



**sherritt**

THE NAME IN NICKEL

## First Quarter 2016 Results

April 27, 2016

# Forward-Looking Statements

This presentation may contain certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “projected”, “continue” or other similar words or phrases. Specifically, forward-looking statements in this presentation may include, but are not limited to, statements regarding certain expectations about capital costs and expenditures; capital projects completion dates; sales volumes; revenue, costs and earnings; sufficiency of working capital and capital project funding, completion of development and exploration wells, restructuring plan cost savings 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, including commodity and product prices and demand; level of liquidity and access to funding; share-price volatility; realized prices for production; earnings and revenues; development and exploratory wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; collection of amounts receivable; and certain corporate objectives, goals and plans for 2016. 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 viewers 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; risk of future non-compliance with debt restrictions and covenants, risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Madagascar and Cuba; risks associated with the completion of capital projects; 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 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; 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; and certain corporate objectives, goals and plans for 2016; 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 documents filed with the Canadian securities authorities.

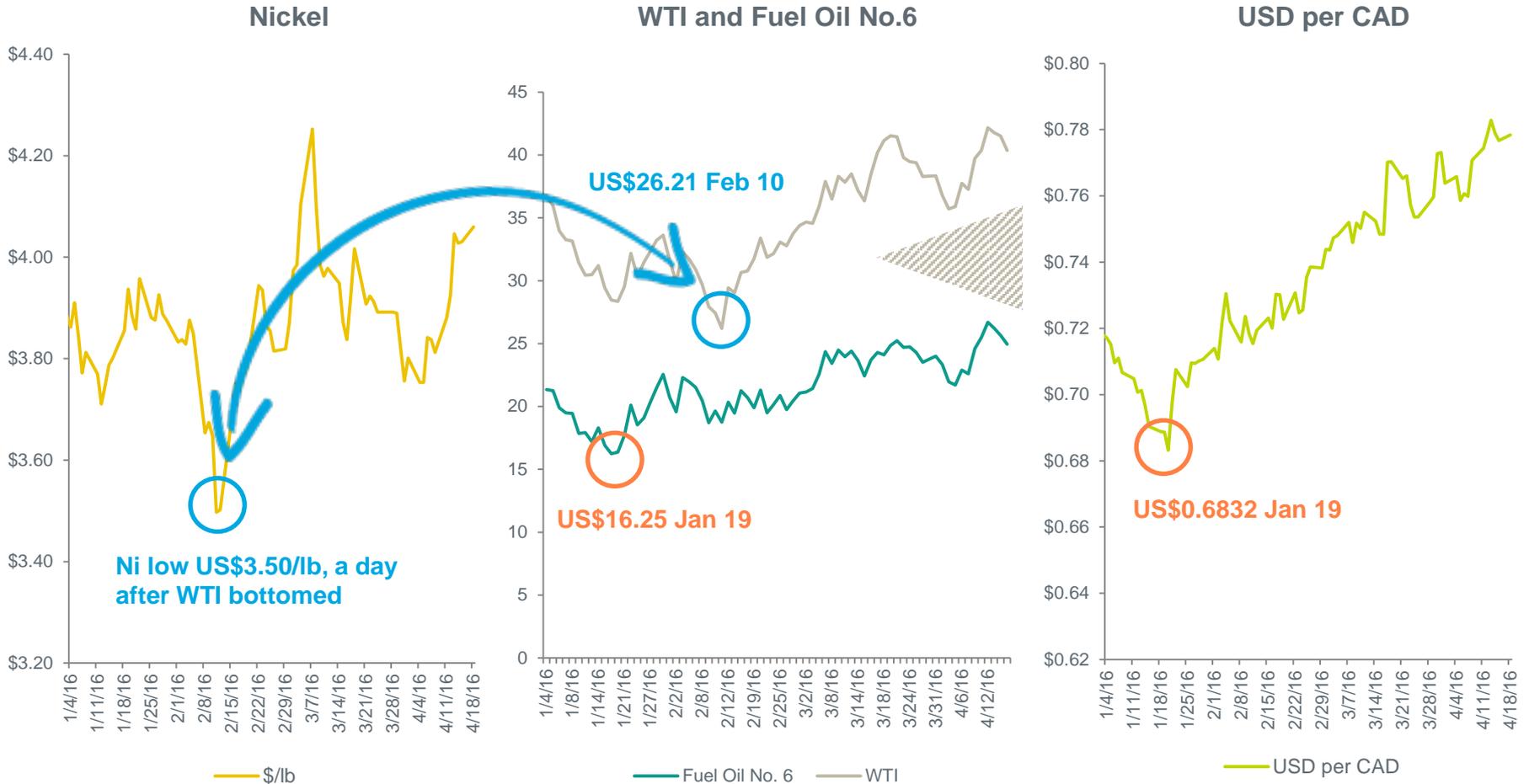
The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this presentation and in the Corporation's documents filed with the Canadian securities authorities including, but not limited to, the Corporation's Annual Information Form for the year ended December 31, 2015 should be read for a description of certain factors that could cause the actual results of the Corporation to differ materially from those in the oral forward-looking statements. The forward-looking information and statements contained in this 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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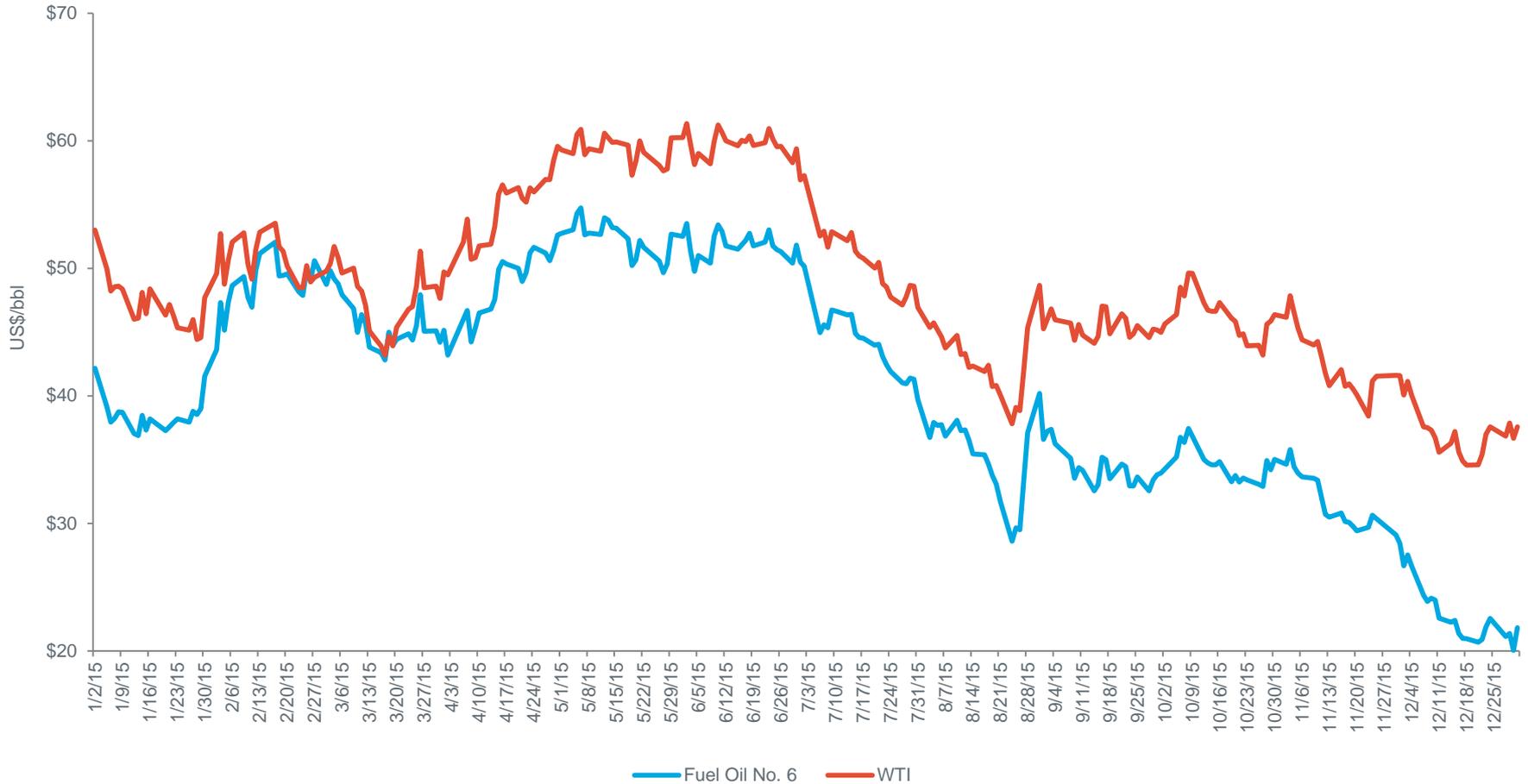
## Non-GAAP Measures

Management uses Combined Results, Adjusted EBITDA, average-realized price, unit operating cost, adjusted earnings, combined adjusted operating cash flow per share and combined free cash flow, to monitor the financial performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. For additional information, including a reconciliation of each non-GAAP measure to the most directly comparable GAAP measure, see the Non-GAAP measures section in our Management's Discussion and Analysis (MD&A) for the three months ended September 30, 2015 available on our website at [www.sherritt.com](http://www.sherritt.com).

# Q1 2016: Currency and Commodity Changes Tell the Story



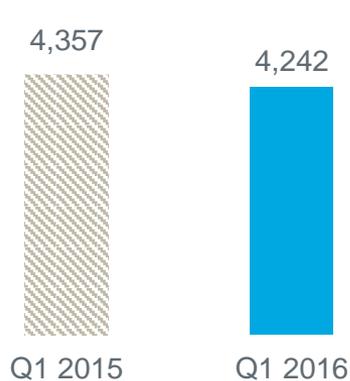
# The WTI: FO 6 Gap Started to Widen in Q4 2015



# Q1 2016 Nickel Highlights <sup>(1)</sup>

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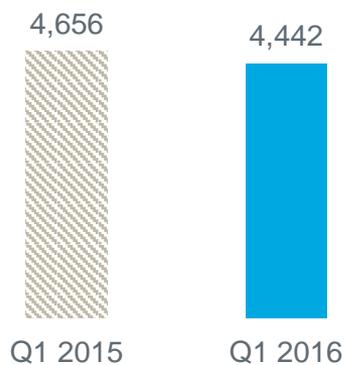
**Moa Production (50% basis)**



**Moa: NDCC**



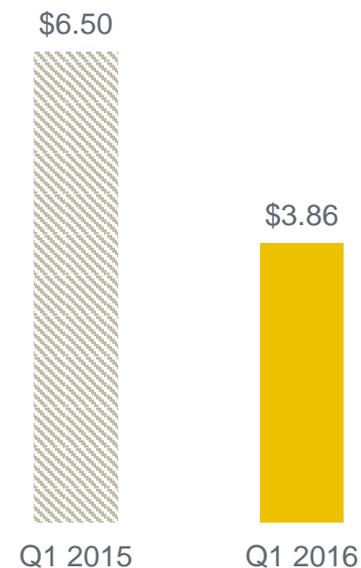
**Ambatovy Production (40% basis)**



**Ambatovy: NDCC**

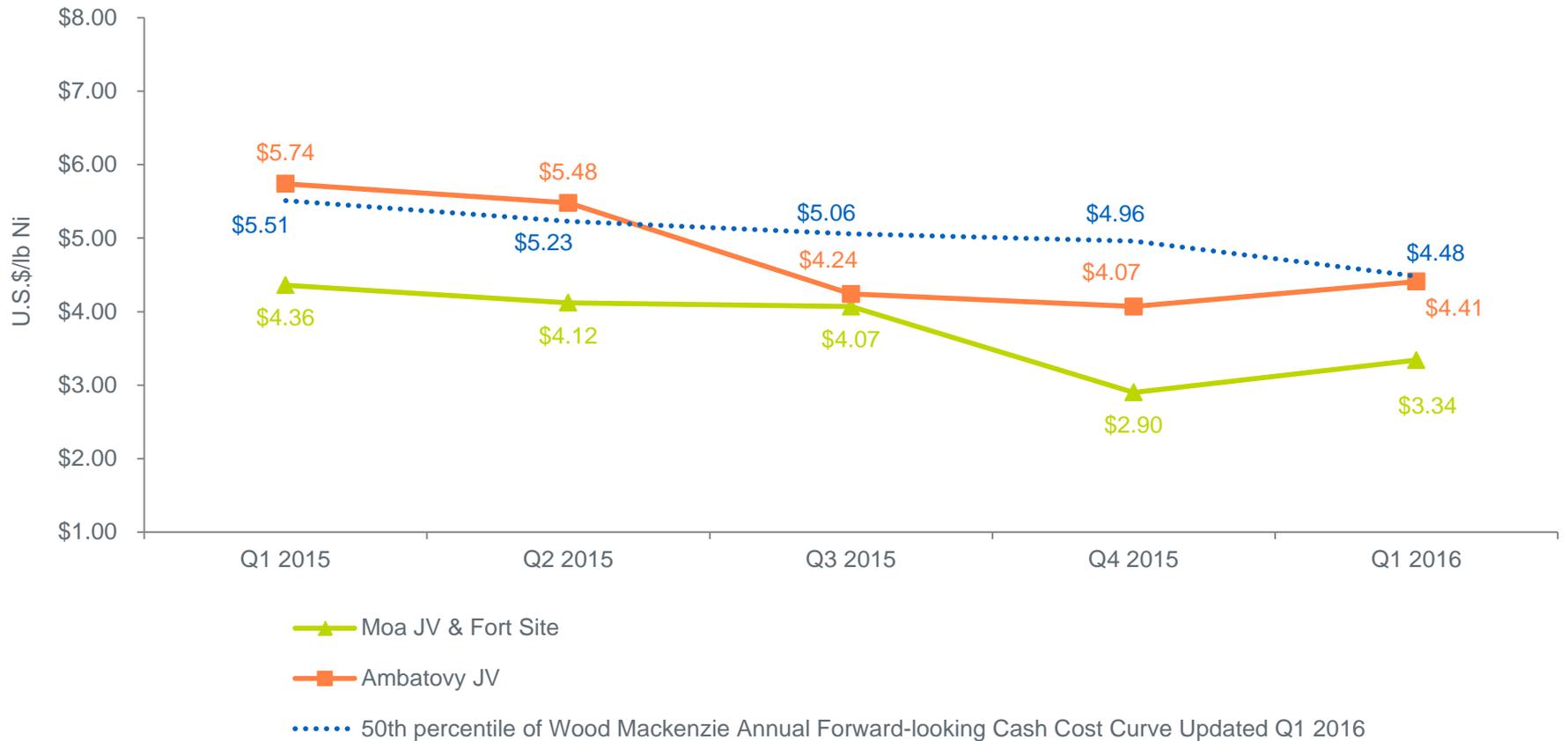


**Avg. Reference Price Nickel (USD)**



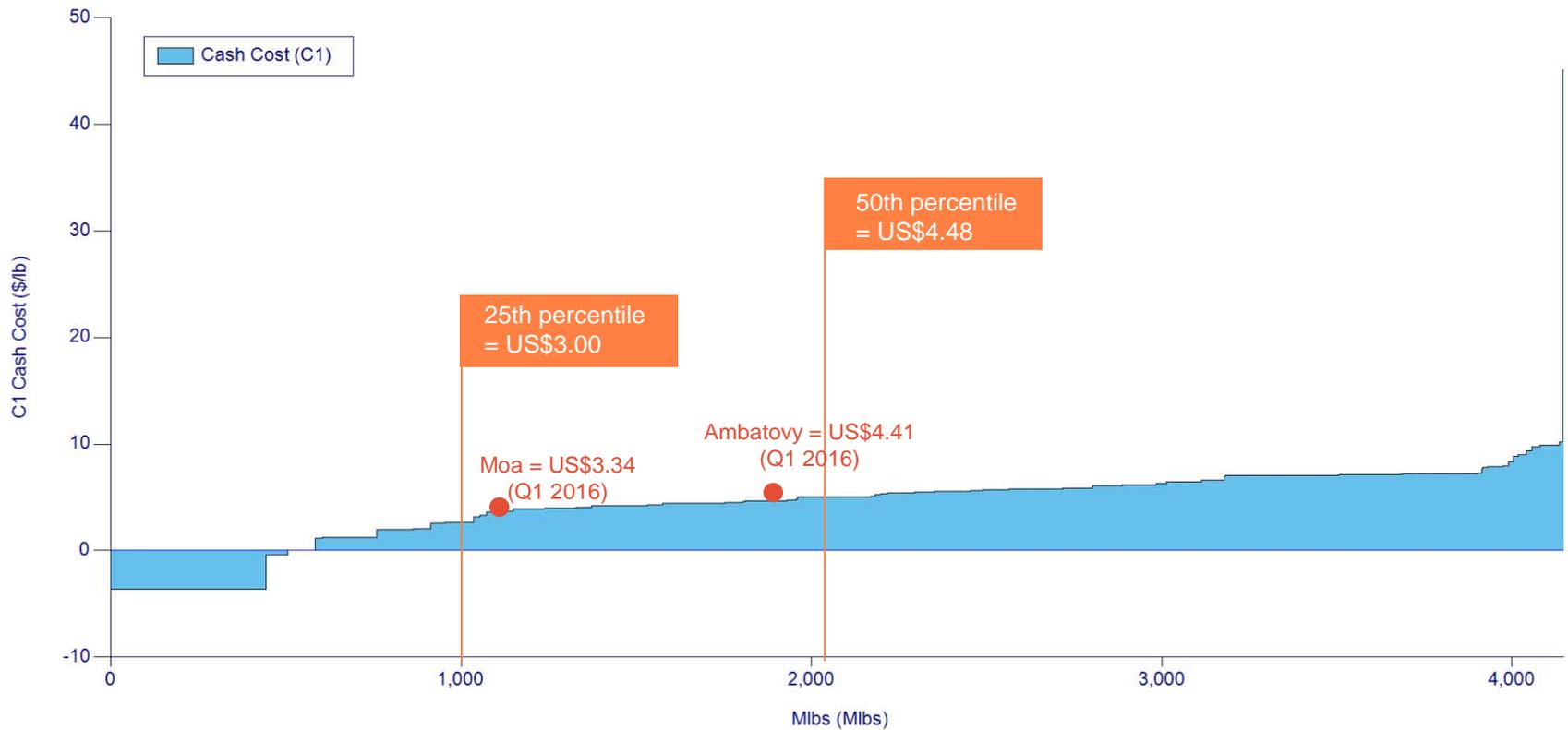
(1) All dollar figures are in (\$ millions)

# NDCC for Both Operations Since Q1 2015



# Cash Cost Curve

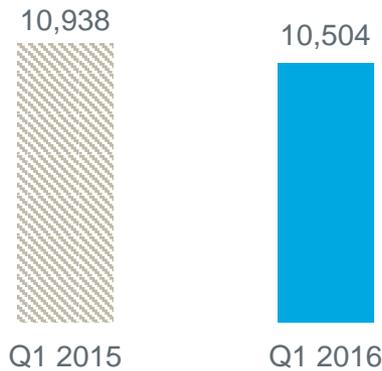
2016 Nickel Industry, Normal C1 Cash Cost  
Grouped by Operation and Ranked by Cash Cost (C1)  
Existing Operations and Base Case



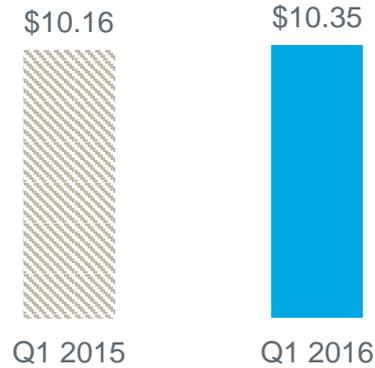
Source: Wood Mackenzie Ltd.

# Q1 2016 Oil & Gas and Power Highlights

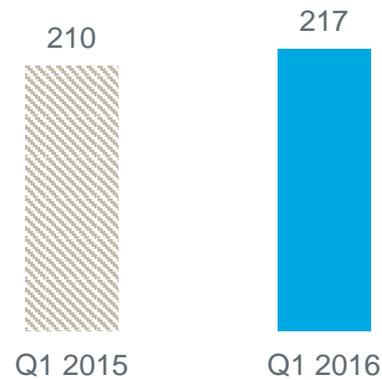
**Oil: Total Net Working Interest**



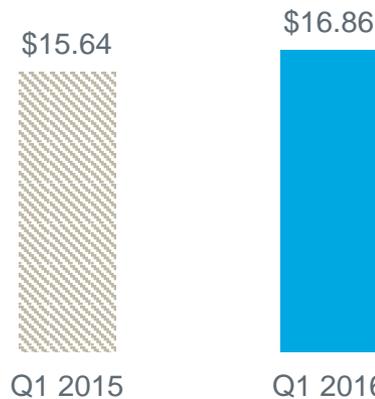
**Oil: Unit Operating Costs**



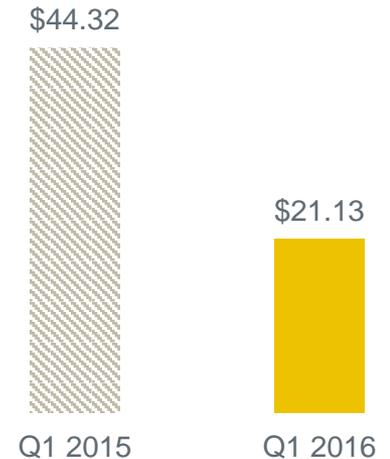
**Power (33 1/3% basis) GWh**



**Power: Unit Operating Costs**



**Avg. Reference Price Fuel Oil No. 6 (USD)**



(1) All dollar figures are in \$ millions



## FINANCIAL HIGHLIGHTS

# Accounting Treatment of Ambatovy Unfunded Cash Calls

## 14. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian \$ millions, as at	Note	2016 March 31	2015 December 31
<b>Advances and loans receivable</b>			
Ambatovy subordinated loans receivable <sup>(1)(2)</sup>	23	\$ 897.9	\$ 1,187.2
Energas conditional sales agreement <sup>(1)</sup>	23	185.5	182.0
Moa Joint Venture loans receivable <sup>(1)(3)</sup>	23	300.6	312.8
Other		0.9	1.2
<b>Other financial assets<sup>(4)</sup></b>		<b>44.1</b>	-
		1,429.0	1,683.2
Current portion of advances, loans receivable and other financial assets		(80.7)	(82.7)
		<b>\$ 1,348.3</b>	<b>\$ 1,600.5</b>

Ambatovy unfunded cash calls

## 17. LOANS, BORROWINGS AND OTHER LIABILITIES

### Other financial liabilities

Canadian \$ millions, as at	Note	2016 March 31	2015 December 31
<b>Other long-term financial liabilities<sup>(1)</sup></b>		<b>\$ 44.4</b>	\$ 0.3
Stock compensation liability	20	3.4	3.1
		47.8	3.4
Current portion of other financial liabilities		(2.2)	(1.5)
		<b>\$ 45.6</b>	<b>\$ 1.9</b>

# Q1 2016 Net Loss and Adjusting Items

\$ millions		Per Share
Net (loss) earnings from continuing operations	\$ (47.8)	\$ (0.16)
Adjusting items:		
Severance	0.7	-
Unrealized FX (gain) from continuing operations	(76.0)	(0.26)
Ambatovy VAT adjustment	(3.8)	(0.01)
<b>Adjusted net (loss) earnings from continuing operations</b>	<b>\$ (126.9)</b>	<b>\$ (0.43)</b>

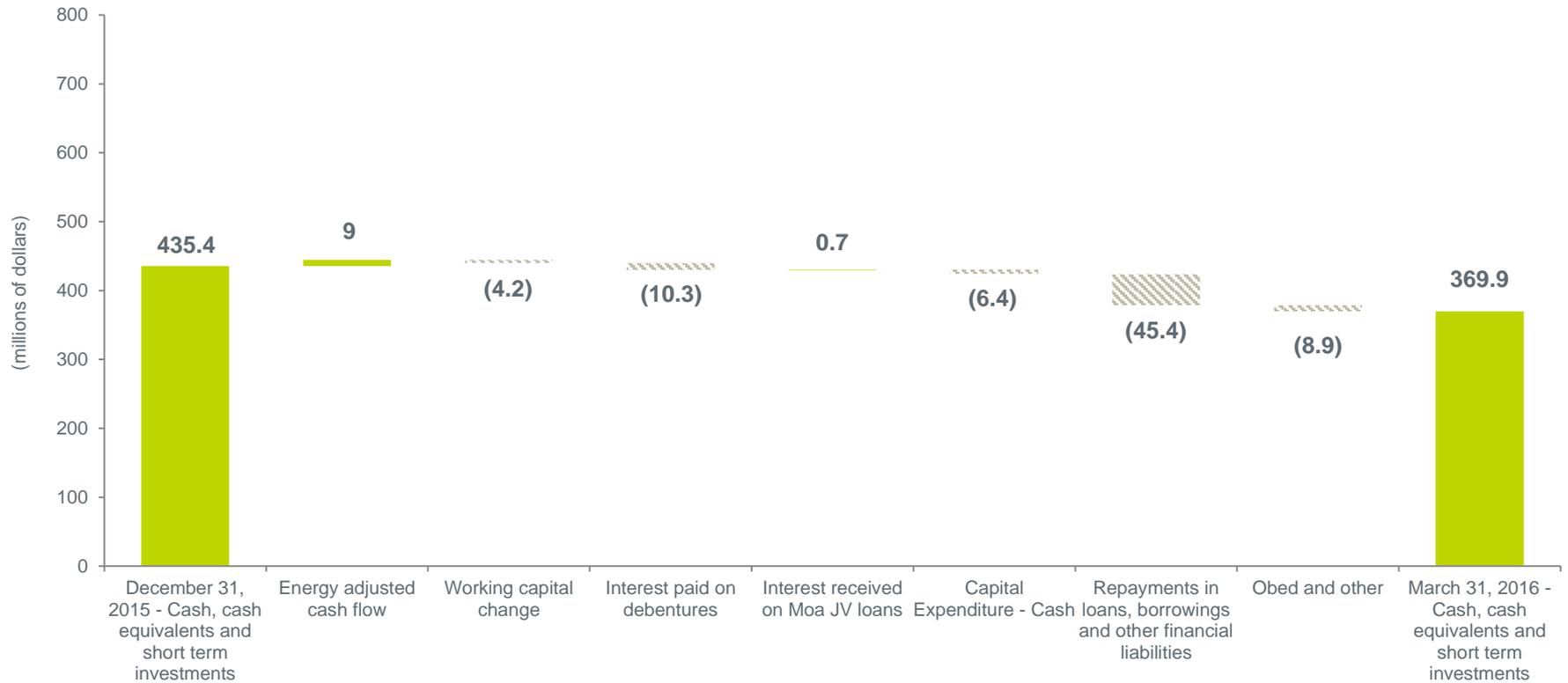


Analyst Consensus: (0.35)

# Combined Adjusted Operating Cash Flow Reconciliation from Q4 2015 to Q1 2016



# Balance Sheet Cash from Q4 2015 to Q1 2016



# Credit Facilities

## REVOLVING TERM CREDIT FACILITY

Amended to update covenants



Interest rates  
increase 0.25%



Net financial debt: EBITDA

- At March 31 → 3.75:1
- June 30 → 4:1
- Sept 30 → 4.25:1
- If after March 31, > 3.75:1 → cash >50% of lower of borrowing base or facility amount

- Prime + 2.50% OR
- BA's + 3.50%

Net financial debt: Equity = 0.55:1

- Changes from financial debt to **net** financial debt

EBITDA: interest expense

- 3:1 → 1:75:1

LINE OF CREDIT



\$35 Million repaid and terminated



**QUESTIONS**



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