

Sheritt International Corporation Announces Q4 and Year End 2016 Results

16.02.2017 | [Marketwired](#)

TORONTO, February 16, 2017 - [Sheritt International Corporation](#) ("Sheritt" or the "Corporation") (TSX: S), the world leader in the mining and refining of nickel from lateritic ores, today reported its financial results for the year ended December 31, 2016.

"This year was about sticking to our strategic priority of liquidity preservation, negotiating a three-year extension of maturities on our public debentures and entering into an Ambatovy lender agreement to defer principal payments for three years," said David Pathe, President and CEO, Sheritt International. "We have pushed out our first public debenture maturity to late 2021 and markets for our products have moved off the multi-year lows we saw in the first half of the year. I look forward to a year in which we expect increased production at our HPAL nickel operations and results from our first oil drilling in Block 10 in Cuba."

Q4 AND 2016 HIGHLIGHTS

- In the second half of 2016, the maturity dates of the three senior unsecured debentures (\$720 million principal value) were each extended by three years to 2021, 2023 and 2025. In the same timeframe, the Ambatovy Joint Venture financing lenders agreed to up to six principal payment deferrals totaling US\$565.1 million (100% basis) which are to be repaid on a schedule starting in 2021, or earlier subject to cash flow generation.

- The 2016 nickel average reference price of US\$4.36/lb was down 19% from the 2015 average reference price of US\$5.37/lb, which in turn was down 30% from the 2014 average of US\$7.65/lb. However, after two years of a steeply declining price, a change in trend appears to be emerging, with nickel prices ending 2016 at US\$4.54/lb compared to US\$3.93/lb at the end of 2015. Gulf Coast Fuel Oil No. 6 (GCF6) prices were also down 21% on average in 2016 to US\$32.13/barrel, but fourth quarter average prices of US\$41.12/barrel are up 38% over their comparable level in the fourth quarter of 2015.

- 2016 Net Direct Cash Costs (NDCC)(1) of US\$3.42/lb at the Moa JV and US\$4.27/lb at Ambatovy are both improvements over their prior year comparables of US\$3.88/lb and US\$4.83/lb respectively. Fourth quarter 2016 NDCC of US\$3.10/lb at Ambatovy represent Ambatovy's best cost performance since inception and an indication of the potential cost profile when operating close to design capacity, as Ambatovy produced 12,778 tonnes finished nickel (100% basis) in the fourth quarter. The Moa JV NDCC of US\$3.80/lb in the fourth quarter of 2016 includes the impacts of a lower fertilizer credit and lower mixed sulphides production due to Hurricane Matthew and the subsequent bridge collapse.

- Cash, cash equivalents and short-term investments ended the year at \$309.6 million, which is \$125.8 million lower than the ending balance of 2015. The main uses of cash were \$65.7 million to repay loans and borrowings, and \$59.8 million in interest payments on the outstanding debentures.

- The net loss of \$378.9 million for the year ended December 31, 2016 compares to a net loss of \$2.1 billion for the same period a year ago, with most of the 2015 total relating to Ambatovy JV impairment losses of \$1.6 billion, net of tax (40% basis). The adjusted net loss from continuing operations of \$81.3 million or \$0.28/share in the fourth quarter compares to an adjusted net loss from continuing operations of \$113.8 million a year ago.

All amounts are Canadian dollars unless otherwise indicated.

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

SIGNIFICANT ITEMS

- On December 15, 2016, Energas received approval from the Cuban Executive Committee to extend the contract term of the Varadero power facilities (173 MW installed capacity), originally scheduled to terminate in 2018, to 2023.

- Subsequent to year end, on January 31, 2017, \$76.3 million of the \$90 million syndicated revolving-term

credit facility was renewed to January 31, 2018 with the remaining \$13.7 million due to mature in April 2017. The maximum credit available will further decrease by approximately 4% quarterly beginning April 28, 2017. Collectively, these reductions in available credit will result in outstanding credit of \$63.6 million at January 30, 2018. A change in interest rates and covenants has been implemented as described in the MD&A, Investment Liquidity section, page 35.

- Production, capital spending and Unit Operating Cost guidance was released January 31, 2017 and is repeated in the "Outlook" table on page 15 of this document.

- Sherritt and its Ambatovy JV partners Sumitomo Corporation (Sumitomo) and Korea Resources Corporation (KORES) have agreed to a further extension of the waiver under the Shareholders Agreement to March 10, 2017. By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder for cash call amounts not funded through this date.

Q4 AND 2016 FINANCIAL HIGHLIGHTS

For the three months ended For the years ended

2016 2015 2016 2015

\$ millions, except per share amount December 31 December 31 Change December 31 December 31 Change

Revenue 70.5 76.5 (8 %) \$ 262.3 \$ 335.9 (22 %)

Combined Revenue(1) 240.3 229.5 5 % 820.2 1,022.7 (20 %)

Net loss for the period (106.7) (1,757.3) 94 % (378.9) (2,076.7) 82 %

Adjusted EBITDA(1) 37.4 6.1 513 % 40.0 113.1 (65 %)

Cash provided by continuing operations (22.6) 10.8 (309 %) 1.6 64.5 (98 %)

Combined free cash flow (1) (45.5) (24.8) (83 %) (111.9) (98.8) (13 %)

Net loss from continuing operations per share (0.37) (5.99) 94 % (1.30) (7.05) 82 %

Combined adjusted operating cash flow per share (1) 0.03 (0.09) 133 % (0.15) 0.21 (171 %)

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

\$ millions, except as otherwise noted, as at December 31 2016 2015 Change

Cash, cash equivalents and short-term investments 309.6 435.4 (29%)

Non-recourse loans and borrowings 1,367.5 1,303.2 5%

Other loans and borrowings 860.7 959.9 (10%)

In 2016, operating cash flow came mainly from the Oil and Gas and Power operations (\$84.4 million), partially offset by the Moa JV operations, which were free cash flow negative. There were no cash contributions to Ambatovy in 2016. During the year, interest received on the CSA Loan was \$3.9 million compared to \$37.9 million in 2015. Total energy receipts from the Cuban operations were US\$129.6 million in 2016 compared to US\$232.2 million in 2015, with Cuban overdue receivables of US\$74.6 million at the end of 2016 compared to US\$53.8 million at the end of 2015. Discussions continue to address the timing of ongoing Cuban payments, with new schedules expected from the Cubans addressing payment over the course of the coming year.

Adjusted earnings (loss) from continuing operations(1)

2016 2015

December 31 December 31

For the three months ended December 31 \$ millions \$/share \$ millions \$/share

Net loss from continuing operations (109.6) (0.37) (1,757.3) (5.99)

Adjusting items, net of tax:

Impairments 3.0 0.01 1,624.2 5.53

Unrealized foreign exchange (gain) loss 25.7 0.09 18.3 0.06

Other (0.4) 0.00 1.0 0.00

Adjusted net loss from continuing operations (81.3) (0.27) (113.8) (0.40)

2016 2015

December 31 December 31

For the years ended December 31 \$ millions \$/share \$ millions \$/share

Net loss from continuing operations (381.8) (1.30) (2,071.7) (7.05)

Adjusting items, net of tax:

Impairments 11.5 0.04 1,704.8 5.80

Unrealized foreign exchange (gain) loss (35.9) (0.12) 44.3 0.15

Other (21.7) (0.08) (28.7) (0.10)

Adjusted net loss from continuing operations (427.9) (1.46) (351.3) (1.20)
(1) For additional information, see the Non-GAAP measures section of this release.

The net loss from continuing operations in the fourth quarter of 2016 was \$109.6 million, which included \$28.3 million of adjusting items, primarily a \$25.7 million unrealized foreign exchange loss.

For the full year, the net loss from continuing operations was \$381.8 million, with \$51.9 million in pre-tax adjusting items, and \$5.8 million in tax adjustment items for an adjusted net loss from continuing operations of \$427.9. The main adjusting items on a full year basis were a \$35.9 million unrealized foreign exchange gain, a further gain of \$12.6 million on the repurchase of debentures, and a gain of \$15.6 million relating to VAT adjustments.

REVIEW OF OPERATIONS

METALS

\$ millions except as otherwise noted, for the three months ended December 31 2016 2015

Moa JV &
Fort Site(1)
(50%) Ambatovy
JV
(40%)
Other(2)

Total
Moa JV and
Fort Site(1)
(50%) Ambatovy
JV
(40%)
Other(2)
Total
Change

FINANCIAL HIGHLIGHTS

Revenue \$ 92.5 \$ 88.2 \$ 14.9 \$ 195.6 \$ 101.1 \$ 69.9 \$ 12.8 \$ 183.8 6 %
(Loss) earnings from operations (7.6) (15.0) 0.2 (22.4) (6.8) (1,785.5) (0.6) (1,792.9) 99 %
Adjusted EBITDA(3) 5.6 24.4 0.2 30.2 7.6 (9.5) - (1.9) 1,689 %
Cash provided (used) by operations (6.1) (0.8) 3.3 (3.6) 21.1 (22.3) 1.4 0.2 (1,900 %)
Free cash flow(3) (9.8) (10.6) 3.3 (17.1) 1.3 (26.6) 1.4 (23.9) 28 %

PRODUCTION VOLUMES (tonnes)

Mixed Sulphides 3,674 6,036 - 9,710 4,336 5,042 - 9,378 4 %
Finished Nickel 3,782 5,111 - 8,893 4,098 4,885 - 8,983 (1 %)
Finished Cobalt 382 404 - 786 521 386 - 907 (13 %)
Fertilizer 61,460 16,650 - 78,110 69,741 15,169 - 84,910 (8 %)
NICKEL RECOVERY (%) 85 % 87 % 89 % 86 %

SALES VOLUMES (tonnes)

Finished Nickel 3,975 4,935 - 8,910 4,237 4,665 - 8,902 -
Finished Cobalt 487 360 - 847 559 411 - 970 (13 %)
Fertilizer 45,698 15,485 - 61,183 60,461 14,814 - 75,275 (19 %)

AVERAGE EXCHANGE RATE (CAD/US) 1.334 1.335 -

AVERAGE REFERENCE PRICES (US\$ per pound)

Nickel \$ 4.90 \$ 4.27 15 %
Cobalt 13.51 11.34 19 %

AVERAGE-REALIZED PRICES(3)

Nickel (\$ per pound) \$ 6.39 \$ 6.50 \$ 6.45 \$ 5.57 \$ 5.52 \$ 5.54 16 %
Cobalt (\$ per pound) 16.85 18.73 17.68 14.08 11.31 12.91 37 %
Fertilizer (\$ per tonne) 326 160 284 413 197 371 (23 %)

UNIT OPERATING COSTS(3) (US\$ per pound)

Nickel - net direct cash cost \$ 3.80 \$ 3.10 3.41 \$ 2.90 \$ 4.07 3.51 (3 %)

SPENDING ON CAPITAL

Sustaining \$ 4.7 \$ 19.0 \$ - \$ 23.7 \$ 13.8 \$ 4.9 \$ - \$ 18.7 27 %

Expansion (2.1) - - (2.1) 6.7 - - 6.7 (131 %)

\$ 2.6 \$ 19.0 \$ - \$ 21.6 \$ 20.5 \$ 4.9 \$ - \$ 25.4 (15 %)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.

(2) Includes results for Sherritt's marketing organizations for certain Ambatovy and Moa Joint Venture sales.

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

\$ millions, except as otherwise noted, for the years ended December 31 2016 2015

Moa JV and

Fort Site(1)

(50%) Ambatovy

JV

(40%)

Other(2)

Total

Moa JV and

Fort Site(1)

(50%) Ambatovy

JV

(40%)

Other(2)

Total

Change

FINANCIAL HIGHLIGHTS

Revenue \$ 339.3 \$ 264.8 \$ 48.0 \$ 652.1 \$ 412.6 \$ 332.0 \$ 60.5 \$ 805.1 (19 %)

(Loss) earnings from operations (28.4) (150.9) 0.8 (178.5) (4.4) (1,934.1) 0.5 (1,938.0) 91 %

Adjusted EBITDA(3) 19.6 (7.0) 0.8 13.4 42.2 (9.4) 0.5 33.3 (60 %)

Cash provided (used) by operations (2.7) (34.6) 3.1 (34.2) 53.4 (24.3) 4.1 33.2 (203 %)

Free cash flow(3) (33.9) (55.9) 3.1 (86.7) (9.0) (60.4) 4.1 (65.3) (33 %)

PRODUCTION VOLUMES (tonnes)

Mixed Sulphides 16,923 18,271 - 35,194 18,510 19,598 - 38,108 (8 %)

Finished Nickel 16,464 16,842 - 33,306 16,853 18,908 - 35,761 (7 %)

Finished Cobalt 1,847 1,309 - 3,156 1,867 1,386 - 3,253 (3 %)

Fertilizer 256,812 53,908 - 310,720 255,991 54,930 - 310,921 -

NICKEL RECOVERY (%) 87 % 86 % 89 % 86 %

SALES VOLUMES (tonnes)

Finished Nickel 16,402 16,844 - 33,246 16,980 18,857 - 35,837 (7 %)

Finished Cobalt 1,846 1,281 - 3,127 1,885 1,362 - 3,247 (4 %)

Fertilizer 167,525 52,482 - 220,007 182,065 56,033 - 238,098 (8 %)

AVERAGE EXCHANGE RATE (CAD/USD) 1.325 1.278 4 %

AVERAGE REFERENCE PRICES (US\$ per pound)(3)

Nickel \$ 4.36 \$ 5.37 (19 %)

Cobalt 11.77 12.99 (9 %)

AVERAGE-REALIZED PRICES(3)

Nickel (\$ per pound) \$ 5.63 \$ 5.66 \$ 5.65 \$ 6.72 \$ 6.64 \$ 6.68 (15 %)

Cobalt (\$ per pound) 14.82 16.08 15.33 15.69 14.50 15.20 1 %

Fertilizer (\$ per tonne) 377 164 326 425 196 371 (12 %)

UNIT OPERATING COSTS(3) (US\$ per pound)

Nickel - net direct cash cost \$ 3.42 \$ 4.27 3.85 \$ 3.88 \$ 4.83 4.38 (12 %)

SPENDING ON CAPITAL(4)

Sustaining \$ 22.6 \$ 33.1 \$ - \$ 55.7 \$ 47.4 \$ 23.8 \$ - \$ 71.2 (22 %)

Expansion 10.3 - - 10.3 16.7 - - 16.7 (38 %)

\$ 32.9 \$ 33.1 \$ - \$ 66.0 \$ 64.1 \$ 23.8 \$ - \$ 87.9 (25 %)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.

(2) Includes results for Sherritt's marketing organizations for certain Ambatovy and Moa Joint Venture sales.

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

(4) Spending on capital includes accruals.

METAL MARKETS

Nickel

On a year-over-year basis, the 2016 nickel average reference price of US\$4.36/lb declined by 19% over the 2015 average, with roughly 27% of global production remaining underwater on a cash margin basis at this price. Despite the negative margins experienced by many producers, more significant supply cuts have been slow to materialize, and global inventory levels remain high.

In the second half of 2016, prices recovered significantly from the lows of US\$3.50/lb reached in the first quarter of 2016 and remained generally above US\$4.50/lb through the fourth quarter of 2016. Recent market activity remains bullish on a fundamental basis, as market analysts continue to reinforce projected deficits and forecast stronger prices carrying over from 2016 into 2017. Fundamental supply challenges that have emerged with the Philippines ongoing environmental audits on all mining operations in the country, closures of uneconomic operations, and healthy stainless steel results from North America and Europe have helped propel LME prices to levels previously reached in 2015. After peaking at 470,000 tonnes in June 2015, nickel inventories held in London Metals Exchange warehouses have declined by close to 100,000 tonnes but the year end balance of 372,000 tonnes remains high compared to historical levels. The announced mine closures in the Philippines coupled with improved stainless steel demand are both seen as near-term catalysts for continued strength in the nickel market, although this is being tempered by the ramp up of Nickel Pig Iron (NPI) operations in Indonesia and the announced easing of the ban on ore exports allowing quotas of low grade nickel containing ore to be exported by Indonesian miners who meet criteria which have not yet been fully articulated.

Cobalt

The average reference price for cobalt in 2016 was US\$11.77/lb or down only 9% from its 2015 comparable, with the outlook remaining positive. The cobalt price recovery from the lows early in 2016 has been more significant than nickel, moving from approximately US\$9.85/lb in the first quarter to end the year at approximately US\$14.92/lb. While nickel prices experienced a correction in the month of December and since, cobalt prices have gone on to make new highs in January 2017. Refined cobalt supply contracted in 2016 with the suspension of production from Votorantim (Tocantins) in Brazil and Queensland Nickel in Australia. Indications are that the market is approaching balance or slight deficit. Overall cobalt demand is supported by the longer-term outlook for cobalt in rechargeable batteries, a market that utilizes refined forms of cobalt with purity being an important factor in customer demand, and environmental and sustainability concerns from African sourced mines becoming increasingly important. These concerns received media attention after an Amnesty International report in January 2016 which focused on human rights abuses in Democratic Republic of Congo (DRC) cobalt mining operations. Because the DRC is the world's largest producer of cobalt, cobalt customers have responded by requiring more stringent certification of origin procedures, to restrict or prohibit buying cobalt sourced from the DRC. Superalloy demand also remains strong, along with other applications such as magnets, diamond cutting tools, soaps and paint driers which continue to provide strong demand for cobalt. As a result of the positive medium term outlook for cobalt, and the knowledge that most cobalt supply comes as a by-product of copper and nickel production, speculative interest has picked up.

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

The Moa JV finished nickel production of 3,782 tonnes (50% basis) in the fourth quarter is 8% lower than its level last year and 12% lower than third quarter 2016 production. The shutdown of the processing plant during Hurricane Matthew had a modest impact, which was compounded by the bridge collapse in November, and the corresponding impacts on haulage time and distance using secondary access roads. Full year production of finished nickel was relatively flat from 2015, down only 2% despite the impacts in the fourth quarter. The lower mixed sulphides production was partly offset by utilization of third party feed. On a yearly basis, cobalt production was similar to 2015 levels as the third party feed was and continues to be cobalt rich.

Revenue in the quarter is down by 9% on a year-over-year basis reflecting lower fertilizer revenue. Fourth quarter fertilizer sales are down \$10.1 million or 40% from their prior year level, as the early onset of winter compared to last year resulted in a lower harvest for Fort Site fertilizer customers, and average realized prices for fertilizer were also depressed. On a full year basis, revenue was down 18% over 2015, consistent with the average reference price decline of 19% in nickel.

Although the year-over-year price decline was the main factor influencing Moa's results, we have seen an

improvement over the course of the year as nickel and cobalt prices have recovered from their lows earlier in 2016. Nickel average reference prices of US\$4.90/lb in the fourth quarter of 2016 compare to US\$4.27/lb in the comparable quarter of 2015. Cobalt average reference prices of US\$13.51/lb in the fourth quarter of 2016 are up 19% from their comparable quarter of 2015.

The NDCC of US\$3.80/lb of nickel in the fourth quarter is US\$0.90/lb higher on a year-over-year basis primarily due to lower production volumes and the lower fertilizer credit, which was approximately US\$0.55/lb lower than the prior year's fertilizer credit. These negative effects were partly offset by the benefits from the newly constructed acid plant, which is expected to deliver a further cost benefit in 2017. The cobalt credit in the fourth quarter was US\$1.55/lb, the highest experienced since second quarter 2012. Moa's 2017 NDCC guidance range of US\$3.20/lb to US\$3.70/lb takes into account the acid plant cost benefit, along with higher forecasted energy prices and planned maintenance spending, including an annual refinery shutdown and acid plant shutdown.

Cash used by operations of \$6.1 million in the fourth quarter reflects the lower production and higher costs, although for the full year, cash used by operations was \$2.7 million at full year average reference nickel prices of approximately US\$4.36/lb.

Capital spending of \$2.6 million in the quarter and \$32.9 million (US\$25 million) in 2016 is significantly lower compared to the same periods last year due to lower planned spending on sustaining capital and the completion of the acid plant which is expected to be approximately US\$10 million (100% basis) under budget. Expansion capital spending in the fourth quarter includes a credit for the transfer of spare parts to inventory which is included in Sustaining Capital. Capital spending guidance for 2017 is approximately US\$28 million.

Ambatovy Joint Venture (40% interest)

The Ambatovy JV fourth quarter 2016 finished nickel production was 5,111 tonnes (40% basis), and was the highest for the year, up 39% from third quarter 2016 levels and 5% compared to the fourth quarter of 2015. PAL ore throughput operated at 93% of design capacity during the quarter.

This result contributed strongly to full year finished nickel production of 16,842 tonnes (40% basis), down year-over-year following the tailings pipe blockage and subsequent total plant maintenance shutdown that affected second and third quarter production. PAL ore throughput operated at 78% of nameplate capacity for the full year, with refinery nickel averaging 70% of nameplate capacity.

Higher cobalt and nickel reference prices in the fourth quarter combined with higher production were the main drivers of increased revenue in the quarter, with cobalt sales benefiting from provisional price adjustments. On a full year basis, overall revenue is down by 20% following the trend in nickel prices and the production impacts described above.

The NDCC of US\$3.10/lb for the fourth quarter is Ambatovy's best quarterly cost performance since inception, and was significantly under the previous best quarterly NDCC (US\$4.07/lb in fourth quarter, 2015). This result demonstrates the cash cost profile achievable when operating at levels closer to 85% of design capacity. Compared to fourth quarter 2015 levels, the 2016 quarterly and yearly NDCC benefited from lower input prices, especially sulphur, ammonia and fuel, and from further fixed cost savings and efficiencies throughout the operations. The full year NDCC of US\$4.27/lb is a 12% improvement over 2015 NDCC, despite the lower production volumes. Net Direct Cash Cost guidance for 2017 is a range of US\$3.10 - 3.70/lb.

Cash used by operations was \$34.6 million for the full year, compared to \$24.3 million in 2015.

Most of the 2016 capital spending of \$33.1 million on a 40% basis (US\$25 million) was incurred in the fourth quarter and capital spending guidance for 2017 is expected to increase to \$61 million (US\$45 million), with most of the expenditure relating to new mining development and fleet upgrades.

Sherritt has not funded any cash calls since achieving financial completion, with total post-completion funding provided by Sumitomo and KORES of US\$173 million as of December 31, 2016. This includes US\$20 million in the fourth quarter 2016 and US\$143 million in the full year 2016. Funding is intended to cover operating losses, capital spending and interest (US\$56 million annually) on the Ambatovy Joint Venture financing as described in Note 6, Investment in an Associate, to the consolidated financial statements. As of December 31, 2016, the cash position at Ambatovy was \$76.7 million (100% basis).

By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through March 10, 2017 after a further extension granted

February 16, 2017. Discussions continue regarding the partnership structure and future funding arrangements.

OIL AND GAS

For the three months ended For the years ended

2016 2015 2016 2015

\$ millions, except as otherwise noted December 31 December 31 Change December 31 December 31 Change

FINANCIAL HIGHLIGHTS

Revenue \$ 30.6 \$ 30.5 - \$ 108.6 \$ 162.6 (33 %)

(Loss) earnings from operations 2.8 \$ (1.2) 333 % \$ (16.3) \$ (71.6) 77 %

Adjusted EBITDA(1) 11.6 9.7 20 % 35.6 81.9 (57 %)

Cash provided by operations 11.4 30.2 (62 %) 76.4 80.7 (5 %)

Free cash flow(1) 3.3 23.3 (86 %) 50.4 21.4 136 %

PRODUCTION AND SALES (bopd)

Gross working-interest (GWI) - Cuba 14,470 17,045 (15 %) 15,452 18,257 (15 %)

Total net working-interest (NWI) 8,163 10,727 (24 %) 9,483 11,158 (15 %)

AVERAGE EXCHANGE RATE (CAD/USD) 1.334 1.335 - 1.325 1.278 4 %

AVERAGE REFERENCE PRICE (US\$ per barrel)

West Texas Intermediate (WTI) \$ 49.21 \$ 42.05 17 % \$ 43.37 \$ 48.69 (11 %)

Gulf Coast Fuel Oil No. 6 41.12 29.86 38 % 32.13 40.68 (21 %)

Brent 48.53 43.45 12 % 43.31 52.08 (17 %)

AVERAGE-REALIZED PRICE(1)(NWI)

Cuba (\$ per barrel) \$ 39.75 \$ 29.38 35 % \$ 29.93 \$ 38.35 (22 %)

UNIT OPERATING COSTS(1)(GWI)

Cuba (\$ per barrel) \$ 10.95 \$ 10.82 1 % \$ 9.75 \$ 9.53 2 %

SPENDING ON CAPITAL(2)

Development, facilities and other \$ 0.4 \$ (1.2) 133 % \$ 8.9 \$ 53.1 (83 %)

Exploration 7.8 0.5 1460 % 17.0 1.4 1114 %

\$ 8.2 \$ (0.7) 1271 % \$ 25.9 \$ 54.5 (52 %)

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

(2) Spending on capital includes accruals.

Cuba gross working-interest oil production of 15,452 bopd in 2016 is 15% below its 2015 level, reflecting natural reservoir declines and the absence of any contribution from development drilling during the year.

Revenue in the fourth quarter of 2016 was stable compared to the same quarter a year ago, as lower production was offset by higher realized prices. On a full year basis, revenue is 33% below 2015 as both production and realized prices are lower by 15% and 22% respectively.

The average reference price of GCF6 in 2016 was down 21% from its 2015 comparable level, which is similar to the price decline in nickel over the same period. The recovery in WTI and fuel oil prices over the course of 2016 has been more significant, with fourth quarter 2016 GCF6 prices being up 38% over their comparable quarter in 2015. GCF6 prices have climbed steadily since their lows in the first quarter of 2016, and the spread between GCF6 and WTI prices has narrowed. GCF6 prices averaged 84% of WTI prices in the fourth quarter, compared to only 63% in the first quarter of 2016.

Cuba unit operating costs remain competitive, at \$10.95/barrel for the fourth quarter and \$9.75/barrel for the full year 2016, as lower aggregate operating costs offset the decline in production.

Capital spending of \$8.2 million in the fourth quarter and \$25.9 million for the full year are both lower than expected based on 2016 published guidance due to lower equipment expenditures. Drilling and testing of the first well in Block 10 is now scheduled to be completed in the first quarter of 2017, with results to be disclosed shortly thereafter. A second well is planned to be drilled and tested in the second half of 2017. Test results from these two wells will determine whether or not Sherritt will proceed with commercialization of Block 10.

In 2016, Sherritt deferred the expenditures relating to a seismic program on another Block, 8A, which will

now be carried out in 2017. Completion of this seismic survey is required to satisfy the first exploration commitment for Block 8A. After the seismic results are known, a decision will be made as to whether or not to proceed to the next exploration phase.

POWER

For the three months ended For the years ended

2016 2015 2016 2015

\$ millions (33 ⅓% basis), except as otherwise noted December 31 December 31 Change December 31 December 31 Change

FINANCIAL HIGHLIGHTS

Revenue \$ 13.7 \$ 13.7 - \$ 58.6 \$ 52.7 11 %

(Loss) earnings from operations (1.3) (3.3) 61 % (5.3) (3.7) (43 %)

Adjusted EBITDA(1) 7.4 5.5 35 % 29.5 30.0 (2 %)

Cash provided by operations (3.3) 6.5 (151 %) 8.0 61.4 (87 %)

Free cash flow(1) (3.7) 4.4 (184 %) 7.0 57.0 (88 %)

PRODUCTION AND SALES

Electricity (GWh) 224 226 (1 %) 894 902 (1 %)

AVERAGE-REALIZED PRICE(1)

Electricity (\$/MWh) \$ 56.24 \$ 56.53 (1 %) \$ 56.10 \$ 54.26 3 %

UNIT OPERATING COSTS(1) (\$/MWh)

Base 22.39 23.77 (6 %) 17.70 17.57 1 %

Non-base(3) 2.34 10.11 (77 %) 5.24 3.43 53 %

24.73 33.88 (27 %) 22.94 21.00 9 %

NET CAPACITY FACTOR (%) 69 69 - 69 70 (1 %)

SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS(2)

Sustaining \$ 0.4 \$ 2.2 (82 %) \$ 1.0 \$ 4.4 (77 %)

Service concession arrangements 0.1 (0.2) 150 % 4.6 (0.3) 1,633 %

\$ 0.5 \$ 2.0 (75 %) \$ 5.6 \$ 4.1 37 %

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

(2) Includes service concession arrangements and accruals.

(3) Costs incurred at the Boca de Jaruco and Puerto Escondido facilities that otherwise would have been capitalized if these facilities were not accounted for as service concession arrangements.

Power production in the fourth quarter of 224 GWh and 894 GWh for the full year are both consistent with last year's production. Average realized prices are also consistent as they are covered by long-term contracts fixing the tariff rates at US\$45/MWh while construction capital provided by Sherritt is still being repaid, and US\$38/MWh for the Base facilities, when all capital costs have been recovered. Thus the change in realized price is usually a function of the US\$/C\$ exchange rate, as is the case in 2016 compared to 2015.

Fourth quarter 2016 revenue of \$13.7 million is consistent with its comparable quarter in 2015 and full year revenue is higher this year counting revenue related to the construction of the Puerto Escondido/Yumuri pipeline, under a service concession arrangement.

Overall, unit operating costs are up on a year-over-year basis primarily due to a planned major inspection of a gas turbine at Boca de Jaruco. Unit operating cost guidance for 2017 is a range of \$18.75 - \$19.50/MWh, which is approximately a 15% decline from 2016 levels, mainly because of lower gas turbine maintenance.

Cash provided by operations of \$8.0 million in 2016 is down from the \$61.4 million recorded in 2015, with most of the change being the absence of interest payments received on the CSA loan in 2016.

Adjusted EBITDA of \$29.5 million for the full year is down marginally from 2015, with the higher unit operating costs. The loss from operations of \$5.3 million for the year includes depreciation charges of \$34.8 million.

Spending on capital and service concession agreements for the year primarily relate to the construction of the new pipeline that delivers gas to be processed at the Puerto Escondido facility, and which became operational in September.

On December 15, 2016, Energas received approval from the Cuban Executive Committee to extend the contract term of the Varadero power facilities (173 MW total installed capacity), which was to terminate in 2018, to 2023.

2016 REVIEW OF STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2016 and summarizes how the Corporation performed against those priorities in 2016.

Strategic Priorities 2016 Targets Status

UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION

1 Complete and commission the acid plant at Moa in the second half of 2016 Acid plant construction completed on time and under budget, and now in operation

Further reduce NDCC costs at the Moa JV and Ambatovy JV towards the goal of being in the lowest quartile Full year 2016 NDCC of US\$3.42/lb at Moa, and US\$4.27/lb at Ambatovy represent reductions at both operations In Q4, NDCC at Ambatovy was US\$3.10/lb, falling in the low end of the second quartile of global nickel cash costs

Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3 Production was down from 2015 due mainly to unplanned events including the tailings pipe blockage; Q4 production of 12,778 tonnes (100%) represents 85% of design capacity Maintain peer leading performance in environmental, health, safety and sustainability Performance improved over 2015 for Ambatovy, which recorded a one year anniversary of zero Lost-Time Injuries in September; Moa's tragic accident in 2016 caused four fatalities

EXTEND THE LIFE OF OUR CUBAN ENERGY BUSINESS

2 Allocate capital to new drilling on Block 10, with future drilling to be contingent on results from 2016 activity Drilling started in mid-August and continued through year-end. Results from the first well in Block 10 will dictate next steps

PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH

3 Protect Sherritt's balance sheet and preserve cash Three year extension of the maturity on all outstanding debentures and deferral of six Ambatovy principal payments on project facility Establish clarity on long-term funding of Ambatovy

Ceased funding Ambatovy cash calls due to the "40 for 12" issue; agreement on no defaulting shareholder status extended through March 10, 2017

Run business units to be free cash flow neutral, and continue to optimize administrative costs Although the Oil and Gas and Power operations were free cash flow positive, significant declines in nickel and GCF6 reference prices from 2015 resulted in negative free cash flow of \$38.6 million

2017 STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2017. The 2017 Strategic Priorities reflect the continuing cautious commodity price outlook and the Corporation's responsibility to preserve liquidity, continue to drive down costs, improve organizational effectiveness and execute rational capital allocation plans. Sherritt's purpose, originally communicated in 2014, continues to be a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities.

Strategic Priorities 2017 Targets

UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL PRODUCTION FROM LATERITES

1 Further reduce NDCC at Moa and Ambatovy towards the goal of achieving or remaining in the lowest quartile of global nickel cash costs

Increase Ambatovy production and predictability over 2017

Achieve peer leading performance in environmental, health, safety and sustainability

OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS

2 Determine future capital allocation based on results from first two wells to be drilled on Block 10

PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH

3 Finalize long-term Ambatovy equity and funding structure

Optimize working capital and receivables collection

Operate Metals and Power businesses to be free cash flow neutral or better

OUTLOOK

2017 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

In 2016, Sherritt made certain modifications to how guidance is presented, showing capital spending estimates in U.S. dollars, as well as their Canadian dollar equivalent. In the quarterly reporting, actual capital spending is presented in Canadian dollars consistent with Sherritt's reporting currency, but estimates and forward looking information continue to be provided in US dollars. This change in presentation is intended to align with Sherritt's capital budgeting practices, and to mitigate the change to capital spending that arises from translation to the Canadian dollar reporting currency. Capital projects in the Metals business are generally U.S. dollar expenditures, while in Oil & Gas, the expenditures are roughly 50% Canadian dollar denominated and 50% U.S. dollar denominated.

In 2017, Sherritt added Unit Operating Cost guidance.

Actual

2016 2016 2017

Production volumes, unit operating costs and spending on capital guidance December 31 guidance

Production volumes

Nickel, finished (tonnes, 100% basis)

Moa Joint Venture 32,500-33,000 32,928 33,000-34,000

Ambatovy Joint Venture 40,000-42,000 42,105 48,000-52,000

Total 72,500-75,000 75,033 81,000-86,000

Cobalt, finished (tonnes, 100% basis)

Moa Joint Venture 3,300-3,800 3,694 3,500-3,800

Ambatovy Joint Venture 2,900-3,300 3,273 3,800-4,100

Total 6,200-7,100 6,967 7,300-7,900

Oil - Cuba (gross working-interest, bopd) 15,000 15,452 11,500-12,500

Oil and Gas - All operations (net working-interest, boepd) 9,200 9,483 6,400-7,000

Electricity (GWh, 331/3% basis) 860 894 850-900

Unit operating costs

NDCC (US\$ per pound)

Moa Joint Venture - 3.42 3.20-3.70

Ambatovy Joint Venture - 4.27 3.10-3.70

Total - 3.85 3.14-3.70

Oil and Gas - Cuba (unit operating costs, \$ per barrel) - 9.75 11.00-12.00

Electricity (unit operating costs, \$ per MWh) - 22.94 18.75-19.50

Spending on capital (US\$ millions)

Metals - Moa Joint Venture (50% basis), Fort Site (100% basis) (1) US\$38 US\$25 (33) US\$28 (38)

Metals - Ambatovy Joint Venture (40% basis) US\$25 US\$25 (33) US\$45 (61)

Oil and Gas US\$27 US\$20 (26) US\$55 (73)

Power (331/3% basis) US\$1 US\$1 (1) US\$1 (2)

Power (331/3% basis) Pipeline Construction on Service Concession Arrangements US\$4 US\$4 (5) -

Spending on capital (excluding Corporate) US\$95 US\$75 (98) US\$129 (174)

(1) 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, and adjusted operating cash flow, and free cash flow to monitor the 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 period ended December 31, 2016 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast today at 10:00 a.m. Eastern Time.

Conference Call and Webcast: February 17, 2017, 10:00 a.m. ET
North American callers, please dial: 1-800-263-0877
International callers, please dial: 647-794-1827
Live webcast: www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until February 22, 2017 by calling 647-436-0148 or 1-888-203-1112, access code 3172353#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete interim condensed consolidated financial statements and MD&A for the year ended December 31, 2016 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

Sherritt, which is celebrating its 90th anniversary in 2017, is the world leader in the mining and refining of nickel from lateritic ores with projects and operations in Canada, Cuba and Madagascar. 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" sections of this press release 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 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 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; 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 press release 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 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.

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

For further investor information contact:

Investor Relations
Flora Wood, Director of Investor Relations
Telephone: 416.935.2451
Toll-free: 1.800.704.6698
E-mail: investor@sherritt.com

[Sherritt International Corporation](#)
181 Bay Street, 26th Floor, Brookfield Place
Toronto, Ontario, Canada, M5J 2T3
www.sherritt.com

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/256716--Sherritt-International-Corporation-Announces-Q4-and-Year-End-2016-Results.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2025. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).