

Sherritt Announces 2019 Production Results and Guidance for 2020

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[Sherritt International Corp.](#) ("Sherritt") (TSX:S) today announced production results for the fourth quarter and full-year ended December 31, 2019, provided guidance for its expected production, unit costs and capital spending in 2020, and provided an update on drilling activities on Block 10.

Highlights

- Sherritt's operations in Cuba met or exceeded production guidance for 2019 for finished nickel, finished cobalt, oil and power.
- Finished nickel and cobalt production at the Moa Joint Venture ("Moa JV") in Q4 2019 on a 100% basis were 8,098 tonnes and 822 tonnes, respectively. The totals reflect the success of Sherritt's strategies implemented during the quarter to offset the negative impact that the CN rail strike had on the transportation of mixed sulphides in Canada and the reduced availability of diesel fuel supply in Cuba had on Moa operations.
- The strong nickel and cobalt production totals at the Moa JV for 2019 are forecast to be sustained in 2020, reflective of the ongoing benefits of Sherritt's operational excellence initiatives.
- Net direct cash costs at the Moa JV are forecasted to be in the range of US\$4.00 and US\$4.50 per pound of finished nickel sold in 2020, consistent with guidance for 2019.
- Sherritt's share of total capital spending for 2020 is forecasted at US\$41 million. The total will be primarily earmarked to replace existing equipment and infrastructure at the Moa JV and excludes any material spending on Block 10.

Summary of 2019 Production Results

Production volumes ¹	Q4 2019 FY2019 Guidance for 2019			
Moa Joint Venture (tonnes, 100% basis)				
Nickel	8,098	33,108	31,000 – 33,000	
Cobalt	822	3,376	3,300 – 3,600	
Ambatovy Joint Venture (tonnes, 100% basis)				
Nickel	8,483	33,733	34,000 – 36,000	
Cobalt	742	2,900	2,800 – 3,000	
Oil – Cuba (gross working-interest, bopd)	3,785	4,175	3,800 – 4,100	
Oil and Gas – All operations (net working-interest, boepd)	1,182	1,417	1,600 – 1,800	
Power (GWh, 33 ^{1/3} % basis)	186	736	650 – 700	

Finished nickel production at the Moa JV in 2019 was 33,108 tonnes on a 100% basis, exceeding guidance for the year. Finished cobalt production at the Moa JV in 2019 was 3,376 tonnes in line with guidance for the year.

Production totals achieved by the Moa JV in 2019 benefitted from operational excellence initiatives

completed over the preceding 18 months, and included efforts to improve ore access and increase equipment reliability. These initiatives were supplemented by specific mitigation strategies to offset the negative impact that reduced diesel fuel supply in Cuba and the disruption of railway service in Canada had on operations in the fourth quarter.

Production for the Oil and Gas business in Cuba on a gross working interest was 4,175 barrels of oil per day, exceeding guidance for the year. While oil production in Cuba in 2019 was impacted by natural reservoir declines, the level of decline was not as rapid in the first half of the year as was anticipated.

Power production in 2019 was 736 gigawatt hours, exceeding guidance for the year. Higher production for 2019 was largely due to increased availability of natural gas supply for power generation activities in the second half of the year than was previously anticipated.

Nickel production at the Ambatovy Joint Venture in 2019 was below guidance due to a number of factors, including unplanned shutdowns and maintenance activities needed to replace or repair major pieces of equipment.

Sherritt's full operational results for the three- and 12-month periods ended December 31, 2019 will be disclosed once the Company reports its financial results.

2020 Guidance

Guidance for 2020 is based on a number of assumptions and estimates as of January 20, 2020, and include among other items, assumptions about commodity prices, anticipated costs and expenditures. Sherritt's guidance for 2020 includes estimates based on a number of risks and uncertainties, which may cause actual results to differ materially.

Summary of 2020 Production Forecasts

Production volumes ²	Guidance for 2020
Moa Joint Venture (tonnes, 100% basis)	
Nickel	32,000 – 34,000
Cobalt	3,300 – 3,600
Oil – Cuba (gross working-interest, bopd)	3,000 – 3,300
Oil and Gas – All operations (net working-interest, boepd)	1,900 – 2,100
Power (GWh, 33 ^{1/3} % basis)	500 – 550

In 2020, nickel and cobalt production at the Moa JV are forecasted at between 32,000 and 34,000 tonnes and 3,300 and 3,600 tonnes, respectively. The anticipated production increases for 2020 relative to 2019 results are based on sustaining the benefits of operational excellence initiatives completed over the past 18 months.

Oil production in Cuba in 2020 on a gross working interest basis is forecasted at between 3,000 and 3,300 barrels of oil per day. The forecast reflects natural reservoir declines from maturing oil fields. Oil production forecasts for 2020 exclude any anticipated contributions from Block 10 as preliminary testing on the reservoir continues.

The Power business is forecasted to produce between 500 and 550 gigawatt hours of electricity in 2020. The total is below 2019 production results due to the expected reduction of natural gas provided to Sherritt for power generation activities as a result of maturing oil fields.

Summary of 2020 Unit Cost Forecasts

Unit Operating Costs	Guidance for 2020
Moa Joint Venture Net Direct Cash Costs (US\$ per pound)	US\$4.00 - \$4.50
Oil and Gas & Cuba (unit operating costs, C\$ per barrel)	C\$28.00 - \$29.50
Power (unit operating costs, C\$ per MWh)	C\$28.00 & \$29.50

Net direct cash costs (NDCC) at the Moa JV are forecasted at between US\$4.00 and US\$4.50 per pound of finished nickel sold. Net direct cash costs include by-product credits and input commodities that are subject to considerable change given the volatility of cobalt, fertilizers, crude oil, natural gas and sulphur prices. The NDCC forecast for the Moa JV is also subject to the seasonality of fertilizer sales, which are typically higher in the second and fourth quarters. The NDCC forecast for 2020 is consistent with NDCC guidance for 2019. NDCC guidance for 2020 is based on a forecast cobalt reference price of US\$17.00 per pound and a forecast average sulphur price of US\$100 per tonne including freight and handling.

Oil production costs in Cuba in 2020 are forecasted to be between C\$28.00 and C\$29.50 per barrel. The forecasted unit costs exclude production on Block 10 and reflect anticipated production declines due to maturing oil fields.

Operating costs for the Power business are forecasted to be between C\$28.00 and C\$29.50. The increase in forecasted unit costs for 2020 relative to 2019 guidance is due to the anticipated reduction in production due to reduced availability of natural gas supply. Operating costs for 2020 may vary if maintenance activities are impacted by the delays in the collection of receivables.

Summary of 2020 Spending Cost Forecasts

	2020
Spending on capital ³ (US\$ millions/ C\$millions)	Guidance
Moa Joint Venture (50% basis) and Fort Site (100% basis)	US\$34 (C\$45)
Oil and Gas & Cuba	US\$6 (C\$8)
Power (33 ^{1/3} % basis).	US\$1 (C\$1.3)

Sherritt's share of capital spending at the Moa JV and at the Fort Site is forecasted at US\$34 million in 2020, largely consistent with 2019 guidance. Capital spending in 2020 is planned for the continued replacement of mine and plant equipment.

Capital spending at the Oil and Gas business is forecasted at US\$6 million for 2020. This total is planned for ongoing operations and excludes any further drilling on Block 10. The timing and amounts of capital spending within the Oil and Gas business will vary depending on the collection of receivables. Any incremental capital spend at the Oil and Gas business in 2020 will also be predicated on successful drill results at Block 10.

Capital spend at the Power business is forecasted at US\$1 million, consistent with 2019 guidance.

Update on Block 10

Sherritt completed drilling on Block 10 in December 2019, reaching the target depth of approximately 5,700 meters. Preliminary testing, which began late in 2019, is currently on hold as additional work on the well and recertification of specific pieces of equipment are required before testing can resume. Preliminary testing is expected to re-start in the first week in February. Sherritt will provide an update on progress as material developments occur.

About Sherritt

Sherritt 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 "SR".

www.sherritt.com

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 regarding future guidance and forecasts set forth in this press release and certain expectations regarding production volumes; operating costs and capital spending.

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; supply and demand in the nickel and cobalt markets; uncertainty of drilling plans and exploration results; 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 February 13, 2019 for the period ending December 31, 2018, which is available on SEDAR at www.sedar.com.

¹ Nickel and cobalt production are presented on a 100% basis. Sherritt's share varies by business unit, with the Moa JV being a 50% joint venture, Ambatovy a 12% investment in an associate, and Power a 33% interest.

² As Sherritt no longer considers the Ambatovy Joint Venture an operating segment for accounting purposes, none of its production, unit costs or capital spend forecasts for 2020 is presented.

³ Capital spend is based on Sherritt's ownership interests in the Moa Joint Venture (50%); Fort Site (100%), Power (33%).

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Contact

Joe Racanelli, Director of Investor Relations

Telephone: 416-935-2457

Email: joe.racanelli@sherritt.com

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