

# Sherritt Reports Higher Nickel and Cobalt Production Results at Moa JV in Q2 2020

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TORONTO, July 29, 2020 - Sherritt International Corporation (“Sherritt”, the “Corporation”, the “Company”) (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, 2020. All amounts are in Canadian currency unless otherwise noted.

## CEO COMMENTARY

“As a result of additional health and safety practices and new work processes implemented in early March, our mine operations at Moa and at our refinery in Fort Saskatchewan were largely unaffected by the spread of COVID-19 and delivered strong finished nickel and cobalt production results in Q2,” said David Pathe, President and CEO of Sherritt International. “We expect to build on this momentum through the end of the year and forecast producing between 32,000 and 33,000 tonnes of finished nickel and between 3,300 and 3,400 tonnes of finished cobalt on a 100% basis for 2020 in line with our original guidance for the year.”

Mr. Pathe added, “Also in Q2, we implemented further austerity measures designed to reduce costs, preserve liquidity and defer budgeted expenditures for 2020 in the face of uncertainty caused by the global pandemic to near-term economic and market conditions and, more particularly, on our ability to collect on overdue amounts owed to us by our Cuban energy partners.

“Subsequent to quarter-end, we received stakeholder approval for our balance sheet initiative. Pending court approval and final closing expected by the end of the coming month, the transaction will result in the reduction of our total debt by approximately \$305 million, annual savings of \$16 million in cash interest payments, resolution to our Ambatovy investment legacy, and position us without any debt maturity until November 2026. Completion of the balance sheet initiative and ongoing austerity measures will help us weather near-term uncertainty in advance of the recovery of nickel and cobalt markets expected over the longer term.”

## SUMMARY OF KEY Q2 DEVELOPMENTS

- Sherritt’s share of finished nickel production at the Moa Joint Venture (Moa JV) in Q2 2020 was 4,147 tonnes, up 4% from last year, while finished cobalt was 425 tonnes, up 2% from last year. Higher production totals were largely driven by the decision to delay the annual shutdown of the refinery for planned maintenance as a safety measure to prevent the spread of COVID-19. Annual maintenance shutdown activities were completed subsequent to the start of Q3 2020.
- Sherritt ended Q2 2020 with cash and cash equivalents of \$172.4 million of which \$82.2 million of cash and cash equivalents was held by Energas in Cuba. The \$21 million decrease in Sherritt’s liquidity from \$193.4 million at the end of Q1 2020 was largely due to the timing of working capital receipts, capital expenditures totaling \$3.6 million and the impact of changes to foreign exchange rates, partially offset by interest received on the Energas conditional sales agreement and the deferral of \$15.5 million of interest payments due to the launch of the previously announced balance sheet initiative.
- Sherritt received US\$11.6 million in Cuban energy payments as part of the overdue receivables agreement with its Cuban partners. Payments, which included US\$9.3 million received in Canada and US \$2.3 million accepted in Cuba to support local costs for Sherritt’s Oil and Gas operations, were lower than expected as the spread of COVID-19 and the ongoing impact of U.S. sanctions limited Cuba’s access to foreign currency in Q2 2020.
- Sherritt agreed to an extension for the maturity of its \$70 million credit facility from its senior lenders to September 30, 2020 to allow for completion of the balance sheet initiative launched in Q1 2020. As part of the extension, the lenders agreed to a reduction in the monthly minimum net available cash requirement to \$65 million from \$70 million starting in April. In addition, \$47 million of letters of credit related to reclamation costs associated with Sherritt’s Spanish oil assets were not renewed at June 30 as the Corporation is in discussions with its Spanish partners on a potential alternative arrangement.

- Sherritt reinstated its production, unit cost and capital spend guidance for 2020, reflecting the minimal impact that COVID-19 has had to date on production and the implementation of austerity measures designed to preserve liquidity in the face of near-term uncertainty caused by the global pandemic on market conditions.

## DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Sherritt received stakeholder approval for its previously announced balance sheet initiative designed to improve its capital structure and preserve liquidity. Pending court approval of the transaction and final closing, which is expected by August 31 subject to the satisfaction or waiver of the applicable conditions to the transaction, Sherritt will reduce its total debt by approximately \$305 million, save approximately \$16 million in annual cash interest payments, address its Ambatovy investment legacy and have no debt maturities until November 2026 as a result of the transaction. Also pending close of the transaction, Sherritt will no longer be operator of Ambatovy, and focus its mining activities through the Moa JV.

- Sherritt completed a preliminary analysis of Block 10 test samples. The analysis, which was delayed by two months due to cargo travel restrictions imposed by Cuba due to COVID-19, was inconclusive. Sherritt plans to collect new test samples to analyze in the coming weeks now that cargo travel restrictions have been lifted.

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

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<https://www.businesswire.com/news/home/20200729006051/en/Sherritt-Reports-Higher-Nickel-Cobalt-Production-Res>

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