

# Sheritt Reports Second Quarter 2018 Results

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[Sheritt International Corp.](#) (‘‘Sheritt’’ 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 three- and six-month periods ended June 30, 2018. All amounts are in Canadian currency unless noted.

## CEO COMMENTARY

‘‘The effects of rising commodity prices and improved production at our Moa Joint Venture combined to produce our strongest quarterly financial results since Q1 2013,’’ said David Pathe, President and CEO of Sheritt International.

‘‘Although commodity prices are expected to remain volatile in the near term due to the slower summer customer buying period and to speculation about the impact of tariffs on international trade, our prospects over the longer term are strong. With favorable supply-demand trends emerging as a result of the expected growth of the electric vehicle battery market, we are particularly encouraged by the positive outlook for nickel and cobalt prices.’’ 2018 Second Quarter Report

## Q2 2018 HIGHLIGHTS

- Adjusted EBITDA was \$49.5 million, up 70% from \$29.2 million in Q2 2017. Growth was largely due to higher realized nickel and cobalt prices, offsetting the impact of lower oil production due to the expiration of a production sharing contract at Varadero West.
- Sheritt’s share of finished nickel production at the Moa Joint Venture (‘‘Moa JV’’) was 3,749 tonnes while finished cobalt was 388 tonnes. Q2’s production totals, which are consistent with Sheritt’s historical performance, indicate that the production challenges experienced in Q1 2018 that limited the availability of mixed sulphides due to the highest level of rainfall at Moa in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta have been resolved.
- Net direct cash cost (NDCC)<sup>(1)</sup> at the Moa JV was US\$1.68 per pound of finished nickel sold, marking the lowest unit operating cost since Q3 2004. Q2’s NDCC represents the fifth consecutive quarter that the Moa JV is in the lowest cost quartile relative to other nickel producers based on annualized information tracked by Wood Mackenzie.
- Average-reference prices for nickel improved 57% from last year to US\$6.56/lb while average-reference prices for cobalt increased 66% to US\$42.93/lb.
- Received \$9 million from the Moa JV as a final repayment on a \$45 million working capital facility provided by Sheritt. This working capital facility is now fully repaid and future available free cash flow from the Moa JV is expected in the form of dividends commencing in Q3 2018
- Sheritt reduced its long-term debt to \$730.5 million based on the book value of outstanding debt by purchasing for cancellation \$10.7 million of outstanding debentures in Q2 2018. Combined with the results of its modified Dutch auction tender offer completed in Q1, Sheritt has eliminated \$131.9 million of indebtedness in 2018 and approximately \$2 billion since 2014.
- Sheritt ended the quarter with \$197.2 million in cash, cash equivalents and short-term investments, down from \$237.3 million at March 31, 2018. The decrease was due to a number of factors, including the timing of fertilizer receipts and the timing of interest payments on debentures. In addition, Sheritt purchased \$10.7 million of the Corporation’s debentures for cancellation during Q2 2018.
- Net earnings for Q2 2018 totaled \$2.8 million or \$0.01 on a per share basis. In Q2 2017, Sheritt incurred a net loss of \$101.9 million or \$0.35 per share
- Announced the successful completion of a pilot-scale test of a proprietary process to upgrade Alberta bitumen at a lower cost. The pilot-scale test was based on Sheritt’s 60 years of experience developing hydrometallurgical processes and use of autoclaves.

## HIGHLIGHTS SUBSEQUENT TO QUARTER END

- Resumed drilling on the Block 10 concession through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated when the Corporation reports its Q3 2018 results. Capital to complete the drilling is expected to be approximately US\$14 million.

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

## Q2 2018 FINANCIAL HIGHLIGHTS

	For the three months ended			For the six months ended	
	2018	2017		2018	2017
\$ millions, except per share amount	June 30	June 30	Change	June 30	June 30
Revenue	46.5	76.8	(39%)	\$ 85.9	\$ 149.2
Combined Revenue <sup>(1)</sup>	201.1	231.0	(13%)	348.0	459.0
Net earnings (loss) for the period	2.8	(101.9)	103%	2.2	(174.5)
Adjusted EBITDA <sup>(1)</sup>	49.5	29.2	70%	85.9	66.4
Cash provided (used) by continuing operations	(30.4)	(21.0)	(45%)	(19.3)	(4.4)
Combined free cash flow <sup>(1)</sup>	(16.5)	(38.2)	57%	(10.4)	(28.2)
Net earnings (loss) from continuing operations per share	0.01	(0.35)	103%	0.01	(0.59)

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

(2) The amounts for the periods ended June 30, 2018 have been prepared in accordance with IFRS 9 and IFRS 15; prior period amounts have not been restated. Refer to note 4 in the condensed consolidated financial statements for March 31, 2018 for more information.

	2018	2017	
\$ millions, except as otherwise noted, as at	June 30	December 31	Change
Cash, cash equivalents and short term investments	\$ 197.2	\$ 203.0	(3%)
Loans and borrowings	694.8	824.1	(16%)

In Q2 2018, Sherritt used \$30.4 million in cash flow from operations largely as a result of non-cash working capital changes totaling approximately \$33 million related to the deliveries of fertilizer product pre-purchased in previous quarters. The impact of the negative working capital changes was partially offset by positive cash flow from operations of \$10.5 million from the Oil and Gas division and \$8.1 million from the Power division.

Cash, cash equivalents and short-term investments at June 30, 2018 were \$197.2 million, down from \$237.3 million at March 31, 2018. The decrease was due to a number of items, including the purchase for cancellation of \$10.7 million of outstanding debentures, the timing of interest payments totaling approximately \$15.8 million related to outstanding debentures, and working capital changes related to fertilizer sales from the Fort Site.

Cuban overdue scheduled receivables at June 30 totaled US\$136.9 million, up from US\$126.7 million at March 31, 2018. In Q2 Sherritt received US\$25.2 million of Cuban energy payments. 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<sup>(1)</sup>

	2018		2017	
	\$ millions	\$/share	\$ millions	\$/share
For the three months ended June 30				
Net earnings (loss) from continuing operations	2.8	0.01	(101.9)	(0.35)
Adjusting items, net of tax:				
Unrealized foreign exchange gain (loss)	(11.0)	(0.03)	4.4	0.01
Other	(0.5)	-	(2.3)	(0.01)
Adjusted net earnings (loss) from continuing operations	(8.7)	(0.02)	(99.8)	(0.34)
For the six months ended June 30				
	2017	2016		
	\$ millions	\$/share	\$ millions	\$/share

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Net earnings (loss) from continuing operations	2.2	0.01	(174.5)	(0.59)
Adjusting items, net of tax:				
Unrealized foreign exchange (gain) loss	(18.7)	(0.05)	(2.9)	(0.01)
Other	(7.0)	(0.02)	(5.1)	(0.02)
Adjusted net earnings (loss) from continuing operations	(23.5)	(0.06)	(182.5)	(0.62)

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

Sheritt generated net earnings from continuing operations of \$2.8 million, or \$0.01 per share outstanding, in Q2 2018. These compare to a net loss from operations of \$101.9 million, or \$0.35 per share, in Q2 2017.

On an adjusted basis, Sheritt incurred a net loss from operations of \$8.7 million, or \$0.01 per share outstanding, in Q2 2018 after the effect of an unrealized foreign exchange loss of \$11.0 million. These compare to an adjusted net loss of \$99.8 million, or \$0.34 per share, for the same period of 2017. In Q2 2017, Sheritt recorded a foreign exchange gain of \$4.4 million.

## METAL MARKETS

### Nickel

Nickel prices extended their rally into Q2 2018, sustaining the momentum established in the second half of 2017. The average reference price in Q2 2018 was US\$6.56/lb, up 57% from US\$4.18/lb in the second quarter of 2017. The average reference price for Q2 2018 was the highest since Q4 2014 when it was US\$7.17/lb.

The continued increase in nickel prices is being driven by a number of factors, including the ongoing drawdown of available inventory. Combined LME and SHFE nickel inventories at the end of Q2 2018 totaled 298,803 tonnes, down 19% from 367,694 tonnes at the end of Q1 2018. As demand continues to exceed available supply, the nickel market is expected to be in a structural deficit in the coming years.

According to market research by CRU, stainless steel demand is expected to grow at an average annual rate of 4% through 2022 with production emanating largely from China and Indonesia. Demand for nickel -- particularly Class 1 Nickel -- from non-stainless steel sectors is also expected to accelerate given the growth of the electric vehicle battery market. Class I nickel, along with cobalt, are key metals needed to manufacture electric vehicle batteries.

Beyond 2018, a shortage of high purity nickel is anticipated over the coming years since current market prices are below incentive levels needed to develop new nickel projects.

### Cobalt

Cobalt prices rose in Q2 2018, marking the eighth consecutive quarter of higher reference prices. The average-reference price for Q2 2018 was US\$42.93/lb, up 66% from US\$25.87/lb for Q2 2017.

Cobalt prices started to soften in Q2 due to a number of factors, the most notable being increased availability of physical metal and growing market sentiment that cobalt prices had risen prematurely in advance of actual demand increases. As the prices started to decline in Q2, consumers began to delay purchases waiting for prices to bottom. The recent softening of prices is expected to be temporary due to the growing demand emanating from the electric vehicle battery market and persistent supply risk concerns linked to the Democratic Republic of Congo, which is currently the world's largest source of cobalt supply.

As cobalt prices have a limited impact on overall battery pack costs, high prices are not expected to cause supply-chain disruptions or delay the growth of the electric vehicle market. As a result, the risk of cobalt substitution in electric vehicle 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.

## REVIEW OF OPERATIONS

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

	For the three months ended			For the six months ended		
	2018	2017		2018	2017	
\$ millions, except as otherwise noted	June 30	June 30	Change	June 30	June 30	Change
<b>FINANCIAL HIGHLIGHTS</b>						
Revenue	\$ 145.5	\$ 103.0	41%	\$ 241.8	\$ 193.4	25%
Earnings from operations	32.1	(3.4)	1044%	48.4	(1.4)	35%
Adjusted EBITDA <sup>(1)</sup>	44.4	11.7	279%	71.5	24.5	19%
<b>CASH FLOW</b>						
Cash provided by operations	\$ 10.1	\$ (6.6)	253%	\$ 28.2	\$ 8.2	24%
Free cash flow <sup>(1)</sup>	1.1	(14.6)	108%	14.7	(2.0)	83%
Adjusted operating cash flow <sup>(1)</sup>	36.9	9.9	273%	63.7	19.0	23%
<b>PRODUCTION VOLUMES (tonnes)</b>						
Mixed Sulphides	4,226	4,370	(3%)	8,108	8,652	(6%)
Finished Nickel	3,749	3,739	-	6,603	7,579	(13%)
Finished Cobalt	388	436	(11%)	724	872	(17%)
Fertilizer	52,741	62,858	(16%)	105,181	121,726	(13%)
NICKEL RECOVERY (%)	80%	88%	(9%)	80%	87%	(8%)
<b>SALES VOLUMES (tonnes)</b>						
Finished Nickel	3,668	3,670	-	6,578	7,532	(13%)
Finished Cobalt	388	435	(11%)	713	856	(17%)
Fertilizer	63,735	57,816	10%	89,207	95,270	(6%)
<b>AVERAGE-REFERENCE PRICES (US\$ per pound)</b>						
Nickel	\$ 6.56	\$ 4.18	57%	\$ 6.29	\$ 4.43	42%
Cobalt <sup>(2)</sup>	42.93	25.87	66%	40.97	22.83	79%
<b>AVERAGE REALIZED PRICE</b>						
Nickel (\$ per pound)	\$ 8.50	\$ 5.58	52%	\$ 8.19	\$ 5.89	39%
Cobalt (\$ per pound)	54.01	33.12	63%	51.49	28.73	79%
Fertilizer (\$ per tonne)	427	414	3%	407	386	6%
<b>UNIT OPERATING COSTS<sup>(1)</sup> (US\$ per pound)</b>						
Nickel - net direct cash cost	\$ 1.68	\$ 2.55	(34%)	\$ 1.84	\$ 2.86	(36%)
<b>SPENDING ON CAPITAL</b>						
Sustaining	\$ 13.1	\$ 8.1	62%	\$ 13.1	\$ 10.2	28%
	\$ 13.1	\$ 8.1	62%	\$ 13.1	\$ 10.2	28%

(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 3,749 tonnes of finished nickel in Q2 2018, relatively unchanged from 3,739 tonnes produced in Q2 2017. Although production challenges experienced in Q1 2018 that limited the availability of mixed sulphides due to highest levels of rainfall in more than 20 years and rail transportation delays to the refinery in Fort Saskatchewan, Alberta by the service provider were resolved, production in Q2 2018 was impacted by the planned annual maintenance refinery shutdown in June, consistent with previous years.

Finished cobalt production in Q2 2018 was 388 tonnes, down 11% from 436 tonnes produced in Q2 2017. The decline was due to a higher nickel to cobalt ratio in the refinery feed when compared to Q2 2017. Moa's nickel to cobalt ratio in Q2 2018 was within range of historic norm.

Q2 2018 revenue for the Moa JV and the Fort Site totaled \$145.4 million, up 41% from \$103.0 million for the

comparable period of 2017. The growth was driven by higher realized prices in 2018 for nickel (+52%), cobalt (+63%) and fertilizer (+3%) although offset by a stronger Canadian dollar relative to the U.S. dollar.

Nickel sales represented 47% of the Moa JV's total Q2 2018 revenue while cobalt sales represented 32%. Fertilizer sales in Q2 2018 were up 13% from last year, reflecting higher demand for spring season fertilizer application.

Mining, processing and refining (MPR) costs for Q2 2018 were US\$5.62/lb, up 12% from US\$5.00/lb for Q2 2017. The increase was primarily due to higher input costs largely from increased sulphur and energy prices.

Despite higher energy and sulphur input costs, Moa's NDCC of US\$1.68/lb for Q2 2018 was the lowest since Q3 2004. Q2's NDCC represents the fifth consecutive quarter that the Moa JV is in the lowest cost quartile relative to other nickel producers based on annualized information tracked by Wood Mackenzie.

NDCC in Q2 2018 declined by 34% compared to the prior year period, largely because of a higher cobalt by-product credit. The cobalt credit of US\$4.42/lb reflects Moa's relatively high cobalt to nickel production ratio as well as the 66% growth in cobalt reference prices since Q2 2017.

Given that production challenges of Q1 have been resolved and that the Moa JV is currently deploying a new mining fleet and equipment to address previous availability issues, Sherritt continues to expect that its nickel and cobalt production will be near the lower range of guidance provided at the start of the year.

Excluding the impact of non-cash working capital changes primarily relating to the timing of fertilizer product deliveries, the Moa JV generated adjusted operating cash flow of \$36.9 million, up 273% from \$9.9 million in the same period of 2017. The increase was largely due to the year-over-year improvement in commodity prices.

Moa's sustaining capital spending in Q2 2018 was \$13.1 million, up from \$8.1 million in Q2 2017. The increase was due to higher planned spending, including the purchase of mining equipment and construction of the 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 without shareholder funding.

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

	For the three months ended			For the six months ended		
	2018	2017		2018	2017	
\$ millions, except as otherwise noted	June 30	June 30	Change	June 30	June 30	Change
<b>FINANCIAL HIGHLIGHTS</b>						
Revenue	\$ 31.3	\$ 68.3	(54%)	\$ 49.1	\$ 143.1	(66%)
Earnings (loss) from operations	(1.5)	(38.6)	96%	(10.5)	(67.6)	84%
Adjusted EBITDA <sup>(2)</sup>	8.9	(1.6)	656%	9.8	6.6	48%
<b>CASH FLOW</b>						
Cash provided by operations	\$ 4.4	\$ (12.1)	136%	\$ (1.6)	\$ (14.4)	89%
Free cash flow <sup>(2)</sup>	1.8	(14.8)	112%	(7.1)	(21.1)	66%
Adjusted operating cash flow <sup>(2)</sup>	3.7	(18.6)	120%	2.9	(11.5)	12%
<b>PRODUCTION VOLUMES (tonnes)<sup>(3)</sup></b>						
Mixed Sulphides	1,270	1,135	12%	1,945	2,430	(20%)
Finished Nickel	1,147	1,033	11%	1,815	2,178	(17%)
Finished Cobalt	99	81	22%	148	178	(17%)
Fertilizer	3,762	3,271	15%	5,751	6,810	(16%)
NICKEL RECOVERY (%)	88%	85%	4%	87%	85%	2%
<b>SALES VOLUMES (tonnes)<sup>(3)</sup></b>						
Finished Nickel	1,184	1,040	14%	1,849	2,183	(15%)
Finished Cobalt	95	89	6%	147	195	(25%)

Fertilizer	2,658	3,101	(14%)	4,137	6,835	(33%)
AVERAGE-REFERENCE PRICES (US\$ per pound)						
Nickel	\$ 6.56	\$ 4.18	57%	\$ 6.29	\$ 4.43	42%
Cobalt <sup>(4)</sup>	42.93	25.87	66%	40.97	22.83	79%
AVERAGE-REALIZED PRICE						
Nickel (\$ per pound)	\$ 8.39	\$ 5.83	44%	\$ 7.93	\$ 5.99	32%
Cobalt (\$ per pound)	45.01	33.07	36%	51.68	29.64	74%
Fertilizer (\$ per tonne)	189.00	176	8%	193.18	169	14%
UNIT OPERATING COSTS <sup>(2)</sup> (US\$ per pound)						
Nickel - net direct cash cost	\$ 3.14	\$ 3.66	(14%)	\$ 3.85	\$ 3.79	2%
SPENDING ON CAPITAL						
Sustaining	\$ 3.1	\$ 12.8	(76%)	\$ 5.6	\$ 21.2	(74%)
Expansion	-	-	-	-	-	-
	\$ 3.1	\$ 12.8	(76%)	\$ 5.6	\$ 21.2	(74%)

(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 and sales volume information for the periods ended June 30, 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.

Finished nickel production at Ambatovy in Q2 2018 was 1,147 tonnes (12% basis), up from 1,033 tonnes (12% basis) produced in Q2 2017. Finished cobalt production in Q2 2018 was 99 tonnes (12% basis), up from 81 tonnes (12% basis) for Q2 2017. Despite the year-over-year nickel and cobalt production increases, the Ambatovy JV was impacted in Q2 2018 by a number of factors that affected performance, including reduced sulphuric acid availability due to a failed economizer at Acid Plant 1 that has since been successfully replaced, ongoing repairs to equipment damaged by Cyclone Ava in Q1, reduced autoclave availability and a conveyor failure which reduced slurry deliveries.

The Ambatovy JV is currently implementing a number of initiatives aimed at improving production and increasing the reliability of acid production and PAL circuits. These initiatives will include the replacement of an economizer on Acid Plant 2, which is expected for completion in Q3. Based on production improvements in Q2 and the progress of the initiatives to strengthen asset reliability, Sherritt continues to expect that its nickel and cobalt production at Ambatovy in the second half of 2018 will be greater than production through the first six months of the year. Sherritt has, however, updated its production and unit costs estimates for the year at Ambatovy to take recent developments into account.

MPR costs for Q2 2018 were US\$6.60/lb, up from US\$6.14/lb in Q2 2017. The year-over-year increase was largely due to the impact of higher input costs, including sulphur and energy.

NDCC for finished nickel at Ambatovy in Q2 2018 was US\$3.14/lb, down from the US\$3.66/lb for Q2 2017. The decrease was due to higher sales volume and higher cobalt by-product credits, offset by higher energy and sulphur input costs.

Spending on sustaining capital at Ambatovy on a 100% basis was relatively unchanged in Q2 2018 from the

same period last year. Capital spend in Q2 2018 was approximately \$26 million (100% basis) and was largely allocated towards the replacement of the economizer at Acid Plant 1, restoring the conditions of the acid plants, repairing corroded equipment and improving plant reliability.

## OIL AND GAS

\$ millions, except as otherwise noted	For the three months ended			For the six months ended	
	2018 June 30	2017 June 30	Change	2018 June 30	2017 June 30
<b>FINANCIAL HIGHLIGHTS</b>					
Revenue	\$ 9.6	\$ 34.1	(72%)	\$ 27.7	\$ 69.4
Earnings (loss) from operations	(3.1)	8.9	(135%)	(1.4)	19.9
Adjusted EBITDA <sup>(1)</sup>	(0.6)	17.8	(103%)	4.0	37.4
Cash provided by operations	10.5	11.2	(6%)	17.8	25.2
Free cash flow <sup>(1)</sup>	3.7	7.8	(53%)	7.9	18.1
<b>PRODUCTION AND SALES (bopd)</b>					
Gross working-interest (GWI) - Cuba	4,689	14,545	(68%)	5,128	14,877
Total net working-interest (NWI)	1,821	8,805	(79%)	2,862	8,848
AVERAGE EXCHANGE RATE (CAD/USD)	1.291	1.345	(4%)	1.278	1.334
<b>AVERAGE REFERENCE PRICE (US\$ per barrel)</b>					
West Texas Intermediate (WTI)	\$ 68.14	\$ 48.06	42%	\$ 65.56	\$ 49.83
U.S. Gulf Coast High Sulphur Fuel Oil (USGC HSFO) <sup>(2)</sup>	62.42	43.23	44%	58.86	44.36
Brent	74.67	49.13	52%	70.78	51.23
<b>AVERAGE-REALIZED PRICE<sup>(1)</sup> (NWI)</b>					
Cuba (\$ per barrel)	\$ 59.97	\$ 42.10	42%	\$ 53.44	\$ 42.86
<b>UNIT OPERATING COSTS<sup>(1)</sup> (GWI)</b>					
Cuba (\$ per barrel)	\$ 16.10	\$ 9.95	62%	\$ 18.66	\$ 9.29
<b>SPENDING ON CAPITAL</b>					
Development, facilities and other	\$ 0.3	\$ (0.4)	175%	\$ -	\$ (1.2)
Exploration	6.9	2.1	229%	9.5	5.9
	\$ 7.2	\$ 1.7	324%	\$ 9.5	\$ 4.7

(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 Q2 2018 in Cuba was 4,689 barrels of oil per day ("bopd"), down 68% from 14,545 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 Q2 2018 was \$9.6 million, down 72% from \$34.1 million for last year. The decline was attributable to lowered production due to the expiration of the Varadero West PSC and the reduction of Sherritt's profit oil percentage to 6% from 45% with the renewal of the Puerto Escondido/Yumuri PSC. The revenue decline was partially offset by higher realized oil prices of 42% to \$59.97 per barrel in Cuba, though partially offset by the negative impact of a stronger Canadian dollar.

Total net working-interest production for Q2 2018 was 1,821 barrels of oil equivalent per day ("boepd"), down from 8,805 boepd in the same period of 2017. The decline was due to the impact of the expiration of the Varadero West PSC and decrease in profit oil percentage with the renewal of the Puerto Escondido/Yumuri PSC already noted, and the impact of higher oil prices in 2018.

Unit operating costs in Q2 2018 in Cuba were \$16.10 per barrel, up 83% from \$9.95 in Q2 2017, driven largely by reduced production. Costs were positively impacted by the strengthening Canadian dollar relative to the U.S. dollar in Q2 2018.

Capital spending in Q2 2018 was \$7.2 million, up from \$1.7 million, largely due to the purchase of drilling supplies and materials for Block 10.

Subsequent to quarter end, Sherritt resumed drilling on its Block 10 concession through a sidetrack well from the existing wellbore. The drilling is targeting the Lower Veloz reservoir that previously tested at 3,750 barrels of oil per day in 1994, and will make use of additional technology specifically designed for drilling wells in lost circulation zones. Preliminary drilling results are anticipated by the time Sherritt reports its Q3 2018 results. Capital forecasted to complete the drilling is expected to be approximately US\$14 million.

Total estimated capital spend for the Oil and Gas division in 2018 has been lowered to US\$25 million from US\$35 million to reflect deferral of equipment purchases and drilling activities in anticipation of Block 10 results.

## POWER

	For the three months ended			For the six months ended		
	2018	2017		2018	2017	
\$ millions (33 % basis), except as otherwise noted	June 30	June 30	Change	June 30	June 30	Change
<b>FINANCIAL HIGHLIGHTS</b>						
Revenue	\$ 12.4	\$ 13.6	(9%)	\$ 24.3	\$ 27.0	(10%)
Earnings (loss) from operations	1.5	1.5	-	3.3	4.3	(23%)
Adjusted EBITDA <sup>(1)</sup>	7.6	7.9	(4%)	15.4	17.1	(10%)
Cash provided by operations	8.1	7.9	3%	19.3	20.7	(7%)
Free cash flow <sup>(1)</sup>	7.9	7.5	5%	19.0	19.5	(3%)
<b>PRODUCTION AND SALES</b>						
Electricity (GWh)	204	220	(7%)	406	437	(7%)
<b>AVERAGE-REALIZED PRICE<sup>(1)</sup></b>						
Electricity (\$/MWh)	\$ 54.18	\$ 57.02	(5%)	\$ 53.71	\$ 56.66	(5%)
<b>UNIT OPERATING COSTS<sup>(1)</sup> (\$/MWh)</b>						
Base	15.63	15.80	(1%)	15.04	15.65	(4%)
Non-base <sup>(2)</sup>	2.94	5.56	(47%)	2.86	3.03	(6%)
	18.57	21.36	(13%)	17.90	18.68	(4%)
<b>NET CAPACITY FACTOR (%)</b>	64	68	(6%)	63	68	(7%)
<b>SPENDING ON CAPITAL</b>						
Sustaining	\$ 0.2	\$ 0.4	(50%)	\$ 0.3	\$ 1.2	(75%)
	\$ 0.2	\$ 0.4	(50%)	\$ 0.3	\$ 1.2	(75%)

(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 Q2 2018 was 204 gigawatt hours ("GWh") of electricity, down 7% from 220 GWh for the comparable period of 2017. The decline was largely due to reduced gas supply.

Average-realized prices in Q2 2018 declined to \$54.18 per Megawatt hour ("MWh") of electricity from \$57.02 per MWh in Q2 2017. The decline was due to the appreciation of the Canadian dollar relative to the U.S. currency.

Revenue in Q2 2018 totaled \$12.4 million, down 9% from \$13.6 million for Q2 2017. The decrease is attributable to lower production and lower realized prices.

Free cash flow in Q2 2018 increased by 3% to \$7.9 million due to lower operating costs, which were positively impacted by the appreciation of the Canadian dollar relative to the U.S. currency.

Unit operating cost in Q2 2018 was \$18.57 per MWh of electricity, down 13% from \$21.36 per MWh for Q2



2017. The decline was mainly attributable to the timing of planned maintenance activities.

Total capital spending in Q2 2018 was negligible and relatively unchanged from last year.

## 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 Met and cobalt while
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION	Further reduce N Maximize produc Achieve peer lea
OPTIMIZE OPPORTUNITIES IN CUBAN ENERGY BUSINESS	Successfully exe Review opportun

## OUTLOOK

### 2018 PRODUCTION, UNIT OPERATING COST AND CAPITAL SPENDING GUIDANCE

	2018 Guidance	Year-to-date actual at June 30, 2018	Updated G June 30, 2
Production volumes, unit operating costs and spending on capital			
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	31,500 - 32,500	13,206	Unchange
Cobalt, finished	3,500 - 3,800	1,448	Unchange
Ambatovy Joint Venture (tonnes, 100% basis)			
Nickel, finished	40,000 - 43,000	15,125	35,000 - 3
Cobalt, finished	3,500 - 3,800 <sup>(1)</sup>	1,233	3,100 -3,4
Oil & Gas & Cuba (gross working-interest, bopd)	4,300 - 4,800	5,128	Unchange
Oil and Gas & All operations (net working-interest, boepd)	2,300-2,600 <sup>(1)</sup>	2,862	Unchange
Electricity (GWh, 33% basis)	750 - 800	406	Unchange
Unit operating costs			

NDCC (US\$ per pound)			
Moa Joint Venture	\$1.75 - \$2.25 <sup>(1)</sup>	\$1.84	Unchange
Ambatovy Joint Venture	\$2.50 - \$3.00 <sup>(1)</sup>	\$3.85	\$3.00 - \$3
Oil and Gas - Cuba (unit operating costs, \$ per barrel)	\$22.00 - \$23.50	\$19.63	Unchange
Electricity (unit operating cost, \$ per MWh)	\$20.75 - \$21.50	\$17.90	Unchange
Spending on capital (US\$ millions)			
Moa Joint Venture (50% basis), Fort Site (100% basis) <sup>(2)</sup>	US\$41 (CDN\$52)	US\$13.8 (CDN\$17.6)	Unchange
Ambatovy Joint Venture (12% basis) <sup>(3)</sup>	US\$13 (CDN\$17)	US\$4.4 (CDN\$5.6)	Unchange
Oil and Gas	US\$39 (CDN\$50)	US\$7.5 (CDN\$9.5)	US\$25 (C
Power (33?% basis)	US\$1 (CDN\$1)	US\$0.2 (CDN\$0.3)	Unchange
Spending on capital (excluding Corporate)	US\$94 (CDN\$119)	US\$25.2 (CDN\$32.1)	US\$80 (C

(1) Guidance updated March 31, 2018

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

(3) 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, adjusted operating cash flow and free cash flow to monitor the performance of the Corporation and its operating divisions. Management believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and 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 June 30, 2018 for further information and reconciliation of non-GAAP measures to the most directly comparable IFRS measure.

## CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast today at 9:00 a.m. Eastern Time to review its Q2 and 2018 results.

Conference Call and Webcast: August 1, 2018, 9:00 a.m. ET  
North American callers, please dial: 1-800-458-4121  
International callers, please dial: 647-484-0477  
Live webcast: [www.sherritt.com](http://www.sherritt.com)

An archive of the webcast will also be available on the website. The conference call will be available for replay until August 5, 2018 by calling 647-436-0148 or 1-888-203-1112, access code 9065061#.

## COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2018 are available at [www.sherritt.com](http://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 "SHR".

## 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; anticipated payments of outstanding receivables; future distributions from the Moa Joint Venture, drill plans and results on exploration wells and amounts of certain other commitments.

Forward looking statements are not based on historical facts, but rather on current expectations, assumptions and projections about future events, including commodity and product prices and demand; the level of liquidity and access to funding; share price volatility; production results; realized prices for production; earnings and revenues; development and exploration wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory 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 Moa and Ambatovy joint ventures; 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 dated March 20, 2018 for the period ending December 31, 2017, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Corporation may, from time to time, make oral forward-looking statements. The Corporation advises that the above paragraph and the risk factors described in this 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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## Sherritt Reports Second Quarter 2018 Results

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