

Sherritt Outlines Moa JV Expansion Strategy and Reports Q3 Results

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[Sherritt International Corp.](#) ("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 nine months ended September 30, 2021, and announced it is embarking on an expansion strategy with its Cuban partners to capitalize on the growing demand for high purity nickel and cobalt being driven by the accelerated adoption of electric vehicles. The strategy, which will build on the 26-year successful track record of the Moa Joint Venture, centres on growing finished nickel and cobalt production by 15 to 20% per year from the 34,876 tonnes produced in 2020 and extending the life of mine at Moa beyond 2040 through the conversion of mineral resources into reserves using an economic cut-off grade.

"Backed by a strengthened balance sheet and a favourable outlook for nickel and cobalt, we are moving forward with a multi-pronged strategy focused on generating incremental cash flow and transformative growth," said Leon Binedell, President and CEO of [Sherritt International Corp.](#) "In addition to commercializing projects developed by Sherritt Technologies, our growth will centre on brownfield opportunities, where working in close collaboration with our Cuban partners, we plan to increase finished nickel and cobalt production and extend Moa's mine life. Preliminary economics of the brownfield projects identified are quite encouraging and suggest a high rate of return on investment and low capital intensity.

"By taking advantage of embedded growth opportunities, Sherritt will be better positioned to capitalize on the expected strong demand for green metals in the coming years and significantly grow shareholder value."

Expansion plans for the Moa JV consist of a multi-phased approach, and includes completion of the new slurry preparation plant and other expansion circuits at Moa, installation of new equipment and upgrading existing equipment at the refinery in Fort Saskatchewan, Alberta, updating the 43-101 Technical Report published in June 2019 that reported more than 158 million tonnes of measured and indicated resources at 1% nickel and 0.13% cobalt at Moa to reflect production based on economic rather than a fixed, cut-off grade, and leveraging the expertise of Sherritt Technologies to optimize mine planning and performance.

Sherritt and its Cuban partners are currently finalizing timelines, capital estimates, and economics of the various projects, including identifying financing alternatives. Sherritt expects to provide an update on the rollout of the Moa JV expansion strategy by the end of the first quarter of 2022.

SELECTED Q3 2021 DEVELOPMENTS

- Received US\$10 million in distributions from the Moa JV representing Sherritt's 50% share of distributions declared by the Moa JV. Through September 30, Sherritt has received a total of US\$43 million in direct and re-directed distributions from the Moa JV and its partner.
- Adjusted EBITDA⁽¹⁾ was \$17.6 million, up 14% from last year. The higher total was indicative of improved nickel and cobalt prices, but offset by increased input costs, \$3.1 million in other contractual benefits expenses and \$0.5 million of accelerated share-based compensation expenses, both of which relate to the departure of senior executives.
- Sherritt's share of finished nickel production at the Moa JV was 2,908 tonnes, down 22% from last year while Sherritt's share of finished cobalt production was 334 tonnes, down 18%. Finished nickel and cobalt production were negatively impacted by a combination of factors, including the spread of COVID-19, timing of the full-facility shutdown at the refinery in Fort Saskatchewan, Alberta, and unplanned maintenance activities that temporarily disrupted production activities. All production has since resumed to normal, and Sherritt has adjusted its production guidance for 2021 to reflect Q3 developments and anticipated production for the balance of the year.

- Net Direct Cash Cost (NDCC)⁽¹⁾ at the Moa JV was US\$4.53/lb, up 12% from last year. Despite a 52% improvement in cobalt by-product credits, unit costs per pound of finished nickel sold were impacted by the 126% increase in sulphur prices, 69% increase in fuel oil prices, and 59% increase in natural gas prices as well as by lower sales volumes. NDCC guidance for 2021 remains unchanged at US\$4.25 to \$4.75 per pound of nickel sold as the recent rise in cobalt prices partially offsets the rise in input costs.
- Received US\$6.4 million in Cuban energy payments. Sherritt anticipates continued variability in the timing of collections through the remainder of 2021, and is working with its Cuban partners to ensure timely receipts.
- Sherritt released its 2020 Sustainability Report that featured a number of upgraded environmental, social, and governance (ESG) targets, including achieving net zero greenhouse emissions by 2050, obtaining 15% of overall energy from renewable sources by 2030, reducing nitrogen oxide emission intensity by 10% by 2024, and increasing the number of women in the workforce to 36% by 2030.
- Named Yasmin Gabriel as Chief Financial Officer, Greg Honig as Chief Commercial Officer, and Chad Ross as Chief Human Resources Officer as part of senior leadership changes. The appointments underscore Sherritt's two-pronged growth strategy focused on capitalizing on the accelerating demand for high-purity nickel and cobalt from the electric vehicle industry and commercializing innovative process technology solutions for resources companies looking to improve their environmental performance and increase economic value.

DEVELOPMENTS SUBSEQUENT TO THE QUARTER END

- Sherritt amended its syndicated revolving-term credit facility with its lenders, increasing the maximum amount of credit available to \$100 million from \$70 million and extending the maturity to April 2024. Under the new terms, borrowings on the credit facility are available to fund capital as well as for working capital purposes. Spending on capital expenditures cannot exceed \$75 million in a fiscal year. Capital expenditure restrictions do not apply to planned spending of Moa Nickel S.A. The increase in credit facility is indicative of Sherritt's strengthened financial position and favorable outlook in light of improved nickel market fundamentals.
- Environmental rehabilitation obligations (ERO) held by Sherritt's Spanish Oil and Gas operations were secured by a parent company guarantee of \$31.5 million (\$46.7 million) until December 31, 2023. Unlike the \$47 million letter of credit issued previously to support the ERO and backed by Sherritt's credit facility, the new guarantee has no impact on the Corporation's available liquidity.
- Planned capital spending at the Moa JV for 2021 has been reduced to US\$35 million from US\$44 million (Moa JV 50% basis Fort Site 100% basis). The reduction in planned capital spending reflects operational challenges experienced through September 30, including freight and order delays caused by COVID-19.

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

Q3 2021 FINANCIAL HIGHLIGHTS

	For the three months ended			For the nine months ended
	2021	2020	Change	2021
	September 30	September 30		September 30
\$ millions, except per share amount				
Revenue	20.7	24.9	(17%)	\$ 73.6
Combined revenue ⁽¹⁾	120.2	115.3	4%	414.2
Loss from operations and joint venture	(10.8)	(124.7)	91%	(12.0)
Net (loss) earnings from continuing operations	(15.5)	11.4	(236%)	(27.8)
Net (loss) earnings for the period	(16.2)	228.5	(107%)	(32.5)
Adjusted EBITDA ⁽¹⁾	17.6	15.5	14%	65.8
Cash provided by continuing operations for operating activities	16.2	25.3	(36%)	14.7
Combined free cash flow ⁽¹⁾	19.3	27.1	(29%)	40.9

Average exchange rate (CAD/US\$)	1.260	1.332	(5%)	1.251
Net (loss) earnings from continuing operations (\$ per share)	(0.04)	0.03	(233%)	(0.07)

(1) For additional information see the Non-GAAP and other financial measures section.

	2021	2020	
\$ millions, as at	September 30	December 31	Change
Cash, cash equivalents and short term investments	\$ 163.4	\$ 167.4	(2%)
Loans and borrowings	444.7	441.4	1%

Cash, cash equivalents, and short-term investments at September 30, 2021 were \$163.4 million, up from \$153.8 million at June 30, 2021. The increase was due to a number of developments in the quarter, including the receipt of US\$6.4 million in Cuban energy payments, strong fertilizer presales of \$13.9 million, and the receipt of US\$10 million in distributions from the Moa JV. The increase was partly offset by sustaining capital expenditures of \$3.6 million.

Since the start of 2021, Sherritt has received a total of US\$43 million in direct and re-directed distributions from the Moa JV and its partner. Sherritt anticipates receipt of additional distributions from the Moa JV through to the end of 2021 based on prevailing nickel and cobalt prices, planned capital spend, and liquidity requirements for the Moa JV.

As a result of the restructuring of its balance sheet in August 2020 that eliminated \$30 million in cash interest payments annually, Sherritt did not have any cash interest payments in Q3 2021.

Collections against overdue amounts owed to Sherritt by its Cuban energy partners continue to be adversely impacted by a combination of factors, including the ongoing effects of U.S. sanctions against Cuba and Cuba's reduced access to foreign currency on account of the global pandemic which has eliminated almost all tourism revenue over the past 18 months. Cuba has announced plans to fully open its borders to international travelers on November 15, 2021 in advance of the winter travel season. As at October 31, 88% of Cuba's population had received at least one vaccine dose and 64% have been fully vaccinated⁽¹⁾.

Total overdue scheduled receivables at September 30, 2021 were US\$152.5 million, down from US\$154.7 million at June 30, 2021. Subsequent to quarter end, Sherritt received US\$2.5 million in Cuban energy payments. Sherritt anticipates variability in the timing and the amount of energy payments in the near term, and continues to work with its Cuban partners to ensure timely receipt of energy payments. With the opening up of Cuba's borders, the resumption of international tourism and the influx of foreign currency, Sherritt anticipates economic conditions in Cuba to improve in 2022.

As at September 30, 2021, Sherritt held cash, cash equivalents and short-term investment in Canada totaling \$82.1 million, up from \$77.4 million at June 30, 2021.

(1) Source: Our World in Data.

Adjusted net loss⁽¹⁾

	2021	2020	
For the three months ended September 30	\$ millions	\$/share	\$ millions \$/share
Net (loss) earnings from continuing operations	(15.5)	(0.04)	11.4 0.03
Adjusting items:			
Unrealized foreign exchange loss (gain) - continuing operations			

0.02

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Other contractual benefits expense	3.1	0.01	-	-
Losses on commodity put options	0.4	-	-	-
Gain on debenture exchange	-	-	(143.4)	(0.36)
Impairment loss of Oil assets	-	-	115.6	0.29
Realized foreign exchange gain due to Cuban currency unification	(10.0)	(0.03)	-	-
Other	0.7	0.01	3.9	0.01
Adjusted net loss from continuing operations	(13.4)	(0.03)	(16.1)	(0.04)
	2021		2020	
For the nine months ended September 30	\$ millions	\$/share	\$ millions	\$/share
Net loss from continuing operations	(27.8)	(0.07)	(36.4)	(0.09)
Adjusting items:				
Unrealized foreign exchange gain - continuing operations	(3.3)	(0.01)	(8.7)	(0.02)
Severance and other contractual benefits expense	5.5	0.02	-	-
Losses on commodity put options	5.5	0.02	-	-
Gain on repurchase of notes	(2.1)	(0.01)	-	-
Gain on debenture exchange	-	-	(143.4)	(0.36)
Impairment loss of Oil assets	-	-	115.6	0.29
Realized foreign exchange gain due to Cuban currency unification	(10.0)	(0.03)	-	-
Moa JV expansion loans receivable ACL revaluation	-	-	(6.4)	(0.02)
Other	3.5	0.01	6.3	0.02
Adjusted net loss from continuing operations	(28.7)	(0.07)	(73.0)	(0.18)

(1) For additional information see the Non-GAAP and other financial measures section.

Adjusted net loss from continuing operations was \$13.4 million, or \$0.03 per share, for the quarter ended September 30, 2021. In the same period last year adjusted net loss was \$16.1 million or \$0.04 per share. Sherritt's adjusted net loss for Q3 2021 excluded an unrealized foreign exchange loss of \$7.9 million, the realized gain on Cuban currency unification, and other contractual benefits expense of \$3.1 million. In Q3 2020, the primary adjustments, in addition to an unrealized foreign exchange gain of \$3.6 million, included the gain on debenture exchange offset by the impairment of oil assets related to Block 10.

METALS MARKET

Nickel

Nickel prices hit a seven-year high in Q3, climbing to US\$9.24/lb on September 10. The price increase was driven by improving market fundamentals, including strong demand from across multiple industries, reduced inventory levels, and supply disruptions caused in part by COVID-19. By the end of the quarter, nickel prices retreated closing at US\$8.25/lb on September 30 on concerns of a potential debt crisis in China as well as by speculation that stainless steel production would be impacted by China's efforts to ration power supply. Since the start of Q4, nickel prices have recovered, reaching a high of US\$9.31/lb on October 21. It is

anticipated that nickel prices will be sustained at current levels through end of year.

Strong nickel demand in Q3 was reflected by the continued decrease in inventory levels since the start of 2021. In Q3, nickel inventory levels on the London Metals Exchange (LME) fell by 32% from 232,476 tonnes at the start of the period to 157,062 tonnes on September 30. Similarly, inventory levels on the Shanghai Futures Exchange fell to 3,728 tonnes, down 25% from 4,982 tonnes at the start of the quarter.

Continued strong demand and market tightness led a number of industry analysts, including Wood Mackenzie and S&P Global, to forecast a nickel supply deficit in 2021 in contrast to forecasts of a nickel surplus at the start of the year. As at October 15, nickel inventories on the LME declined further to 146,022 tonnes.

Although market conditions are currently favorable for nickel producers, nickel inventory level uncertainty is anticipated in 2022 and 2023 with some industry analysts forecasting an inventory surplus in the coming years. Visibility of market conditions in the medium term is limited and no new sources of supply are anticipated.

The long-term outlook for nickel remains bullish on account of the strong demand expected from the electric vehicle battery market. Some market observers, such as Wood Mackenzie, have forecast a prolonged nickel supply deficit beginning in 2025 due to recent developments in the electric vehicle market and no new nickel production coming on stream in the near term.

Over the past year, in particular, multiple automakers and governments have announced plans for significant investments to expand electric vehicle production capacity to meet growing demand as well as more aggressive timelines to phase out the sale of internal combustion engines. In 2020, more than three million plug-in electric vehicles (PEV) were sold despite the global pandemic. Industry observers estimate that the number of PEVs sold in 2021 will double to 6.1 million units. CRU has forecast that electric vehicles sales will grow to 13.7 million units by 2025.

As a result of its unique properties, high-nickel cathode formulations remain the dominant choice for long-range vehicles manufactured by automakers with Class 1 nickel being an essential feedstock in the battery supply chain. Sherritt is particularly well positioned given our Class 1 production capabilities and the fact that Cuba possesses the world's fourth largest nickel reserves.

Cobalt

Cobalt prices in Q3 2021 were marked by a steady rise, closing on September 30 at US\$25.88/lb, up 13% from US\$22.90/lb at the start of the quarter according to data collected by Fastmarkets MB.

Higher cobalt prices in Q3 2021 were largely driven by increased buying from electric vehicle battery manufacturers. Cobalt is a key component of rechargeable batteries providing energy stability. Higher cobalt prices in Q3 2021 were also driven by increased stockpiling from consumers and by supply logistics disruptions in South Africa, where cobalt produced in the Democratic Republic of Congo, the source of almost two-thirds of the world's supply, is sent before being shipped internationally.

Industry observers, such as CRU, expect cobalt prices to continue to rise in the near term with prices forecast to peak at US\$31/lb in 2024 as limited new sources of supply have been announced to fill expected demand over the next five years.

The outlook for cobalt over the long term remains bullish as demand is expected to grow to 270,000 tonnes by 2025, representing a compound annual growth rate of 13.5% according to CRU.

REVIEW OF OPERATIONS

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

	For the three months ended			For the nine months ended		
	2021	2020		2021	2020	
\$ millions (Sherritt's share), except as otherwise noted September 30 September 30 Change September 30 September 30						
FINANCIAL HIGHLIGHTS						
Revenue ⁽¹⁾	\$ 108.9	\$ 97.7	11%	\$ 377.4	\$ 306.7	
Earnings (loss) from operations	14.6	3.0	387%	62.1	(0.5)	
Adjusted EBITDA ⁽³⁾	27.1	17.4	56%	102.9	43.9	
CASH FLOW						
Cash provided by operations	\$ 36.5	\$ 23.1	58%	\$ 81.6	\$ 40.3	
Free cash flow ⁽³⁾	23.2	16.3	42%	55.9	20.4	
Dividend distributions from the Moa Joint Venture ⁽⁴⁾	12.7	-	-	35.9	13.3	
PRODUCTION VOLUMES (tonnes)						
Mixed Sulphides	4,666	4,671	-	12,617	13,008	
Finished Nickel	2,908	3,750	(22%)	11,326	11,733	
Finished Cobalt	334	409	(18%)	1,287	1,234	
Fertilizer	46,730	53,743	(13%)	180,038	179,609	
NICKEL RECOVERY (%)	87	% 90	% (3%)	85	% 86	
SALES VOLUMES (tonnes)						
Finished Nickel	2,989	3,568	(16%)	11,434	11,510	
Finished Cobalt	372	501	(26%)	1,301	1,235	
Fertilizer	25,201	36,169	(30%)	117,034	139,380	
AVERAGE-REFERENCE PRICE (US\$ per pound)						
Nickel	\$ 8.67	\$ 6.45	34%	\$ 8.18	\$ 5.93	
Cobalt ⁽⁵⁾	24.55	14.87	65%	22.46	15.52	
AVERAGE-REALIZED PRICE ⁽³⁾						
Nickel (\$ per pound)	\$ 10.76	\$ 8.36	29%	\$ 9.99	\$ 7.80	
Cobalt (\$ per pound)	27.03	16.71	62%	23.69	17.95	
Fertilizer (\$ per tonne)	433	289	50%	392	359	
UNIT OPERATING COST ⁽³⁾ (US\$ per pound)						
Nickel - net direct cash cost	\$ 4.53	\$ 4.04	12%	\$ 4.30	\$ 4.09	
SPENDING ON CAPITAL						

Sustaining	\$ 13.2	\$ 6.8	94%	\$ 25.6	\$ 22.9
	\$ 13.2	\$ 6.8	94%	\$ 25.6	\$ 22.9

Revenue of Moa Joint Venture and Fort Site is composed of revenue recognized by the Moa Joint Venture at Sherritt's 50% share, which is equity-accounted and included in share of earnings (loss) of Moa Joint Venture, net of tax, and revenue recognized by Fort Site, which is included in consolidated revenue. For additional information, see the Non-GAAP and other financial measures section in the MD&A.

(2) Not meaningful (nm).

(3) For additional information see the Non-GAAP and other financial measures section.

(4) Excludes redirections of dividends from Sherritt's joint venture partner.

(5) Average standard grade cobalt published price per Fastmarkets MB.

Despite additional measures taken to protect employees, suppliers and various stakeholders at operations at Moa and at the refinery in Fort Saskatchewan since the start of the pandemic in March 2020, the significant rise in the number of cases as a result of the spread of the Delta variant of COVID-19 negatively impacted mining operations and transportation activities in Q3 2021.

Most notably at Moa, the considerable increase in the number of COVID-19 cases in the Holguin province of Cuba adversely affected mining activities and delayed shipment of mixed sulphides. While these developments had minimal impact on mixed sulphides production in the quarter, measures to recover ore stockpiling inventory, including the use of contract mining services, have been implemented in advance of the traditional rainy season at Moa. Mixed sulphides production at the Moa JV in Q3 2021 was 4,666 tonnes, essentially unchanged from the 4,671 tonnes produced in Q3 2020.

At the refinery in Fort Saskatchewan, the rise in number of COVID-19 cases in Alberta coupled with reduced contractor availability resulted in the rescheduling and extension of the full-facility shutdown by two additional days than originally anticipated. This year's shutdown lasted 13 days compared to the typical five-day annual shutdowns, and included all of the refinery and utility plants. Full-facility shutdowns occur once every six years.

Refinery operations were also disrupted by unplanned maintenance activities due to equipment and service failures in advance of the full-facility shutdown. Subsequent to the shutdown, repairs to the cobalt reduction autoclave nozzle were required, resulting in a temporary reduction in plant capacity.

As a result of the cumulative impact of these developments, finished nickel production in Q3 2021 totaled 2,908 tonnes, down 22% from the 3,750 tonnes produced in Q3 2020 while finished cobalt production for Q3 2021 was 334 tonnes, down 18% from the 409 tonnes produced in Q3 2020.

Finished nickel and cobalt production for the nine-month period of 2021 were 11,326 tonnes and 1,287 tonnes, respectively. The totals compare to 11,733 tonnes and 1,234 tonnes for the same period of 2020. As a result of developments in Q3 and anticipated performance through the balance of the year, Sherritt has adjusted its guidance for 2021 and now expects to produce 31,000 - 32,000 tonnes of nickel (100% basis). Guidance for cobalt production is unchanged at 3,300 - 3,600 tonnes (100% basis).

Sales volume for finished nickel and cobalt in Q3 2021 were down 16% and 26%, respectively, from last year. The year-over-year decrease was due to lower production volumes and the impact of the full-facility shutdown.

Despite the decrease in sales volume total, Moa JV revenue in Q3 2021 increased by 11% to \$108.9 million from \$97.7 million last year. The revenue increase was largely attributable to higher average-realized nickel, cobalt, and fertilizer prices. In Q3 2021, average-realized nickel, cobalt, and fertilizer prices were up 29%, 62% and 50%, respectively, from last year. Average-realized prices are impacted by the timing of deliveries, settlement against contract terms, and fluctuations in the value of the Canadian currency.

Mining, processing and refining (MPR) costs per pound of nickel sold for Q3 2021 were US\$6.43/lb, up 31% from last year. MPR costs in Q3 2021 increased due to a combination of factors, including higher input costs and the impact of lower production volumes on period costs. Input costs, in particular, were negatively impacted by the 126% increase in sulphur prices, 69% increase in fuel oil prices, and 59% increase in natural gas prices. Higher MPR costs were partially offset by the effect of Cuba's unification of its currencies in lowering labour and other service expenses.

Net direct cash cost (NDCC) per pound of nickel sold in Q3 2021 was US\$4.53/lb, up 12% from last year. The increase was primarily driven by higher MPR costs and higher third-party feed costs, but partially offset by the 52% improvement in cobalt by-product credits due to higher average-realized prices and by higher fertilizer and other by-product credits. NDCC guidance for 2021 remains unchanged at US\$4.25 - \$4.75 per pound of nickel sold as the recent rise in cobalt prices partially offsets the rise in input costs.

Sustaining capital spending in Q3 2021 was \$13.2 million, up 94% from \$6.8 million in Q3 2020 for the same period last year. The year-over-year increase was due primarily to the timing of planned capital expenditures, including receipt of new mining equipment at Moa. Sherritt's share of planned spending at the Moa JV and Fort Site in 2021 has been reduced to US\$35 million from US\$44 million, and is primarily earmarked for the continued replacement of mine and plant equipment. The reduction in planned capital spending reflects operating challenges, including freight and order delays caused by COVID-19.

In Q3 2021, the Moa JV advanced with its commitment to reduce carbon emissions through the use of renewable energy and electric fleet equipment. As at September 30, 2021, the Moa JV received delivery of eight electric light vehicles with an additional vehicle slated for delivery by end of year. Plans for the increased use of renewable energy and electric light vehicles beyond 2021 are being developed.

Power

	For the three months ended			For the nine months ended	
	2021	2020		2021	2020
\$ millions (33 % basis), except as otherwise noted September 30 September 30 Change September 30 September 30					
FINANCIAL HIGHLIGHTS					
Revenue	\$ 7.3	\$ 9.4	(22%)	\$ 20.2	\$ 28.4
(Loss) earnings from operations	0.2	1.6	(88%)	(1.1)	4.5
Adjusted EBITDA ⁽¹⁾	4.1	6.8	(40%)	10.6	20.3
CASH FLOW					
Cash provided by operations	\$ 3.0	\$ 20.9	(86%)	\$ 17.3	\$ 47.6
Free cash flow ⁽¹⁾	3.0	20.2	(85%)	17.3	46.9
PRODUCTION AND SALES					
Electricity (GWh ⁽²⁾)	110	152	(28%)	320	458
AVERAGE-REALIZED PRICE⁽¹⁾					
Electricity (\$/MWh ⁽²⁾)	\$ 54.57	\$ 57.55	(5%)	\$ 53.93	\$ 57.67
UNIT OPERATING COSTS⁽¹⁾					
Electricity (\$/MWh)	23.14	14.63	58%	23.19	14.44
NET CAPACITY FACTOR (%)					

(27%)

SPENDING ON CAPITAL

Sustaining	\$ -	\$ 0.8	(100%)	\$ -	\$ 0.8
	\$ -	\$ 0.8	-100.0%	\$ -	\$ 0.8

(1) For additional information see the Non-GAAP and other financial measures section.

(2) Gigawatt hours (GWh), Megawatt hours (MWh).

Power production in Q3 2021 was 110 gigawatt hours (GWh) of electricity, down 28% from 152 GWh produced in the comparable period of 2020. The production decline was due to maintenance activities deferred from 2020 on account of limited liquidity availability and reduced availability of spare parts.

Revenue in Q3 2021 totaled \$7.3 million, down 22% from \$9.4 million for the same quarter last year. The revenue decline was primarily due to lower power production.

The average-realized price in Q3 2021 was \$54.57/MWh, down 5% from Q3 2020. The decrease was primarily due to the strengthening of the Canadian currency relative to the U.S. dollar.

Unit operating costs in Q3 2021 were \$23.14/MWh, up 58% from \$14.63/MWh for last year. The year-over-year increase was attributable to lower sales volume and higher operational spending on maintenance activities deferred from 2020. The increase in unit operating costs in Q3 2021 was partially offset by the impact of a strengthening Canadian dollar as costs are denominated in U.S. currency, and by the effect of Cuba's unification of its currencies in lowering labour and third-party service costs.

The Power business unit had negligible capital spend for the three months ended September 30, 2021.

Sherritt continues to be in discussion with its Cuban partners to extend its power generation agreement with Energas, which is currently slated to expire in March 2023.

Technologies

Sherritt Technologies continued its efforts to transition from a cost centre to an incubator of industry solutions that can also be commercialized externally or applied internally to improve operational performance, reduce carbon emissions, and support growth initiatives, such as efforts to de-bottleneck production, evaluate brownfield expansion opportunities and increase mineral reserves.

In Q3, the primary activities of Sherritt Technologies centred on supporting brownfield expansion opportunities at the Moa JV, including preparations for final testing to support a change in mine planning to use an economic cut-off grade to potentially upgrade resources into reserves and significantly expand the life of mine, and support Sherritt's growth strategy.

Other activities included efforts to commercialize Sherritt's most advanced, innovative technologies. In particular, Sherritt Technologies continued to make progress on its enhanced proprietary process to fully upgrade heavy oil, refining residues and bitumen. Sherritt's process provides a number of environmental and business benefits, including eliminating the need for bitumen diluent and thereby increasing pipeline capacity, increasing the economic value of the oil transported to downstream markets, as well as reduced energy consumption due to the elimination of energy intensive unit operations, which results in lower carbon emissions. Discussions with external parties regarding the potential use of Sherritt's process have identified multiple, distinct scenarios for the application of this technology. External industry expertise has been engaged to assist in further developing these specific opportunities. Piloting of the new catalyst system, which allows for full upgrading instead of partial upgrading, is scheduled to occur during 2022, and will be designed to test the multiple product and processing scenarios.

Sherritt Technologies is also pursuing the commercialization of its proprietary process for the treatment of

copper concentrates with higher arsenic content. Arsenic is a poisonous element requiring significant mitigation and management costs rendering certain copper projects uneconomical. With copper demand expected to grow significantly over the next decade, Sherritt's advanced hydrometallurgical process technology fulfills a pressing industry need, presenting a significant step change in the stabilization of arsenic bearing solid waste, produces net zero carbon emissions, extends the life of aging copper mines, reduces treatment costs and capitalizes on existing infrastructure. Discussions have started with external parties on a variety of potential commercialization routes on optimal sourcing options for laterite ore and copper concentrate. Different copper products can be considered, depending on specific project drivers and circumstances.

OUTLOOK

2021 Production, unit operating costs and capital spending guidance

Based on operational results achieved through September 30, prevailing commodity prices, anticipated performance and expected input cost and planned capital spend for the year, Sherritt updated its production and planned capital spend guidance for 2021

	Guidance for 2021 -	Year-to-date actuals -	Updated 2021 guidance
Production volumes, unit operating costs and spending on capital Total	Total	Total	Total
Production volumes			
Moa Joint Venture (tonnes, 100% basis)			
Nickel, finished	32,000 - 34,000	22,652	31,000 - 32,000
Cobalt, finished	3,300 - 3,600	2,574	No change
Electricity (GWh, 33⅓% basis)	450 - 500	320	No change
Unit operating costs			
Moa Joint Venture - NDCC (US\$ per pound)	\$4.25 - \$4.75	\$4.30	No change
Electricity (unit operating cost, \$ per MWh)	\$30.50 - \$32.00	\$23.19	No change
Spending on capital			
Moa Joint Venture (50% basis), Fort Site (100% basis) ⁽¹⁾	US\$44 (CDN\$57)	US\$21 (CDN\$26)	US\$35 (CDN\$44)
Power (33⅓% basis)	US\$1 (CDN\$1.3)	US\$0 (CDN\$0)	No change
Spending on capital (excluding Corporate)	US\$45 (CDN\$58)	US\$21 (CDN\$26)	US\$36 (CDN\$44)

⁽¹⁾ Spending is 50% of US\$ expenditures for the Moa JV and 100% expenditures for Fort Site fertilizer and utilities.

NON-GAAP AND OTHER FINANCIAL MEASURES

Management uses the following non-GAAP and other financial measures in this press release and other documents: combined revenue, adjusted EBITDA, average-realized price, unit operating cost/net direct cash cost (NDCC), adjusted net earnings/loss from continuing operations, adjusted earnings/loss from continuing operations per share and combined free cash flow.

Management uses these measures to monitor the financial 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/or evaluate the results of its underlying business. These measures are intended to provide additional information, not to replace International Financial Reporting Standards (IFRS) measures, and 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.

The non-GAAP and other financial measures are reconciled to their most directly comparable IFRS measures in the non-GAAP and other financial measures section of Sherritt's Management's Discussion and Analysis for the three and nine months ended September 30, 2021.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its conference call and webcast November 4, 2021 at 10:00 a.m. Eastern Time to review its Q3 2021 results. Dial-in and webcast details are as follows:

North American callers, please dial: 1 (866) 521-4909

International callers, please dial: (647) 427-2311

Live webcast: www.sherritt.com

Please dial in 15 minutes before the start of the call to secure a line. Alternatively, listeners can access the conference call and presentation via the webcast available on Sherritt's website.

An archive of the webcast and replay of the conference call will also be available on the website.

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's condensed consolidated financial statements and MD&A for the three and nine months ended September 30, 2021 are available at www.sherritt.com and should be read in conjunction with this news release. Financial and operating data can also be 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 - metals essential for the growing adoption of electric vehicles. Its Technologies Group creates innovative, proprietary solutions for oil and mining companies around the world to improve environmental performance and increase economic value. Sherritt is also the largest independent energy producer in Cuba. Sherritt's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Forward-looking statements

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as "believe", "expect", "anticipate", "intend", "plan", "forecast", "likely", "may", "will", "could", "should", "suspect", "outlook", "potential", "projected", "continue" or other similar words or phrases. Specifically, forward-looking statements in this document include, but are not limited to, statements regarding strategies, plans and estimated production amounts resulting from expansion of mining operations at the Moa JV, growing and increasing nickel and cobalt production, extending the Moa life of mine, conversion of mineral resources to reserves; commercializing Technologies projects, growing shareholder value, updating technical reports and optimizing mine planning and performance; statements set out in the "Outlook" section of this press release and certain expectations regarding production volumes, operating costs and capital spending; supply, demand and pricing outlook in the nickel, cobalt and electric vehicle markets; the impact of COVID-19; Sherritt's strategy, plans, targets and goals in respect of environmental and social governance issues, including climate change and greenhouse gas emissions reduction targets; anticipated payments of outstanding receivables, including re-directed distributions from the Corporation's Moa Joint Venture partner; the impact of U.S. sanctions on Cuba;

anticipated economic conditions in Cuba; the anticipated renewal of a joint venture agreement; 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; global demand for electric vehicles; the commercialization of certain proprietary technologies and services; advancements in environmental and greenhouse gas reduction technology; environmental rehabilitation provisions; availability of regulatory and creditor approvals and waivers; compliance with applicable environmental laws and regulations; debt repayments; redemptions and interest deferrals; 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, the impact of the COVID-19 pandemic, changes in the global price for nickel, cobalt, oil and gas, fertilizers or certain other commodities; security market fluctuations and price volatility; level of liquidity; access to capital; access to financing; the risk to Sherritt's entitlements to future distributions from the Moa Joint Venture; uncertainty about the pace of technological advancements required in relation to achieving ESG targets; risk of future non-compliance with debt restrictions and covenants and mandatory repayments; Sherritt's ability to replace depleted mineral reserves; risks associated with the Corporation's joint venture partners; variability in production at Sherritt's operations in Cuba; 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; potential interruptions in transportation; uncertainty of gas supply for electrical generation; the Corporation's reliance on key personnel and skilled workers; growth opportunity risks; the possibility of equipment and other failures; risks associated with mining, processing and refining activities; uncertainty of resources and reserve estimates; the potential for shortages of equipment and supplies, including diesel; supplies quality issues; risks related to environmental liabilities including liability for reclamation costs, tailings facility failures and toxic gas releases; risks related to the Corporation's corporate structure; political, economic and other risks of foreign operations; risks associated with Sherritt's 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 climate change and greenhouse gas emissions; risks relating to community relations and maintaining the Corporation's social license to grow and operate; credit risks; 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; identification and management of growth opportunities; 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; the ability to accomplish corporate objectives, goals and plans for 2021; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. The Corporation, together with its Moa Joint Venture and Fort Site and Technologies segments, are pursuing a range of growth and expansion opportunities, including without limitation, process technology solutions, development projects, commercial implementation opportunities, life of mine extension opportunities and the conversion of mineral resources to reserves. In addition to the risks noted above, factors that could, alone or in combination, prevent us from successfully achieving these opportunities may include, without limitation: identifying suitable commercialization and other partners; successfully advancing discussions and successfully concluding applicable agreements with external parties and/or partners; successfully attracting required financing; successfully developing and proving technology required for the potential opportunity; successfully overcoming technical and technological challenges; successful environmental assessment and stakeholder engagement; successfully obtaining intellectual property protection; successfully completing test work and engineering studies, prefeasibility and feasibility studies, piloting, scaling from small scale to large scale production, commissioning, procurement, construction, commissioning, ramp-up to commercial scale production and completion; and securing regulatory and government approvals. There can be no assurance that any opportunity will be successful, commercially viable, or will generate any meaningful revenues, savings or earnings, as the case may be, for the Corporation. In addition, the Corporation will incur costs in pursuing any particular opportunity, which may be significant. Additional risks, uncertainties and other factors include, but are not limited to, the ability of the Corporation to achieve its financial goals; the ability of the

Corporation to continue to realize its assets and discharge its liabilities and commitments; the Corporation's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations); the ability of the Corporation to stabilize its business and financial condition; the ability of the Corporation to implement and successfully achieve its business priorities; and the ability of the Corporation to comply with its contractual obligations, including without limitation, its obligations under debt arrangements. 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 "Managing Risk" section of the Management's Discussion and Analysis for the three and nine months ended September 30, 2021 and the Annual Information Form of the Corporation dated March 17, 2021 for the period ending December 31, 2020, 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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