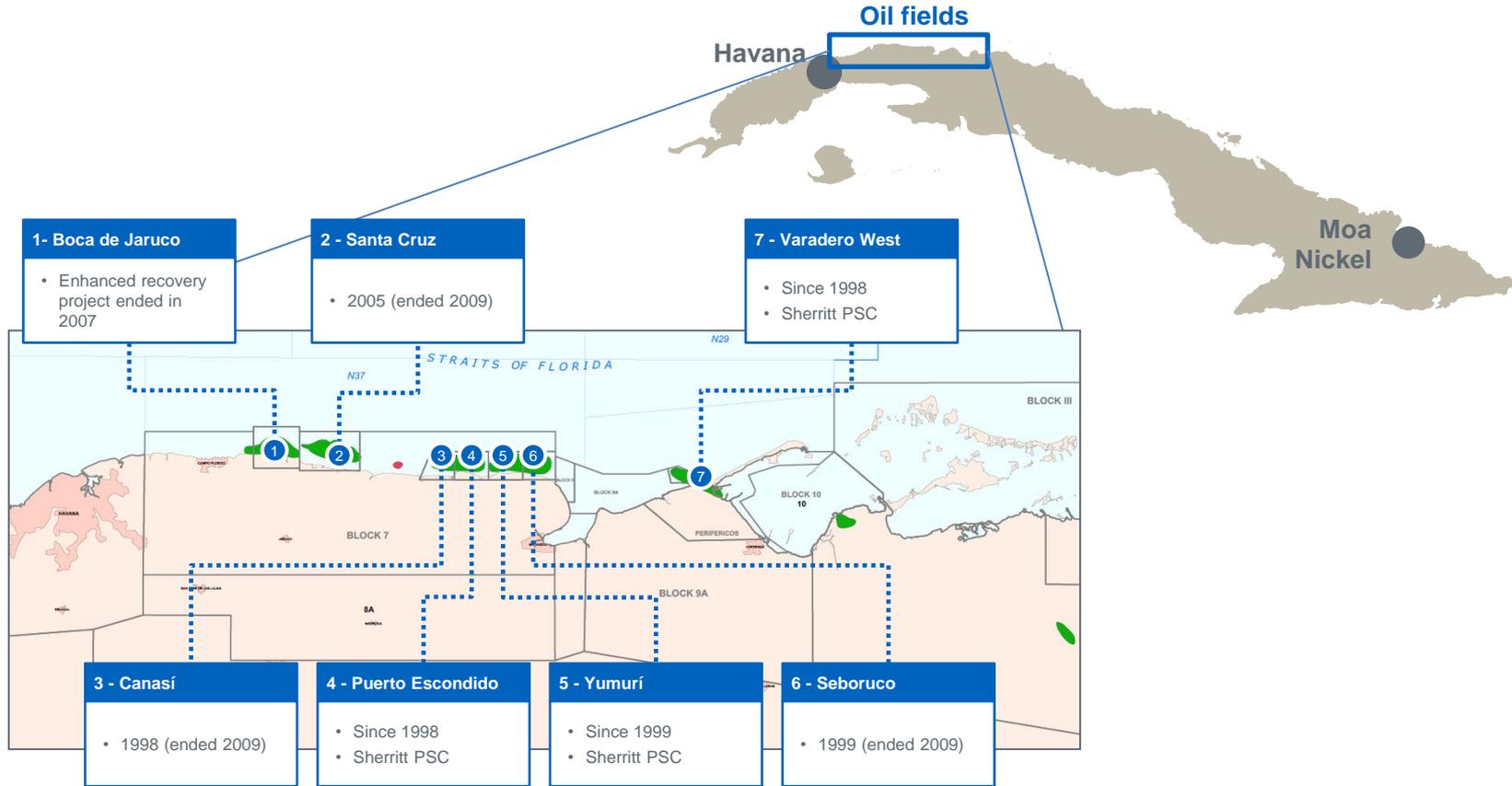


## Capital expenditure (\$ M)



**New drilling on Block 10 is targeting a new 20 year reservoir**

# Sherritt has played a major role in Cuba's oil discoveries



**Block 10 drill results expected in Q4**

# Power

## Largest independent power producer in Cuba

- Sherritt Power operates in Cuba through its 33<sup>1/3</sup>% interest in Energas S.A.
- Aggregate net power capacity of 506MW with 3 facilities: Varadero West, Puerto Escondido and Boca de Jaruco
- New pipeline to the Puerto Escondido facility is now operational

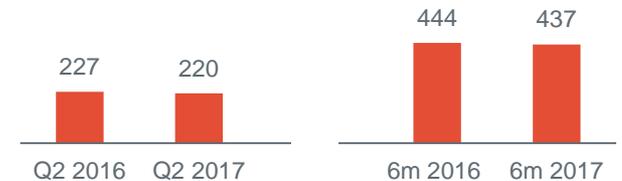
## Strong adjusted cash flow generation

- Conditional sales agreement: loan to be repaid by Energas (\$199M as at June 30, 2017; 8% annual interest rate)
- Limited capital expenditure

## Potential upside

- Cuba's cleanest power, in a country where power consumption is growing

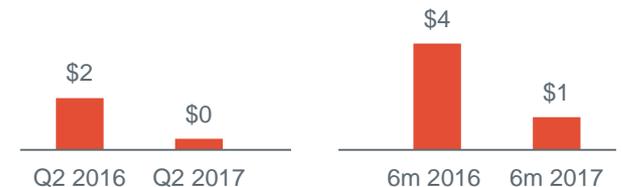
### Power generation (33<sup>1/3</sup>% basis, GWh)



### Unit operating costs (\$/MWh)



### Capital expenditure (\$ M)<sup>(1)</sup>



**Resilient cash flow generation from operations + loan repayment**



**Recent balance sheet initiatives**

# 1. Ambatovy joint venture restructuring

## Rationale

- \$1.4 billion in debt to be eliminated from Sherritt's balance sheet
- Sherritt to retain 12% of total project equity and subordinated loans advanced to Ambatovy
- Sherritt to remain as operator until at least 2024

## Estimated costs

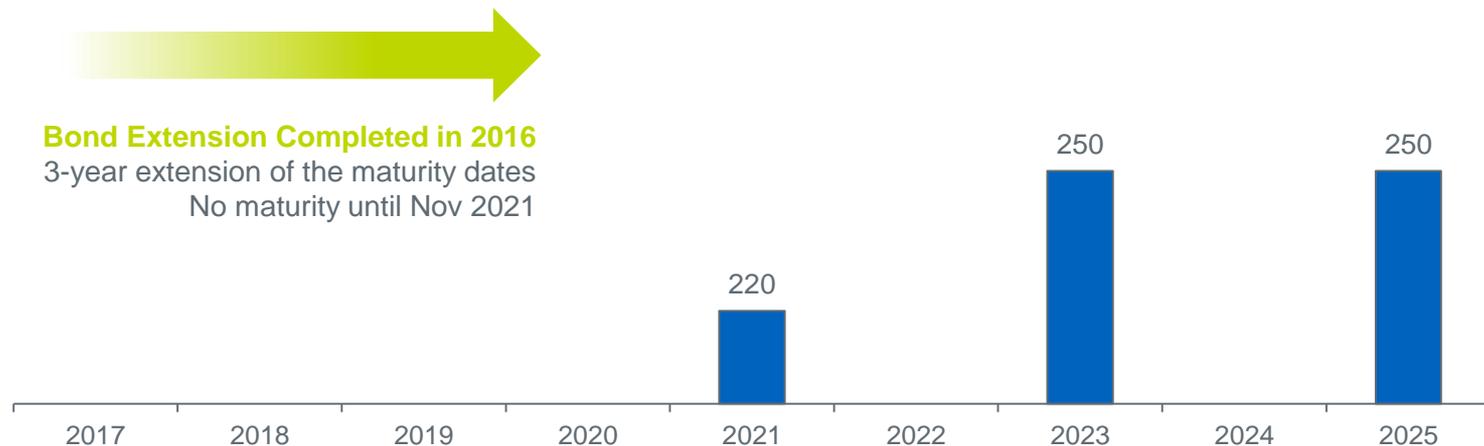
- At closing, Sherritt will pay approximately US\$30 million to satisfy 12% of Ambatovy funding since December 2015, including accrued interest
- Additional payment of US\$18 million will be placed into an escrow account to cover potential future funding requirements. This will eliminate the liability relating to Sherritt's portion of unfunded cash calls
- Transaction fees and other closing costs still to be finalized

## 2. Extension of Sherritt's bonds to Q4 2021

### Liquidity Strategy

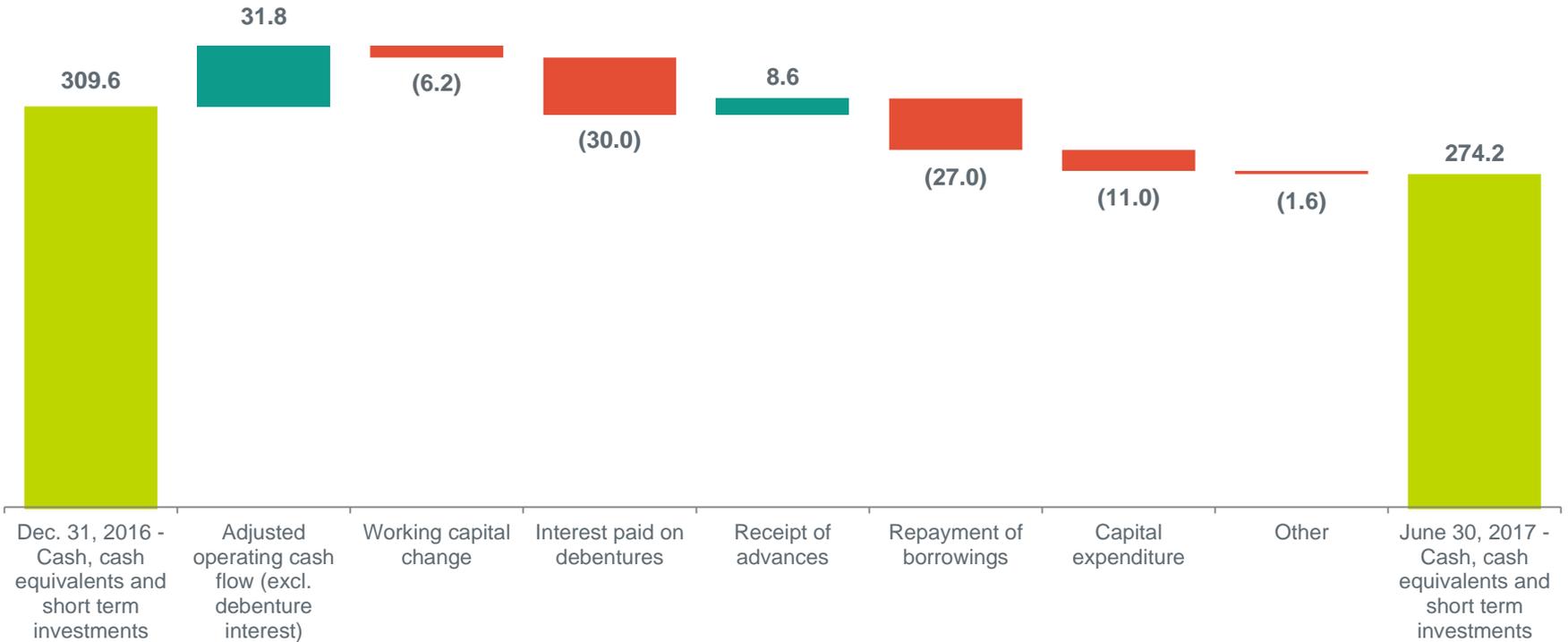
- Q2 2017 liquidity: \$274 million cash and short -term investments
- Operate Metals and Power businesses to be free cash flow neutral or better

### Debenture/Notes Maturity Schedule (\$ M)



# Balance sheet cash from Dec. 31, 2016 to June 30, 2017

In million of dollars



## Upcoming catalysts

**1**

**Restructuring of Ambatovy JV – Q3/Q4 2017**

**2**

**Block 10 drill results – Q4 2017**

## Key investment highlights

**1**

**Sherritt is a low cost; high purity nickel and cobalt producer**

**2**

**Energy assets provide optionality and steady cash flow**

**3**

**Balance sheet initiatives strengthen positioning**

**4**

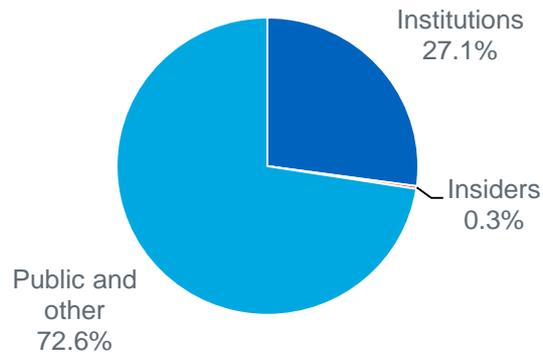
**Block 10 drill results and oil production lease extension provide upside potential**



## Appendix

# Capital structure

## Ownership structure



- Top holders: Foyston, Gordon & Payne; Dimensional Fund Advisors

## Key facts

### Prices

Shares outstanding	c. 295 million
Share price 52-week (low / high):	\$0.74 - \$1.67

### Analyst coverage

National Bank	Don DeMarco
Paradigm Capital	David Davidson
Scotiabank	Orest Wowkodaw
TD Securities	Greg Barnes

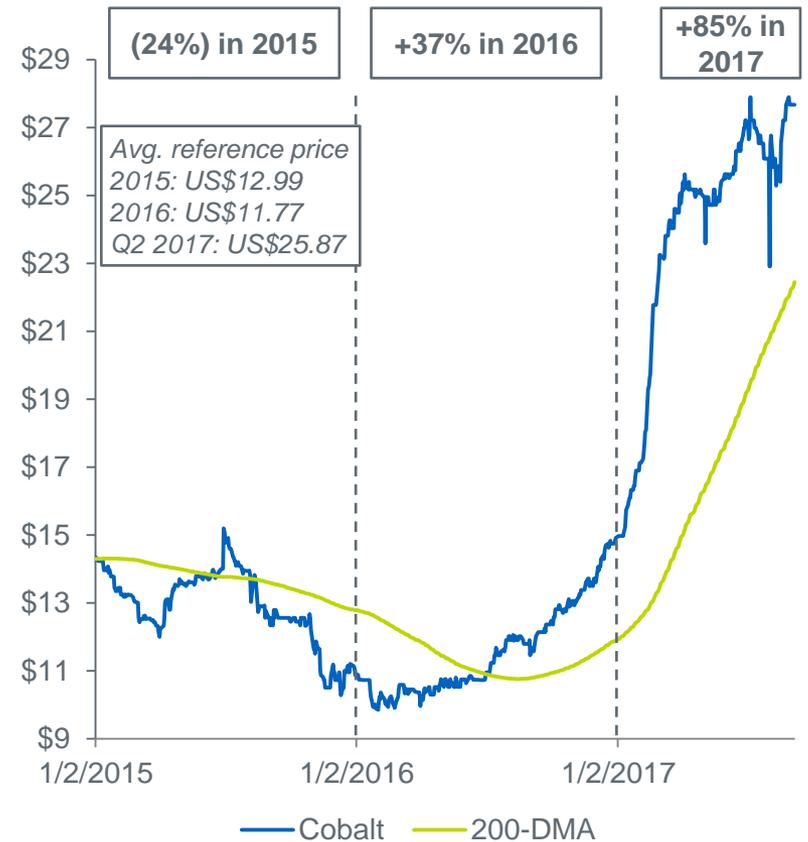
Source: S&P CIQ

# The nickel and cobalt price trends from 2015 to date

### Nickel vs. 200-Day Moving Average (DMA)



### Cobalt vs. 200-Day Moving Average (DMA)



# Cobalt in selected consumer goods

iPhone 7



10g

Tablet



35g

Laptop



40g

## Hybrid vehicle

Toyota Prius



<1kg

## Electric vehicles

Chevrolet Bolt



13kg

Tesla Model X

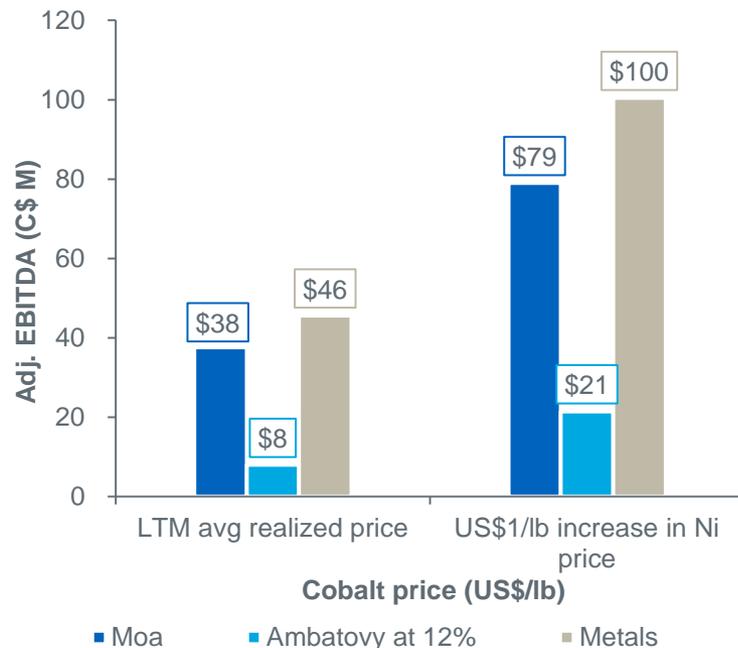


15kg

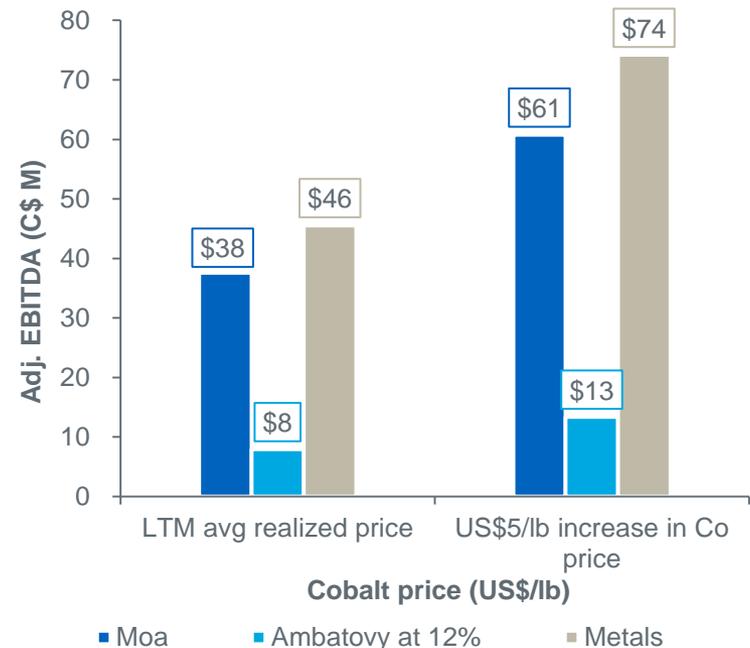
Consumers of cobalt should be able to manage higher prices as the price of cobalt has little effect on the end-product price

# Sensitivity to nickel and cobalt prices

LTM Adj. EBITDA sensitivity to nickel prices<sup>(1)</sup>

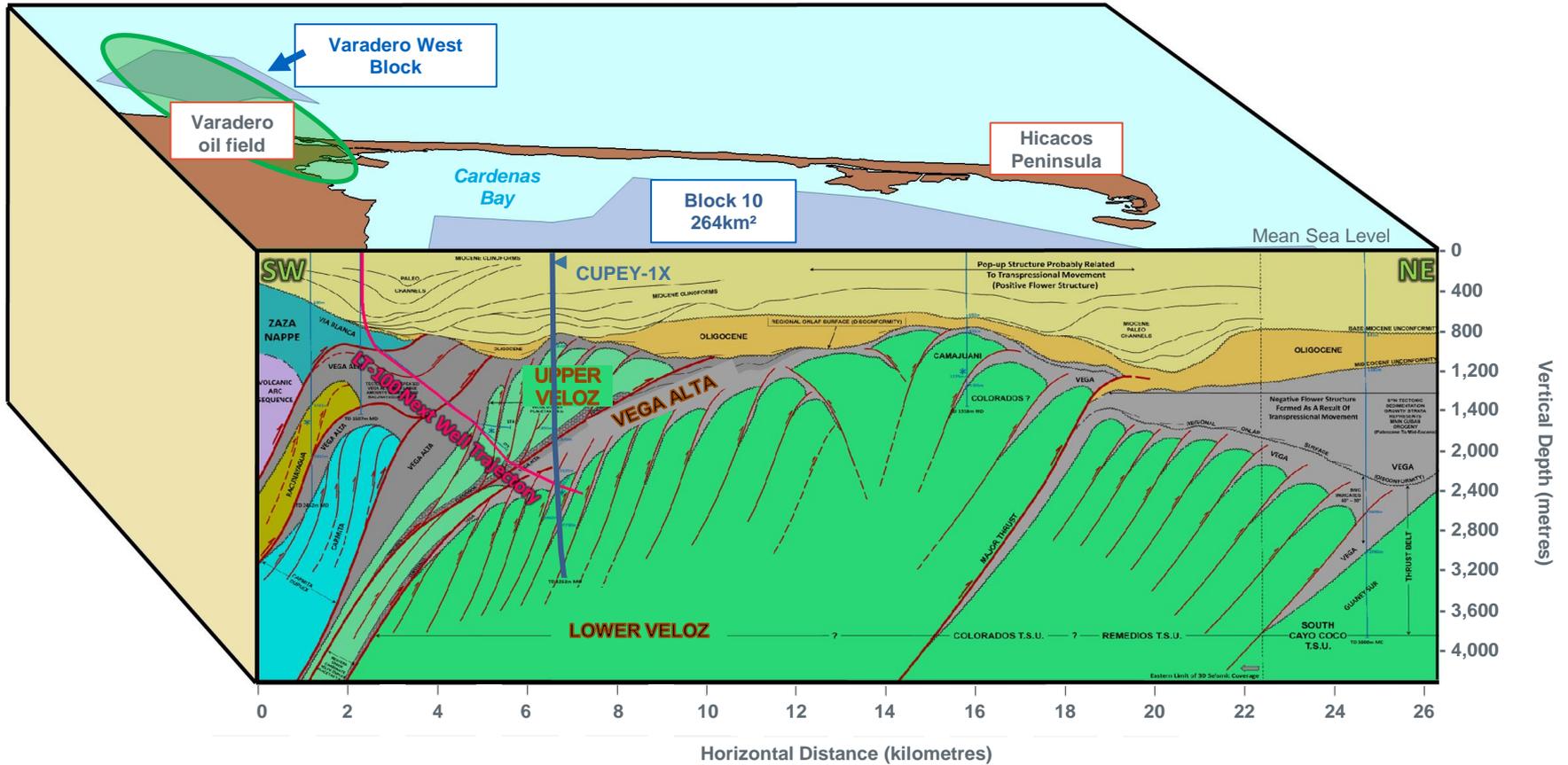


LTM Adj. EBITDA sensitivity to cobalt prices<sup>(2)</sup>

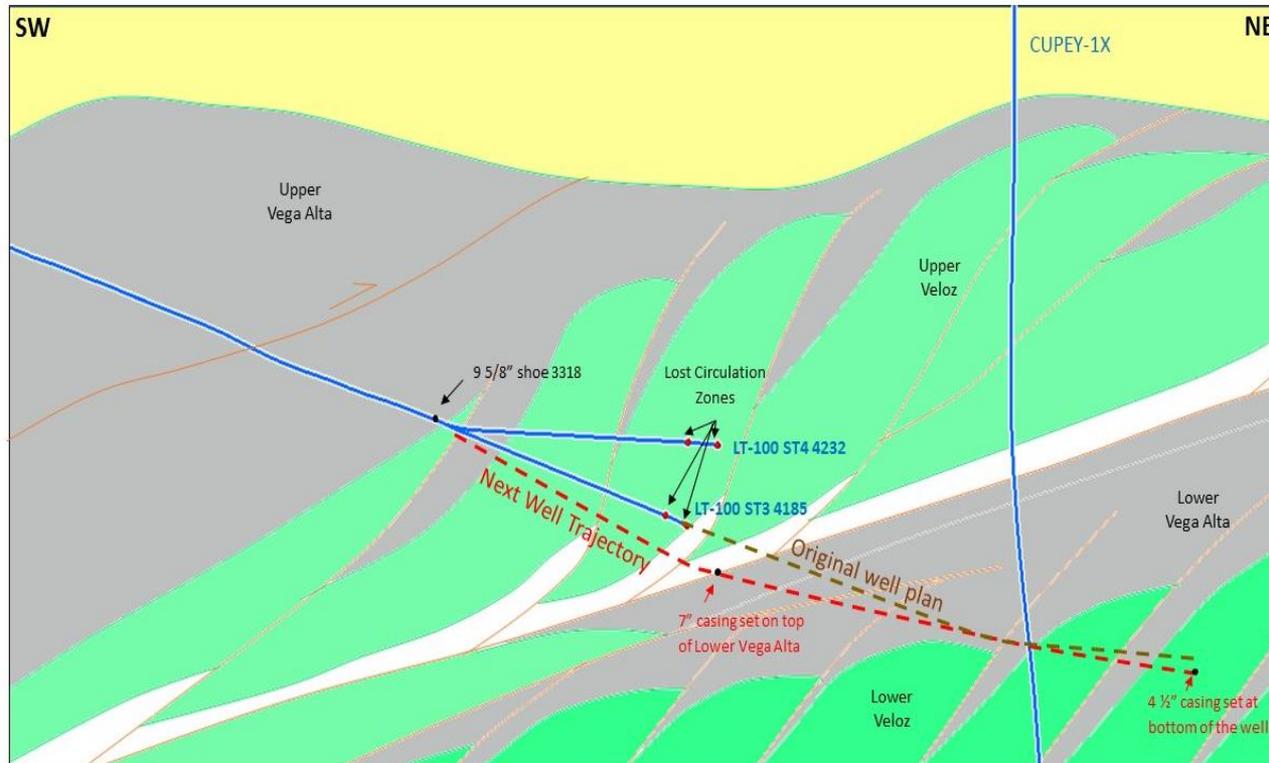


**A US\$1/lb change in the nickel price equals a US\$9/lb cash change in the cobalt price at Moa and a US\$12/lb change at Ambatovy**

# Overview of Block 10



# Block 10 - Second well trajectory



Second well to be drilled results expected by the end of the year

# Updated guidance

	2017 YTD	Revised 2017 guidance
<b>Production volumes</b>		
Nickel, finished (tonnes, 100% basis)		
Moa Joint Venture	15,158	31,500-32,500
Ambatovy Joint Venture	18,150	40,000-43,000
Total	33,308	71,500-75,500
Cobalt, finished (tonnes, 100% basis)		
Moa Joint Venture	1,744	3,500-3,800
Ambatovy Joint Venture	1,483	3,600-3,900
Total	3,227	7,100-7,700
Oil – Cuba (GWI, bopd)	14,877	11,500-12,500
Oil and Gas – All operations (NWI, boepd)	8,848	6,400-7,000
Electricity (GWh, 33 <sup>1/3</sup> % basis)	437	850-900
<b>Unit operating costs</b>		
NDCC (US\$/lb)		
Moa Joint Venture	2.86	2.80-3.30
Ambatovy Joint Venture	3.79	3.10-3.40
Total	3.32	2.95-3.35
Oil and Gas – Cuba (unit operating costs, \$/barrel)	9.29	11.00-12.00
Electricity (unit operating costs, \$/MWh)	18.68	18.75-19.50
<b>Capex (US\$M, C\$M)</b>		
Metals – Moa JV (50% basis), Fort Site (100% basis)	US\$8 (C\$10)	US\$28 (C\$38)
Metals – Ambatovy JV (40% basis)	US\$16 (C\$21)	US\$45 (C\$61)
Oil and Gas	US\$4 (C\$5)	US\$35 (C\$47)
Power (33 <sup>1/3</sup> % basis)	US\$1 (C\$1)	US\$1 (C\$2)
Total capex	US\$28 (C\$37)	US\$109 (C\$148)

# Nickel content increases as battery chemistry migrates from the current ratio towards 8:1:1

Cathode	Nickel Content (%)	Cobalt Content (%)	Cobalt g/Wh	Nickel g/Wh
LCO (used in portable electronic devices)	0.0%	60.2%	1.15	0.00
NMC (1:1:1)	20.2%	20.3%	0.45	0.45
NMC (4:4:2)	24.4%	12.3%	0.30	0.00
NMC (5:3:2)	32.8%	13.1%	0.30	0.82
NMC (6:2:2)	39.1%	13.1%	0.26	0.75
NMC (8:1:1)	52.0%	6.5%	0.11	0.88
NCA	48.9%	9.2%	0.16	0.85

Source: CRU

## Mining friendly jurisdictions

### Cuba



- +20 year successful partnership between Sherritt and the Cuban Government
- Sherritt is the largest foreign investors in the country

### Madagascar



- Diplomatic relations with international community restored and foreign aid resumed
- Key achievement in June with IMF financial support agreement in 2014
- Developed constructive relationships with governmental bodies



**sherritt**

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