

Sherritt Reports First Quarter 2018 Results

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[Sherritt International Corp.](#) (TSX: S):

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[Sherritt International Corp.](#) (‘Sherritt’ or the ‘Corporation’) (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 first quarter ended March 31, 2018. All amounts are in Canadian currency unless noted.

CEO COMMENTARY

‘Sherritt’s results for Q1 reflect the positive impact of improving commodity prices and our continuing efforts to strengthen our balance sheet,’ said David Pathe, President and CEO of Sherritt International. ‘We ended the quarter with more cash on hand, less debt, and higher cash received from the Moa JV – all clear signs of progress.’

Mr. Pathe added, ‘With production challenges at the Moa JV caused by excessive rainfall and rail transportation delays largely behind us, we are bullish about our prospects for the balance of 2018 given the favorable outlook for nickel and cobalt prices due to favorable demand trends, particularly within the electric vehicle battery market.’

Q1 HIGHLIGHTS

- Average-realized prices at the Moa Joint Venture (‘Moa JV’) for nickel improved 26% to \$7.80 per pound while average-realized prices for cobalt increased 100% to \$48.47 per pound.
- Sherritt ended the quarter with \$237.3 million in cash, cash equivalents and short-term investments, up from \$203.0 million at December 31, 2017.
- Sherritt strengthened its balance sheet by purchasing for cancellation \$121.2 million of outstanding debentures at an aggregate cost of \$110.3 million through a modified Dutch auction tender offer. The transaction, which was funded by a unit offering that generated net proceeds of approximately \$125 million, brings the total amount of indebtedness eliminated by the Corporation over the past four years to approximately \$2 billion.
- Received \$16.0 million from the Moa JV as repayment on its working capital facility and US\$40.7 million in Cuban energy payments, lowering overdue scheduled receivables to \$126.7 million from \$132.6 million at year end 2017.
- Net direct cash cost (NDCC)⁽¹⁾ at the Moa Joint Venture was US\$2.06 per pound of finished nickel sold, marking the fourth consecutive quarter that the Moa JV is in the lowest cost quartile.
- Sherritt’s share of finished nickel production at the Moa JV was 2,854 tonnes in Q1 2018, down 26% from Q1 2017, while its share of finished cobalt was 336 tonnes, down 23% from Q1 2017. Consistent with previous disclosure, the decline in production in Q1 2018 was attributable to the reduced availability of mixed sulphides due to the highest level of rainfall at Moa’s operations in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta by the rail service provider. Subsequent to quarter end, delays with rail transportation service have largely been resolved and mixed sulphides availability has been restored to normal levels.
- Executed a three-year extension of the Puerto Escondido/Yumuri oil production sharing contract to 2021.
- Adjusted EBITDA was \$36.4 million, relatively flat when compared to Q1 2017. Adjusted EBITDA in Q1 2018 reflected the impact of the restructuring of the Ambatovy Joint Venture completed in December 2017 that reduced Sherritt’s ownership interest from 40% to 12%.

- Net loss for Q1 2018 was \$0.6 million or \$nil on a per share basis. In Q1 2017, net loss was \$72.6 million or \$0.25 per share.
- Q1 results marked Sherritt's first full quarter of operations since its ownership interest at Ambatovy was reduced to 12% as a result of the Joint Venture restructuring completed in December 2017.

HIGHLIGHTS SUBSEQUENT TO QUARTER END

- Sherritt finalized the evaluation of available and proven technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US\$13 million.

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

Q1 2018 FINANCIAL HIGHLIGHTS

\$ millions, except as otherwise noted, for the three months ended March 31	2018
Revenue	\$ 39.4
Combined Revenue ⁽¹⁾	146.9
Net loss for the period	(0.6)
Adjusted EBITDA ⁽¹⁾	36.4
Cash provided (used) by continuing operations	11.1
Combined adjusted operating cash flow ⁽¹⁾	5.9
Combined free cash flow ⁽¹⁾	6.1
Average Exchange Rate (CAD/US\$)	1.265
Net loss from continuing operations per share	\$0.00

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

(2) The amounts for the period ended March 31, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 3 in the condensed consolidated financial statements for further information.

\$ millions, except as otherwise noted, as at	2018 March 31
Cash, cash equivalents and short term investments	\$ 237.3
Other loans and borrowings	698.4

In Q1 2018, Sherritt generated consolidated cash flow from operations of \$11.1 million. The consolidated total included \$7.3 million in positive cash flow from the Oil and Gas division and \$11.2 million in positive cash flow contributions from the Power division. Interest expenses of \$11.0 million negatively impacted the consolidated cash flow total for Q1 2018. Although the Moa JV generated positive cash flow in Q1 2018, the total was distributed to Sherritt as a repayment of its working capital facility. The repayment does not impact Sherritt's operating cash flow.

Cash, cash equivalents and short-term investments at March 31, 2018 were \$237.3 million, up from \$203.0 million at December 31, 2017. The increase was due to a number of factors, including the close of a unit offering that generated net proceeds of approximately \$125 million, the receipt of \$16 million from the Moa JV on its working capital facility and the receipt of US\$40.7 million in Cuban energy payments. In Q4 2017, Sherritt received US\$7.5 million in Cuban energy payments.

Cuban overdue scheduled receivables at March 31, 2018 totaled \$126.7 million, down from \$132.6 million at December 31, 2017. Sherritt has experienced variability in its Cuban receivables over the years but has not incurred any losses related to any scheduled Cuban receivables.

Adjusted earnings (loss) from continuing operations⁽¹⁾

	2018		2017	
For the three months ended March 31	\$ millions	\$/share	\$ millions	\$/share
Net loss from continuing operations	(0.6)	(0.00)	(72.6)	(0.25)
Adjusting items, net of tax:				
Unrealized foreign exchange gain	(7.7)	(0.02)	(7.3)	(0.02)
Other	(6.5)	(0.02)	(2.8)	(0.01)
Adjusted net earnings (loss) from continuing operations	(14.8)	(0.04)	(82.7)	(0.28)

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

Sherritt incurred a net loss from operations of \$0.6 million, or \$nil per share outstanding, in Q1 2018. These compare to a net loss from operations of \$72.6 million, or \$0.25 per share, in Q1 2017.

On an adjusted basis, Sherritt incurred a net loss from operations of \$14.7 million, or \$0.04 per share outstanding, in Q1 2018. These compare to an adjusted net loss of \$82.7 million, or \$0.28 per share, for the same period of 2017.

METAL MARKETS

Nickel

Nickel prices continued to rally in Q1 2018, sustaining the momentum established in second half of 2017. The average reference price in Q1 2018 was US\$6.03/lb, up 29% from US\$4.66/lb in the first quarter of 2017. The average reference price for Q1 2018 marked the highest since Q1 2015 when it was US\$6.50/lb.

The year-over-year price improvement was driven by a number of developments, Chief among them is the growing understanding of the important role that Class I nickel will play in the growing electric vehicle (EV) market. Class I nickel, along with cobalt, are key metals needed to manufacture EV batteries. Demand for Class I nickel and cobalt are expected to grow significantly beginning in 2019 when China expects to begin production quotas requiring that 10% of all vehicles manufactured be electric.

The rise in the nickel reference price was also driven by the decline in inventories. Combined LME and SHFE nickel inventories at March 31 2018, declined to 367,694 tonnes (from 410,828 tonnes) at the start of the year. A further decline in visible inventories is expected to sustain the price increase momentum through the end of 2018.

Beyond 2018, nickel supply deficits are expected to widen as stainless steel sector growth is expected to outpace nickel production. The supply deficit is expected to be exacerbated with the rise of the electric vehicle market and the need for Class I nickel for battery production.

Cobalt

Cobalt prices rose in Q1 2018, marking the seventh consecutive quarter of higher reference prices. The average-reference price for Q1 2018 was US\$39.01/lb, up 97% from US\$19.80/lb for Q1 2017.

The near doubling of cobalt prices over the past year is primarily linked to the growing strong demand emanating from the EV battery market. Higher cobalt prices were also driven by geopolitical and supply risk concerns given that the Democratic Republic of Congo is currently the world's largest source of cobalt.

As cobalt prices have a limited impact on overall battery pack costs, high prices are not expected to cause supply-chain disruptions or delay EV market growth. As a result, the risk of cobalt substitution in EV battery production in the near term is relatively low given cobalt's unique energy transference properties.

While battery manufacturers continue to explore alternatives to cobalt, the likely beneficiary of any substitution is expected to be Class I nickel.

Because of the cobalt market's limited size, significant product orders cause price surges. As end-users are trying to build cobalt positions or to secure long-term supply, spot metal availability is sporadic and prices are expected to remain elevated in the near term.

REVIEW OF OPERATIONS

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

\$ millions, except as otherwise noted	For the three months ended		
	2018 March 31	2017 March 31	Change
FINANCIAL HIGHLIGHTS			
Revenue	\$ 96.3	\$ 90.4	7%
Earnings from operations	16.3	2.0	715%
Adjusted EBITDA ⁽¹⁾	27.1	12.8	112%
CASH FLOW			
Cash provided by operations	\$ 18.1	\$ 14.8	22%
Free cash flow ⁽¹⁾	13.6	12.6	8%
Adjusted operating cash flow ⁽¹⁾	26.8	9.1	195%
PRODUCTION VOLUMES (tonnes)			
Mixed Sulphides	3,882	4,282	(9%)
Finished Nickel	2,854	3,840	(26%)
Finished Cobalt	336	436	(23%)
Fertilizer	52,440	58,868	(11%)
NICKEL RECOVERY (%)	79%	85%	(7%)
SALES VOLUMES (tonnes)			
Finished Nickel	2,910	3,862	(25%)
Finished Cobalt	325	421	(23%)
Fertilizer	25,472	37,454	(32%)
AVERAGE-REFERENCE PRICES (US\$ per pound)			
Nickel	\$ 6.03	\$ 4.66	29%
Cobalt ⁽²⁾	39.01	19.80	97%
AVERAGE REALIZED PRICE			
Nickel (\$ per pound)	7.80	6.19	26%
Cobalt (\$ per pound)	48.47	24.19	100%
Fertilizer (\$ per tonne)	358	343	4%
UNIT OPERATING COSTS⁽¹⁾ (US\$ per pound)			
Nickel - net direct cash cost	2.06	3.25	(37%)
SPENDING ON CAPITAL			
Sustaining	4.5	2.1	114%
Expansion	-	-	-
	4.5	2.1	114%

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

(2) Average low-grade cobalt published price per Metals Bulletin.

The Moa JV produced 2,854 tonnes of finished nickel in Q1 2018, down 26% from 3,840 tonnes produced in Q1 2017. Finished cobalt production in Q1 2018 was 336 tonnes, down 23% from 436 tonnes produced in Q1 2017.

The production decline in Q1 2018 was principally due to reduced availability of mixed sulphides caused by

the highest level of rainfall at Moa's operations in more than 20 years that limited access to planned mining areas as well as by transportation delays to the refinery by the rail service provider. The adverse impact of excessive rain fall and rail transportation delays have been alleviated since the start of the second quarter, and Sherritt expects to achieve the lower end of its 2018 production guidance for finished nickel and finished cobalt at the Moa JV. Second quarter production will be impacted, however, by the annual shutdown of the refinery in Fort Saskatchewan due to scheduled maintenance activities. This year's shutdown is expected to be similar in duration to prior years.

Q1 2018 revenue for the Moa JV and the Fort Site totaled \$96.3 million, up 7% from \$90.4 million for the comparable period of 2017. The growth was driven by higher realized prices in 2018 for nickel (+26%), cobalt (+100%) and fertilizer (+4%) although offset by lower sales volume and a higher Canadian dollar relative to the U.S. dollar.

Nickel sales represented 52% of total Q1 2018 revenue while cobalt sales represented 36%. Fertilizer sales in Q1 2018 were down 29% from last year, reflecting lower demand and timing of shipments ahead of the spring season.

Mining, processing and refining (MPR) costs for Q1 2018 were US\$5.26 per pound, up 11% from US\$4.75 per pound for Q1 2017. The increase was due to the impact of lower production as well to higher input costs, including increased sulphur and energy costs.

Despite higher energy and sulphur input costs and lower production, Moa's NDCC of US\$2.06/lb for Q1 2018 was in the lowest cost quartile relative to other nickel producers, marking the fourth consecutive quarter of such distinction. NDCC in Q1 2018 declined by 37% compared to the prior year period, largely because of a higher cobalt by-product credit. The cobalt credit of US\$4.27/lb reflects Moa's high cobalt to nickel production ratio as well as the 100% growth in cobalt prices since Q1 2017.

Given current commodity prices and the expected rate of production for the balance of the year, NDCC guidance at Moa for 2018 has been lowered to US\$1.75/lb to US\$2.25/lb from US\$2.50/lb to US\$3.00/lb of finished nickel previously announced.

Cash provided by operations in Q1 2018 totaled \$18.1 million, up 22% from \$14.8, reflecting the year-over-year improvement in commodity prices.

Mo's sustaining capital spending in Q1 2018 was \$4.5 million, up from \$2.1 million in Q1 last year. The increase was due to planned spending, including the start of work at a new slurry preparation plant dump pocket at Moa. The Moa JV is expected to continue to operate and fund capital expenditures through cash flow generated by the joint venture, or external loans.

Investment in Ambatovy Joint Venture (12% interest effective December 11, 2017)

	For the three months ended		
	2018	2017	
\$ millions, except as otherwise noted	March 31	March 31	Change
FINANCIAL HIGHLIGHTS			
Revenue	\$ 17.8	\$ 74.8	(76%)
Earnings (loss) from operations	(9.0)	(29.0)	69%
Adjusted EBITDA ⁽²⁾	0.9	8.2	(89%)
CASH FLOW			
Cash provided by operations	\$ (6.0)	\$ (2.3)	(161%)
Free cash flow ⁽²⁾	(8.9)	(6.3)	(41%)
Adjusted operating cash flow ⁽²⁾	(0.8)	7.1	(111%)
PRODUCTION VOLUMES (tonnes)⁽³⁾			
Mixed Sulphides	675	1,295	(48%)
Finished Nickel	668	1,145	(42%)
Finished Cobalt	49	97	(85%)
Fertilizer	1,989	3,539	(44%)

NICKEL RECOVERY (%)	85%	85%	-
SALES VOLUMES (tonnes) ⁽³⁾			
Finished Nickel	665	1,143	(42%)
Finished Cobalt	53	106	(50%)
Fertilizer	1,479	3,734	(60%)
AVERAGE-REFERENCE PRICES (US\$ per pound)			
Nickel	\$ 6.03	\$ 4.66	29%
Cobalt ⁽⁴⁾	39.01	19.80	97%
AVERAGE-REALIZED PRICE			
Nickel (\$ per pound)	7.11	6.15	16%
Cobalt (\$ per pound)	63.74	26.75	138%
Fertilizer (\$ per tonne)	200.99	164	23%
UNIT OPERATING COSTS ⁽²⁾ (US\$ per pound)			
Nickel - net direct cash cost	5.34	3.93	36%
SPENDING ON CAPITAL			
Sustaining	2.5	8.4	(70%)
Expansion	-	-	-
	2.5	8.4	(70%)

(1) Sherritt's share for Ambatovy Joint Venture reflects its interest at 40% through December 10, 2017 and 12% thereafter.

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

(3) To allow for easier comparison, Ambatovy production volume information for the quarter ended March 31, 2017 is presented on a 12% basis.

(4) Average low-grade cobalt published price per Metals Bulletin.

Sherritt's financial results at Ambatovy are presented on a 12% basis for Q1 2018 and on a 40% basis for Q1 2017. Production totals are presented on a 12% for both periods for better comparison purposes. Along with its partners, Sherritt completed the restructuring of the Ambatovy Joint Venture on December 11, 2017. The restructuring led to Sherritt's ownership interest being reduced to 12% in exchange for the elimination of \$1.4 billion of debt. Sherritt will continue to serve as operator of Ambatovy at least through 2024, however, as a result of the reduction in its ownership interest, Sherritt's ability to direct local decision-making at Ambatovy has diminished.

On January 6, the operations of the Ambatovy Joint Venture were significantly impacted by Tropical Cyclone Ava, a Category 2 hurricane equivalent storm. The cyclone necessitated a plant shutdown and caused extensive damage to facilities and equipment. Production resumed at the end of January following the completion of critical repairs. Repairs to damage caused by Cyclone Ava are still ongoing. Metal production in Q1 2018 was also lower due to limited production of sulphuric acid as a result of a failed economizer in Acid Plant.

Consistent with previous disclosure, metal production at Ambatovy will continue to be constrained by lower production of sulphuric acid in Q2 2018. Lower production of sulphuric acid is due to the failed economizer in Acid Plant 1, which is currently operating at approximately 50% of capacity. Acid Plant 2 is operating at 100% capacity. Production capacity is expected to be back to normal once the economizer in Acid Plant 1 is replaced in May 2018. Replacement of the economizer will necessitate a shutdown of Acid Plant 1 for approximately three weeks.

Finished nickel production at Ambatovy in Q1 2018 was 668 tonnes (12% basis), down from 1,145 tonnes (12% basis) produced in Q1 2017. Finished cobalt production in Q1 2018 was 49 tonnes (12% basis), down from 97 tonnes (12% basis) for Q1 2017. The decline was principally due to the impact of Cyclone Ava and effects of the failed economizer.

MPR costs for Q1 2017 were US\$7.90 per pound, up from US\$5.53 per pound in Q1 2017. The year-over-year increase was largely due to the impact of lower production volumes in 2018.

NDCC for finished nickel at Ambatovy in Q1 2018 was US\$5.34/lb, up from the US\$3.93/lb for Q1 2017. The increase was due to lower production, higher maintenance costs and higher energy and sulphur input costs offset by higher cobalt by-product credits.

In light of current commodity prices and the expected rate of production for the balance of the year, NDCC guidance at Ambatovy for 2018 has been lowered to US\$2.50/lb to US\$3.00/lb from US\$3.00/lb to US\$3.50/lb of finished nickel previously announced.

OIL AND GAS

\$ millions, except as otherwise noted, for the three months ended March 31			
	2018	2017	Change
FINANCIAL HIGHLIGHTS			
Revenue	\$ 18.1	\$ 35.3	(49%)
Earnings from operations	1.7	11.0	(85%)
Adjusted EBITDA ⁽¹⁾	4.6	19.6	(77%)
Cash provided by operations	7.3	14.0	(48%)
Free cash flow ⁽¹⁾	4.2	10.3	(59%)
PRODUCTION AND SALES (boepd)			
Gross working-interest (GWI) - Cuba	5,572	15,213	(63%)
Total net working-interest (NWI)	3,916	8,889	(56%)
AVERAGE-REFERENCE PRICE (US\$ per barrel)			
West Texas Intermediate (WTI)	\$ 62.85	\$ 51.62	22%
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) ⁽²⁾	55.13	45.52	21%
Brent	66.88	53.33	25%
AVERAGE-REALIZED PRICE⁽¹⁾ (NWI)			
Cuba (\$ per barrel)	51.11	\$ 43.62	17%
UNIT OPERATING COSTS⁽¹⁾ (GWI)			
Cuba (\$ per barrel)	20.83	\$ 8.66	141%
SPENDING ON CAPITAL			
Development, facilities and other	\$(0.3)	\$(0.8)	63%
Exploration	2.6	3.8	(32%)
	\$ 2.3	\$ 3.0	(23%)

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

(2) Starting in 2018, the Oil and Gas division uses U.S. Gulf Coast High Sulphur Fuel Oil for pricing purposes, replacing U.S. Gulf Coast Fuel Oil #6 used previously. The comparative period has been adjusted accordingly.

Gross working-interest oil production in Q1 2018 in Cuba was 5,572 barrels of oil per day (“bopd”), down 63% from 15,213 bopd for the comparable period of 2017. The decrease was primarily due to the expiration of the Varadero West Production Sharing Contract (PSC) in November 2017, natural reservoir declines and the absence of new development drilling.

Revenue in Q1 2018 was \$18.1 million, down 49% from \$35.3 million for last year. The decline was due to lowered production, partially offset by an increase in realized prices of 17% to \$51.11 per barrel in Cuba, though partially offset by the negative impact of a stronger Canadian dollar.

Total net working-interest production for Q1 2018 was 3,916 barrels of oil equivalent per day (“boepd”), down from 8,889 boepd in the same period of 2017. The decline was due to the impact of the expiration of the Varadero West PSC already noted and the impact of higher oil prices in 2018.

Unit operating costs in Q1 2018 in Cuba were \$20.83 per barrel, up 141% from \$8.66 in Q1 2017, driven largely by reduced production. Costs were positively impacted by the strengthening Canadian dollar relative to the U.S. dollar in Q1 2018.

Exploration spending in Q1 2018 was lower than in the comparable period of 2017 as spending was primarily

focused on detailed engineering for the next well on Block 10. In Q1 2017, drilling on the first well on Block 10 was being completed.

Subsequent to quarter end, Sherritt finalized the evaluation of available and proven technology to complete drilling of the second well on Block 10 targeting the Lower Veloz reservoir. A proven technology solution has been selected and will be deployed when drilling is slated to resume in early July 2018. Preliminary drilling results are expected in Q3 2018. Capital budgeted to complete the drilling is expected to be approximately US\$13 million.

POWER

\$ millions (33% basis), except as otherwise noted, for the three months ended March 31			
	2018	2017	Change
FINANCIAL HIGHLIGHTS			
Revenue	\$ 11.9	\$ 13.4	(11%)
Earnings from operations	1.8	2.8	(36%)
Adjusted EBITDA ⁽¹⁾	7.8	9.2	(15%)
Cash provided by operations	11.2	12.8	(13%)
Free cash flow ⁽¹⁾	11.1	12.0	(8%)
PRODUCTION AND SALES			
Electricity (GWh)	202	217	(7%)
AVERAGE-REALIZED PRICE⁽¹⁾			
Electricity (\$/MWh)	\$ 53.24	\$ 56.30	(5%)
UNIT OPERATING COSTS⁽¹⁾ (\$/MWh)			
Base	14.44	15.50	(7%)
Non-base ⁽²⁾	2.78	0.45	518%
	17.22	15.95	8%
NET CAPACITY FACTOR (%)	63	67	(6%)
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS			
Sustaining	\$ 0.1	\$ 0.8	(88%)
	\$ 0.1	\$ 0.8	(88%)

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

(2) 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 Q1 2018 was 202 gigawatt hours (“GWh”) of electricity, down 7% from 217 GWh for the comparable period of 2017. The decline was largely due to reduced gas supply.

Average-realized prices in Q1 2018 declined to \$53.24 per Megawatt hour (“MWh”) of electricity from \$56.30 per MWh in Q1 2017. The decline was due to the appreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q1 2018 totaled \$11.9 million, down 11% from \$13.4 million for Q1 2017. The decrease is attributable to lower production and lower realized prices.

Cash flow from operations in Q1 2018 declined by 13% to \$11.1 million due to changes in working capital in the quarter.

Unit operating cost in Q1 2018 was \$17.22 per MWh of electricity, up 8% from \$15.95 per MWh for Q1 2017. The increase was due to the impact of lower sales volume.

Total capital spending in Q1 2018 was negligible.

2018 REVIEW OF STRATEGIC PRIORITIES

The table below lists Sherritt's Strategic Priorities for 2018, and summarizes how the Corporation has performed against those priorities on a year to date basis.

Strategic Priorities	2018 Actions
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH	Continue to employ Optimize working Operate the Meta and cobalt while
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully exe Review opportun
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce N Maximize produc Achieve peer lea

OUTLOOK

2018 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

The guidance for 2018 reflects Sherritt's targets for production, unit costs and capital spending announced on January 12, 2018.

	Guidance at January 12, 2018	Actual at March 31, 2018	Updated Guidan March 31, 2018
Production volumes, unit operating costs and spending on capital			
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	5,708	Unchanged
Cobalt, finished	3,500 - 3,800	672	Unchanged
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	5,565	Unchanged
Cobalt, finished	3,900 - 4,200	408	3,500 - 3,800 ⁽¹⁾
Oil & Gas - Cuba (gross working-interest, boepd)	4,300 - 4,800	5,572	Unchanged
Oil and Gas - All operations (net working-interest, boepd)	1,900 - 2,100	3,916	2,300-2,600 ⁽²⁾
Electricity (GWh, 33% basis)	750 - 800	202	Unchanged
Unit operating costs			
NDCC (US\$ per pound)			
Moa Joint Venture	\$2.50 - \$3.00	\$2.06	\$1.75 - \$2.25
Ambatovy Joint Venture	\$3.00 - \$3.50	\$5.34	\$2.50 - \$3.00
Oil and Gas - Cuba (unit operating costs, \$ per barrel)	\$22.00 - \$23.50	\$20.83	Unchanged
Electricity (unit operating cost, \$ per MWh)	\$20.75 - \$21.50	\$17.22	Unchanged

Spending on capital (US\$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis) ⁽³⁾	US\$41 (CDN\$52)	US\$4 (CDN\$5)	Unchanged
Ambatovy Joint Venture (12% basis) ⁽⁴⁾	US\$13 (CDN\$17)	US\$2 (CDN\$3)	Unchanged
Oil and Gas	US\$39 (CDN\$50)	US\$2 (CDN\$2)	Unchanged
Power (33% basis)	US\$1 (CDN\$1)	US\$0 (CDN\$0)	Unchanged
Spending on capital (excluding Corporate)	US\$94 (CDN\$119)	US\$7 (CDN\$9)	Unchanged

(1) The estimate for cobalt production at Ambatovy has been updated to reflect current cobalt grades. Although lower than grades experienced in 2017, the cobalt grades are consistent with the original mine plan.

(2) The increase in net-working interest BOED reflects expected changes in indirect cost allocation, and is not the result of higher gross production at existing blocks. The changes in indirect cost allocation are due to the timing of Block 10 drilling.

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

(4) Sherritt's ownership interest at the Ambatovy Joint Venture was reduced to 12% following a restructuring completed on December 10, 2017.

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 March 31, 2018 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast today at 9:00 a.m. Eastern Time to review its Q1 and 2018 results.

Conference Call and Webcast: April 25, 2018, 9:00 a.m. ET

North American callers, please dial: 1-866-222-0265

International callers, please dial: 416-640-5944

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 May 2, 2018 by calling 647-436-0148 or 1-888-203-1112, access code 8795902#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete condensed consolidated financial statements and MD&A for the three months ended March 31, 2018 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, 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 "SRD".

Source: Sherritt Investor Relations

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 regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel and cobalt markets; drill results on exploration wells; joint venture environmental rehabilitation costs and amounts of certain other commitments.

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; debt repayments; 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, changes in the global price for nickel, cobalt, oil and gas or certain other commodities; share price volatility; level of liquidity; access to capital; access to financing; risks related to the liquidity and funding of the Ambatovy Joint Venture; the risk to Sherritt's entitlements to future distributions from the Ambatovy Joint Venture; 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; 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; environmental risks and risks related to 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 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 Sherritt's operations in Madagascar; risks associated with Sherritt's development, construction and 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 greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; 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; 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; uncertainties in growth management. 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 Annual Information Form of the Corporation for the period ending December 31, 2017, 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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