



# Q4 Earnings Call

Review of Financial and  
Operational Results

February 11, 2021



# 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 2021 guidance slide 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; the impact of COVID-19; anticipated payments of outstanding receivables; 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 and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments redemptions and deferrals; 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, the impact of the COVID-19 pandemic, 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; the risk to Sherritt's entitlements to future distributions from the Moa Joint Venture; 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 partner; variability in production at Sherritt's operations in Cuba; 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, including diesel; supplies quality issues; 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 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; 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 2021; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. Additional risks, uncertainties and other factors include, but are not limited to, the ability of the Corporation to achieve its financial goals; the ability of the Corporation to continue as a going concern; the ability of the Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements. 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, including without limitation the Management's Discussion and Analysis for the three months and year ended December 31, 2020 and the Annual Information Form of the Corporation dated March 19, 2020 for the period ending December 31, 2019, 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 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.

## Non-GAAP Measures

Management uses combined results, Adjusted EBITDA, average-realized price and unit operating cost/NDCC 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. See Sherritt's Management's Discussion and Analysis for the three months and year ended December 31, 2020 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.



# Q4 Highlights

1. Ended year with strengthened balance sheet
2. Strong production results driven by operational excellence and measures to mitigate COVID-19
3. Year-end results largely in line with guidance
4. US\$20M of re-directed distributions reduced overdue receivables
5. Recovery of nickel and cobalt prices is extending into Q1 2021



**Sherritt ended 2020 in strongest position in more than a decade**



# Review of operating results

# Impact of COVID-19

- Limited impact on production to date
- Physical distancing and intensified hygiene measures implemented
- Costs for added health and safety measures have been marginal
- Contributed to rescheduling of annual maintenance shutdown
- Added health and safety measures to remain in effect in 2021

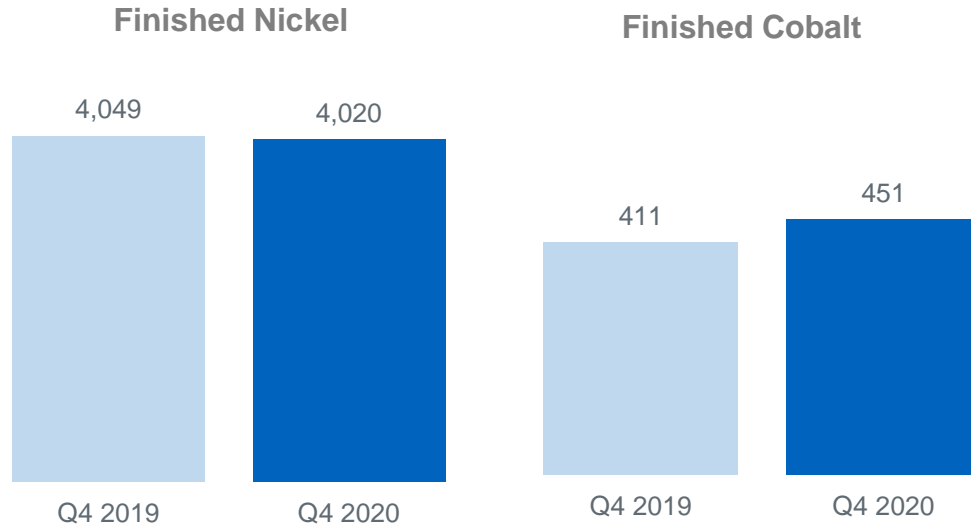


**Employee health and safety remain paramount**



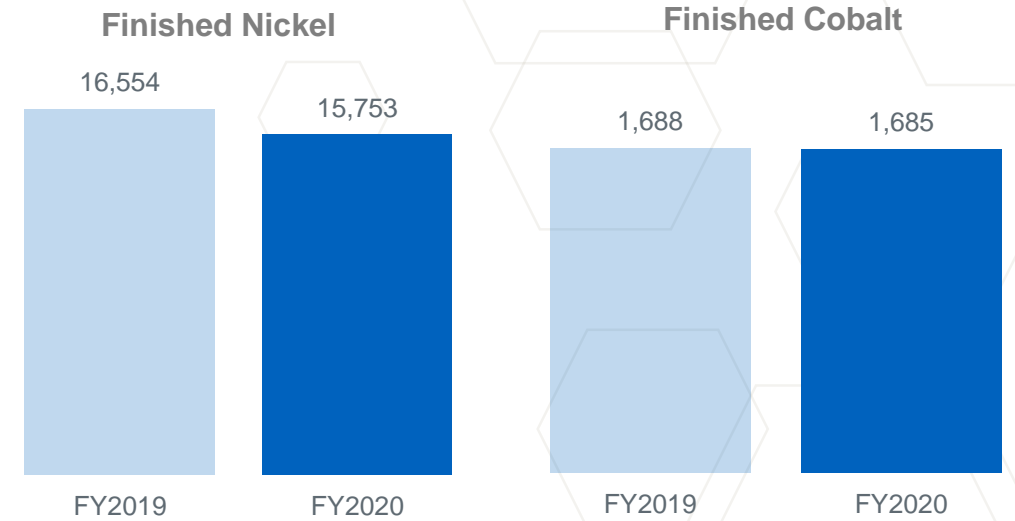
# Moa JV highlights

## Q4 Production<sup>(1)</sup> (tonnes)



- Q4 2020 impacted by unplanned autoclave repairs at the refinery in Fort Saskatchewan

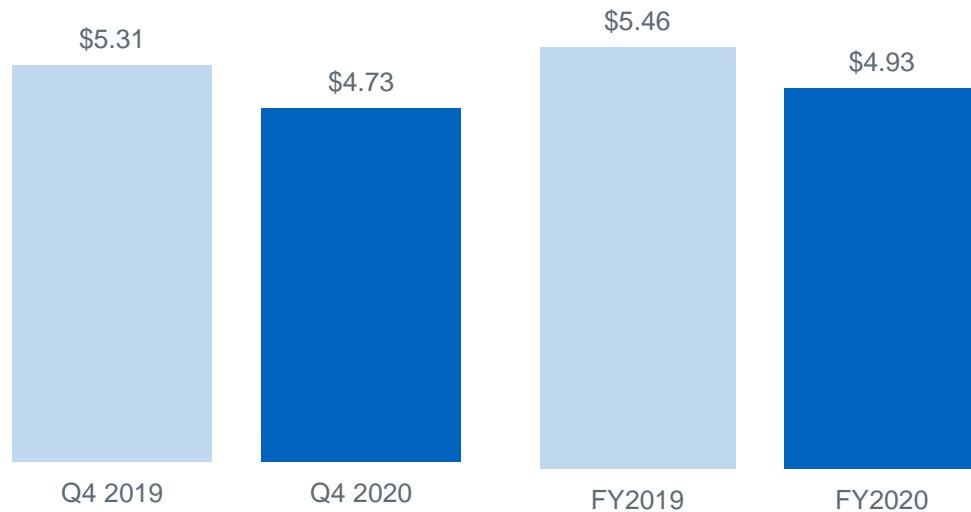
## Full Year Production<sup>(1)</sup> (tonnes)



- FY 2020 impacted by unplanned repairs in Q4, extended annual plant shutdown in Q3, and railway service disruptions in Q1
- FY 2020 nickel and cobalt production totals largely in line with guidance (100% basis)

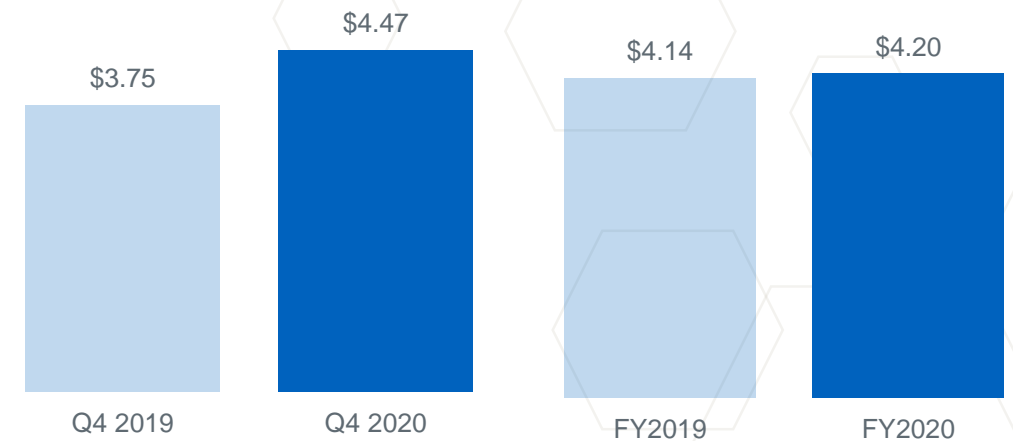
# Moa JV highlights – Costs

## Mining, Processing and Refining Costs<sup>(1)</sup> (US\$/lb)



- MPR costs declined by 11% in Q42020
- Lower MRP costs primarily due to lower commodity prices and impact of austerity measures and operational excellence initiatives

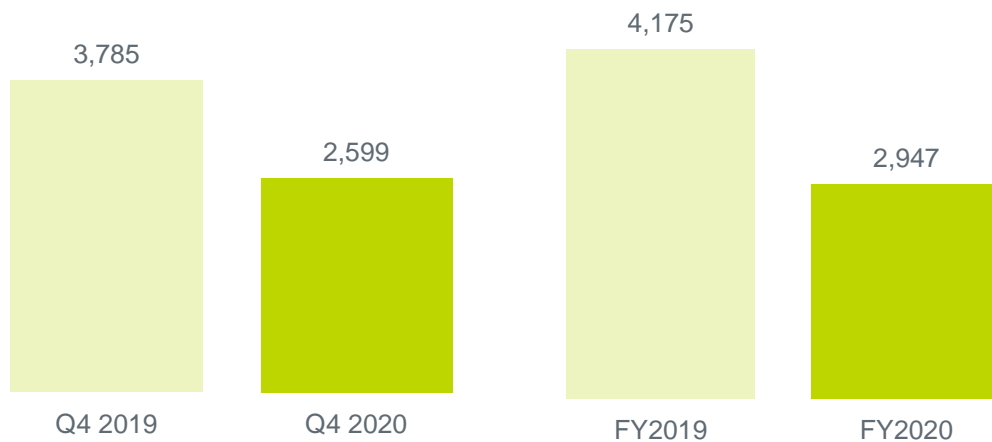
## Net Direct Cash Cost<sup>(1)</sup> (US\$/lb)



- NDCC in Q4 2020 impacted by lower fertilizer and cobalt by-product credits and by higher production costs
- NDCC in FY2020 impacted by lower fertilizer by-product credits, lower realized fertilizer prices and higher production costs
- FY2020 NDCC was in line with guidance

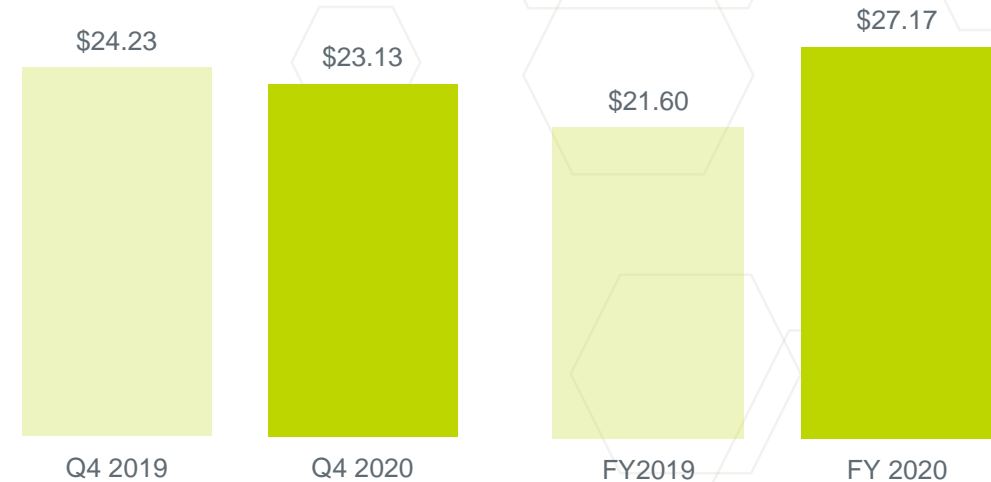
# Oil and Gas highlights

## Oil Production (Cuba GWI, bopd)<sup>(1)</sup>



- Production impacted by natural reservoir declines
- FY2020 production in line with guidance

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

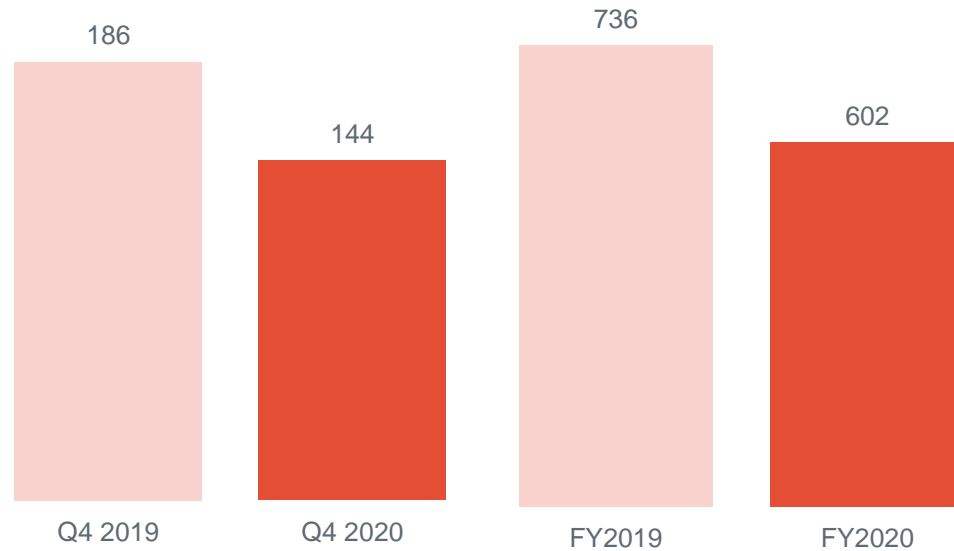


- FY2020 cost increase largely due to lower production volumes
- FY2020 unit costs were in line with guidance



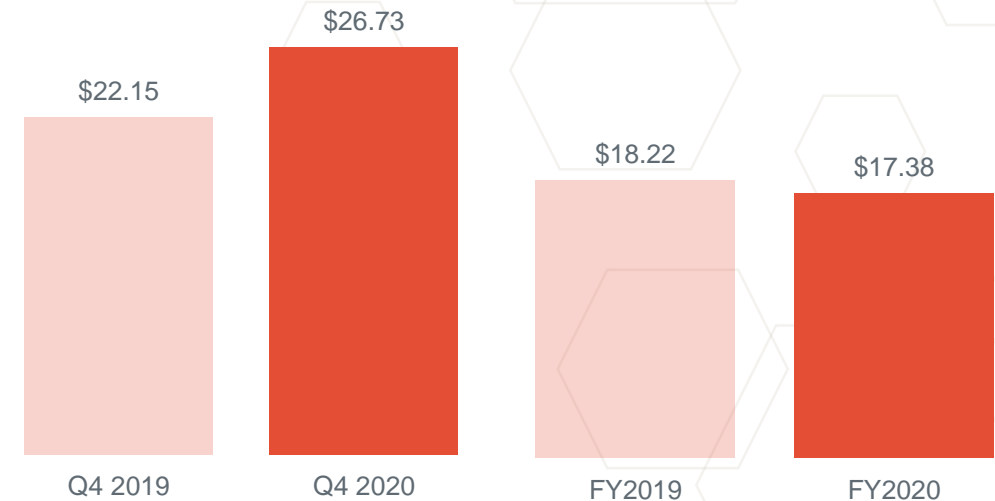
# Power highlights

## Electricity production (33⅓% GWh<sup>(1)</sup>)



- Q4 2020 production impacted by reduced natural gas availability due to maturing oil field
- FY2020 production exceeded guidance

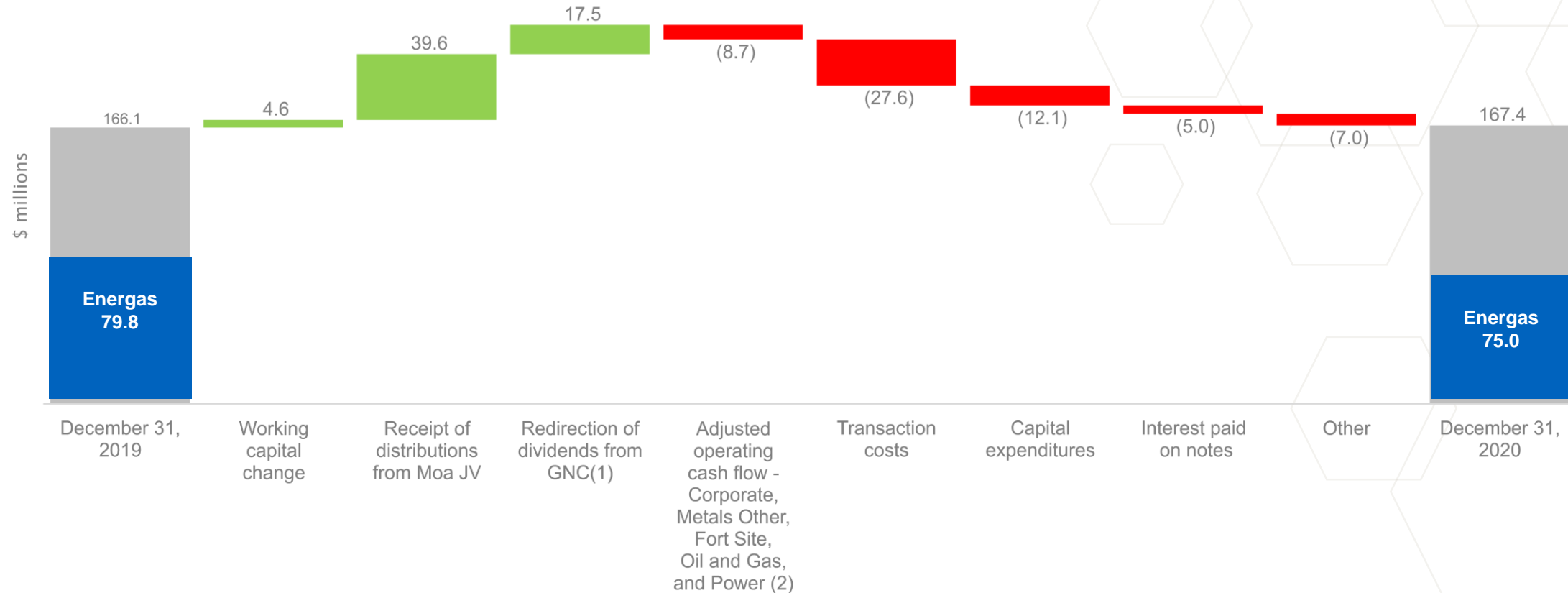
## Unit operating costs (\$/MWh<sup>(2)</sup>)



- Q4 2020 and FY2020 unit costs impacted by timing of maintenance activities and lower production
- FY2020 unit costs were lower than guidance

# Financial Highlights

# Liquidity



**Sherritt ended 2020 with an increase in consolidated cash and more cash in Canada**



# Status of Cuban energy receivables

| <i>US\$M</i>                      | Q3 2020<br>overdue | Expected/<br>due | Received                | Received on<br>receivables<br>agreement | Q4 2020<br>overdue |
|-----------------------------------|--------------------|------------------|-------------------------|---|--------------------|
| Oil & Gas - Trade receivables     | \$ 23.1            | \$ 2.0           | \$ –                    | \$ –                                    | \$ 25.1            |
| Power                             |                    |                  |                         |   |                    |
| Trade receivables/other           | \$ 4.5             | \$ 0.9           | \$ (2.4) <sup>(1)</sup> | \$ (0.4)                                | \$ 2.6             |
| Energas CSA                       | \$131.5            | \$14.0           | \$ –                    | \$ (27.3)                               | \$118.2            |
| Total Cuban energy<br>receivables | \$159.1            | \$16.9           | \$ (2.4)                | \$ (27.7)                               | \$145.9            |

- Decline driven by US\$20M of re-directed distributions by GNC to Sherritt
- Amounts received were pursuant to collections agreement negotiated by Sherritt in 2019

**Collections in 2021 expected to fluctuate throughout year**

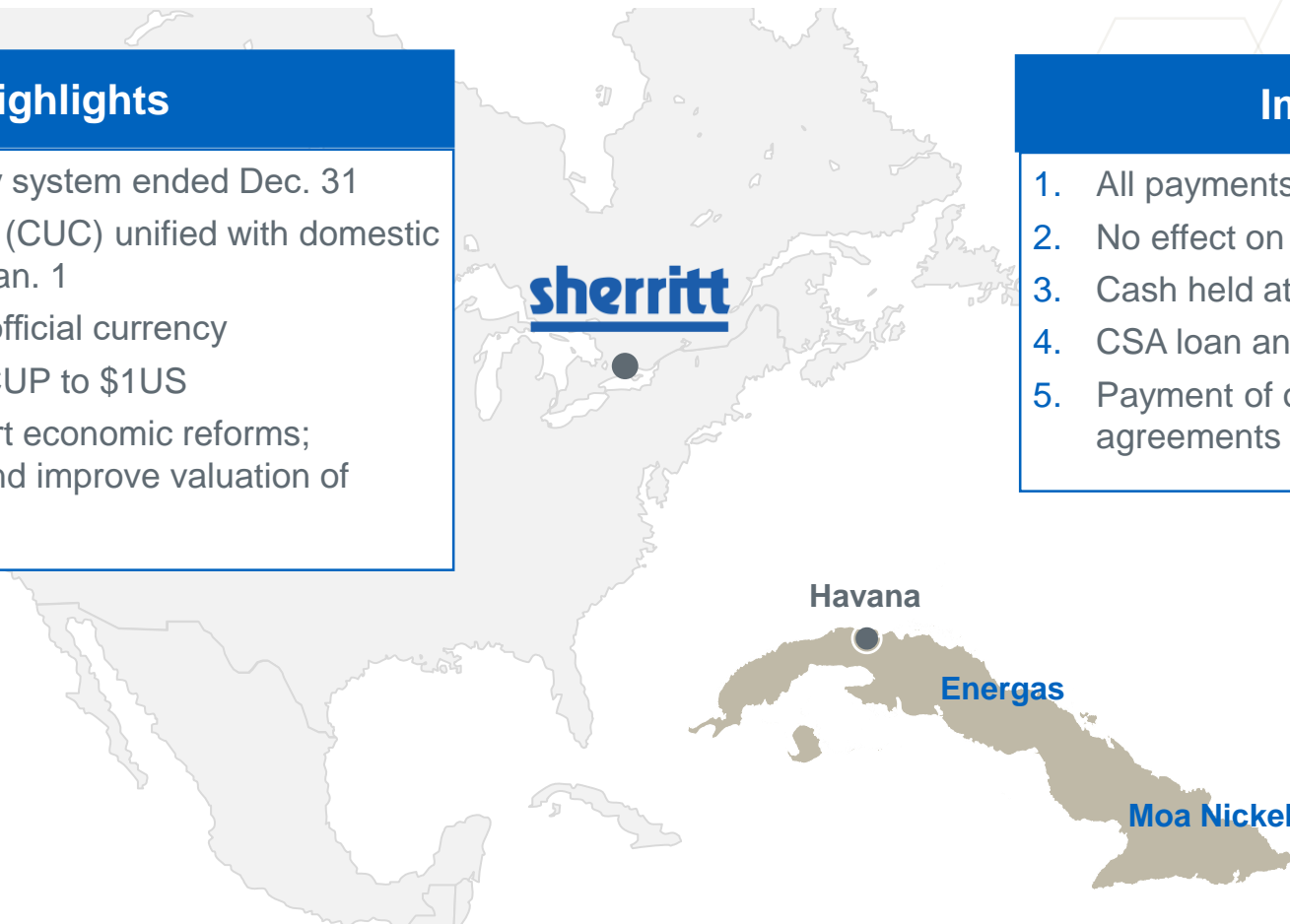
# Unification of Cuban currencies

## Key highlights

1. Cuba's dual currency system ended Dec. 31
2. Convertible currency (CUC) unified with domestic currency (CUP) on Jan. 1
3. CUP is Cuba's only official currency
4. Exchange rate: 24 CUP to \$1US
5. Objectives: to support economic reforms; harmonize wages; and improve valuation of exports

## Impacts to Sherritt

1. All payments made in \$US
2. No effect on distributions from Moa JV
3. Cash held at Energas unaffected
4. CSA loan and amounts owed unaffected
5. Payment of overdue amounts against receivables agreements may be delayed temporarily



**No impact expected to overdue amounts, cash held in Cuba or distributions**

# Outlook





# 2021 Outlook

## Moa JV

|                       |                        |
|-----------------------|------------------------|
| Finish nickel         | 32,000 – 34,000 tonnes |
| Finished cobalt       | 3,300 – 3,600 tonnes   |
| Net direct cash cost: | US\$4.25 - \$4.75/lb   |
| Capital Spending:     | US\$44M*               |

## Power

|                   |                   |
|-------------------|-------------------|
| Electricity:      | 450 – 500 GWh     |
| Unit Cost:        | \$30.50 – \$32.00 |
| Capital Spending: | US\$1M            |

- Production guidance at Moa JV consistent with historical production
- Production guidance reflects ongoing commitment to Operational Excellence
- NDCC based on forecasted US\$15.58/lb cobalt and US\$145/tonne of sulphur costs\*\*
- Power production and unit costs impacted by rescheduling of deferred maintenance activities
- Capital spend to be focused on continued replacement of mine and plant equipment

**Guidance based on a number of conservative assumptions**

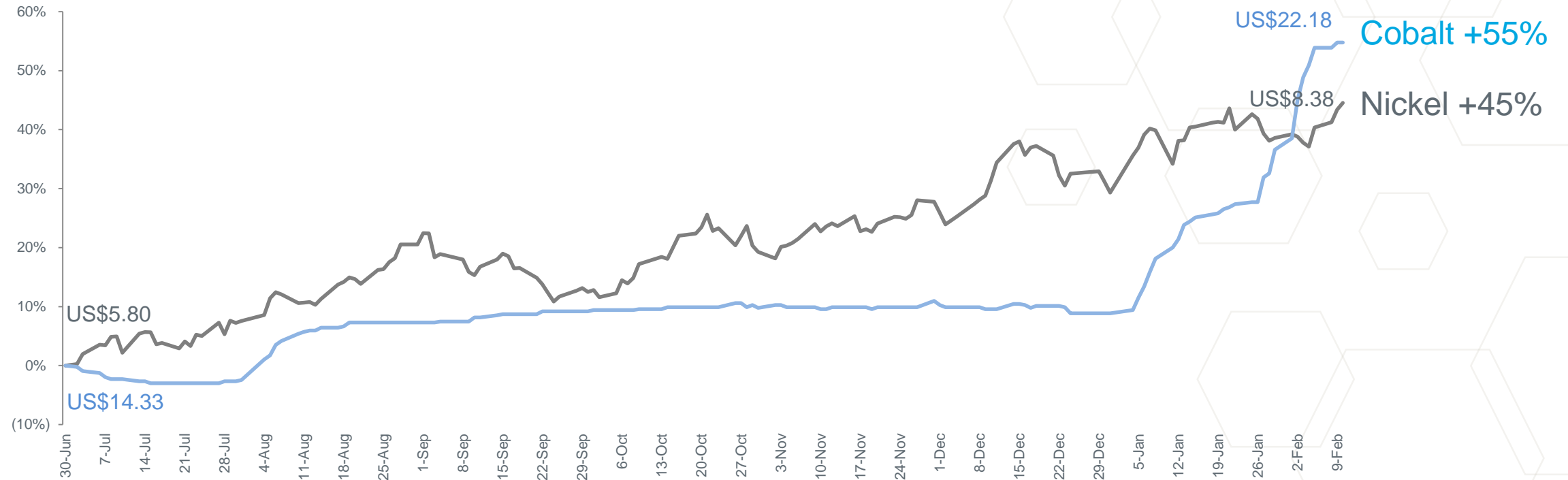
# Outlook for OGP



1. PSC at Puerto Escondido/Yumuri set to expire March 19, 2021
2. Efforts to secure earn-in partner for drilling and exploration activities on Blocks 10 and 6A are ongoing
3. Power forecasts for 2021 impacted by re-scheduling of maintenance activities deferred in 2020
4. Power agreements in effect through end of 2023 with expectation to renew
5. Sherritt remains Cuba's largest independent power producer

**Investments in Power business will be tied to the pace of receivables collections**

# Nickel and cobalt prices since July 2020



Higher prices driven by economic recovery and renewed interest in electric vehicles



# Outlook for nickel and cobalt



- Recent price momentum driven by economic recovery and renewed interest in electric vehicles
- New government policies and automotive industry investments paving the way
- Nickel remains the metal of choice for battery chemistries
- Price volatility expected in the near-term
- Long-term outlook for prices remains favorable

**Sherritt's results are hedged to rising nickel and cobalt prices**

# Summary

- Strongest balance sheet since financial crisis
- Results for 2020 were largely in line with guidance for the year
- 2021 guidance based on a number conservative forecasts
- Overdue payments will be lumpy in 2021
- Long-term outlook for nickel and cobalt prices is favourable



**Sherritt is well positioned to capitalize on growing EV battery demand**

# Q&A Discussion





**Sherritt International Corporation**

22 Adelaide West, 42nd Floor Toronto, Ontario, Canada M5H 4E3

Joe Racanelli, Director, Investor Relations

Telephone: (416) 935 -2457 | Toll -Free: 1 (800) 704 -6698

Email: [joe.racanelli@sherritt.com](mailto:joe.racanelli@sherritt.com) | Website: [www.sherritt.com](http://www.sherritt.com)