For immediate release

Sherritt Ends 2020 With Strengthened Balance Sheet and Well-positioned to Capitalize on Electric Vehicle Market Growth

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Toronto – February 10, 2021 – Sherritt International Corporation ("Sherritt", the "Corporation", the "Company") (TSX: S), a world leader in the mining and hydrometallurgical refining of nickel and cobalt from lateritic ores, today reported its financial results for the three- and 12-month periods ended December 31, 2020. All amounts are in Canadian currency unless otherwise noted.

CEO COMMENTARY

"With a significantly strengthened balance sheet, a considerably improved outlook for nickel and cobalt, and encouraging signs for improved Cuban-U.S. relations, Sherritt ended 2020 in its strongest position in more than a decade," said David Pathe, President and CEO of Sherritt International. "Keys to our progress were completion of a debt restructuring initiative that resolved our Ambatovy investment legacy while extending our debt maturities to the fourth quarter of 2026, ongoing commitments to operational excellence and employee health and safety that contributed to production results largely in line with our guidance for the year, and measures we took to preserve liquidity against a backdrop of a global pandemic and volatile commodity prices."

Mr. Pathe added, "We plan to sustain our momentum into 2021 – even as we manage against the continuing global pandemic – by capitalizing on the growing demand for high purity nickel as the market adoption of electric vehicles and requirement for low-carbon emissions accelerate, and on the current nickel price nearly US$2 per pound higher than the average for 2020. We will also be focused on our ESG commitments in 2021 and beyond. Over the longer term, we expect to fuel our growth through an increased focus on commercializing the innovation and process development capabilities of our Technologies Group."

SELECTED Q4 2020 HIGHLIGHTS

- Sherritt's share of finished nickel and cobalt production at the Moa Joint Venture (Moa JV) were 4,020 tonnes and 451 tonnes, respectively. Despite being impacted by unplanned autoclave repairs at the refinery in Fort Saskatchewan, Alberta, Q4's production totals helped to offset the negative effects of railway service disruptions in Q1 and an extended plant shutdown in Q3 due to additional found work scope, and reduced contractor availability due to COVID-19, enabling Sherritt to largely meet its production guidance at the Moa JV for the year.
- Sherritt received US$20 million in distributions from the Moa JV, representing its 50% share of total dividends declared. Sherritt also received an additional US$20 million, representing the 50% share of distributions of its Moa JV partner, General Nickel Company ("GNC"), pursuant to an overdue receivables agreement negotiated by Sherritt in 2019. Distributions received in Q4 were indicative of improving nickel and cobalt prices and strong operational performance.
- Sherritt received US$30.1 million in Cuban energy payments as part of the overdue receivables agreement with its Cuban partners. Included in this amount was the aforementioned US$20 million re-directed to Sherritt by GNC to be applied against amounts owed by Energas. Total payments consisted of US$27.7 million received in Canada and US$2.4 million accepted in Cuba to support local costs for Sherritt's Oil and Gas operations.
- Adjusted EBITDA was $10.7 million, down 34% from last year due to declining Oil and Gas contributions related to maturing oil fields and a $7.2 million increase in non-cash share-based compensation as a result of the 116% rise in Sherritt's share price in Q4 2020.
- Sherritt employee members of Unifor at the refinery in Fort Saskatchewan ratified a new collective agreement through March 31, 2022. The new agreement extends Sherritt's track record of no labour disruptions at the refinery since it began operations in 1954.
- Sherritt renewed and extended its $70 million credit facility with its syndicate of lenders to April 30, 2022, agreeing to more flexible financial covenants. As at December 31, Sherritt had drawn $8 million against the facility.

- Sherritt purchased two separate put nickel options, each on 25% of its share of attributable finished nickel production from the Moa JV for 2021. The first, at a strike price of US$6.50/lb for a total cost of $5.8 million, is in effect for a 12-month period starting January 1, 2021. The second, at a strike price of US$7.00/lb for a total of $3.5 million, is in effect for a nine-month period starting April 1, 2021. Any cash settlements will be completed on a monthly basis against the average monthly nickel price on the London Metal Exchange and will involve no physical delivery. The hedging strategy is designed to provide Sherritt with cash flow security in 2021 against downward changes in nickel prices.
- Sherritt announced that its CEO, David Pathe, plans to step down from his role in 2021. The Company has launched a search for his successor, and Mr. Pathe has agreed to stay on until a replacement is in place to ensure an orderly transition.

SUMMARY OF KEY 2020 DEVELOPMENTS

- Sherritt ended 2020 with cash and cash equivalents of $167.4 million ($75.0 million held by Energas in Cuba), up from $166.1 million last year ($79.8 million held by Energas in Cuba). The higher cash position and increased amount held in Canada were driven by the receipt of $39.6 million of dividend distributions from the Moa JV, receipt of US$77 million of payments from Cuban energy partners, and lower interest payments of $5.0 million. The increased cash position was offset by balance sheet transaction costs of $27.6 million, capital expenditures of $12.1 million, and nickel put option purchase costs of $9.3 million.
- Sherritt successfully completed a balance sheet initiative in Q3 that improved its capital structure and addressed its Ambatovy investment legacy following stakeholder approval. As a result of the transaction, Sherritt reduced its outstanding debt by approximately $301 million, extended the maturities of its note obligations to 2026 and 2029, reduced annual interest payments by more than $15 million, terminated its debt obligations relating to the Ambatovy Joint Venture, and ended the cross-default risk of the Ambatovy shareholder agreement, all without any dilution of its common shares.
- Sherritt implemented a number of austerity measures that resulted in the reduction or deferral of more than $90 million in budgeted expenditures for the Moa JV (100% basis), Sherritt's Oil and Power operations, and Corporate office, and reduced administrative expenses by $5.2 million (excluding non-cash share-based compensation and depreciation).
- Sherritt's share of production, unit costs, and capital spend for each of its business units in 2020 were largely in line with guidance for the year, indicative of ongoing commitments to operational excellence and employee health and safety, particularly in light of the COVID-19 global pandemic.
- Net loss from continuing operations in FY2020 totaled $85.7 million or $0.22 per share. The amounts were an improvement from the net loss of $142.4 million, or $0.36 per share, for FY2019. In FY2020 Sherritt recognized earnings from discontinued operations of $107.9 million related to the disposition of its 12% ownership interest in the Ambatovy Joint Venture as part of the balance sheet initiative and reclassification as discontinued operations.
- Sherritt committed to identifying commercial applications for innovations developed by its Technologies Group aimed at making next generation lateritic ore mining more economically viable and more sustainable.
- Sherritt implemented a number of additional health and safety measures and work processes designed to protect employees, suppliers and other stakeholders at its operations in response to the spread of COVID-19. As a result of the additional measures, Sherritt had minimal impact to its nickel, cobalt, power, and oil production in 2020. The additional measures will remain in effect through the duration of the pandemic.
- Sherritt released its 2019 Sustainability Report showing progress against its Environmental, Social, and Governance (ESG) targets, including efforts to reduce greenhouse emissions, maintain peer-leading safety metrics, and commitments to doubling the number of female employees by 2030. Sherritt will continue to develop and reinforce its ESG commitments in 2021 and beyond.
- Sherritt signed the BlackNorth Initiative Pledge aimed at ending anti-Black systemic racism and creating opportunities for the BIPOC community.

DEVELOPMENTS SUBSEQUENT TO THE YEAR END

- Sherritt received a $20.3 million prepayment against nickel deliveries in 2021. The prepayment is consistent with Sherritt's efforts to enhance its liquidity.

- Sherritt's refinery in Fort Saskatchewan had its operating license renewed for 10 years by Alberta's Ministry of Environment and Parks.

(1) For additional information see the Non-GAAP measures section of this press release.

Q4 2020 FINANCIAL HIGHLIGHTS(1)

$ millions, except per share amount	For the three months ended **2020** **December 31**	2019 December 31	Change	For the year ended **2020** **December 31**	2019 December 31	Change
Revenue	**28.2**	31.0	(9%)	**$ 119.8**	$ 136.3	(12%)
Combined revenue(2)	**135.9**	143.0	(5%)	**497.0**	544.9	(9%)
Net earnings (loss) from continuing operations for the period	**(49.3)**	(65.6)	25%	**(85.7)**	(142.4)	40%
Net earnings (loss) for the period	**(49.6)**	(185.5)	73%	**22.2**	(367.7)	106%
Adjusted EBITDA(2)	**10.7**	17.5	(39%)	**38.9**	46.0	(15%)
Cash provided (used) by continuing operations	**12.7**	7.3	74%	**48.0**	(10.9)	540%
Combined adjusted operating cash flow(2)	**25.8**	(3.4)	nm(3)	**71.7**	(6.1)	nm
Combined free cash flow(2)	**(11.6)**	28.1	(141%)	**17.9**	(24.2)	174%
Average exchange rate (CAD/US$)	**1.303**	1.320	-	**1.341**	1.327	-
Net earnings (loss) from continuing operations per share	**(0.12)**	(0.17)	29%	**(0.22)**	(0.36)	39%

(1) All non-GAAP measures exclude the Ambatovy Joint Venture performance. As a result of the transaction in Q3 2020, Ambatovy Joint Venture's share of loss of an associate and other statement of comprehensive income (loss) items related to the Ambatovy Joint Venture were reclassified to the loss on discontinued operations in the current and comparative periods. The earnings on discontinued operations also includes the gain on disposal of Ambatovy Joint Venture Interests in the current year period.

(2) For additional information see the Non-GAAP measures section.

(3) Not meaningful (nm)

$ millions, as at December 31	**2020**	2019	Change
Cash, cash equivalents and short-term investments	**167.4**	166.1	1%
Loans and borrowings	**441.4**	713.6	(38%)

Cash, cash equivalents, and short-term investments at December 31, 2020 were $167.4 million, up from $165.1 million at September 30, 2020. The increase was due to a number of factors including, receipt of more than US$30.1 million of Cuban energy payments and $26.3 million of dividend distributions from the Moa Joint Venture, partly offset by negative cash flow at Oil and Gas and the $9.3 million purchase of nickel put options.

As at December 31, 2020, $75.0 million of Sherritt's cash and cash equivalents was held by Energas in Cuba, down from $82.1 million at the end of Q3 2020.

Sherritt received US$30.1 million in Cuban energy payments as part of its overdue receivables agreement with its Cuban partners in Q4 2020. Payments, which included US$27.7 million received in Canada and US$2.4 million accepted in Cuba to support local costs relating to Sherritt's Oil and Gas operations, were higher than expected as Sherritt's Moa Joint Venture partner, GNC, redirected US$20.0 million of its share of dividends paid by the joint venture to Sherritt to reduce the overdue receivables.

Total overdue scheduled receivables at December 31, 2020 were US$145.9 million, down from US$159.1 million at September 30, 2020 due to the timing of payments received and re-direction of Moa Joint Venture dividends.

Adjusted net loss(1)

For the three months ended December 31	**2020** **$ millions**	**$/share**	2019 $ millions	$/share
Net earnings (loss) from continuing operations	**(49.3)**	**(0.12)**	(65.6)	(0.17)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**4.3**	**0.01**	4.6	0.01
Moa JV expansion loans receivable revaluation	**-**	**-**	6.8	0.02
Impairment of Power intangible assets	**-**	**-**	20.3	0.05
Impairment of Power assets	**9.4**	**0.02**	1.4	-
Other	**3.9**	**0.01**	14.3	0.04
Adjusted net loss from continuing operations	**(31.7)**	**(0.08)**	(18.2)	(0.05)

For the year ended December 31	**2020** $ millions	**$/share**	2019 $ millions	$/share
Net earnings (loss) from continuing operations	**(85.7)**	**(0.22)**	(142.4)	(0.36)
Adjusting items:				
Unrealized foreign exchange (gain) loss	**(4.4)**	**(0.01)**	3.8	0.01
Gain on debenture exchange	**(142.3)**	**(0.36)**	-	-
Moa JV expansion loans receivable revaluation	**(6.4)**	**(0.02)**	6.8	0.02
Impairment of Oil assets	**115.6**	**0.29**	-	-
Impairment of Power intangible assets	**-**	**-**	20.3	0.05
Impairment of Power assets	**9.4**	**0.02**	1.4	-
Other	**9.1**	**0.04**	13.1	0.04
Adjusted net loss from continuing operations	**(104.7)**	**(0.26)**	(97.0)	(0.24)

(1) For additional information see the Non-GAAP measures section.

Net loss for FY2020 includes a gain of $142.3 million on the exchange of debentures as part of the balance sheet initiative offset by an impairment loss recognized on the write down of exploration and evaluation assets and capitalized spare parts relating to Block 10 drilling activities totaling $115.6 million and an impairment on Power assets of $9.4 million.

On the close of the balance sheet initiative in Q3 2020, Sherritt exchanged its 12% ownership interest and its loans and operator fee receivables in the Ambatovy Joint Venture for $145.6 million owed to its partners. Consistent with IFRS standards, Sherritt's investment in the Ambatovy Joint Venture met the criteria to be classified and presented as discontinued operations for accounting purposes. As a result, Sherritt's share of loss of an associate, net of tax, and other components of comprehensive income (loss) related to the Ambatovy Joint Venture were reclassified to the earnings (loss) on discontinued operations, net of tax, in the current and comparative periods. For FY2020, Sherritt recognized earnings on the disposition and reclassification of $107.9 million.

METALS MARKET

Nickel

Nickel market conditions continued to improve in the fourth quarter of 2020, sustaining the momentum triggered by the restart of economic activities late in the second quarter, particularly in China, following the easing of restrictions caused by the COVID-19 pandemic.

Market conditions in Q4 also benefited from renewed interest in electric vehicles, bullish forecasts by industry analysts for accelerated demand growth, and multiple announcements from automakers indicating considerable investments to significantly expand electric vehicle production capacity. High purity, or Class 1 nickel, as produced by Sherritt, will be the primary metal in battery chemistries most automakers have adopted.

Nickel prices on the London Metal Exchange opened at US$6.52/lb on October 1 and closed on December 31 at US$7.50/lb, representing a growth of 15%. Nickel prices in 2020 experienced considerable volatility, ranging from a low of US$5.01/lb to a high of US$8.07/lb. In 2020, nickel prices ended the year up 18% from the start of the year.

While nickel prices climbed during Q4, nickel inventory levels on the London Metal Exchange (LME) and the Shanghai Future Exchange (SHFE) remained relatively flat. Combined inventory levels at December 31 totaled approximately 262,900 tonnes, up from approximately 262,700 tonnes at September 30. Nickel inventories on the LME and SHFE have stayed relatively flat despite the reduced production of stainless steel globally on a year to date basis largely because a number of nickel mines around the world have either significantly reduced production or have gone into care and maintenance as a result of the spread of COVID-19. Production at the Moa JV has largely been unaffected by the spread of COVID-19 in 2020.

The momentum of higher nickel prices has carried over into 2021, reaching US$8.38/lb on February 10, the highest price since August 2019. Nevertheless, nickel prices are expected to be volatile over the near and medium term given the softening of demand expected with the interruption of manufacturing activities in China caused by Lunar New Year celebrations in February, and also by the ongoing economic uncertainty caused by the continued spread of the COVID-19 pandemic.

As mining operations resume production activities, nickel inventory levels may rise given that supply could exceed demand as a number of industries that are large consumers of stainless steel, such as food and hospitality sector, will experience a delayed or slower economic recovery, particularly if the second wave of the pandemic is prolonged.

Added to this uncertainty is the substantial increase expected in nickel pig iron production, leading some industry analysts to predict an oversupplied nickel market in the near term. This development is putting additional pressure on producers of lower-grade material such as ferronickel, which is currently selling at significant discount. Combined, these developments suggest near-term nickel price fluctuations.

Over the longer term, as demand for nickel is expected to grow with the increased adoption of electric vehicles and requirement for low-carbon emissions since nickel – along with cobalt – is a key metal needed to manufacture assorted energy storage batteries, more favorable price conditions with less volatility are expected.

Cobalt

Cobalt prices remained relatively flat in the fourth quarter of 2020 according to data collected by Fastmarkets MB. Standard grade cobalt prices on December 31 closed at US$15.60/lb, down from US$15.65/lb at the start of the quarter. Stable prices in the fourth quarter suggest that soft market conditions experienced earlier in the year due the onset of the COVID-19 pandemic have improved. Cobalt prices had declined to US$13.90/lb in July from U$15.53/lb at the start of 2020, largely due to reduced demand emanating from markets, such as the aerospace sector, most impacted by the pandemic.

Since the start of 2021, cobalt prices have climbed to more than US$22.00/lb, largely on news reports that consumers in China have started to stockpile inventory to take advantage of weak prices in anticipation of stronger demand expected with accelerated growth of electric vehicle demand expected in the coming years. Cobalt is a key component of rechargeable batteries providing energy density and stability.

REVIEW OF OPERATIONS

Moa Joint Venture (50% interest) and Fort Site (100%)

	For the three months ended			For the year ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**December 31**	December 31	Change	**December 31**	December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 118.8**	$ 123.4	(4%)	**$ 425.5**	$ 461.0	(8%)
Earnings from operations	**4.4**	8.7	(49%)	**3.9**	11.0	(65%)
Adjusted EBITDA[1]	**24.8**	26.2	(5%)	**68.7**	70.1	(2%)
CASH FLOW						
Cash provided by operations	**$ 13.4**	$ 51.6	(74%)	**$ 53.7**	$ 59.6	(10%)
Adjusted operating cash flow[1]	**24.9**	24.0	4%	**64.7**	66.3	(2%)
Free cash flow[1]	**4.1**	44.7	(91%)	**24.5**	33.7	(27%)
Distributions and repayments to Sherritt from the Moa JV	**26.3**	14.9	77%	**39.6**	43.3	(9%)
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	**4,421**	4,203	5%	**17,429**	17,010	2%
Finished Nickel	**4,020**	4,049	(1%)	**15,753**	16,554	(5%)
Finished Cobalt	**451**	411	10%	**1,685**	1,688	-
Fertilizer	**56,277**	56,284	-	**235,886**	249,207	(5%)
NICKEL RECOVERY (%)	**86%**	80%	8%	**86%**	84%	2%
SALES VOLUMES (tonnes)						
Finished Nickel	**4,177**	4,089	2%	**15,687**	16,698	(6%)
Finished Cobalt	**443**	437	1%	**1,678**	1,766	(5%)
Fertilizer	**48,542**	46,467	4%	**187,922**	165,162	14%
AVERAGE-REFERENCE PRICES (US$ per pound)						
Nickel	**$ 7.23**	$ 7.01	3%	**$ 6.25**	$ 6.32	(1%)
Cobalt[2]	**15.73**	16.90	(7%)	**15.58**	16.57	(6%)
AVERAGE REALIZED PRICE[1]						
Nickel ($ per pound)	**$ 9.13**	$ 9.38	(3%)	**$ 8.16**	$ 8.37	(3%)
Cobalt ($ per pound)	**17.55**	19.69	(11%)	**17.84**	17.80	-
Fertilizer ($ per tonne)	**298**	351	(15%)	**343**	417	(18%)
UNIT OPERATING COSTS[1] (US$ per pound)						
Nickel - net direct cash cost	**$ 4.47**	$ 3.75	19%	**$ 4.20**	$ 4.14	1%
SPENDING ON CAPITAL[3]						
Sustaining	**$ 9.3**	$ 6.9	35%	**$ 32.2**	$ 33.6	(4%)
	$ 9.3	$ 6.9	35%	**$ 32.2**	$ 33.6	(4%)

(1) For additional information see the Non-GAAP measures section.
(2) Average standard grade cobalt published price per Fastmarkets MB.
(3) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Mixed sulphides production at the Moa JV in Q4 2020 was 4,421 tonnes, up 5% from 4,203 tonnes produced in Q4 2019. The increase in Q4 2020 was largely due to normalized availability of diesel fuel supply at Moa, resulting in the greater use of mining equipment and better access to higher grade material compared to last year. Mixed sulphides production at Moa for much of the second-half of 2019 was negatively impacted by diesel fuel conservation measures implemented in response to reduced diesel fuel supply availability caused by economic and trade sanctions imposed on Venezuela, Cuba's largest oil supplier. The diesel conservation measures in 2019 included reduced use of mining equipment and increased draw down of lower grade ore stockpiles.

Mixed suphides production for FY2020 was 17,429 tonnes, up 2% from FY2019. The growth was largely attributable to normalized diesel supply in 2020, but also reflective of the ongoing benefits of operational excellence initiatives implemented over the past 24 months and Cuba's success in limiting the spread of the COVID-19 virus in the country since the start of the global pandemic.

Finished nickel production in Q4 2020 totaled 4,020 tonnes, largely flat with the 4,049 tonnes produced in Q4 2019 while finished cobalt production for Q4 2020 was 451 tonnes, up 10% from the 411 tonnes produced in Q4 2019. Finished production totals in Q4 2020 were negatively impacted by unplanned autoclave repairs at the refinery in Fort Saskatchewan. The repairs resulted in a reduction of nickel and cobalt production to 50% of normal capacity for several days. Repairs were completed before the end of Q4 2020, and finished production resumed to normal capacity.

Despite being impacted by unplanned repairs, Q4's production totals helped to offset the negative effects of railway service disruptions in Q1 and an extended plant shutdown in Q3 due to additional found work scope and reduced contractor availability due to COVID-19, enabling the Moa JV to largely meet its production guidance of 32,000 to 33,000 tonnes on a 100% basis for the year.

Sherritt's share of finished nickel production for FY2020 was 15,753 tonnes, down 5% from 16,554 tonnes for FY2019. The decline was largely attributable to the extension of the planned annual shutdown by four days due to additional repair scope identified and reduced contractor availability on account of COVID-19.

Finished cobalt production for FY2020 was 1,685 tonnes, flat with the 1,688 tonnes produced in FY2019. Finished cobalt production at the Moa JV for FY2020 on a 100% basis was in line with guidance for the year.

Sales volume for finished nickel and cobalt in Q4 2020 were up 2% and 1%, respectively, from last year. On a full-year basis, sales volume for finished nickel and cobalt for FY2020 were down 6% and 5%, respectively from FY2019. The year-over-year decline was largely due to the extended plant shutdown in Q3 and timing of deliveries.

Although nickel and cobalt sales volumes were higher in Q4 2020, revenue declined by 4% to $118.8 million from $123.4 million for Q4 2019. The decline was attributable to a combination of factors, including a 7% decline in the cobalt reference price and lower realized prices for nickel and cobalt of 3% and 11%, respectively, due to a weakened U.S. currency relative to Q4 2019. Revenue in Q4 2020 was also impacted by a 15% decline in realized fertilizer prices as a result of increased competition, although lower fertilizer prices were partially offset by higher sales volumes of 4%.

Mining, processing and refining (MPR) costs per pound of nickel sold for Q4 2020 and FY2020 were down 11% and 10% to US$4.73/lb and US$4.93/lb, respectively. MPR costs declined primarily due to lower input costs related to sulphur and fuel oil as well as to austerity measures undertaken to reduce operating expenses consistent with Sherritt's efforts to preserve liquidity and mitigate the effects of volatile commodity prices and the economic uncertainty caused by the global pandemic.

Despite a reduction in MPR costs, net direct cash cost (NDCC) per pound of nickel sold in Q4 2020 was up 19% to US$4.47/lb from US$3.75/lb for the same period last year. The increase was attributable to a combination of factors, including lower cobalt and fertilizer by-product credits due to lower realized prices and higher by-product costs primarily resulting from the planned bi-annual acid plant maintenance shutdown at the refinery in Fort Saskatchewan.

NDCC for FY2020 was US$4.20/lb, up marginally from US$4.14/lb for FY2019. The increase was largely attributable to the negative impact of US$0.66/lb relating to lower fertilizer by-product credits due to lower realized prices and higher by-product costs primarily resulting from the planned bi-annual acid plant in Fort Saskatchewan. Developments that contributed to higher NDCC were, however, largely offset by the reduction in MPR costs. NDCC for FY2020 was, nevertheless, well within the guidance for the year.

Sustaining capital spending in Q4 2020 was $9.3 million, up 35% from $6.9 million in Q4 2019. The year-over-year increase was due primarily to the timing of planned capital expenditures. Capital spending for FY2020 was $32.2 million, down 4% from last year. Capital spending for FY2020 was largely in line with guidance for the year.

As previously disclosed, Sherritt and the General Nickel Company S.A., the two Moa JV shareholders, considered amendments to the Moa JV expansion loans in 2020, and mutually agreed to convert $548.0 million (100% basis) of loans receivable into equity. Based on Sherritt's 50% equity interest in the Moa JV, the agreement resulted in a decrease of the Corporation's expansion loans receivable and a commensurate increase in Sherritt's investment in the Moa JV. The conversion of the expansion loans into equity, which did not result in any change to the ownership interest percentage of either Moa JV shareholder, results in a simpler capital structure for the Moa JV, and results in all future distributions to shareholders being in the form of dividends.

Oil and Gas

	For the three months ended			For the year ended		
	2020	2019		**2020**	2019	
$ millions, except as otherwise noted	**December 31**	December 31	Change	**December 31**	December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 6.2**	$ 6.3	(2%)	**$ 24.9**	$ 29.7	(16%)
Earnings (loss) from operations	**(5.9)**	(7.1)	17%	**(136.4)**	(24.7)	(452%)
Adjusted EBITDA[1]	**(3.8)**	(6.2)	39%	**(13.7)**	(15.4)	11%
CASH FLOW						
Cash (used) provided by operations	**(5.3)**	5.2	(202%)	**(26.5)**	9.5	(379%)
Adjusted operating cash flow[1]	**(1.0)**	(8.0)	88%	**(11.1)**	(19.6)	43%
Free cash flow[1]	**(6.4)**	(1.2)	(433%)	**(31.8)**	(18.6)	(71%)
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) – Cuba	**2,599**	3,785	(31%)	**2,947**	4,175	(29%)
Total net working-interest (NWI)	**1,518**	1,182	28%	**1,687**	1,417	19%
AVERAGE REFERENCE PRICE (US$ per barrel)						
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO)	**40.56**	40.76	-	**35.15**	53.58	(34%)
AVERAGE-REALIZED PRICE[1] (NWI)						
Cuba ($ per barrel)	**$ 38.74**	$ 42.07	(8%)	**$ 34.27**	$ 53.67	(36%)
UNIT OPERATING COSTS[1] (GWI)						
Cuba ($ per barrel)	**$ 23.13**	$ 24.23	(5%)	**$ 27.17**	$ 21.60	26%
SPENDING ON CAPITAL[2]						
Development, facilities and other	**$ 0.3**	$ (0.8)	138%	**$ (1.8)**	$ -	-
Exploration	**0.3**	8.6	(97%)	**3.4**	29.7	(89%)
	$ 0.6	$ 7.8	(92%)	**$ 1.6**	$ 29.7	(95%)

(1) For additional information see the Non-GAAP measures section.

(2) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Gross working-interest oil production in Cuba in Q4 2020 was 2,599 barrels of oil per day (BOPD), down 31% from 3,785 BOPD produced in Q4 2019. Lower production was primarily due to natural reservoir declines at Puerto Escondido/Yumuri and the absence of new development drilling.

Gross working-interest oil production in Cuba for FY2020 was 2,947 BOPD, largely in line with guidance for the year.

Revenue in Q4 2020 was relatively unchanged at $6.2 million when compared to $6.3 million for Q4 2019. The increase in cost recovery production in Cuba helped to offset lower production from Spain.

Revenue for FY2020 was $24.9 million, down 16% from last year as lower realized prices in Cuba more than offset the higher cost-recovery production in 2020.

Unit operating costs in Cuba in Q4 2020 were $23.13 per barrel, down 5% from Q4 2019 largely as a result of a stronger Canadian dollar relative to the U.S. currency as operating costs are generally denominated in U.S. dollars.

Unit operating costs in Cuba for FY2020 were $27.17 per barrel, up 26% when compared to FY2019. The year-over-year increase was largely due to lower production but offset by lower labour costs. Given the anticipated expiration of the production sharing contract (PSC) at Puerto Escondido/Yumuri on March 20, 2021, Sherritt has not provided any production, unit costs or capital spend guidance for its Oil and Gas business unit for 2021 as a result of limited performance visibility for the year.

Sherritt's loss from operations in 2020 includes a total impairment loss of $115.6 million relating to Block 10 drilling activities as previously disclosed. The impairment loss consists of a $95.0 million impairment on exploration and evaluation assets and a $20.6 million impairment on capital spare parts included within property, plant and equipment. The impairment was determined following the completion of an analysis of Block 10 drilling samples that confirmed that the existing well cannot be used for future production purposes. Sherritt continues to evaluate its options with respect to Block 10, including seeking an earn-in partner. Sherritt is not contemplating any further investments in Block 10 drilling without first securing an earn-in partner.

Power

$ millions (33 ⅓% basis), except as otherwise noted	For the three months ended 2020 December 31	2019 December 31	Change	For the year ended 2020 December 31	2019 December 31	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 8.8**	$ 11.4	(23%)	**$ 37.2**	$ 45.3	(18%)
Loss from operations	**(10.1)**	(22.0)	54%	**(5.6)**	(18.5)	70%
Adjusted EBITDA(1)	**4.4**	6.5	(32%)	**24.7**	29.4	(16%)
CASH FLOW						
Cash provided by operations	**30.2**	8.3	264%	**77.8**	39.4	97%
Adjusted operating cash flow(1)	**28.2**	6.3	348%	**68.0**	30.8	121%
Free cash flow(1)	**30.2**	8.7	247%	**77.1**	39.0	98%
PRODUCTION AND SALES						
Electricity (GWh)	**144**	186	(23%)	**602**	736	(18%)
AVERAGE-REALIZED PRICE(1)						
Electricity ($/MWh)	**$ 55.10**	$ 55.73	(1%)	**$ 57.05**	$ 55.78	2%
UNIT OPERATING COSTS(1) ($/MWh)	**26.73**	22.15	21%	**17.38**	18.22	(5%)
NET CAPACITY FACTOR (%)	**45**	58	(22%)	**47**	58	(19%)
SPENDING ON CAPITAL(2)						
Sustaining	**$ (0.1)**	$ (0.4)	(75%)	**$ 0.7**	$ 0.4	75%
	$ (0.1)	$ (0.4)	(75%)	**$ 0.7**	$ 0.4	75%

(1) For additional information see the Non-GAAP measures section.

(2) Spending on capital for the year ended December 31, 2019 excludes right of use assets recognized on adoption of IFRS 16. Refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2019 for additional information.

Power production in Q4 2020 was 144 gigawatt hours (GWh) of electricity, down 23% from 186 GWh for the comparable period of 2019. The decline was due to the lower available gas supply, largely as a result of maturing oil field production.

Power production in FY2020 was 602 GWh, down 18% from 736 GWh produced in FY2019. Despite the reduction in available gas supply, the Power business unit exceeded its production guidance for the year. The Power business has forecasted lower production guidance in 2021 largely due to planned maintenance activities previously deferred in 2020. Production in 2021 may also be impacted by the availability of natural gas provided to Sherritt for power production activities and operational spending in relation to the receipt of funds under Sherritt's energy agreements with its Cuban partners.

Average-realized prices in Q4 2020 and FY2020 were $55.10 and $57.05, respectively. Both amounts were largely unchanged from the comparable periods last year. Marginal variances were primarily due to fluctuations of the Canadian currency relative to the U.S. dollar.

Revenue in Q4 2020 totaled $8.8 million, down 23% from $11.4 million for last year. Revenue in FY2020 totaled $37.2 million, down 18% from $45.3 million for last year. The declines in 2020 were primarily due to lower power production.

Unit operating costs in Q4 2020 were $26.73/MWh, up 21% from $22.15/MWh for last year. The year-over-year increase was attributable to lower production.

Unit operating costs for FY2020 were $17.38/MWh, in line with guidance for the year. Unit costs for FY2020 were down 5% from $18.22/MWh for last year, largely due to the deferral of planned maintenance activities based on the decision to limit operational spending to the receipt of funds under Sherritt's energy agreements with its Cuban partners.

During the quarter, the Corporation recognized a non-cash impairment loss of $9.4 million on the Varadero power generation facility in the Power segment as a result of a forecasted decline in gas supply.

2020 REVIEW OF STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2020, and summarizes how the Corporation has performed against those priorities.

Strategic Priorities	2020 Actions	Status
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to emphasize de-leveraging of the balance sheet within the context of a low commodity price environment.	Sherritt successfully completed a balance sheet initiative in 2020 that improved its capital structure and addressed its Ambatovy investment legacy following strong stakeholder support. The transaction resulted in the elimination of approximately $301 million of total debt, savings of more than $15 million in annual cash interest payments, the elimination of the cross-default risk of the Ambatovy shareholder agreement, and the extension of debt maturities to 2026 and 2029. In concert with the balance sheet initiative and in response to the economic uncertainty caused by the spread of COVID-19, Sherritt implemented a number of austerity measures that saved or deferred more than $90 million of capital spend and operating and administrative expenses. These austerity measures were applied against 2020 budgeted expenditures for Sherritt's operations and corporate office as well as the Moa JV (100% basis). Sherritt reduced its administrative expenses by 13% or $5.2 million, when compared to 2019 (excluding share-based compensation and depreciation).
	Optimize working capital and receivables collection	Total overdue receivables at the end of 2020 were US$145.9 million, down from US$158.4 million at the beginning of the year. The improvement was largely driven by the receipt of US$20 million of distributions re-directed to Sherritt by GNC to be applied against amounts owed by Energas.
	Operate the Metals business to maintain a leadership position as a low-cost producer of finished nickel and cobalt while maximizing Free Cash Flow	The Moa JV reduced mining, processing and refining (MPR) costs in FY2020 by 10% from last year through a combination of factors, including lower input commodity prices, the benefits of ongoing operational excellence initiatives, and the implementation of austerity measures.
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce NDCC towards the goal of being consistently in the lowest cost quartile.	NDCC in FY2020 was in line with guidance for the year despite the negative impacts of unplanned maintenance activities and an extended plant shutdown due to reduced contractor availability on account of COVID-19. Lower fertilizer and cobalt by-product credits were largely offset by the reduction in MPR costs.
	Maximize production of finished nickel and cobalt and improve predictability over 2019 results	Moa JV finished nickel and cobalt production of 31,506 tonnes and 3,370 tonnes (100%), respectively. Finished nickel production was largely in line with guidance for the year, while cobalt achieved targets for 2020.
	Achieve peer leading performance in environmental, health, safety and sustainability	In Q4 2020, all operations continued to focus on COVID-19 controls and ensuring that essential work was planned and performed safely. Up to December 31, 2020, the Moa JV (Moa Nickel Site and Fort Site) had a total recordable incident frequency rate (TRIFR) of 0.20 and a lost time incident frequency rate (LTIFR) of 0.14; the Oil and Gas business had a TRIFR and LTIFR of 0.00; and the Power business had a TRIFR of 0.56 and LTIFR of 0.00. Sherritt's TRIFR and LTIFR were 0.22 and 0.12 respectively, for the 12-month period ending December 31, 2020. Sherritt remains in the lowest quartile of its benchmark peer set of data. Sherritt will continue to develop and reinforce its ESG commitments in 2021 and beyond.
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully execute Block 10 drilling program	Sherritt completed the analysis on a second set of samples from Block 10 that confirmed that the water produced during the test period is from the loss circulation zone, which located at a depth of approximately 5,300 meters and above the target oil reservoir. The analysis also confirmed that no viable technical solution to prevent the further flow of water into the existing well is possible. While Sherritt still believes that the Block 10 reservoir contains oil, the existing well cannot be used for future production purposes. Sherritt is currently reviewing its options with respect to Block 10, including seeking an earn-in partner. At this time, Sherritt is not contemplating any further investments in Block 10 without first securing an earn-in partner.

OUTLOOK

2021 Production, unit operating costs and capital spending guidance

The guidance for 2021 reflects Sherritt's targets for production, unit costs and capital spending announced on January 25, 2021.

Production volumes, unit operating costs and spending on capital	2020 Guidance	Year-to-date actual to December 31, 2020	2021 Guidance
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 33,000(1)	31,506	32,000 - 34,000
Cobalt, finished	3,300 - 3,400(1)	3,370	3,300 - 3,600
Oil – Cuba (gross working-interest, bopd)(3)	3,000 - 3,300	2,947	n/a
Oil and Gas – All operations (net working-interest, boepd)(3)	1,800 - 2,000(1)	1,687	n/a
Electricity (GWh, 33⅓% basis)	500 - 550	602	450 - 500
Unit operating costs			
NDCC (US$ per pound)			
Moa Joint Venture	$4.00 - $4.50	$4.20	$4.25 - $4.75
Oil and Gas - Cuba (unit operating costs, $ per barrel)(3)	$28.00 - $29.50	$27.17	n/a
Electricity (unit operating cost, $ per MWh)	$20.00 - $21.50(1)(2)	$17.38	$30.50 - $32.00
Spending on capital (US$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis)(4)	US$22 (CDN$30)(1)	US$24 (CDN$32)	US$44 (CDN$57)
Oil and Gas(3)	US$1.5 (CDN$2)(1)(2)	US$1.2 (CDN$1.6)	n/a
Power (33⅓% basis)	US$1 (CDN$1.3)	US$0.5 (CDN$0.7)	US$1 (CDN$1.3)
Spending on capital (excluding Corporate)	US$24.5 (CDN$33)(1)(2)	US$25.7 (CDN$34.3)	US$45 (CDN$58)

(1) 2020 guidance was updated June 30, 2020.

(2) 2020 guidance was updated September 30,2020.

(3) Given the anticipated expiration of the production sharing contract (PSC) at Puerto Escondido/Yumuri on March 20, 2021, Sherritt has not provided any production, unit costs or capital spend guidance for its Oil and Gas business unit for 2021.

(4) Spending is 50% of US$ expenditures for Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost/NDCC, adjusted earnings/loss, adjusted operating cash flow and free cash flow to monitor the performance of the Corporation and its operating divisions. Management believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and/or 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 year ended December 31, 2020 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast February 11, 2021 at 9:00 a.m. Eastern Time to review its Q4 2020 and year end results. Dial-in and webcast details are as follows:

North American callers, please dial:	1-866-521-4909
International callers, please dial:	647-427-2311
Live webcast:	www.sherritt.com

Please dial in 15 minutes before the start of the call to secure a line. Alternatively, listeners can access the conference call and presentation via the webcast available on Sherritt's website.

An archive of the webcast and replay of the conference call will also be available on the website.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete audited consolidated financial statements and MD&A for the year ended December 31, 2020 are available at www.sherritt.com and should be read in conjunction with this news release. Financial and operating data can also viewed in the investor relations section of Sherritt's website.

ABOUT SHERRITT

Sherritt is a world leader in the mining and refining of nickel and cobalt from lateritic ores with projects and operations in Canada and Cuba. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations across the island. Sherritt licenses its proprietary technologies and provides metallurgical services to mining and refining operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

FORWARD-LOOKING STATEMENTS

This press release 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” section of this press release 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; continued qualification for the Canada Emergency Wage Subsidy (CEWS); anticipated payments of outstanding receivables; 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; 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 press release 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; Sherritt’s ability to replace depleted mineral 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 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 press release 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.

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 press release 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 press release 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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