sherritt

Q3

2016 THIRD QUARTER REPORT

Sherritt International Corporation

For the three and nine months ended September 30, 2016

For immediate release

Sherritt Announces Q3 2016 Results

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES

Toronto, Ontario – October 25, 2016 – Sherritt International Corporation ("Sherritt" or the "Corporation") (TSX: S), the world leader in the mining and refining of nickel from lateritic ores, today reported its financial results for the three and nine months ended September 30, 2016.

"The nickel and oil price rally and strong Cuban energy receipts contributed to a $33 million increase in our ending cash balance since last quarter. We concluded September with $345 million, even after cash consent fees and other transaction expenses of around $15 million related to our bond maturity extension," said David Pathe, President and CEO, Sherritt International. "We also had two remarkable safety achievements in the quarter, as Ambatovy has now been Lost Time Injury-free for a year, and our Moa Joint Venture operations and surrounding communities in Cuba came through Hurricane Matthew with zero casualties and no material production impact expected."

Q3 HIGHLIGHTS[1]

- Nickel prices rebounded sharply in the third quarter to an average reference price of US$4.66/lb compared to US$4.00/lb last quarter. This 17% change in the quarter is one of the strongest in the base metals complex, compared to copper remaining virtually flat over the same period. Cobalt prices also increased by 14% over last quarter's average. News of Philippine mine shutdowns that have already been implemented or are expected continue to protect the downside in daily price fluctuation. Gulf Coast Fuel Oil 6 prices increased by another 12% in the third quarter compared to second quarter, and are now up 65% from the average reference price in the first quarter this year.
- Cash, cash equivalents and short-term investments at the end of the third quarter improved to $345.2 million, despite transaction costs of approximately $14.6 million incurred on the debenture maturity extension. The main drivers of the cash increase were the receipt of cash for overdue Cuban Oil & Gas receivables (US$38.9 million reduction in overdue receivables from the end of June to the end of September), seasonal receipt of fertilizer pre-buys and the impact from higher nickel and oil prices.
- Net direct cash costs (NDCC) of US$3.55/lb at the Moa JV and US$4.67/lb at Ambatovy in the quarter are an improvement for Ambatovy from the second quarter levels, and are higher for Moa but consistent with normal seasonality in fertilizer sales and receipt of cash. Ambatovy's quarterly production was negatively impacted by the tailings pipe blockage and total shutdown that occurred in June and July this year, followed by a weak production month in August. September monthly production of 4,185 tonnes finished nickel is the highest recorded so far this year.
- Oil drilling commenced on Block 10, with the first well spud in mid-August. Drilling is expected to continue throughout the balance of the year.
- The three publicly traded debenture maturities were extended following a near unanimous bondholder vote in favour of a three-year extension to each maturity, with $220 million principal value maturing in 2021, $250 million in 2023 and $250 million in 2025.
- September 28, 2016 marked a one-year anniversary for Ambatovy of recording zero Lost-Time Injuries. Sherritt is proud of the turnaround in safety culture of this large and complex operation, with over 7,000 employees and contractors working on site.

OUTLOOK AND SIGNIFICANT ITEMS

- The Moa Joint Venture operations returned to full capacity after the passage of Hurricane Matthew, and the production outlook remains unchanged.
- Full-year finished nickel production at Ambatovy is now expected to be 40,000 – 42,000 tonnes (100% basis), a 2,000 tonne reduction to the lower end of the guidance range last quarter, reflecting the slow ramp up to production after the shutdown. Cobalt production guidance remains unchanged.
- During the quarter, Sherritt recognized an impairment loss of $6.6 million (after tax) for the write-down of the Puerto Escondido/ Yumuri production-sharing contract (PSC) extension to a negligible recoverable amount, after the shut-in of two wells due to continuing low production. Only three wells remain in production on the PSC extension areas. Puerto Escondido and Yumuri production from the 43 wells in the original PSC areas continues in line with guidance.

All amounts are Canadian dollars unless otherwise indicated.
(1) For additional information see the Non-GAAP measures section of this press release.

Q3 2016 FINANCIAL HIGHLIGHTS

$ millions, except per share amount	For the three months ended 2016 September 30	2015 September 30	Change	For the nine months ended 2016 September 30	2015 September 30	Change
Revenue	**58.5**	76.9	(24%)	$ **191.8**	$ 259.4	(26%)
Combined Revenue[1]	**184.5**	246.5	(25%)	**579.9**	793.2	(27%)
Net loss for the period	**(120.8)**	(210.0)	42%	**(272.2)**	(319.4)	15%
Adjusted EBITDA[1]	**11.5**	22.6	(49%)	**2.6**	107.0	(98%)
Cash provided by operating activities	**60.3**	68.5	(12%)	**24.2**	53.7	(55%)
Combined free cash flow [1]	**20.3**	(7.5)	371%	**(66.4)**	(74.2)	11%
Net loss from continuing operations per share	**(0.41)**	(0.72)	43%	**(0.93)**	(1.07)	13%
Combined adjusted operating cash flow per share [1]	**0.03**	0.04	(25%)	**(0.18)**	0.31	(158%)

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

$ millions, except as noted, as at	2016 September 30	2015 December 31	Change
Cash, cash equivalents and short term investments	**345.2**	435.4	(21%)
Non-recourse loans and borrowings	**1,284.0**	1,303.2	(1%)
Other loans and borrowings	**857.2**	959.9	(11%)

Sherritt has expended $62.4 million this year in repurchasing debt and repaying credit facilities. This is the main use of cash year to date, as the cash, cash equivalents and short term investments balance has declined by $90.2 million to $345.2 million at September 30, 2016. Although the change from the end of last year to September 30 is a use of cash, cash balances increased by $32.6 million from the end of the second quarter of 2016, despite consent fees and other transaction costs of $14.6 million incurred on the debenture extension. During the third quarter of 2016, US$59.6 million of Cuban energy payments were received. These payments were primarily directed towards Oil & Gas and resulted in a US$38.9 million reduction in overdue Oil & Gas receivables from US$70.5 million overdue at June 30, 2016 to US$31.6 million overdue at September 30, 2016. The Cuban partners have prioritized reducing the Oil & Gas receivables, with only $3.6 million interest received on the Energas CSA during the quarter, and no principal repayment. Discussions continue to address the timing of ongoing Cuban payments; however the significant change in the overdue Oil & Gas balance is a positive indicator for future energy receipts.

Fertilizer prepayments received in the third quarter for future fertilizer deliveries also contributed to the increased cash position, and are consistent with seasonality in fertilizer. Cash receipts generally come in the second half of the year, while sales seasonality is generally the second and fourth quarter of the year.

Adjusted earnings (loss) from continuing operations[1]

For the three months ended September 30	2016 September 30 $ millions	2016 September 30 $/share	2015 September 30 $ millions	2015 September 30 $/share
Net loss from continuing operations	**(120.8)**	**(0.41)**	(210.0)	(0.71)
Adjusting Items, net of tax	**16.5**	**0.06**	118.6	0.40
Adjusted net loss from continuing operations	**(104.3)**	**(0.35)**	(91.4)	(0.31)

For the nine months ended September 30	**2016 September 30 $ millions**	**$/share**	2015 September 30 $ millions	$/share
Net loss from continuing operations	**(272.2)**	**(0.93)**	(314.4)	(1.07)
Adjusting Items, net of tax	**(75.8)**	**(0.26)**	76.8	0.26
Adjusted net loss from continuing operations	**(348.0)**	**(1.19)**	(237.6)	(0.81)

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

During the third quarter, $16.5 million or $0.06 per share in adjusting items occurred, primarily a $12.8 million loss on unrealized foreign exchange with the weakening of the Canadian dollar, and the $6.6 million impairment expense. These were offset to some degree by a $2.9 million gain for VAT payments received.

REVIEW OF OPERATIONS

METALS

$ millions except as otherwise noted, for the three months ended September 30	Moa JV & Fort Site[1] (50%) 2016	Ambatovy JV (40%) 2016	Other[2] 2016	Total 2016	Moa JV and Fort Site[1] (50%) 2015	Ambatovy JV (40%) 2015	Other[2] 2015	Total 2015	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 80.6**	**$ 51.0**	**$ 11.4**	**$ 143.0**	$ 97.6	$ 80.8	$ 15.0	$ 193.4	(26%)
(Loss) earnings from operations	**(4.0)**	**(38.5)**	**0.3**	**(42.2)**	(7.7)	(55.0)	0.7	(62.0)	32%
Adjusted EBITDA[3]	**7.5**	**(4.5)**	**0.3**	**3.3**	2.2	(2.5)	0.3	-	-
Cash provided (used) by operations	**25.6**	**(11.4)**	**(5.4)**	**8.8**	22.3	(21.8)	0.4	0.9	878%
Spending on capital	**11.1**	**9.5**	**–**	**20.6**	19.6	3.3	-	22.9	(10%)
Free cash flow[3]	**17.3**	**(21.8)**	**(5.4)**	**(9.9)**	3.1	(38.0)	0.4	(34.5)	71%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,496**	**3,821**	**–**	**8,317**	4,596	5,625	-	10,221	(19%)
Finished Nickel	**4,295**	**3,669**	**–**	**7,964**	4,521	5,209	-	9,730	(18%)
Finished Cobalt	**489**	**270**	**–**	**759**	491	392	-	883	(14%)
Fertilizer	**66,893**	**12,106**	**–**	**78,999**	66,744	16,071	-	82,815	(5%)
NICKEL RECOVERY (%)	**89%**	**81%**			89%	88%			
SALES VOLUMES (tonnes)									
Finished Nickel	**4,218**	**3,168**	**–**	**7,386**	4,549	4,976	-	9,525	(22%)
Finished Cobalt	**418**	**229**	**–**	**647**	506	332	-	838	(23%)
Fertilizer	**30,167**	**9,126**	**–**	**39,293**	32,892	15,832	-	48,724	(19%)
AVERAGE EXCHANGE RATE (CAD/USD)				**1.305**				1.309	-
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 4.66**				$ 4.78	(3%)
Cobalt				**12.33**				13.32	(7%)
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)	**$ 5.91**	**$ 5.85**		**$ 5.88**	$ 6.31	$ 6.02		$ 6.16	(5%)
Cobalt ($ per pound)	**15.20**	**17.04**		**15.78**	16.44	15.55		16.08	(2%)
Fertilizer ($ per tonne)	**288**	**161**		**260**	359	201		308	(16%)
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel - net direct cash cost	**$ 3.55**	**$ 4.67**		**4.03**	$ 4.07	$ 4.24		4.16	(3%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.

(2) Includes results for Sherritt's marketing organizations for certain Ambatovy and Moa Joint Venture sales.

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

$ millions, except as otherwise noted, for the nine months ended September 30	**2016**				2015				
	Moa JV and Fort Site[1] (50%)	**Ambatovy JV (40%)**	**Other[2]**	**Total**	Moa JV and Fort Site[1] (50%)	Ambatovy JV (40%)	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 246.8**	**$ 176.6**	**$ 33.1**	**$ 456.5**	$ 311.5	$ 262.1	$ 47.7	$ 621.3	(27%)
Adjusted EBITDA[3]	**14.0**	**(31.4)**	**0.6**	**(16.8)**	34.6	0.1	0.5	35.2	(148%)
Cash provided (used) by operations	**14.2**	**(33.8)**	**(0.2)**	**(19.8)**	32.3	(2.0)	2.7	33.0	(160%)
Spending on Capital[4]	**30.3**	**14.1**	**–**	**44.4**	43.6	18.8	-	62.4	(29%)
Free cash flow[3]	**(13.3)**	**(45.3)**	**(0.2)**	**(58.8)**	(10.3)	(33.8)	2.7	(41.4)	(42%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**13,249**	**12,235**	**–**	**25,484**	14,174	14,556	-	28,730	(11%)
Finished Nickel	**12,682**	**11,731**	**–**	**24,413**	12,755	14,023	-	26,778	(9%)
Finished Cobalt	**1,465**	**905**	**–**	**2,370**	1,346	1,000	-	2,346	1%
Fertilizer	**195,352**	**37,258**	**–**	**232,610**	186,250	39,761	-	226,011	3%
NICKEL RECOVERY (%)	**88%**	**86%**			89%	86%			
SALES VOLUMES (tonnes)									
Finished Nickel	**12,427**	**11,909**	**–**	**24,336**	12,743	14,192	-	26,935	(10%)
Finished Cobalt	**1,359**	**921**	**–**	**2,280**	1,326	952	-	2,278	-
Fertilizer	**121,827**	**36,997**	**–**	**158,824**	121,604	41,219	-	162,823	(2%)
AVERAGE EXCHANGE RATE (CAD/USD)				**1.322**				1.260	5%
AVERAGE REFERENCE PRICES (US$ per pound)[3]									
Nickel				**$ 4.18**				$ 5.73	(27%)
Cobalt				**11.39**				13.55	(16%)
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)	**$ 5.38**	**$ 5.31**		**$ 5.35**	$ 7.11	$ 7.02		$ 7.06	(24%)
Cobalt ($ per pound)	**14.09**	**15.04**		**14.47**	16.36	15.88		16.17	(11%)
Fertilizer ($ per tonne)	**397**	**165**		**343**	431	196		372	(8%)
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel - net direct cash cost	**$ 3.30**	**$ 4.79**		**4.03**	$ 4.22	$ 5.08		4.67	(14%)

(1) Includes results for certain 100% owned assets at Fort Saskatchewan plant.
(2) Includes results for Sherritt's marketing organizations for certain Ambatovy and Moa Joint Venture sales.
(3) For additional information, see the Non-GAAP measures section of this release.
(4) Spending on capital includes accruals.

METAL MARKETS

Nickel

Recent market activity remains bullish both on a technical and fundamental basis, as market analysts continue to reinforce projected deficits and forecast stronger prices for 2016 and 2017 due in part to fundamental supply challenges that have emerged with the Philippines ongoing environmental audits on all mining operations in the country. Prices have recovered significantly from the lows of US$3.50/lb reached in the first quarter this year and have remained generally above US$4.50/lb, but the price recovery has not been enough to change the fundamental problem of a significant portion of the world's nickel production being underwater on a cash margin basis. Despite the negative margins experienced by many producers, supply cuts have been slow to materialize, and global inventory levels remain high. The announced mine closures in the Philippines coupled with improved stainless steel demand are both seen as near-term catalysts for continued strength in the nickel market, although this is being mitigated by the ramp up of Nickel Pig Iron (NPI) operations in Indonesia which puts downward pressure on possible price run ups.

Cobalt

Like nickel, the cobalt spot price is also holding above US$12.50/lb compared to a narrow range of around US$9.82 – US$10.85 from January through June this year. Cobalt metal supply has contracted in 2016 with the announced suspension of production from Votorantim (Tocantins) in Brazil. Indications are that the metal market is approaching balance or slight deficit, which has resulted in stabilized prices, with average reference prices in the third quarter this year being US$12.33/lb. Overall cobalt demand is supported by the longer-term outlook for cobalt in rechargeable batteries, a market that will utilize either metal or chemical forms of cobalt, with purity being an important factor in the decision-making. Superalloy demand also remains strong, along with other applications such as magnets, diamond cutting tools, soaps and paint driers which are growing but at a slower rate. As a result of the positive medium term outlook for cobalt, and the knowledge that most cobalt supply comes as a by-product of copper and nickel production, speculative interest has picked up.

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

Adjusted EBITDA of $7.5 million in the quarter is a 12% improvement over second quarter 2016 levels, as nickel sales of $55 million exceeded second quarter nickel sales by approximately 22% on higher average realized prices and higher volumes. Despite the higher nickel sales, the Moa JV third quarter revenue was lower than second quarter revenue, as fertilizer sales in the second quarter were $27 million compared to $8.7 million in the third quarter consistent with historical seasonality in fertilizers. This seasonality in fertilizer sales is also the major factor in the difference between Adjusted EBITDA and cash provided by operations, as fertilizer cash received as pre-buys for expected fertilizer deliveries in the future was the main source of cash provided by operations.

Finished nickel production of 4,295 tonnes (50% basis) in the third quarter of 2016 was an improvement on both first and second quarter production levels this year, which were impacted by the annual refinery shutdown and lower quality ore. On a year over year basis, however, the third quarter production was roughly 5% lower than the comparable quarter last year. The lower quality ore has been a factor all year as mining has moved into new concession areas, and continues to be a challenge for the HPAL operation in dealing with increased deleterious elements. Mixed sulphides production improved in the third quarter compared to the two prior quarters this year, but is still down 7% on a nine-month basis from last year. Cobalt production was similar to second quarter levels, although cobalt production year-to-date remains up 9% from last year, as third party feed has been mainly cobalt-rich. This trend is expected to continue over the balance of the year.

The NDCC of US$3.55/lb of nickel in the third quarter of 2016 is US$0.61/lb higher than levels in the second quarter of 2016, due to the reduced fertilizer credit. The net fertilizer credit in the second quarter this year was $0.82/lb higher than the current quarter, but expectation is that the fourth quarter credit will reflect the usual seasonality. Mining, processing and refining costs have been consistent all three quarters this year, and are expected to improve by as much as $0.50/lb with the newly constructed third acid plant in production.

In September, the acid plant fulfilled all performance tests, producing at a 100% rate over a 72 hour period and was deemed fully commissioned and turned over to operations. The acid plant is now producing sulphuric acid and is expected to provide full benefits by the end of the fourth quarter this year when existing commitments for purchases of sulphuric acid have been fulfilled.

The acid plant project was concluded within the established construction timeline and completion budget of US$65 million (100% basis), and was Moa Nickel's first capital project to be fully financed by a Cuban financial institution.

Capital spending of $11.1 million in the quarter was split between growth capital for the acid plant and sustaining capital spending for the year is still expected to be US$38 million.

As announced by press release October 12, 2016, the Moa JV operations in Cuba came through Hurricane Matthew with no injuries or fatalities, and a relatively minor impact to production given the severity of the Category 4 storm. The operations were shut down in advance of the hurricane, and resumed when the Cuban Civil Defense allowed a return to site. Operations were resumed in a staged process, but are now running at full capacity. Finished nickel production for the year is expected to be at the lower end of the guidance range, accounting for the lost production days.

Ambatovy Joint Venture (40% interest)

As announced on August 4, 2016, the Ambatovy Joint Venture financing lenders and the Ambatovy Joint Venture have agreed to up to six principal payment deferrals totaling US$565 million (100% basis), which are to be repaid on a schedule starting in June 2021, or earlier subject to cash flow generation. Until June 2019, the Ambatovy Joint Venture will pay semi-annual interest payments only (approximately US$56 million per year) and will not make semi-annual principal payments unless there is sufficient cash flow after required deductions. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. Subject to cash flow generation, from June 2019 to June 2021, semi-annual payments of approximately US$28 million interest and US$94 million principal will be payable, and from June 2021 to the end of term in 2024, semi-annual amortized deferred principal and accrued interest repayments will be payable together with the regular semi-annual principal and interest payments.

Total post financial completion cash funding provided by Sherritt's partners is US$153 million, pursuant to total cash calls of US$255 million, with cash funding of US$81 million and US$123 million provided during the three and nine months ended September 30, 2016, respectively. Funding in the third quarter deposited cash into the Senior Debt Reserve Account to cover a semi-annual interest payment. The balance of funding covers actual and expected capital spending through year end (approximately US$27 million) and operating losses. Sherritt has not funded any portion of these cash calls, and continues not to fund. By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through January 15, 2017. Discussions continue regarding the partnership structure and future funding arrangements.

Ambatovy production in the third quarter of 2016 was 3,669 tonnes finished nickel (40% basis), or 61% of design capacity, with PAL throughput in the same quarter of 75% of design capacity. Third quarter production was materially impacted by the tailings pipe blockage and subsequent total plant maintenance shutdown that was announced by press release June 24, 2016 and which affected both second and third quarter production. Following the shutdown, production was ramped back towards full capacity, with September production of 4,185 tonnes being the highest volume to date this year. Full year nickel production guidance has been reduced to a range between 40,000 – 42,000 tonnes (100% basis) to reflect the slower than anticipated ramp up in July and August following the shutdown. Finished cobalt production guidance remains unchanged at 2,900 – 3,300 tonnes.

Adjusted EBITDA in the third quarter of 2016 was $(4.5) million compared to Adjusted EBITDA of $(2.5) million in the same quarter last year, due to the production shortfall and lower nickel prices.
Even with the production shortfall in the third quarter, the third quarter 2016 NDCC of US$4.67/lb was 9% better than in the second quarter this year on similar production, mainly driven by an 11% improvement in Mining, Processing and Refining Costs which were US$5.13/lb. This improvement was offset marginally by other costs of US$0.36/lb mainly for maintenance expenses incurred in the quarter.

OIL AND GAS

	For the three months ended			For the nine months ended		
	2016	2015		**2016**	2015	
$ millions, except as otherwise noted	**September 30**	September 30	Change	**September 30**	September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 27.3**	$ 38.5	(29%)	**$ 78.0**	$ 132.1	(41%)
Adjusted EBITDA[1]	**11.1**	20.8	(47%)	**24.0**	72.2	(67%)
Cash provided by operations	**54.5**	47.2	15%	**65.0**	50.6	28%
Spending on Capital[2]	**8.1**	11.7	(31%)	**17.7**	55.2	(68%)
Free cash Flow[1]	**46.5**	35.7	30%	**47.1**	(1.8)	2717%
PRODUCTION AND SALES (bopd)						
Gross working-interest (GWI) - Cuba	**14,709**	17,693	(17%)	**15,782**	18,666	(15%)
Total net working-interest (NWI)	**8,719**	11,026	(21%)	**9,925**	11,304	(12%)
AVERAGE EXCHANGE RATE (CAD/USD)	**1.305**	1.309	-	**1.322**	1.260	5%
AVERAGE REFERENCE PRICE (US$ per barrel)						
West Texas Intermediate (WTI)	**$ 44.90**	$ 46.56	(4%)	**$ 41.42**	$ 50.95	(19%)
Gulf Coast Fuel Oil No. 6	**34.88**	38.11	(8%)	**29.13**	44.42	(34%)
Brent	**45.57**	50.29	(9%)	**41.58**	55.00	(24%)
AVERAGE-REALIZED PRICE[1] (NWI)						
Cuba ($ per barrel)	**$ 32.88**	$ 36.36	(10%)	**$ 27.28**	$ 41.26	(34%)
UNIT OPERATING COSTS[1] (GWI)						
Cuba ($ per barrel)	**$ 9.31**	$ 9.04	3%	**$ 9.39**	$ 9.13	3%

(1) For additional information, see the Non-GAAP measures section of this release.
(2) Spending on capital includes accruals.
(3) Average unit operating costs are calculated by dividing operating costs incurred by gross working-interest production.

Improvement in WTI and Gulf Coast Fuel Oil 6 prices in the third quarter were the main factor contributing to Adjusted EBITDA in the third quarter of $11.1 million compared to Adjusted EBITDA in the second quarter of $8.9 million despite lower production. Cuba GWI production of 14,709 bopd is down 9% from its levels in the second quarter this year due to natural reservoir declines, but Cuba NWI production is down 19% with natural reservoir declines combined with lower cost recovery barrels due to lower cost recovery spending and higher Gulf Coast Fuel Oil 6 prices. On a year-to-date basis, Cuba GWI and NWI production remain consistent with the guidance for the year.

The quarterly average Gulf Coast Fuel Oil 6 price of US$34.88 per barrel improved for a second consecutive quarter this year, and is now up 65% from the US$21.13 per barrel average in the first quarter this year. The spread between Gulf Coast Fuel Oil 6 and WTI crude has also narrowed considerably in the third quarter, continuing the trend from last quarter. In the third quarter this year, Gulf Coast Fuel Oil 6 prices averaged 78% of WTI, compared to a historical low of only 63% of WTI in the first quarter this year. Historically, with WTI around the current price of US$50 per barrel, Gulf Coast Fuel Oil 6 prices have averaged approximately 70% of WTI.

Cuba unit operating costs of $9.31 per barrel on a GWI basis in the third quarter remained low with selective activity focused on cost reduction. On a three and nine month basis this year, the oil business has generated free cash flow of $46.5 million and $47.1 million respectively. In the current quarter, most of the cash provided by operations comes from the receipt of overdue receivables, as the overdue receivables balance declined by US$38.9 million to US$31.6 million at September 30, 2016.

Capital spending of US$27 million is still expected for the year. The first well to be drilled on Block 10 was spud in mid-August this year and drilling will continue throughout December, with first results expected by year end. The cost to drill this well is approximately US$14 million of the total capital expenditure this year. This first Block 10 appraisal well follows the discovery made by Sherritt in 1994 and will be drilled horizontally to a projected depth of 5,800 metres (vertical depth of 2,400 metres). Additional disclosure will be provided after testing. Future capital spending is discretionary depending on the results of this well.

POWER

$ millions (33 ⅓% basis), except as otherwise noted	For the three months ended 2016 September 30	2015 September 30	Change	For the nine months ended 2016 September 30	2015 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	**$ 14.4**	$ 14.5	(1%)	**$ 44.9**	$ 39.0	15%
(Loss) earnings from operations	**(2.0)**	1.0	(300%)	**(4.0)**	(0.4)	(900%)
Adjusted EBITDA[1]	**6.6**	9.6	(31%)	**22.1**	24.5	(10%)
Cash provided by operations	**5.5**	15.6	(65%)	**11.3**	55.0	(79%)
Spending on Capital[2]	**1.2**	0.9	33%	**5.1**	2.1	143%
Free cash flow[1]	**5.1**	14.7	(65%)	**10.7**	52.7	(80%)
PRODUCTION AND SALES						
Electricity (GWh)	**226**	242	(7%)	**670**	676	(1%)
AVERAGE-REALIZED PRICE[1]						
Electricity ($/MWh)	**$ 55.47**	$ 55.46	-	**$ 56.05**	$ 53.49	5%
UNIT OPERATING COSTS[1] ($/MWh)						
Base	**17.86**	15.15	18%	**16.13**	15.49	4%
Non-base[3]	**7.69**	2.27	239%	**6.21**	1.19	422%
	25.55	17.42	47%	**22.34**	16.68	34%
NET CAPACITY FACTOR (%)	**70**	76	(8%)	**69**	70	(1%)

(1) For additional information see the Non-GAAP measures section of this release.
(2) Includes service concession arrangements and accruals.
(3) 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.

Third quarter 2016 revenue of $14.4 million is consistent with its comparable quarter in 2015 and down marginally from second quarter 2016 revenue.

Quarterly Adjusted EBITDA of $6.6 million in the third quarter this year is down from its comparable period last year, and consistent with second quarter 2016 levels. Unit operating costs increased significantly compared to third quarter 2015, with most of the increase being in non-base costs, as was the case in the second quarter this year. These non-base costs are associated with maintenance and equipment replacements at Boca de Jaruco. Major maintenance items in the third quarter and major inspections in the second quarter increased the year to date unit operating costs compared to the first nine months of 2015 when only one major gas turbine inspection was performed. Quarterly unit operating costs fluctuate significantly between quarters, and full year average unit operating costs are dependent on scheduled maintenance activities performed on gas and steam turbines. This activity is slightly higher in 2016 which will result in a 2016 unit operating cost of approximately $22.50 per MWh, compared to the 2015 cost of $21.00/MWh.

Production in the third quarter of 2016 is down 7% from its comparable quarter last year due to an increase in planned maintenance activities which reduced operating runtime. Production on a nine month basis is consistent with the same period last year. Average realized prices are also consistent.

Spending on capital and service concession agreements so far this year primarily relates to the construction of a new pipeline that will conserve gas that is currently being flared, which will be processed at the Puerto Escondido facility. The pipeline construction is now complete, and has become operational. The new pipeline is expected to increase production by up to 8% on a go-forward basis.

Free cash flow generation of $5.1 million in the quarter is less than in the prior year quarter, and is also lower on a year to date basis than the same period of 2015. The Cuban partners have prioritized reducing the Oil and Gas receivables, with only $3.6 million interest received on the Energas CSA during the quarter, and no principal repayment. Discussions continue to address the timing of ongoing Cuban payments; however the significant change in the overdue Oil and Gas balance is a positive indicator for future energy receipts.

STRATEGIC PRIORITIES

The table below lists Sherritt's strategic priorities for 2016. The 2016 Strategic Priorities reflect the continuing depressed commodity outlook and the Corporation's responsibility to preserve liquidity, continue to drive down costs, and execute rational capital allocation plans. Sherritt's purpose, originally communicated in 2014, continues ***to be a low-cost nickel producer that creates sustainable prosperity for our employees, investors and communities***.

Strategic Priorities	2016 Targets	Status
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION **1**	Complete and commission the acid plant at Moa in the second half of 2016	Acid plant construction completed in Q2 and now fully commissioned
	Further reduce NDCC costs at Moa and Ambatovy towards the goal of being in the lowest quartile	Year-to-date NDCC of US$3.30/lb at Moa, and US$4.79/lb at Ambatovy is a reduction at both divisions
	Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3	Production is lower so far this year due to planned and unplanned impacts including the tailings pipe blockage
	Maintain peer leading performance in environmental, health, safety and sustainability	Performance improved over 2015, with a one year anniversary for Ambatovy of recording zero Lost-Time Injuries in September
EXTEND THE LIFE OF OUR CUBAN ENERGY BUSINESS **2**	Allocate capital to new drilling on Block 10, with future drilling to be contingent on results from 2016 activity	Drilling started in in mid-August and will continue throughout December. Exploration spending outside Block 10 has been deferred. Results from the first well in Block 10 will dictate next steps
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH **3**	Protect Sherritt's balance sheet and preserve cash	Three year extension of the maturity on all outstanding Notes and deferral on six Ambatovy principal payments
	Establish clarity on long-term funding of Ambatovy	Ceased funding Ambatovy cash calls due to the "40 for 12" issue; agreement on no defaulting shareholder status extended through January 15, 2017
	Run business units to be free cash flow neutral, and continue to optimize administrative costs	Excluding "Corporate and Other", combined free cash flow is neutral for the nine months ended Sept 30, 3016

OUTLOOK

2016 PRODUCTION AND CAPITAL SPENDING GUIDANCE

In 2016, Sherritt has made certain modifications to how guidance is presented. For example, capital spending estimates are presented in U.S. dollars. In the quarterly reporting, actual capital spending is presented in Canadian dollars consistent with Sherritt's reporting currency, but estimates and forward looking information continue to be provided in U.S. dollars. This change in presentation is intended to align with Sherritt's capital budgeting practices, and to mitigate the change to capital spending that arises from translation to the Canadian dollar reporting currency. In Sherritt's full year and Q4 2015 reporting, when guidance was first presented, the forecast exchange rate was C$1.36 per U.S. dollar. Capital projects in the Metals business are generally U.S. dollar expenditures, while in Oil & Gas, the expenditures are roughly 50% Canadian dollar denominated and 50% U.S. dollar denominated.

Production volumes and spending on capital for the nine months and twelve months ended	Previous Guidance at Q2 2016	Actual 2016 September 30	Revised Projected 2016
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500-34,500	25,364	No change
Ambatovy Joint Venture	42,000-45,000	29,328	40,000 - 42,000
Total	75,500-79,500	54,692	73,500 - 76,500
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,300-3,800	2,930	No change
Ambatovy Joint Venture	2,900-3,300	2,263	No change
Total	6,200-7,100	5,193	No change
Oil – Cuba (gross working-interest, bopd)	15,000	15,782	No change
Oil and Gas – All operations (net working-interest, boepd)	9,200	9,925	No change
Electricity (GWh, 100% basis)	860	670	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	US$38	US$23	No change
Metals – Ambatovy Joint Venture (40% basis)	US$25	US$11	No change
Oil and Gas	US$27	US$13	No change
Power (33⅓% **basis) Pipeline Construction on Service Concession Agreements**	US$4	US$3	No change
Power (33⅓% **basis)**	US$1	-	No change
Spending on capital (excluding Corporate)	US$95	US$50	No change

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

PRODUCTION VOLUMES

Full year Ambatovy nickel production guidance has been reduced by 2,000 tonnes to a range between 40,000 – 42,000 tonnes (100% basis) to reflect the slower than anticipated ramp up in July and August following the shutdown. Finished cobalt production guidance remains unchanged at 2,900 – 3,300 tonnes.

NON-GAAP MEASURES

The Corporation uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, and adjusted operating cash flow to monitor the performance of the Corporation and its operating divisions and believes these measures enable investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. These measures do not have a standard definition under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. As these measures do not have a standardized meaning, they may not be comparable to similar measures provided by other companies. See Sherritt's Management's Discussion and Analysis for the period ended September 30, 2016 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast today at 11:30 a.m. Eastern Time.

Conference Call and Webcast:	October 25, 2016, 11:30 a.m. ET
North American callers, please dial:	1-866-530-1553
International callers, please dial:	416-847-6330
Live webcast:	www.sherritt.com

An archive of the webcast will also be available on the website. The conference call will be available for replay until October 30, 2016 by calling 647-436-0148 or 1-888-203-1112, access code 5561051#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete interim condensed consolidated financial statements and MD&A for the three and nine months ended September 30, 2016 are available at www.sherritt.com and should be read in conjunction with this news release.

ABOUT SHERRITT

Sherritt is the world leader in the mining and refining of nickel from lateritic ores with operations in Canada, Cuba, and Madagascar. The Corporation is the largest independent energy producer in Cuba, with extensive oil and power operations on the island. Sherritt licenses its proprietary technologies and provides metallurgical services to commercial metals operations worldwide. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "S".

Source: Sherritt Investor Relations

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements. Forward-looking statements can generally be identified by the use of statements that include such words as “believe”, “expect”, “anticipate”, “intend”, “plan”, “forecast”, “likely”, “may”, “will”, “could”, “should”, “suspect”, “outlook”, “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 about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding the partnership structure and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; completion of development and exploration wells; and amounts of certain joint venture commitments. certain Ambatovy Joint Venture loans; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. 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 and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation’s joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt’s operations in Madagascar and Cuba; risks associated with the ramp-up of Moa Joint Venture Acid Plant; 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; uncertainties in environmental 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 Madagascar and 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 amounts owed to the Corporation by the Malagasy and Cuban governments; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; 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; maintaining the Corporation’s social license to grow and operate; risks relating to community relations; 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; 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; and certain corporate objectives, goals and plans for 2016; and the Corporation’s ability to meet other factors listed from time to time in the Corporation’s continuous disclosure documents.

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.

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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For further investor information contact:
Investor Relations
Flora Wood, Director of Investor Relations
Telephone: 416.935.2451
Toll-free: 1.800.704.6698
E-mail: investor@sherritt.com

Sherritt International Corporation
181 Bay Street, 26th Floor, Brookfield Place
Toronto, Ontario, Canada, M5J 2T3
www.sherritt.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2016

This Management's Discussion and Analysis (MD&A) is intended to help the reader understand Sherritt International Corporation's operations, financial performance and the present and future business environment. This MD&A, which has been prepared as of October 24, 2016, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 and the MD&A for the year ended December 31, 2015. Additional information related to the Corporation, including the Corporation's Annual Information Form, is available on SEDAR at www.sedar.com or on the Corporation's website at www.sherritt.com.

References to "Sherritt" or the "Corporation" refer to Sherritt International Corporation and its share of consolidated subsidiaries, joint ventures and associate, unless the context indicates otherwise. All amounts are in Canadian dollars, unless otherwise indicated. References to "US$" are to United States (U.S.) dollars.

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This discussion contains statements about Sherritt's future financial condition, results of operations and business. See the end of this report for more information on forward-looking statements.

The business we manage

Sherritt manages its nickel, oil, gas and power operations through different legal structures including 100% owned subsidiaries, joint venture arrangements and production sharing contracts. With the exception of the Moa Joint Venture, which Sherritt operates jointly with its partner, Sherritt is the operator of these assets. The relationship Sherritt has with these operations and the economic interest recognized in the Corporation's financial statements are as follows:

	Relationship for accounting purposes	Economic interest	Basis of accounting
Metals			
Moa Joint Venture	Joint venture	50%	Equity method
Ambatovy Joint Venture	Associate	40%	Equity method
Oil and Gas	Subsidiary	100%	Full consolidation
Power	Joint operation	33⅓ %	Economic interest recognized

The Financial results and review of operations sections in this MD&A present amounts by reporting segment, based on the Corporation's economic interest. For financial statement purposes, the Moa Joint Venture and Ambatovy Joint Venture are accounted for using the equity method of accounting which recognizes the Corporation's share of earnings (loss) from joint venture and associate, respectively. Metal's operating results include the Corporation's 50% interest in the Moa Joint Venture, 100% interest in the utility and fertilizer operations in Fort Saskatchewan (Fort Site), 40% interest in the Ambatovy Joint Venture, and 100% interests in wholly-owned subsidiaries established to buy, market and sell certain Ambatovy and Moa Joint Venture nickel and cobalt production. The financial statements and review of operations in this MD&A include the Corporation's 100% interest in its Oil and Gas business and 33⅓ % interest in its Power businesses.

Amounts presented in this MD&A can be reconciled to note 4 of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2016.

Strategic Priorities

The table below lists Sherritt's strategic priorities for 2016. The 2016 Strategic Priorities reflect the continuing depressed commodity outlook and the Corporation's responsibility to preserve liquidity, continue to drive down costs, and execute rational capital allocation plans. Sherritt's purpose, originally communicated in 2014, continues *to be a low- cost nickel producer that creates sustainable prosperity for our employees, investors and communities*.

Strategic Priorities	2016 Targets	Status
UPHOLD GLOBAL OPERATIONAL LEADERSHIP IN FINISHED NICKEL LATERITE PRODUCTION 1	Complete and commission the acid plant at Moa in the second half of 2016	Acid plant construction completed in Q2 and now fully commissioned
	Further reduce NDCC costs at Moa and Ambatovy towards the goal of being in the lowest quartile	Year-to-date NDCC of US$3.30/lb at Moa, and US$4.79/lb at Ambatovy is a reduction at both divisions
	Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3	Production is lower so far this year due to planned and unplanned impacts including the tailings pipe blockage
	Maintain peer leading performance in environmental, health, safety and sustainability	Performance improved over 2015, with a one year anniversary for Ambatovy of recording zero Lost-Time Injuries in September
EXTEND THE LIFE OF OUR CUBAN ENERGY BUSINESS 2	Allocate capital to new drilling on Block 10, with future drilling to be contingent on results from 2016 activity	Drilling started in mid-August and will continue through December. Exploration spending outside Block 10 has been deferred. Results from the first well in Block 10 will dictate next steps
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH 3	Protect Sherritt's balance sheet and preserve cash	Three year extension of the maturity on all outstanding Notes and deferral on six Ambatovy principal payments
	Establish clarity on long-term funding of Ambatovy	Ceased funding Ambatovy cash calls due to the "40 for 12" issue; agreement on no defaulting shareholder status extended through January 15, 2017
	Run business units to be free cash flow neutral, and continue to optimize administrative costs	Excluding "Corporate and Other", combined free cash flow is neutral for the nine months ended September 30, 2016

Highlights

OPERATIONS UPDATE

The Metals operations produced 7,964 tonnes of finished nickel (Sherritt's share) in the third quarter of 2016, representing an 18% decrease from the prior year period. This decrease is primarily due to the maintenance plant shut down at Ambatovy in July and decreased production at the Moa Joint Venture due to lower mixed sulphide availability. The 3% increase in nickel production compared to the second quarter of 2016 is attributable primarily to increased production at the Moa Joint Venture as production in the second quarter of 2016 was impacted by the annual refinery shutdown.

Despite lower production, the Metals operations achieved a net direct cash cost (NDCC) of US$4.03/lb in the third quarter of 2016, a 3% reduction from the prior-year period. This decrease is due to lower input commodity costs and continued cost discipline. A 1% reduction in NDCC from the second quarter of 2016 is due to lower mining, processing and refining costs at Ambatovy partly offset by lower fertilizer credits at the Moa Joint Venture due to the timing of sales.

Subsequent to quarter-end, Hurricane Matthew passed across eastern Cuba. The hurricane was a Category 4 storm when it swept across eastern Cuba late on October 3 before departing the night of Wednesday, October 5. In accordance with Moa Nickel's standard operating procedures, gradual shutdown measures were implemented ahead of the hurricane. The Moa Joint Venture suffered only minimal damage and operations have subsequently resumed in a staged process.

AMBATOVY FUNDING

In August 2016, the Ambatovy Joint Venture financing lenders agreed to up to six principal payment deferrals totaling US$565.1 million (100% basis), which are to be repaid on a schedule starting in June 2021, or earlier subject to cash flow generation. Until June 2019, the Ambatovy Joint Venture will pay semi-annual interest payments only (approximately US$56.0 million per year) and will not make semi-annual principal payments unless there is sufficient free cash flow after required deductions. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. From June 2019 to June 2021, semi-annual payments of approximately US$28.0 million interest and US$94.0 million principal will be payable, and from June 2021 to the end of term in 2024, semi-annual amortized deferred principal and accrued interest repayments will be payable together with the regular semi-annual principal and interest payments.

Total post-financial completion cash funding provided by Sumitomo and KORES is US$153.0 million, pursuant to total-post financial completion cash calls of US$255.0 million, with cash funding of US$81.0 million and US$123.0 million provided during the three and nine months ended September 30, 2016, respectively. Sherritt has not funded any portion of these cash calls, and continues not to fund. By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through January 15, 2017, while discussions continue regarding the partnership structure and future funding arrangements.

FINANCING UPDATE

In July 2016, the extension of maturity dates of each of the Corporation's outstanding senior unsecured debentures (the "Notes") by three years from 2018, 2020 and 2022 to 2021, 2023 and 2025, respectively (the "Extension"), was approved. The applicable interest rates and existing covenants for the Notes remain unchanged. The Noteholders that voted in favour of the Extension received, at the option of the Noteholder, either:

- cash consent consideration equal to 2% of the principal amount of the debentures; or,
- 73.25 warrants for each $1,000 of principal amount of debentures held. Warrants have a term of 5 years, are not listed on any exchange and have an exercise price of $0.74 per share.

Cash consent fees paid to Noteholders that voted in favour of the extension and other transaction fees totalled $14.6 million. In addition, 19.1 million warrants were granted to the Noteholders that elected for this option with a fair value of $0.43 per warrant which totalled $8.2 million.

CASH UPDATE

Cash, cash equivalents and short-term investments at September 30, 2016 were $345.2 million, an increase of $32.6 million from June 30, 2016. This increase was a result of strong collections on Sherritt's Cuban energy receivables and pre-sales of fertilizer for delivery in the fourth quarter of 2016. These increases were partly offset by consent fees and other transaction costs totalling $14.6 million, incurred on the debenture extension.

During the third quarter of 2016, US$59.6 million of Cuban energy payments were received in the Oil & Gas and Power operations. These payments were primarily directed towards Oil & Gas and resulted in a US$38.9 million reduction in overdue Oil & Gas receivables from US$70.5 million overdue at June 30, 2016 to US$31.6 million overdue at September 30, 2016. The Cuban partners have prioritized reducing the Oil & Gas receivables, with only $3.6 million interest received on the Energas CSA during the quarter, and no principal repayment. Discussions continue to address the timing of ongoing Cuban payments; however the significant change in the overdue Oil & Gas balance is a positive indicator for future energy receipts.

MOA JOINT VENTURE ACID PLANT

Construction of the third acid plant at the Moa Joint Venture was completed in the second quarter of 2016, with commissioning activities and performance testing undertaken throughout the third quarter of 2016. In September the acid plant fulfilled all performance tests producing at a 100% rate over a 72 hour period and was deemed fully commissioned. The acid plant is now producing sulphuric acid and is expected to provide full benefits by the end of the fourth quarter this year when commitments for purchases of sulphuric acid have been fulfilled. The acid plant has the potential to reduce the Moa Joint Venture NDCC by approximately US$0.50/lb at current commodity price levels.

The project was concluded within the established construction timeline and completion budget of US$65 million (100% basis), and was Moa Nickel's first capital project to be fully financed by a Cuban financial institution.

OIL AND GAS IMPAIRMENT

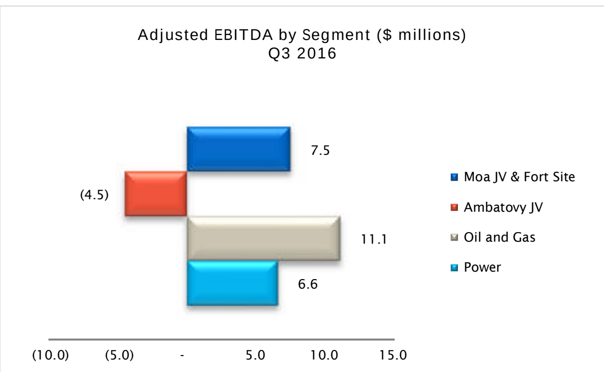
During the quarter, the Corporation recognized an impairment loss of $8.5 million ($6.6 million net of tax) for the write-down of the Puerto Escondido/Yumuri extension ("PE/YU extension") cash-generating unit ("CGU"), within the Oil and Gas segment, to its recoverable amount. This impairment was the result of a decrease in internally forecasted oil reserves at the PE/YU extension due to two oil wells being shut-in as a result of low oil production. Its recoverable amount was determined to be negligible based on a value in use analysis at September 30, 2016. In determining value in use for the PE/YU extension CGU, the cash flows were discounted at a rate of 10%.

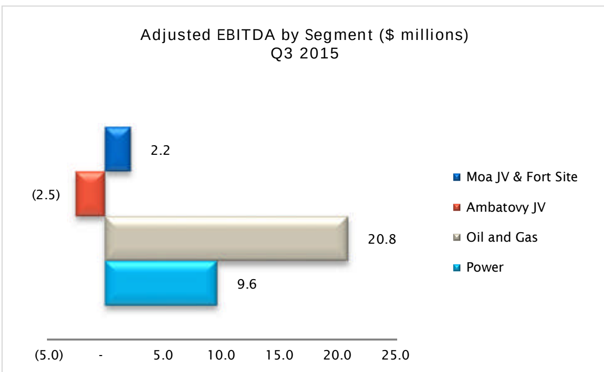
Financial results

$ millions, except as otherwise noted	For the three months ended 2016 September 30	2015 September 30	Change	For the nine months ended 2016 September 30	2015 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	$ 58.5	$ 76.9	(24%)	$ 191.8	$ 259.4	(26%)
Combined revenue[1]	184.5	246.5	(25%)	579.9	793.2	(27%)
Adjusted EBITDA[1]	11.5	22.6	(49%)	2.6	107.0	(98%)
Loss from operations, associate and joint venture	(82.1)	(165.9)	51%	(268.6)	(256.7)	(5%)
Loss from continuing operations	(120.8)	(210.0)	42%	(272.2)	(314.4)	13%
Loss from discontinued operations, net of tax	-	-	-	-	(5.0)	100%
Net loss for the period	(120.8)	(210.0)	42%	(272.2)	(319.4)	15%
Adjusted loss from continuing operations[1]	(104.3)	(91.4)	(14%)	(348.0)	(237.6)	(46%)
Loss per share (basic and diluted)($ per share)						
Net loss from continuing operations	(0.41)	(0.72)	43%	(0.93)	(1.07)	14%
Net loss for the period	(0.41)	(0.72)	43%	(0.93)	(1.09)	15%
CASH FLOW						
Cash provided by continuing operating activities	$ 60.3	$ 68.5	(12%)	$ 24.2	$ 53.7	(55%)
Combined free cash flow[1]	20.3	(7.5)	371%	(66.4)	(74.2)	11%
Combined adjusted operating cash flow[1]	3.0	10.7	(72%)	(55.0)	92.4	(160%)
Combined adjusted operating cash flow per share ($ per share)[1]	0.03	0.04	(25%)	(0.18)	0.31	(158%)
OPERATIONAL DATA						
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[2]	$ 29.0	$ 36.5	(21%)	$ 62.8	$ 123.1	(49%)
PRODUCTION VOLUMES						
Finished nickel (tonnes)						
Moa Joint Venture (50% basis)	4,295	4,521	(5%)	12,682	12,755	(1%)
Ambatovy Joint Venture (40% basis)	3,669	5,209	(30%)	11,731	14,023	(16%)
Finished cobalt (tonnes)						
Moa Joint Venture (50% basis)	489	491	-	1,465	1,346	9%
Ambatovy Joint Venture (40% basis)	270	392	(31%)	905	1,000	(10%)
Oil (boepd, NWI production)[3]	8,719	11,026	(21%)	9,925	11,304	(12%)
Electricity (gigawatt hours) (33 1/3% basis)	226	242	(7%)	670	676	(1%)
AVERAGE EXCHANGE RATE (CAD/USD)	1.305	1.309	-	1.322	1.260	5%
AVERAGE- REALIZED PRICES[1]						
Nickel ($ per pound)	$ 5.88	$ 6.16	(5%)	$ 5.35	$ 7.06	(24%)
Cobalt ($ per pound)	15.78	16.08	(2%)	14.47	16.17	(11%)
Oil ($ per boe, NWI)[3]	32.71	36.69	(11%)	27.50	41.66	(34%)
Electricity ($ per megawatt hour)	55.47	55.46	-	56.05	53.49	5%
UNIT OPERATING COSTS[1]						
Nickel (US$ per pound)						
Moa Joint Venture	$ 3.55	$ 4.07	(13%)	$ 3.30	$ 4.22	(22%)
Ambatovy Joint Venture	4.67	4.24	10%	4.79	5.08	(6%)
Oil ($ per boe, GWI)[3]	9.76	9.76	-	10.24	10.40	(2%)
Electricity ($ per megawatt hour)	25.55	17.42	47%	22.34	16.68	34%

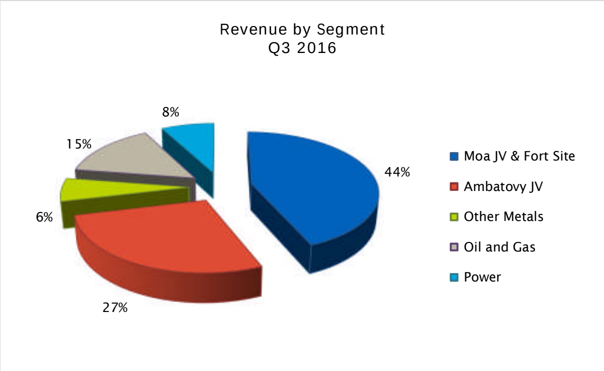
(1) For additional information see the Non-GAAP measures section.
(2) Spending on capital and intangible assets includes accruals and does not include spending on service concession arrangements.
(3) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd); barrels of oil equivalent (boe).

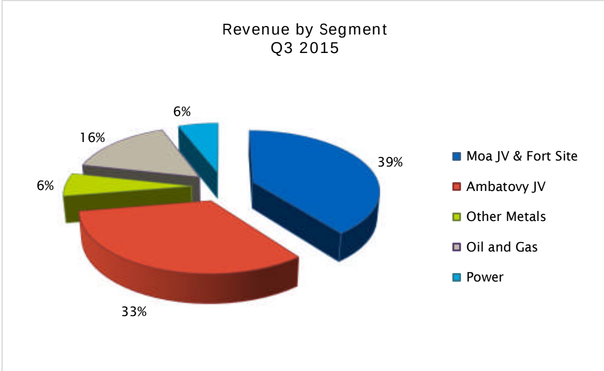
ADJUSTED EBITDA





REVENUE





	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Revenue by segment						
Metals	$ 143.0	$ 193.4	(26%)	$ 456.5	$ 621.3	(27%)
Oil and Gas	27.3	38.5	(29%)	78.0	132.1	(41%)
Power	14.4	14.5	(1%)	44.9	39.0	15%
Corporate and Other	(0.2)	0.1	(300%)	0.5	0.8	(38%)
Combined revenue(1)	184.5	246.5	(25%)	579.9	793.2	(27%)
Adjust joint venture and associate	(126.0)	(169.6)		(388.1)	(533.8)	
Financial statement revenue	58.5	76.9	(24%)	191.8	259.4	(26%)

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

Combined revenue for the three and nine months ended September 30, 2016 was lower compared to the same periods in the prior year primarily due to lower realized prices for nickel and oil partly offset by a weaker Canadian dollar relative to the U.S. dollar in the nine months ended September 30, 2016.

Revenue at Metals for the three and nine months ended September 30, 2016 was also affected by the maintenance plant shut down at Ambatovy.

Revenue at Oil and Gas for the three and nine months ended September 30, 2016 was also impacted by lower gross working-interest oil production in Cuba due to natural reservoir declines and the absence of new drilling related to producing wells in 2016.

Increased revenue for the nine months ended September 30, 2016 at Power relates primarily to revenue for the construction of the Puerto Escondido/Yumuri pipeline which is accounted for as a service concession arrangement. Construction activity revenue is equally offset by construction activity expenses recorded in cost of goods sold.

COST OF SALES

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Cost of sales by segment						
Metals	$ 176.9	$ 245.3	(28%)	$ 590.2	$ 743.2	(21%)
Oil and Gas	23.9	37.9	(37%)	80.7	116.7	(31%)
Power	15.3	12.7	20%	45.6	35.9	27%
Corporate and other	3.3	2.6	27%	6.9	6.2	11%
Combined cost of sales(1)	219.4	298.5	(26%)	723.4	902.0	(20%)
Adjust joint venture and associate	(160.2)	(220.6)		(528.9)	(656.8)	
Financial statement cost of sales	59.2	77.9	(24%)	194.5	245.2	(21%)

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

Combined cost of sales for the three and nine months ended September 30, 2016 was lower compared to the same periods in the prior year primarily due to decreased production in the Metals and Oil and Gas segments, continued cost discipline and lower input commodity prices, partly offset by a weaker Canadian dollar relative to the U.S. dollar in the nine months ended September 30, 2016.

In addition, depletion, depreciation and amortization expense was lower at Ambatovy and Oil and Gas as a result of lower asset carrying values due to the impairments recognized in 2015.

Power cost of sales for the three and nine months ended September 30, 2016 was higher compared to the same periods in the prior year primarily due to increased maintenance activity and construction costs related to the construction of the Puerto Escondido/Yumuri pipeline which are equally offset by construction revenue.

ADMINISTRATIVE EXPENSES

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Administrative expenses by segment						
Metals	$ 8.3	$ 10.1	(18%)	$ 22.4	$ 23.2	(3%)
Oil and Gas	2.3	1.6	44%	7.9	5.2	52%
Power	1.1	0.8	38%	3.3	3.5	(6%)
Corporate and other	8.3	6.1	36%	23.8	21.7	10%
Combined administrative expenses(1)	20.0	18.6	8%	57.4	53.6	7%
Adjust joint venture and associate	(6.5)	(9.3)		(17.7)	(20.4)	
Financial statement administrative expenses	13.5	9.3	45%	39.7	33.2	20%

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

Combined administrative expenses for the three and nine months ended September 30, 2016 were higher compared to the same periods in the prior year primarily due to higher stock-based compensation expense as a result of mark-to-market adjustments.

NET FINANCE (INCOME) EXPENSE(1)

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Financial statement net finance expense (income)	38.9	40.0	(3%)	1.2	93.6	(99%)
Moa Joint Venture net finance expense	0.8	2.5	(68%)	6.2	9.6	(35%)
Ambatovy Joint Venture net finance expense	17.4	21.4	(19%)	44.8	46.1	(3%)
Combined net finance expense (income)(2)	57.1	63.9	(11%)	52.2	149.3	(65%)

(1) Net of intercompany interest.
(2) For additional information see the Non-GAAP measures section.

For the three months ended September 30, 2016, combined net finance expense was impacted by a marginal strengthening of the Canadian dollar relative to the U.S. dollar since June 30, 2016.

For the nine months ended September 30, 2016, net financing expense was impacted by the strengthening of the Canadian dollar relative to the U.S. dollar since December 31, 2015 and a $12.6 million gain on the repurchase of $30.0 million of the 8.0% debentures now due in 2021.

INCOME TAXES

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Income taxes by segment						
Metals	$ 0.5	$ (9.2)	105%	$ 8.2	$ (22.9)	136%
Oil and Gas	0.1	4.2	(98%)	3.1	(35.3)	109%
Power	(0.3)	(0.1)	(200%)	(0.7)	(0.6)	(17%)
Corporate and other	-	-	-	-	-	-
Combined income taxes(1)	0.3	(5.1)	106%	10.6	(58.8)	118%
Adjust joint venture and associate	(0.5)	9.2		(8.2)	22.9	
Financial statement income taxes	(0.2)	4.1	(105%)	2.4	(35.9)	107%

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

Combined income taxes for the three and nine months ended September 30, 2016 were higher than the prior year periods. In the three months ended September 30, 2016, combined income taxes were higher than the prior year period primarily due to an increase in tax expense at Metals as a result of deferred tax assets no longer being recognized as it has been determined that the realization of these deferred tax assets are no longer probable. In addition, a tax recovery was recognized in the current year period due to an impairment on the PE/YU extension compared to a write down of a deferred tax asset at Oil and Gas in the prior year.

In the nine months ended September 30, 2016, combined income taxes were higher than the prior year period primarily due to an income tax recovery recognized in the prior year period related to the reduction in Cuban tax rates which impacted Oil and Gas and the Moa Joint Venture. In addition, in the nine months ended September 30, 2016, it was determined that the realization of tax losses at Moa Nickel is not probable, which resulted in a deferred tax asset write down of $7.7 million.

CHANGE IN NET LOSS

For the three months ended September 30, 2016, net loss from continuing operations was $120.8 million, or $0.41 per share, compared to a loss of $210.0 million, or $0.72 per share in the same period in the prior year.

For the nine months ended September 30, 2016, net loss from continuing operations was $272.2 million, or $0.93 per share, compared to a loss of $314.4 million, or $1.07 per share in the same period in the prior year.

The change in net loss from continuing operations between 2016 and 2015 is detailed below:

$ millions	For the three months ended 2016 September 30	For the nine months ended 2016 September 30
Lower U.S. dollar denominated nickel and cobalt prices	$ (11.3)	$ (128.5)
Lower oil and gas prices	(2.0)	(29.4)
Lower fertilizer prices	(2.4)	(4.4)
Change in total metals and fertilizer sales volumes	2.3	7.5
Lower Cuba oil and gas gross working-interest volumes	(4.5)	(14.3)
Lower Spain oil and gas volumes	(0.5)	(3.2)
Lower electricity volumes	(0.8)	(0.3)
Lower mining, processing and refining, third-party feed and fertilizer unit costs	12.4	69.4
Lower Oil and Gas cost recovery revenue	(3.9)	(9.4)
Lower Oil and Gas cost of sales	3.4	11.3
Lower depletion, depreciation and amortization	30.1	78.9
Impairment of Oil assets	72.2	72.2
Higher administrative expenses	(1.5)	(3.9)
Foreign exchange impact on operations	0.9	(7.8)
(Higher) Lower combined net finance expense	(6.8)	70.9
Higher combined tax	(5.4)	(61.7)
Gain on repurchase of debentures	-	12.6
Gain on sale of Corporate assets in 2015	-	(19.0)
Moa JV deferred tax asset write-off	-	(7.7)
Power major inspection costs	-	(1.7)
Loss on expiry of Ambatovy call option in 2015	13.7	13.7
Other	(6.7)	(3.0)
Change in net loss from continuing operations, compared to 2015	$ 89.2	$ 42.2

CONSOLIDATED FINANCIAL POSITION

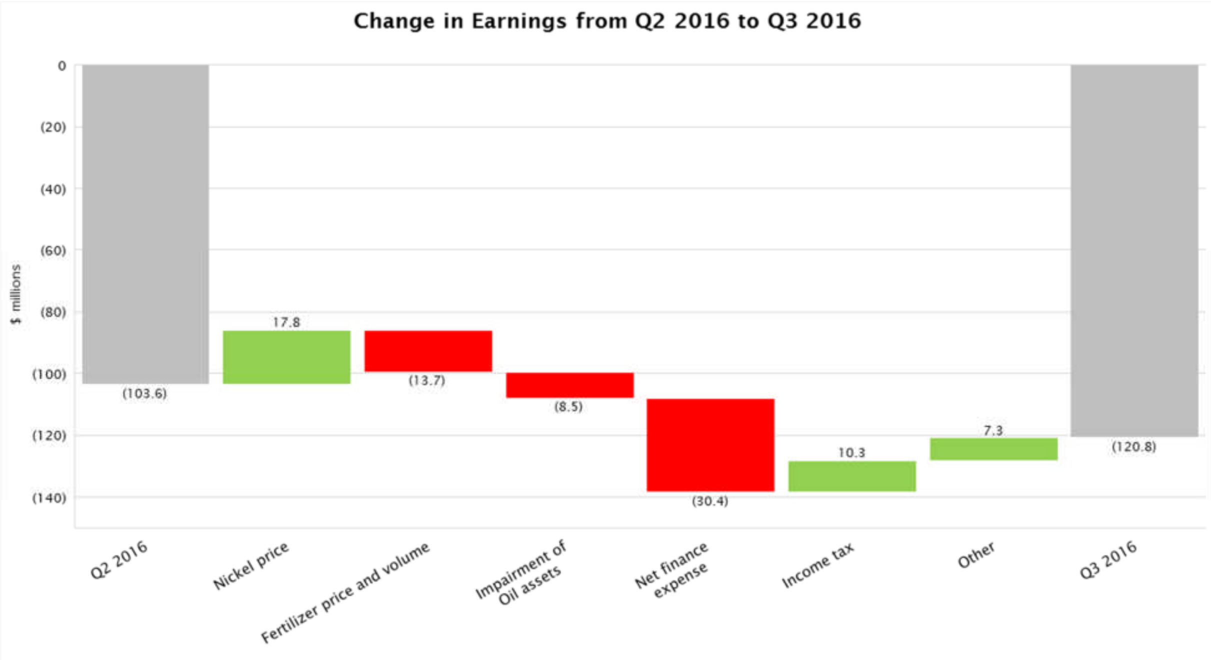
The following table summarizes the significant items as derived from the interim consolidated statements of financial position:

$ millions, except as noted, as at	2016 September 30	2015 December 31	Change
Financial Condition			
Cash, cash equivalents and short-term investments	$ 345.2	$ 435.4	(21%)
Net working capital balance	493.9	608.3	(19%)
Current ratio	3.04:1	3.87:1	-
Total assets	3,775.6	4,090.0	(8%)
Non-recourse loans and borrowings	1,284.0	1,303.2	(1%)
Other loans and borrowings	857.2	959.9	(11%)
Shareholders' equity	1,151.6	1,557.1	(26%)

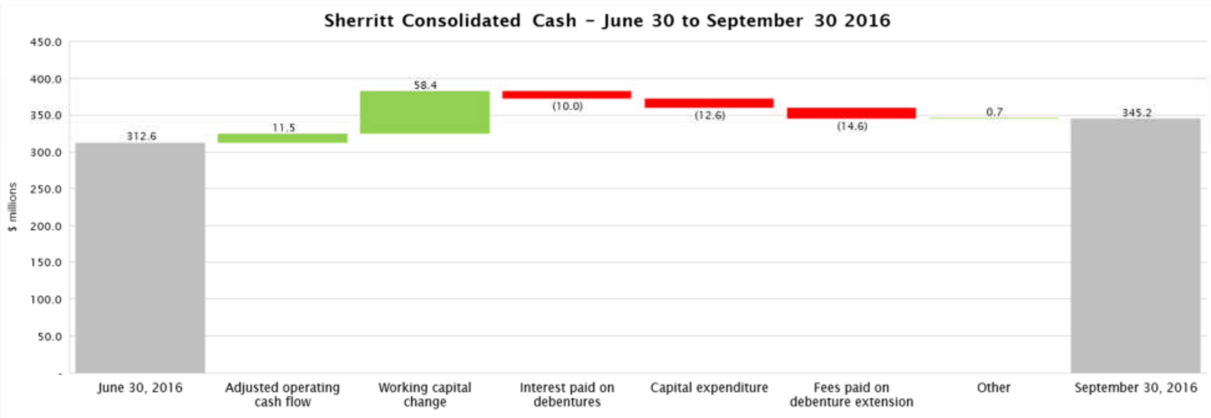
At September 30, 2016, total available liquidity was $357.8 million, including available credit facilities. Total debt at September 30, 2016, was $2.1 billion, including $1.3 billion related to non-recourse Ambatovy Partner Loans.

SUMMARY OF CHANGES COMPARED TO SECOND QUARTER OF 2016

The change in net loss from continuing operations from the second quarter of 2016 to the third quarter of 2016 is detailed below:



The change in consolidated cash from June 30, 2016 to September 30, 2016 is detailed below:



Cash, cash equivalents and short-term investments at September 30, 2016 were $345.2 million, an increase of $32.6 million from June 30, 2016. This was a result of strong collections on Sherritt's Cuban energy receivables and pre-sales of fertilizer for delivery in the fourth quarter of 2016. These increases were partly offset by consent fees and other transaction costs totalling $14.6 million, incurred on the debenture extension.

Outlook

2016 PRODUCTION AND CAPITAL SPENDING GUIDANCE

In 2016, Sherritt has made certain modifications to how guidance is presented. For example, capital spending estimates are presented in U.S. dollars. In the quarterly reporting, actual capital spending is presented in Canadian dollars consistent with Sherritt's reporting currency, but estimates and forward looking information continue to be provided in U.S. dollars. This change in presentation is intended to align with Sherritt's capital budgeting practices, and to mitigate the change to capital spending that arises from translation to the Canadian dollar reporting currency. In Sherritt's full year and Q4 2015 reporting, when guidance was first presented, the forecast exchange rate was C$1.36 per U.S. dollar. Capital projects in the Metals business are generally U.S. dollar expenditures, while in Oil & Gas, the expenditures are roughly 50% Canadian dollar denominated and 50% U.S. dollar denominated.

Production volumes and spending on capital for the nine months and twelve months ended	Previous Guidance at Q2 2016	Actual 2016 September 30	Revised Projected 2016
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500-34,500	25,364	No change
Ambatovy Joint Venture	42,000-45,000	29,328	40,000 - 42,000
Total	75,500-79,500	54,692	73,500 - 76,500
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,300-3,800	2,930	No change
Ambatovy Joint Venture	2,900-3,300	2,263	No change
Total	6,200-7,100	5,193	No change
Oil – Cuba (gross working-interest, bopd)	15,000	15,782	No change
Oil and Gas – All operations (net working-interest, boepd)	9,200	9,925	No change
Electricity (GWh, 100% basis)	860	670	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	US$38	US$23	No change
Metals – Ambatovy Joint Venture (40% basis)	US$25	US$11	No change
Oil and Gas	US$27	US$13	No change
Power (33⅓% basis) Pipeline Construction on Service Concession Agreements	US$4	US$3	No change
Power (33⅓% basis)	US$1	-	No change
Spending on capital (excluding Corporate)	US$95	US$50	No change

PRODUCTION VOLUMES

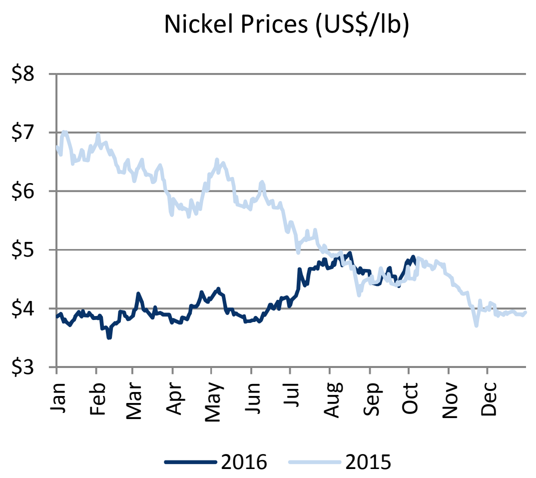
Full year Ambatovy nickel production guidance has been reduced by 2,000 tonnes to a range between 40,000 – 42,000 tonnes (100% basis) to reflect the slower than anticipated ramp up in July and August following the shutdown. Finished cobalt production guidance remains unchanged at 2,900 – 3,300 tonnes.

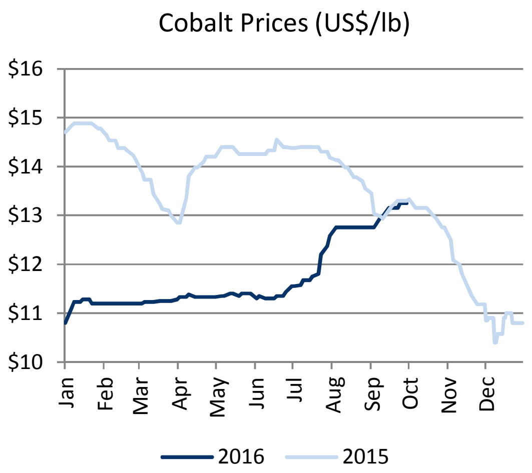
Significant factors influencing operations

As a commodity-based, geographically diverse company, Sherritt's operating results are influenced by many factors, the most significant of which are: commodity prices and foreign exchange rates.

COMMODITY PRICES

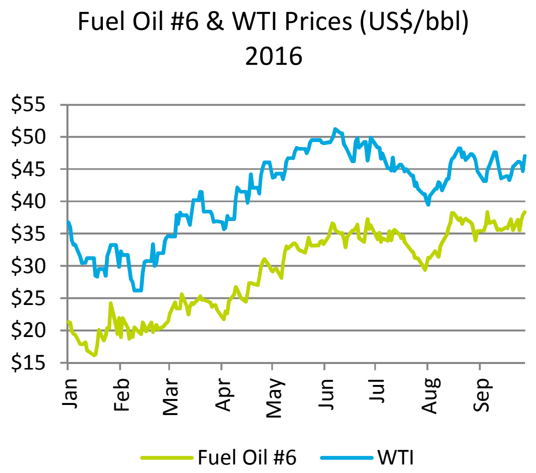
Operating results for the three and nine months ended September 30, 2016, were significantly impacted by market-driven commodity prices for nickel, cobalt and oil and gas. A significant portion of electricity prices are established at the beginning of a negotiated supply contract period and are, therefore, less susceptible to commodity price fluctuations during the term of the agreement.

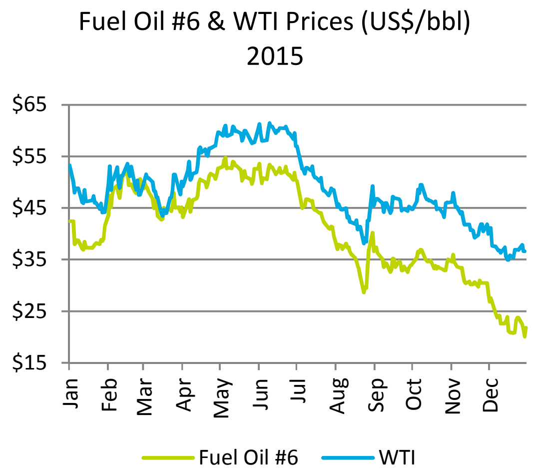




Recent market activity remains bullish both on a technical and fundamental basis, as market analysts continue to reinforce projected deficits and forecast stronger prices for 2016 and 2017 due in part to fundamental supply challenges that have emerged with the Philippines ongoing environmental audits on all mining operations in the country. Prices have recovered significantly from the lows of US$3.50/lb reached in the first quarter this year and have remained generally above US$4.50/lb, but the price recovery has not been enough to change the fundamental problem of a significant portion of the world's nickel production being underwater on a cash margin basis. Despite the negative margins experienced by many producers, supply cuts have been slow to materialize, and global inventory levels remain high. The announced mine closures in the Philippines coupled with improved stainless steel demand are both seen as near-term catalysts for continued strength in the nickel market, although this is being mitigated by the ramp up of Nickel Pig Iron (NPI) operations in Indonesia which puts downward pressure on possible price run ups.

Like nickel, the cobalt spot price is also holding above US$12.50/lb compared to a narrow range of around US$9.82 – US$10.85 from January through June this year. Cobalt metal supply has contracted in 2016 with the announced suspension of production from Votorantim (Tocantins) in Brazil. Indications are that the metal market is approaching balance or slight deficit, which has resulted in stabilized prices, with average reference prices in the third quarter this year being US$12.33/lb. Overall cobalt demand is supported by the longer-term outlook for cobalt in rechargeable batteries, a market that will utilize either metal or chemical forms of cobalt, with purity being an important factor in the decision-making. Superalloy demand also remains strong, along with other applications such as magnets, diamond cutting tools, soaps and paint driers which are growing but at a slower rate. As a result of the positive medium term outlook for cobalt, and the knowledge that most cobalt supply comes as a by-product of copper and nickel production, speculative interest has picked up.





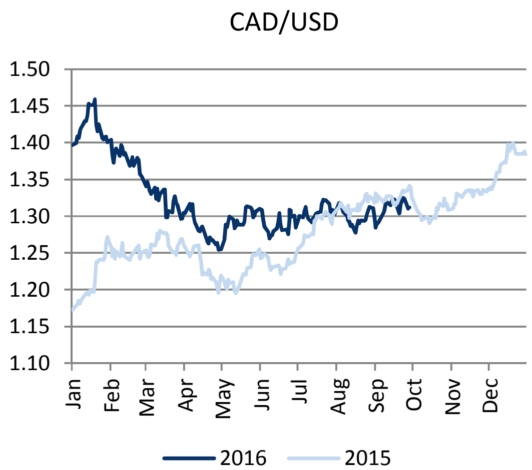
Gulf Coast Fuel Oil 6 prices in the third quarter of 2016 increased by approximately 12% from the second quarter of 2016 and have increased 65% from the first quarter in 2016.

A sensitivity analysis for the three months ended September 30, 2016 earnings to changes in significant commodity prices is provided in the supplementary information – sensitivity analysis section.

FOREIGN EXCHANGE RATE

As Sherritt reports its results in Canadian dollars, the fluctuation in foreign exchange rates has the potential to cause significant volatility in those results. Most commodity prices are quoted in U.S. dollars, and a significant portion of operating expenses are U.S. dollar denominated. Therefore operating earnings are generally positively impacted by a weaker Canadian dollar as the uplift on revenue exceeds the negative impact on operating expenses. However, in a period of operating losses, where U.S. denominated expenses exceed U.S. denominated revenue, the foreign exchange impact is negative. The Canadian dollar marginally strengthened relative to the U.S dollar for the three months ended September 30, 2016 and was weaker relative to the U.S dollar for the nine months ended September 30, 2016 compared to the same periods in the prior year.

In addition many of Sherritt's trade accounts receivable, accounts payable, loans receivable and loans payable are denominated in U.S. dollars. In the first nine months of 2016, the Canadian dollar strengthened relative to the U.S. dollar since December 31, 2015. In 2016, the U.S. based financial liabilities exceeded the U.S. based financial assets which resulted in a positive translation gain of approximately $61 million for the nine months ended September 30, 2016.



Review of operations

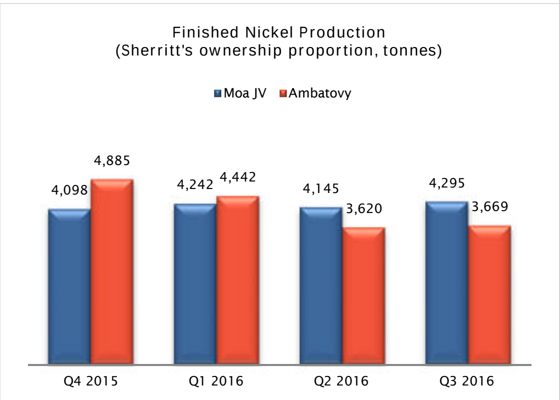
METALS

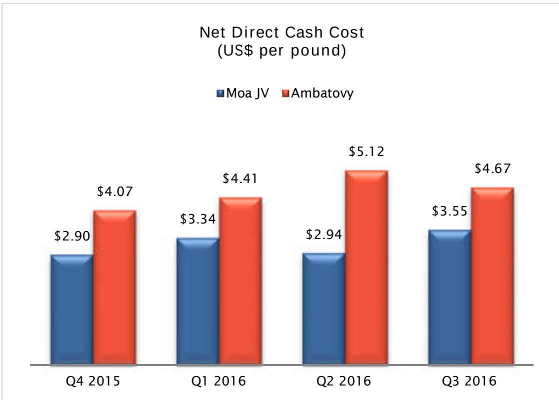
Financial Review

$ millions, except as otherwise noted, for the three months ended September 30	2016				2015				
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Moa JV and Fort Site	Ambatovy JV	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	$ 80.6	$ 51.0	$ 11.4	$ 143.0	$ 97.6	$ 80.8	$ 15.0	$ 193.4	(26%)
(Loss) earnings from operations	(4.0)	(38.5)	0.3	(42.2)	(7.7)	(55.0)	0.7	(62.0)	32%
Adjusted EBITDA[1]	7.5	(4.5)	0.3	3.3	2.2	(2.5)	0.3	-	-
Cash provided (used) by operations	25.6	(11.4)	(5.4)	8.8	22.3	(21.8)	0.4	0.9	878%
Free cash flow[1]	17.3	(21.8)	(5.4)	(9.9)	3.1	(38.0)	0.4	(34.5)	71%
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	4,496	3,821	-	8,317	4,596	5,625	-	10,221	(19%)
Finished Nickel	4,295	3,669	-	7,964	4,521	5,209	-	9,730	(18%)
Finished Cobalt	489	270	-	759	491	392	-	883	(14%)
Fertilizer	66,893	12,106	-	78,999	66,744	16,071	-	82,815	(5%)
NICKEL RECOVERY (%)	89%	81%			89%	88%			
SALES VOLUMES (tonnes)									
Finished Nickel	4,218	3,168	-	7,386	4,549	4,976	-	9,525	(22%)
Finished Cobalt	418	229	-	647	506	332	-	838	(23%)
Fertilizer	30,167	9,126	-	39,293	32,892	15,832	-	48,724	(19%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				$ 4.66				$ 4.78	(3%)
Cobalt[2]				12.33				13.32	(7%)
AVERAGE- REALIZED PRICES[1]									
Nickel ($ per pound)	$ 5.91	$ 5.85	-	$ 5.88	$ 6.31	$ 6.02	-	$ 6.16	(5%)
Cobalt ($ per pound)	15.20	17.04	-	15.78	16.44	15.55	-	16.08	(2%)
Fertilizer ($ per tonne)	288	161	-	260	359	201	-	308	(16%)
UNIT OPERATING COSTS[1] (US$ per pound)									
Nickel - net direct cash cost	$ 3.55	$ 4.67	-	4.03	$ 4.07	$ 4.24	-	4.16	(3%)
SPENDING ON CAPITAL[3]									
Sustaining	$ 6.8	$ 9.5	$ -	$ 16.3	$ 15.3	$ 3.3	$ -	$ 18.6	(12%)
Expansion	4.3	-	-	4.3	4.3	-	-	4.3	-
	$ 11.1	$ 9.5	$ -	$ 20.6	$ 19.6	$ 3.3	$ -	$ 22.9	(10%)

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

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





$ millions, except as otherwise noted, for the nine months ended September 30	2016				2015				
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Moa JV and Fort Site	Ambatovy JV	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	$ 246.8	$ 176.6	$ 33.1	$ 456.5	$ 311.5	$ 262.1	$ 47.7	$ 621.3	(27%)
(Loss) earnings from operations	(20.8)	(135.9)	0.6	(156.1)	2.4	(148.6)	1.1	(145.1)	(8%)
Adjusted EBITDA[1]	14.0	(31.4)	0.6	(16.8)	34.6	0.1	0.5	35.2	(148%)
Cash provided (used) by operations	14.2	(33.8)	(0.2)	(19.8)	32.3	(2.0)	2.7	33.0	(160%)
Free cash flow[1]	(13.3)	(45.3)	(0.2)	(58.8)	(10.3)	(33.8)	2.7	(41.4)	(42%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	13,249	12,235	-	25,484	14,174	14,556	-	28,730	(11%)
Finished Nickel	12,682	11,731	-	24,413	12,755	14,023	-	26,778	(9%)
Finished Cobalt	1,465	905	-	2,370	1,346	1,000	-	2,346	1%
Fertilizer	195,352	37,258	-	232,610	186,250	39,761	-	226,011	3%
NICKEL RECOVERY (%)	88%	86%			89%	86%			
SALES VOLUMES (tonnes)									
Finished Nickel	12,427	11,909	-	24,336	12,743	14,192	-	26,935	(10%)
Finished Cobalt	1,359	921	-	2,280	1,326	952	-	2,278	-
Fertilizer	121,827	36,997	-	158,824	121,604	41,219	-	162,823	(2%)
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				$ 4.18				$ 5.73	(27%)
Cobalt[2]				11.39				13.55	(16%)
AVERAGE- REALIZED PRICES[1]									
Nickel ($ per pound)	$ 5.38	$ 5.31	-	$ 5.35	$ 7.11	$ 7.02	-	$ 7.06	(24%)
Cobalt ($ per pound)	14.09	15.04	-	14.47	16.36	15.88	-	16.17	(11%)
Fertilizer ($ per tonne)	397	165	-	343	431	196	-	372	(8%)
UNIT OPERATING COSTS[1] (US$ per pound)									
Nickel - net direct cash cost	$ 3.30	$ 4.79	-	4.03	$ 4.22	$ 5.08	-	4.67	(14%)
SPENDING ON CAPITAL[3]									
Sustaining	$ 17.9	$ 14.1	$ -	$ 32.0	$ 33.6	$ 18.8	$ -	$ 52.4	(39%)
Expansion	12.4	-	-	12.4	10.0	-	-	10.0	24%
	$ 30.3	$ 14.1	$ -	$ 44.4	$ 43.6	$ 18.8	$ -	$ 62.4	(29%)

(1) For additional information see the Non-GAAP measures section.
(2) Average low-grade cobalt published price per Metals Bulletin.

Moa Joint Venture and Fort Site

Revenue is composed of the following:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Nickel	$ 55.0	$ 63.3	(13%)	$ 147.5	$ 199.7	(26%)
Cobalt	14.0	18.3	(23%)	42.2	47.8	(12%)
Fertilizers	8.7	11.8	(26%)	48.3	52.4	(8%)
Other	2.9	4.2	(31%)	8.8	11.6	(24%)
	$ 80.6	$ 97.6	(17%)	$ 246.8	$ 311.5	(21%)

The change in earnings from operations between 2016 and 2015 is detailed below:

$ millions	For the three months ended 2016 September 30	For the nine months ended 2016 September 30
Lower U.S. dollar denominated realized nickel prices	$ (5.1)	$ (55.5)
Lower U.S. dollar denominated realized cobalt prices	(1.8)	(8.3)
Lower fertilizer prices	(2.4)	(4.4)
Impact of lower cobalt and nickel sales volumes	(1.1)	0.8
(Lower) Higher fertilizer sales volumes	(0.2)	0.1
Lower mining, processing and refining, third-party feed and fertilizer unit costs	17.0	43.7
Foreign exchange impact on operations	0.5	0.6
Other	(3.2)	(0.2)
Change in earnings from operations, compared to 2015	$ 3.7	$ (23.2)

While reference prices for nickel and cobalt increased in the third quarter of 2016 compared to the second quarter of 2016, realized prices were lower for the three and nine months ended September 30, 2016 compared to the same periods in the prior year. For the nine months ended September 30, 2016, the impact of a lower reference price was partly offset by a weakening of the Canadian dollar relative to the U.S. dollar.

Production of contained mixed sulphides for the three and nine months ended September 30, 2016 was lower compared to the same periods in the prior year as mixed sulphide production at Moa Nickel continues to be impacted by higher levels of deleterious elements in the ore from new mining concessions, which continues to impact production rates.

Finished nickel production for the three and nine months ended September 30, 2016 was lower compared to the same periods in the prior year primarily due to the impact of lower mixed sulphide production, which was partly offset by increased third party feed usage. The available third party feed used in 2016 has been cobalt rich, resulting in relatively stable cobalt production in the three months ended September 30, 2016 and higher cobalt production for the nine months ended September 30, 2016 compared to the same periods in the prior year.

Fertilizer's contributions to operating earnings for the three and nine months ended September 30, 2016 were higher compared to the same periods in the prior year due to lower maintenance and energy costs partly offset by lower realized prices.

Cost of sales(1) is composed of the following:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Mining, processing and refining	$ 53.2	$ 69.9	(24%)	$ 164.5	$ 192.8	(15%)
Third-party feed costs	2.7	2.5	8%	8.0	9.2	(13%)
Fertilizers	6.6	12.7	(48%)	30.3	41.2	(26%)
Selling costs	3.9	4.2	(7%)	11.9	11.9	-
Other	3.8	4.7	(19%)	10.8	17.4	(38%)
	$ 70.2	$ 94.0	(25%)	$ 225.5	$ 272.5	(17%)

(1) Excludes depletion, depreciation and amortization

Net direct cash cost[1] is composed of the following:

	For the three months ended			For the nine months ended		
	2016 September 30	2015 September 30	Change	2016 September 30	2015 September 30	Change
Mining, processing and refining costs	$ 4.43	$ 5.12	(13%)	$ 4.53	$ 5.34	(15%)
Third-party feed costs	0.22	0.19	16%	0.22	0.26	(15%)
Cobalt by-product credits	(1.15)	(1.39)	17%	(1.17)	(1.35)	13%
Other[2]	0.05	0.15	(67%)	(0.28)	(0.03)	(833%)
Net direct cash cost (US$ per pound of nickel)	$ 3.55	$ 4.07	(13%)	$ 3.30	$ 4.22	(22%)

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

(2) Includes the Moa Joint Venture and Fort Site refinery fertilizer by-product profit or loss and marketing costs, discounts, and other by-product credits.

Net direct cash cost of nickel for the three and nine months ended September 30, 2016 were lower compared to the same periods in the prior year primarily due to lower energy prices, lower purchased sulphuric acid prices and consumption, lower maintenance costs and higher net fertilizer by-product credits. Cobalt by-product credits were impacted by lower realized cobalt prices for the three and nine months ended September 30, 2016, compared to the same periods in the prior year.

Construction of the third acid plant at the Moa Joint Venture was completed in the second quarter of 2016, with commissioning activities and performance testing undertaken throughout the third quarter of 2016. In September the acid plant fulfilled all performance tests producing at a 100% rate over a 72 hour period and was deemed fully commissioned. The acid plant is now producing sulphuric acid and is expected to provide full benefits by the end of the fourth quarter this year when commitments for purchases of sulphuric acid have been fulfilled. The acid plant has the potential to reduce the Moa Joint Venture NDCC by approximately US$0.50/lb at current commodity price levels.

The project was concluded within the established construction timeline and completion budget of US$65 million (100% basis), and was Moa Nickel's first capital project to be fully financed by a Cuban financial institution.

Sustaining capital spending was lower in the three and nine months ended September 30, 2016 compared to the same periods in the prior year reflecting lower planned spending.

Ambatovy

Revenue is composed of the following:

$ millions	For the three months ended 2016 September 30	2015 September 30	Change	For the nine months ended 2016 September 30	2015 September 30	Change
Nickel	$ 40.8	$ 66.0	(38%)	$ 139.4	$ 219.5	(36%)
Cobalt	8.5	11.4	(25%)	30.5	33.4	(9%)
Fertilizers	1.5	3.2	(53%)	6.1	8.1	(25%)
Other	0.2	0.2	-	0.6	1.1	(45%)
	$ 51.0	$ 80.8	(37%)	$ 176.6	$ 262.1	(33%)

The change in earnings from operations between 2016 and 2015 is detailed below:

$ millions	For the three months ended 2016 September 30	For the nine months ended 2016 September 30
Lower US dollar denominated realized nickel prices	$ (4.8)	$ (61.5)
Higher (lower) US dollar denominated realized cobalt prices	0.4	(3.3)
Lower metals sales volumes	4.7	7.3
Lower fertilizer sales volumes	(1.1)	(0.7)
(Higher) lower mining, processing and refining, selling and fertilizer unit costs	(4.6)	25.7
Lower depreciation expense	21.1	56.7
Foreign exchange impact on operations	(1.3)	(13.2)
Other	2.1	1.7
Change in earnings from operations, compared to 2015	$ 16.5	$ 12.7

While reference prices for nickel increased in the third quarter of 2016 compared to the second quarter of 2016, realized prices were lower for the three and nine months ended September 30, 2016 compared to the same periods in the prior year. For the nine months ended September 30, 2016, the impact of a lower reference price was partly offset by a weakening of the Canadian dollar relative to the U.S. dollar.

The average-realized price of cobalt increased for the three months ended September 30, 2016 and decreased for the nine months ended September 30, 2016 compared to the same periods in the prior year. Despite a decline in reference prices for the three months ended September 30 2016, average-realized prices increased due to timing of mark-to-market adjustments on provisionally priced sales. For the nine months ended September 30, 2016, average-realized prices decreased primarily due to lower reference prices, partly offset by a weakening of the Canadian dollar relative to the U.S. dollar.

Production of nickel was lower for the three and nine months ended September 30, 2016 compared to the same periods in the prior year primarily due to the plant shutdown, which commenced in June 2016 and was completed in July 2016 and slower than anticipated ramp up following the shutdown. The Corporation continues to address equipment reliability issues that have been experienced in 2016. Finished nickel production for three and nine months ended September 30, 2016 represents 60% and 64% of design capacity, respectively. Sales volumes relative to production were lower for the three and nine months ended September 30, 2016 due to timing of shipments.

Depletion, depreciation, and amortization expense for the three and nine months ended September 30, 2016 was lower compared to the same periods in the prior year primarily as a result of the lower carrying value due to the impairment recognized in the fourth quarter of 2015, partly offset by the impact of a weaker Canadian dollar relative to the U.S. dollar for the nine months ended September 30, 2016.

Cost of sales[(1)] is composed of the following:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30[(2)]	Change
Mining, processing and refining	$ 46.2	$ 68.7	(33%)	$ 181.4	$ 227.7	(20%)
Selling costs	3.1	3.7	(16%)	10.5	11.0	(5%)
Other	1.0	2.4	(58%)	2.1	5.8	(64%)
	$ 50.3	$ 74.8	5%	$ 194.0	$ 244.5	(21%)

(1) Excludes depletion, depreciation and amortization.

Net direct cash cost[(1)] is composed of the following:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
	September 30	September 30	Change	September 30	September 30	Change
Mining, processing and refining costs	$ 5.13	$ 5.18	(1%)	$ 5.26	$ 5.64	(7%)
Cobalt by-product credits	(0.82)	(0.84)	(2%)	(0.76)	(0.86)	(12%)
Other[(2)]	0.36	(0.10)	(460%)	0.29	0.30	(3%)
Net direct cash cost (US$ per pound of nickel)	4.67	4.24	10%	4.79	5.08	(6%)

(1) For additional information see the Non-GAAP measures section.
(2) Includes selling costs, discounts, and other by-product credits.

Net direct cash cost of nickel increased for the three months ended September 30, 2016 and decreased for the nine months ended September 30, 2016 compared to the same periods in the prior year. For the three months ended September 30, 2016, net direct cash costs increased primarily due to maintenance shutdown costs and inventory adjustments. For the nine months ended September 30, 2016, net direct cash costs decreased due to operational efficiencies and lower overall input commodity prices partly offset by maintenance shutdown costs.

Spending on capital increased in the three months ended September 30, 2016 and decreased in the nine months ended September 30, 2016 reflecting timing of planned spending. Capital spending for Ambatovy is focused on sustaining capital for mining and production equipment and the tailings facility.

Deferral of principal repayment on Ambatovy Joint Venture financing

In August 2016, the Ambatovy Joint Venture financing lenders agreed to up to six principal payment deferrals totaling US$565.1 million (100% basis), which are to be repaid on a schedule starting in June 2021, or earlier subject to cash flow generation. Until June 2019, the Ambatovy Joint Venture will pay semi-annual interest payments only (approximately US$56.0 million per year) and will not make semi-annual principal payments unless there is sufficient free cash flow after required deductions. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. From June 2019 to June 2021, semi-annual payments of approximately US$28.0 million interest and US$94.0 million principal will be payable, and from June 2021 to the end of term in 2024, semi-annual amortized deferred principal and accrued interest repayments will be payable together with the regular semi-annual principal and interest payments.

Ambatovy Joint Venture funding and Shareholders Agreement

Total post-financial completion cash funding provided by Sumitomo and KORES is US$153.0 million, pursuant to total post-financial completion cash calls of US$255.0 million, with cash funding of US$81.0 million and US$123.0 million provided during the three and nine months ended September 30, 2016, respectively. Sherritt has not funded any portion of these cash calls, and continues not to fund. Sherritt's unfunded amounts remain payable. These amounts will be subtracted from future Ambatovy Joint Venture distributions, or may be set off against other amounts owed to Sherritt. Sherritt also has the option to pay the amounts in cash at any time, at Sherritt's election. Until the funding deficit is addressed, and subject to continued discussions with the Ambatovy Joint Venture partners, Sherritt will not exercise its Ambatovy Joint Venture voting rights. Sherritt has the ability to cure the underfunding and regain their voting rights at any time.

Sherritt continues not to fund further cash calls at this time due to the structure of the Ambatovy partner loans, which, at current nickel prices, effectively reduces Sherritt's 40% interest in Ambatovy to a 12% economic interest[1]. Sherritt continues to serve as operator. The outcome of ongoing partner discussions is not certain – for additional information see the Risk Factors titled – "Ambatovy Liquidity and Funding Risks" and "Restrictions in Debt Instruments, Debt Covenants and Mandatory Repayments" in the 2015 Annual Information Form.

By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through January 15, 2017, while discussions continue regarding the partnership structure and future funding arrangements. As part of this agreement, shareholder funding contributed from and including December 15, 2015, will accrue interest at a rate of LIBOR plus 8.0% and will be paid in priority to the subordinated loans payable. Repayments of principal and interest will not be made prior to certain conditions being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. As at September 30, 2016, the Shareholder funding contributed from and included December 15, 2015 amounts to US$153.0 million.

(1) 70% of Sherritt's distributable cash flow from Ambatovy (after opex, capex and project debt service) goes to Partner Loan repayment, leaving Sherritt with 30%; 30% of Sherritt's 40% ownership = 12%.

Net Investment in Ambatovy

Management reviews its investment in Ambatovy (Net Investment) on a net basis as management believes this more accurately reflects its exposure to and potential returns from Ambatovy. The Corporation defines its Net Investment in Ambatovy as its Investment in Associate plus Ambatovy subordinated loans receivable less the Corporation's non-recourse Ambatovy Joint Venture Additional Partner Loans as reported in the financial statements. For additional information see the Non-GAAP measures section.

The Ambatovy Joint Venture additional partner loans were used to fund a portion of Sherritt's contributions to the Ambatovy Joint Venture. These loans are non-recourse to the Corporation. Interest and principal on these loans will be repaid solely through the Corporation's share of the distributions from the Ambatovy Joint Venture. The Corporation categorizes recourse and non-recourse debt differently because lenders of non-recourse debt do not have access to the Company's assets and repayment is solely from distributions of the Ambatovy Joint Venture, resulting in a significantly different debt to capital structure as shown in the table below.

The table below reconciles the Net Investment in Ambatovy to the consolidated statement of financial position:

Unaudited, Canadian $ millions, as at	2016 September 30	Investment in Associate	Ambatovy Subordinated Loan Receivable	Non-recourse Ambatovy JV Partner Loans	Adjusted 2016 September 30	Adjusted 2015 December 31[1]
ASSETS						
Current assets	$ 735.9	$ -	$ -	$ -	$ 735.9	$ 820.4
Non- current assets						
Advances, loans receivable and other financial	1,455.1	-	(890.3)	-	564.8	413.3
Investment in an associate	787.3	(787.3)	-	-	-	-
Net investment in Ambatovy	-	787.3	890.3	(1,284.0)	393.6	641.3
Other non-current assets	797.3	-	-	-	797.3	911.8
Total assets	$ 3,775.6	$ -	$ -	$ (1,284.0)	$ 2,491.6	$ 2,786.8
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	$ 242.0	$ -	$ -	$ -	$ 242.0	$ 212.1
Non- current liabilities						
Non-recourse loans and borrowings	1,284.0	-	-	(1,284.0)	-	-
Loans and borrowings	812.2	-	-	-	812.2	868.7
Other non-current liabilities	285.8	-	-	-	285.8	148.9
Total liabilities	2,624.0	-	-	(1,284.0)	1,340.0	1,229.7
Shareholders' equity	1,151.6	-	-	-	1,151.6	1,557.1
Total liabilities and shareholders' equity	$ 3,775.6	$ -	$ -	$ (1,284.0)	$ 2,491.6	$ 2,786.8
Total debt- to- capital[2]	65%				43%	38%

(1) For additional information see the Non-GAAP measures section.
(2) Calculated as total debt divided by the sum of total debt and shareholder's' equity.

OIL AND GAS

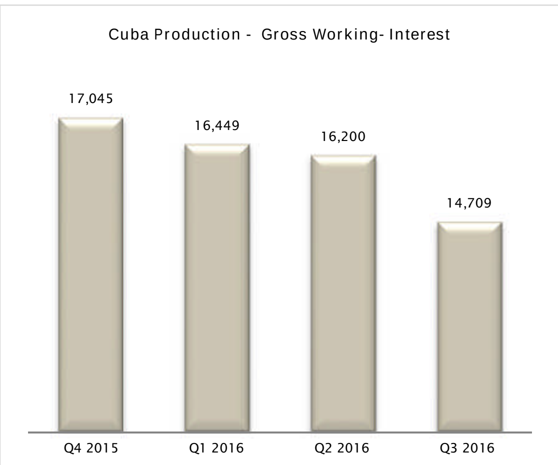
Financial review

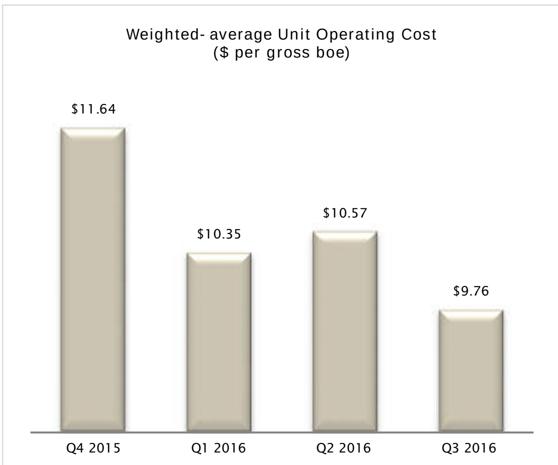
	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions, except as otherwise noted	September 30	September 30	Change	September 30	September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	$ 27.3	$ 38.5	(29%)	$ 78.0	$ 132.1	(41%)
Loss from operations	(7.4)	(81.6)	91%	(19.1)	(70.4)	73%
Adjusted EBITDA[1]	11.1	20.8	(47%)	24.0	72.2	(67%)
Cash provided by operations	54.5	47.2	15%	65.0	50.6	28%
Free cash flow[1]	46.5	35.7	30%	47.1	(1.8)	2717%
PRODUCTION AND SALES[2]						
Gross working-interest (GWI) - Cuba	14,709	17,693	(17%)	15,782	18,666	(15%)
Total net working-interest (NWI)	8,719	11,026	(21%)	9,925	11,304	(12%)
AVERAGE REFERENCE PRICES (US$ per barrel)						
West Texas Intermediate (WTI)	$ 44.90	$ 46.56	(4%)	$ 41.42	$ 50.95	(19%)
Gulf Coast Fuel Oil No. 6	34.88	38.11	(8%)	29.13	44.42	(34%)
Brent	45.57	50.29	(9%)	41.58	55.00	(24%)
AVERAGE- REALIZED PRICES[1] (per NWI)						
Cuba ($ per barrel)	$ 32.88	$ 36.36	(10%)	$ 27.28	$ 41.26	(34%)
Spain ($ per barrel)	61.06	66.03	(8%)	54.19	70.29	(23%)
Pakistan ($ per boe)[2]	10.56	10.97	(4%)	10.59	10.51	1%
Weighted-average ($ per boe)	32.71	36.69	(11%)	27.50	41.66	(34%)
UNIT OPERATING COSTS[1][2][3] (per GWI)						
Cuba	$ 9.31	$ 9.04	3%	$ 9.39	$ 9.13	3%
Spain	34.55	43.82	(21%)	52.57	61.27	(14%)
Pakistan	8.80	8.57	3%	8.31	8.13	2%
Weighted-average ($ per boepd)	9.76	9.76	-	10.24	10.40	(2%)
SPENDING ON CAPITAL						
Development, facilities and other	$ 0.8	$ 10.9	(93%)	$ 8.5	$ 54.3	(84%)
Exploration	7.3	0.8	813%	9.2	0.9	922%
	$ 8.1	$ 11.7	(31%)	$ 17.7	$ 55.2	(68%)

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

(2) Oil production is stated in barrels of oil per day (bopd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per barrel. Collectively, oil and natural gas production are stated in barrels of oil equivalent per day (boepd).

(3) Excludes the impact of impairment of property, plant and equipment.





Oil and Gas revenue is composed of the following:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Cuba	$ 24.3	$ 34.6	(30%)	$ 69.4	$ 118.7	(42%)
Spain	1.5	2.2	(32%)	4.4	9.0	(51%)
Pakistan	0.4	0.3	33%	1.0	0.9	11%
Processing	1.1	1.4	(21%)	3.2	3.5	(9%)
	$ 27.3	$ 38.5	(29%)	$ 78.0	$ 132.1	(41%)

The change in earnings from operations between 2016 and 2015 is detailed below:

$ millions	For the three months ended 2016 September 30	For the nine months ended 2016 September 30
Lower realized oil and gas prices, denominated in U.S. dollars	$ (2.0)	$ (29.4)
Lower Cuba gross working-interest volumes	(4.5)	(14.3)
Lower Spain volumes	(0.5)	(3.2)
Lower cost recovery revenue	(3.9)	(9.4)
Lower depletion, depreciation and amortization	9.0	23.1
Foreign exchange impact on operations	2.3	4.8
Lower impairment of Oil assets	72.2	72.2
Lower operating costs	3.4	11.3
Other	(1.8)	(3.8)
Change in earnings from operations, compared to 2015	$ 74.2	$ 51.3

While reference prices for oil increased in the third quarter of 2016 compared to the second quarter of 2016, realized prices were lower in the three and nine months ended September 30, 2016 compared to the same periods in the prior year. The decrease in average-realized prices in the nine months ended September 30, 2016 benefited from the impact of a weaker Canadian dollar relative to the U.S. dollar.

Production and sales volumes were as follows:

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
Daily production volumes(1)	September 30	September 30	Change	September 30	September 30	Change
Gross working- interest oil production in Cuba	14,709	17,693	(17%)	15,782	18,666	(15%)
Net working- interest oil production						
Cuba (heavy oil)						
Cost recovery	2,592	4,349	(40%)	3,941	3,884	1%
Profit oil	5,453	6,005	(9%)	5,343	6,652	(20%)
Total	8,045	10,354	(22%)	9,284	10,536	(12%)
Spain (light oil)	268	374	(28%)	294	471	(38%)
Pakistan (natural gas)	406	298	36%	347	297	17%
	8,719	11,026	(21%)	9,925	11,304	(12%)

(1) Refer to Oil and Gas production and sales volume on page 37 for further detail.

Gross working-interest oil production in Cuba decreased for the three and nine months ended September 30, 2016 compared to the same periods in the prior year primarily due to natural reservoir declines and the absence of new drilling related to producing wells in 2016.

Cost-recovery oil production in Cuba for the three months ended September 30, 2016 decreased compared to the same period in the prior year as a result of lower cost-recovery spending, partly offset by lower prices. Cost-recovery oil production in Cuba for the nine months ended September 30, 2016 increased compared to the same period in the prior year as lower cost-recovery spending was more than offset by lower oil prices. The allocation of cost recovery barrels in any particular period is limited to a fixed percentage of GWI volumes within each cost pool. Expenditures that exceed this limit are carried forward and are eligible for a future allocation of cost recovery barrels.

Profit oil production, which represents Sherritt's share of production after cost recovery volumes are deducted from GWI volumes, was lower in the three and nine months ended September 30, 2016 as a result of a reduction in GWI volumes.

In Spain, oil production was lower in the three and nine months ended September 30, 2016 compared to the same periods in the prior year mainly as a result of production normalizing in the Rodaballo field since the major workover was completed in the first quarter of 2015.

Unit operating costs in Cuba increased in the three and nine months ended September 30, 2016 compared to the same periods in the prior year primarily due to lower production volumes, which were partially offset by lower work over costs. Unit operating costs for the nine months ended September 30, 2016 were also negatively impacted by a weaker Canadian dollar relative to the U.S. dollar.

Unit operating cost in Spain decreased in the three and nine months ended September 30, 2016 compared to the same periods in the prior year primarily due to lower workover costs in 2016, which were partially offset by lower production volumes.

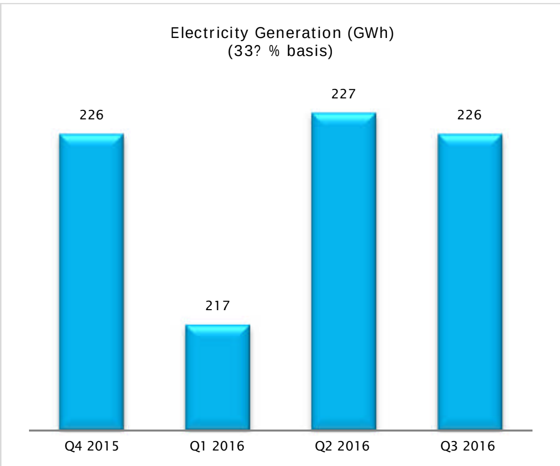
Spending on capital was substantially lower in the three and nine months ended September 30, 2016 compared to the same periods in the prior year primarily due to the limited drilling activities in 2016. In the third quarter of 2016, the Corporation commenced drilling one well at Block 10 and drilling will continue throughout December 2016, with preliminary results expected by year end.

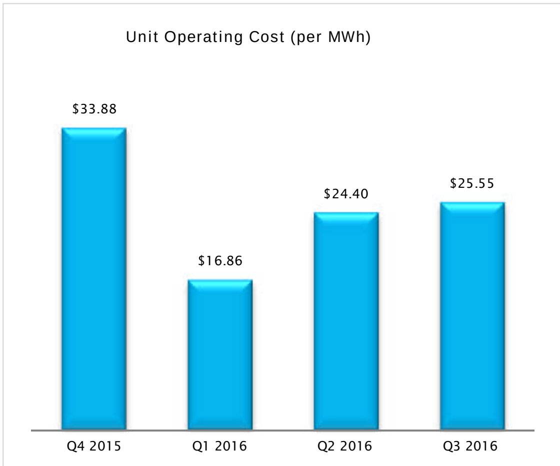
POWER

Financial review

$ millions (331/3% basis), except as otherwise noted	For the three months ended 2016 September 30	2015 September 30	Change	For the nine months ended 2016 September 30	2015 September 30	Change
FINANCIAL HIGHLIGHTS						
Revenue	$ 14.4	$ 14.5	(1%)	$ 44.9	$ 39.0	15%
(Loss) earnings from operations	(2.0)	1.0	(300%)	(4.0)	(0.4)	(900%)
Adjusted EBITDA[(1)]	6.6	9.6	(31%)	22.1	24.5	(10%)
Cash provided by operations	5.5	15.6	(65%)	11.3	55.0	(79%)
Free cash flow[(1)]	5.1	14.7	(65%)	10.7	52.7	(80%)
PRODUCTION AND SALES						
Electricity (GWh[(2)])	226	242	(7%)	670	676	(1%)
AVERAGE- REALIZED PRICES[(1)]						
Electricity (per MWh[(2)])	$ 55.47	$ 55.46	-	$ 56.05	$ 53.49	5%
UNIT OPERATING COSTS[(1)](per MWh)						
Base	$ 17.86	$ 15.15	18%	$ 16.13	$ 15.49	4%
Non-base[(3)]	7.69	2.27	239%	6.21	1.19	422%
	25.55	17.42	47%	22.34	16.68	34%
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS						
Sustaining	$ 0.3	0.8	(63%)	$ 0.6	$ 2.2	(73%)
Service concession arrangements	0.9	0.1	800%	4.5	(0.1)	4,600%
	$ 1.2	0.9	33%	$ 5.1	$ 2.1	143%

(1) For additional information see the Non-GAAP measures section.
(2) Gigawatt hours (GWh), Megawatt hours (MWh).
(3) 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 revenue is composed of the following:

$ millions (33 1/3% basis)		For the three months ended 2016 September 30		2015 September 30	Change		For the nine months ended 2016 September 30		2015 September 30	Change
Electricity sales	$	12.6	$	13.4	(6%)	$	37.6	$	36.1	4%
By-products and other		0.9		1.0	(10%)		2.8		3.0	(7%)
Construction activity[1]		0.9		0.1	800%		4.5		(0.1)	4600%
	$	14.4	$	14.5	(1%)	$	44.9	$	39.0	15%

(1) Value of construction, enhancement or upgrading activity of the Boca de Jaruco and Puerto Escondido facilities. The contractual arrangements related to the activities of these facilities are treated as service concession arrangements for accounting purposes. Construction activity revenue is offset equally by construction activity expenses recorded in cost of goods sold.

The change in earnings from operations between 2016 and 2015 is detailed below:

$ millions (33 1/3% basis)		For the three months ended 2016 September 30		For the nine months ended 2016 September 30
Lower electricity volumes	$	(0.8)	$	(0.3)
Higher realized by-product prices		0.4		-
Lower realized by-product volume		(0.5)		(0.2)
Higher depletion, depreciation and amortization		-		(0.9)
Foreign exchange impact on operations		(0.6)		-
Major inspection costs		-		(1.7)
Other		(1.5)		(0.5)
Change in earnings from operations, compared to 2015	$	(3.0)	$	(3.6)

Production and electricity sales decreased for the three months ended September 30, 2016 and were relatively unchanged for the nine months ended September 30, 2016 compared to the same periods in the prior year. The decrease in the three months ended September 30, 2016 was primarily due to an increase in scheduled maintenance activities over the comparable period. Construction revenue relates to the construction of the Puerto Escondido/Yumuri pipeline which is accounted for as a service concession arrangement.

The average-realized price of electricity was relatively unchanged for the three months ended September 30, 2016 and increased for the nine months ended September 30, 2016 compared to the same periods in the prior year. The increase in the nine months ended September 30, 2016 was primarily due to a weakening of the Canadian dollar relative to the U.S. dollar.

Unit operating cost increased for the three and nine months ended September 30, 2016 compared to the same periods in the prior year. The increase in the three months ended September 30, 2016 was due to an increase in scheduled maintenance, whereas the increase in the nine months ended September 30, 2016 was primarily due to a planned major inspection of a gas turbine at Boca de Jaruco, as well as the impact of a weaker Canadian dollar relative to the U.S. dollar. There are no gas turbine major inspections planned in the fourth quarter of 2016.

During the quarter, the Puerto Escondido/Yumuri pipeline was completed and became operational. The pipeline will conserve gas currently being flared at Yumuri and transfer the gas for processing at the Puerto Escondido facility. The pipeline is expected to increase total electricity generation by 8% on a go forward basis.

Liquidity and capital resources

Total available liquidity at September 30, 2016 was $357.8 million which includes cash, cash equivalents and short term investments of $345.2 million and available credit facilities of $12.6 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table provides a summary of consolidated significant liquidity and capital commitments based on existing commitments and debt obligations (including accrued interest):

Canadian $ millions, as at September 30, 2016	Total	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due in more than 5 years
Trade accounts payable and accrued liabilities	$ 159.2	$ 159.2	$ -	$ -	$ -	$ -	$ -
Income taxes payable	2.8	2.8	-	-	-	-	-
Senior unsecured debentures	1,134.9	56.0	56.0	56.0	56.0	56.0	854.9
Ambatovy Joint Venture Additional Partner loans (non-recourse)[1]	4,724.8	-	-	-	-	-	4,724.8
Ambatovy Joint Venture Partner loans[1]	159.4	-	-	-	-	-	159.4
Syndicated revolving-term credit facility	45.5	45.5	-	-	-	-	-
Provisions	156.9	12.3	9.4	-	-	-	135.2
Operating leases	17.7	2.9	2.9	3.0	3.0	1.5	4.4
Capital commitments	20.3	20.3	-	-	-	-	-
Total	$ 6,421.5	$ 299.0	$ 68.3	$ 59.0	$ 59.0	$ 57.5	$ 5,878.7

(1) The interest and principal on the loans from the Ambatovy Joint Venture partners will be repaid from the Corporation's share of distributions from the Ambatovy Joint Venture. Amounts are based on management's best estimate of future cash flows including estimating assumptions such as commodity prices, production levels, cash costs of production, capital and reclamation costs. The Ambatovy Joint Venture additional partner loans are non-recourse to Sherritt unless there is a direct breach of certain restrictions stipulated in the loan documents. The maturity analysis table includes an estimate of interest repayments.

OTHER COMMITMENTS

The following commitments are not reflected in the table above:

Moa Joint Venture

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant commitments of the joint venture includes the following:

- Environmental rehabilitation commitments of $92.2 million, with no significant payments due in the next five years;
- Advances and loans payable of $248.9 million. Included within advances and loans payable is the loan related to the construction of the acid plant of $25.2 million. Interest accrues at 10% per annum and is payable monthly. The loan is expected to be repaid in full by January 2019. Repayments, including interest for the nine months ended September 30, 2016, were $8.4 million.
- Other commitments of $0.6 million.

Ambatovy Joint Venture

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant commitments of the Joint Venture includes the following:

- Environmental rehabilitation commitments of $231.7 million, with no significant payments due in the next five years;
- Other contractual commitments of $32.1 million; and
- Ambatovy revolving credit facility of $21.3 million. The facility bears interest rates between 9.00% and 11.85% and matures on July 31, 2017.

- Ambatovy Joint Venture senior debt financing of US$640.4 million ($840.1 million) which is non-recourse to the Joint Venture partners as a result of achieving financial completion in September 2015. Interest is payable based on LIBOR plus 2.5%. In August 2016, the Ambatovy Joint Venture financing lenders agreed to up to six principal payment deferrals totaling US$565.1 million (100% basis), which are to be repaid on a schedule starting in June 2021, or earlier subject to cash flow generation. Until June 2019, the Ambatovy Joint Venture will pay semi-annual interest payments only (approximately US$56.0 million per year) and will not make semi-annual principal payments unless there is sufficient free cash flow after required deductions. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. From June 2019 to June 2021, semi-annual payments of approximately US$28.0 million interest and US$94.0 million principal will be payable, and from June 2021 to the end of term in 2024, semi-annual amortized deferred principal and accrued interest repayments will be payable together with the regular semi-annual principal and interest payments. An interest payment of US$28.0 million was made to the lenders during the nine months ended September 30, 2016. On an undiscounted basis, principal and interest repayments are $1.1 billion.

INVESTMENT LIQUIDITY

At September 30, 2016, cash and cash equivalents and investments were located in the following countries:

$ millions, as at September 30, 2016	Cash	Cash equivalents and short-term investments	Total
Canada	$ 66.7	$ 250.9	$ 317.6
Cuba	19.8	-	19.8
Other	7.8	-	7.8
	$ 94.3	$ 250.9	$ 345.2

Cash and short-term investments

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard & Poor's, except for institutions located in Madagascar and Cuba that are not rated.

The Corporation's cash equivalents consist of Government of Canada treasury bills, term deposits with maturities of 90 days or less and demand deposits redeemable upon 31 days request. The term deposits and demand deposits are with major financial institutions. As at September 30, 2016, the Corporation had $76.9 million in Government of Canada treasury bills, $25.0 million in term deposits and $15.0 million in demand deposits (December 31, 2015 - $93.9 million, $25.0 million and nil, respectively) included in cash and cash equivalents and $134.0 million in Government of Canada treasury bills included in short-term investments (December 31, 2015 - $204.8 million).

The table above does not include cash and cash equivalents of $9.2 million held by the Moa Joint Venture, or $29.9 million held by the Ambatovy Joint Venture. The Corporation's share is included as part of the investment in a joint venture and associate balances in the consolidated statement of financial position.

Non-recourse Loans and Borrowings

$1.3 billion in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of funding requirements of the Joint Venture bearing interest of six-month LIBOR plus a margin of 7.0%. These loans are non-recourse to the Corporation. Interest and principal on these loans will be repaid solely through the Corporation's share of the distributions from the Ambatovy Joint Venture.

Other Loans and Borrowings

Other Loans and borrowings are composed primarily of:

- $720.0 million in unsecured debentures and notes having interest rates between 7.50% and 8.00%. During the quarter, the extension of maturity dates of each of the Corporation's outstanding senior unsecured debentures (the "Notes") by three years from 2018, 2020 and 2022 to 2021, 2023 and 2025, respectively (the "Extension"), was approved. The applicable interest rates and existing covenants for the Notes remain unchanged. The Noteholders that voted in favour of the Extension received, at the option of the Noteholder, either:
    - cash consent consideration equal to 2% of the principal amount of the debentures; or,

- 73.25 warrants for each $1,000 of principal amount of debentures held. Warrants have a term of 5 years, are not listed on any exchange and have an exercise price of $0.74 per share.

- During the quarter, 19.1 million warrants were granted to the Noteholders that elected for this option with a fair value of $0.43 per warrant which totalled $8.2 million. The fair value of the warrants was determined using the Black-Scholes option valuation model and was recognized in Reserves. Cash consent fees paid to Noteholders that voted in favour of the extension and other transaction fees totalled $14.6 million.
- During the nine months ended September 30, 2016, the Corporation repurchased $30.0 million of the $250.0 million, 8.0% debentures now due in 2021 for $17.4 million which resulted in a gain of $12.6 million recognized within financing income.
- $128.9 million in loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of funding requirements of the Joint Venture bearing interest of six-month LIBOR plus a margin 1.125%,
- $45.0 million in the syndicated revolving-term credit facility bearing interest at prime plus 2.50% per annum or bankers' acceptances plus 3.50%.

The following is a summary of significant changes in the Corporation's credit facilities during 2016.

Syndicated revolving- term credit facility

During the nine months ended September 30, 2016, the terms of the syndicated revolving-term credit facility were amended to update the financial covenants. The maximum credit available remains at $115.0 million with the total available draw based on eligible receivables and inventory. The interest rates increased from prime plus 2.25% or bankers' acceptance plus 3.25% to prime plus 2.50% or bankers' acceptance plus 3.50%. The facility is subject to the following financial covenants as at September 30, 2016: net financial debt-to-EBITDA covenant of 4.25:1, net financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 1.75:1. If net financial debt-to-EBITDA is greater than 3.75:1, unrestricted cash must be greater than 50% of the lower of the borrowing base amount and facility amount.

Line of credit

On February 23, 2016, the Corporation terminated and repaid the $35.0 million outstanding balance.

AVAILABLE CREDIT FACILITIES

The following table outlines the maximum amounts undrawn and available to the Corporation for credit facilities that had amounts undrawn at September 30, 2016 and December 31, 2015. A detailed description of these facilities is provided in the Loans, borrowings and other liabilities note in the Corporation's audited consolidated financial statements for the year ended December 31, 2015.

$ millions, as at			2016 September 30			2015 December 31
	Maximum	Undrawn	Available[1]	Maximum	Undrawn	Available[1]
Short- term						
Syndicated revolving-term credit facility[2]	$ 115.0	$ 20.4	$ 12.6	$ 115.0	$ 12.6	$ 2.6
Line of credit[3]	-	-	-	35.0	-	-
Total	$ 115.0	$ 20.4	$ 12.6	$ 150.0	$ 12.6	$ 2.6

(1) The Corporation's credit facilities are available to the extent amounts are undrawn and financial covenants or restrictions have not been exceeded.
(2) Established for general corporate purposes. Total available draw is based on eligible receivables and inventory. At September 30, 2016, the Corporation had $49.6 million of letters of credit outstanding and drew down $45.0 million on this facility. Letters of credit at September 30, 2016 are primarily in place to support Oil and Gas reclamation obligations in Spain and exploration activities in Cuba.
(3) On February 23, 2016, the Corporation terminated and repaid the $35.0 million outstanding balance on its line of credit.

Covenants

There are no events of default on the Corporation's borrowings or debentures.

SOURCES AND USES OF CASH

The Corporation's cash flows from operating, investing and financing activities are summarized in the following table as derived from Sherritt's consolidated statements of cash flow[1].

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Cash provided (used) by operating activities						
Oil and Gas operating cash flow	$ 54.5	$ 47.2	15%	$ 65.0	$ 50.6	28%
Power operating cash flow (excluding interest received on Energas CSA loan)	1.9	11.6	(84%)	7.4	19.9	(63%)
Fort Site operating cash flow	27.0	27.6	(2%)	13.3	13.2	1%
Dividends received from Moa Joint Venture	-	-	-	-	12.5	(100%)
Interest received on Moa Joint Venture loans	0.8	0.6	33%	2.1	8.4	(75%)
Interest received on Energas CSA loan	3.6	4.0	(10%)	3.9	35.1	(89%)
Interest paid on debentures	(10.0)	(9.2)	(9%)	(40.8)	(38.5)	(6%)
Corporate and other operating cash flow	(17.5)	(13.3)	(32%)	(26.7)	(47.5)	44%
Cash provided by continuing operations	60.3	68.5	(12%)	24.2	53.7	(55%)
Cash used by discontinued operations	(0.8)	(0.1)	(700%)	(6.8)	(3.7)	(84%)
	$ 59.5	$ 68.4	(13%)	$ 17.4	$ 50.0	(65%)
Cash provided (used) by investing and financing						
Property, plant, equipment and intangible expenditures	$ (12.6)	$ (17.3)	27%	$ (29.4)	$ (69.2)	58%
Receipts of advances, loans receivable and other financial assets	0.4	10.9	(96%)	1.3	30.2	(96%)
Increase in advances, loans receivable and other financial assets	-	(17.1)	100%	-	(17.1)	100%
Increase of loans, borrowings and other financial liabilities	-	25.0	(100%)	-	25.0	(100%)
Repayment of other loans and borrowings	(0.5)	(0.4)	(25%)	(63.7)	(1.2)	(5208%)
Loans to Ambatovy Joint Venture	-	(91.8)	100%	-	(135.7)	100%
Net proceeds from sale of Corporate assets	-	-	-	-	21.2	(100%)
Dividends paid on common shares	-	(3.0)	100%	-	(9.0)	100%
Issuance of common shares	-	0.7	(100%)	-	0.7	(100%)
Fees paid on debenture extension	(14.6)	-	-	(14.6)	-	-
Other	0.4	0.1	300%	(1.2)	2.7	(144%)
	$ (26.9)	$ (92.9)	71%	$ (107.6)	$ (152.4)	29%
	32.6	(24.5)	233%	(90.2)	(102.4)	12%
Cash, cash equivalents and short-term investments:						
Beginning of the period	312.6	399.3	(22%)	435.4	477.2	(9%)
End of the period	$ 345.2	$ 374.8	(8%)	$ 345.2	$ 374.8	(8%)

(1) Cash (used) provided by discontinued operations relate to changes in the estimated Obed provision retained by the Corporation following the sale of the Coal operations in 2014, as well as cash paid to settle this provision.

The following significant items affected the sources and uses of cash:

Cash from continuing operations was lower during the three and nine months ended September 30, 2016 compared to the prior year periods:

- cash from operating activities at Oil and Gas was higher for the three and nine months ended September 30, 2016 primarily due to the collection of overdue receivables in the third quarter of 2016 as discussed further below.
- interest received on the Energas CSA loan was $3.6 million and $3.9 million for the three and nine months ended September 30, 2016 compared to $4.0 million and $35.1 million for the three and nine months end September 30, 2015, respectively. This reduction in interest was due to higher capital spending at Energas in 2016 and the comparative year to date period including interest received relating to 2014. Payments from Energas in 2016 have been allocated to repayment of costs incurred by Sherritt at the end of 2015 and current year pipeline construction. Interest and principal repayments on the outstanding CSA receivable were a significant source of cash last year. However during the third quarter of 2016, the Cuban partners have prioritized reducing Oil and Gas receivables. Discussions continue to address the timing of on ongoing Cuban payments;
- cash from operations at Fort Site is consistent with the three and nine months ended September 30, 2016 compared to the prior year periods. Movements in cash flow from operations at Fort Site, relate primarily to the timing of collection and realization of fertilizer sales, as pre-sales and collection of cash generally occurs in the third and fourth quarters with deliveries, and therefore recognition of revenue, occurring in the spring and fall seasons;

- cash from operating activities at Corporate was lower for the three months ended September 30, 2016 and higher for the nine months ended September 30, 2016 due to timing of working capital payments.

Included in investing and financing activities:

- included within fees paid on debenture extension in the three and nine months ended September 30, 2016, are consent fees and other transaction fees on the extension of the Corporation's debentures.
- included within the $63.2 million repayment of loans and borrowings in the nine months ended September 30, 2016, is the repurchase of debentures of $17.4 million, repayment and termination of the $35.0 million line of credit and a $10.0 million repayment on the revolving - term credit facility.

CASH FLOW SUMMARY

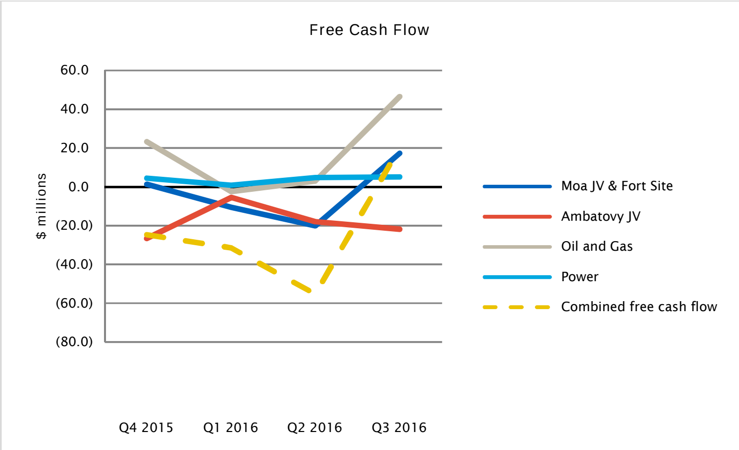
The Corporation's cash flow from operations, combined adjusted operating cash flow[1] and free cash flow[1] are summarized in the following table as derived from Sherritt's consolidated statements of cash flow.

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
$ millions	September 30	September 30	Change	September 30	September 30	Change
Cash provided by continuing operations	$ 60.3	$ 68.5	(12%)	$ 24.2	$ 53.7	(55%)
Combined adjusted operating cash flow	3.0	10.7	(72%)	(55.0)	92.4	(160%)
Combined free cash flow	20.3	(7.5)	371%	(66.4)	(74.2)	11%

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

During the three and nine months ended September 30, 2016, combined adjusted operating cash flow, which excludes changes in working capital were lower compared to the same periods in the prior year primarily as a result of lower earnings and an absence of interest and dividends received from Energas and Moa Joint Venture.

During the three and nine months ended September 30, 2016, combined free cash flow was higher compared to the same periods in the prior year primarily due to lower combined capital expenditures.



COMMON SHARES

As at October 24, 2016, the Corporation had 293,890,650 common shares outstanding. An additional 9,628,416 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan. During the quarter, 19,122,839 million warrants were granted to Noteholders that voted in favour of the Debenture extension. As at October 24, 2016, 19,122,190 warrants were outstanding.

Managing risk

Sherritt manages a number of risks in each of its businesses in order to achieve an acceptable level of risk without appreciably hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks. A comprehensive list of the Corporation's significant business risks and strategies designed to manage these risks can be found in the Corporation's Annual Information Form.

Accounting Pronouncements

There have been no new accounting pronouncements issued in the third quarter of 2016 that are expected to impact the Corporation. For a summary of accounting pronouncements, see the accounting pronouncements note in the Corporation's audited consolidated financial statements for the year ended December 31, 2015.

Summary of quarterly results

The following table presents a summary of the segment revenue and consolidated operating results for each of the eight quarters ended December 31, 2014 to September 30, 2016[1].

$ millions, except per share amounts, for the three months ended	2016 Sept 30	2016 June 30	2016 Mar 31	2015 Dec 31	2015 Sept 30	2015 June 30	2015 Mar 31	2014 Dec 31
Revenue								
Metals	$ 143.0	$ 160.5	$ 153.0	$ 183.8	$ 193.4	$ 204.2	$ 223.7	$ 216.5
Oil and Gas	27.3	28.3	22.4	30.5	38.5	51.3	42.3	49.6
Power	14.4	14.9	15.6	13.7	14.5	12.7	11.8	11.7
Corporate and Other	(0.2)	0.4	0.3	1.5	0.1	0.2	0.5	0.5
Combined Revenue[2]	$ 184.5	$ 204.1	$ 191.3	$ 229.5	$ 246.5	$ 268.4	$ 278.3	$ 278.3
Adjust joint venture and associate revenue	(126.0)	(129.2)	(132.9)	(153.0)	(169.6)	(168.8)	(195.4)	(176.7)
Financial statement revenue	$ 58.5	$ 74.9	$ 58.4	$ 76.5	$ 76.9	$ 99.6	$ 82.9	$ 101.6
Share of loss of an associate, net of tax	(55.9)	(58.9)	(65.9)	(1,703.2)	(68.6)	(62.6)	(42.3)	(65.0)
Share of (loss) earnings of a joint venture, net of tax	(3.5)	(20.6)	(12.9)	(9.1)	(6.4)	(0.3)	4.0	4.5
Net loss from continuing operations	(120.8)	(103.6)	(47.8)	(1,757.3)	(210.0)	(47.6)	(56.8)	(147.7)
Loss from discontinued operations, net of tax	-	-	-	-	-	(5.0)	-	(12.7)
Net loss for the period	$ (120.8)	$ (103.6)	$ (47.8)	$ (1,757.3)	$ (210.0)	$ (52.6)	$ (56.8)	$ (160.4)
Net loss per share, basic and diluted ($ per share)								
Net loss from continuing operations	$ (0.41)	$ (0.35)	$ (0.16)	$ (5.99)	$ (0.72)	$ (0.16)	$ (0.19)	$ (0.50)
Net loss for the period	(0.41)	(0.35)	(0.16)	(5.99)	(0.72)	(0.18)	(0.19)	(0.54)

(1) On April 28, 2014, the Corporation completed the sale of its Coal operations. Results for Coal prior to the date of sale and any subsequent expenses relating to Coal have been reported in (loss) earnings from discontinued operations.
(2) For additional information see the Non-GAAP measures section.

In general, net (loss) earnings for the Corporation are primarily affected by commodity prices, sales volumes and exchange rates. The average Canadian dollar cost to purchase one U.S. dollar for the above quarters has ranged from $1.14 to $1.37. In addition to the impact of commodity prices, sales volumes and exchange rates, net (loss) earnings were impacted by the following significant items (pre-tax):

- the third quarter of 2016 includes an impairment of $8.5 million recognized on oil assets. Net finance expense includes an unrealized foreign exchange loss of $12.8 million due to a marginal weakening of the Canadian dollar relative to the U.S. dollar since June 30, 2016;
- the second quarter of 2016 includes a $12.6 million gain on repurchase of $30.0 million of the $250.0 million 8.0% debentures now due in 2021 and an unrealized foreign exchange loss of $1.6 million due to a marginal weakening of the Canadian dollar relative to the U.S. dollar since March 31, 2016;
- the first quarter of 2016 includes unrealized foreign exchange gains of $76.0 million due to the strengthening of the Canadian dollar relative to the U.S. dollar since December 31, 2015;
- the fourth quarter of 2015 includes an impairment of $1.6 billion recognized on Ambatovy Joint Venture assets;
- the third quarter of 2015 includes an impairment of $80.6 million recognized on oil assets. Net finance expense includes a loss on financial instruments of $13.7 million related to the expiry of the Ambatovy call option;
- the second quarter of 2015 includes a gain on sale of the Corporation's head office building of $19.1 million and an additional tax recovery of $13.2 million related to tax rate reductions in Cuba;
- the first quarter of 2015 includes a tax recovery of $30.1 million related to tax rate reductions in Cuba;
- the fourth quarter of 2014 includes $33.8 million of fees related to the repurchase and redemption of debentures, $7.5 million related to restructuring costs and unrealized foreign exchange losses partly offset by a $3.3 million gain on sale of the Corporate assets and a $1.3 million gain on arbitration settlement;

Off-balance sheet arrangements

The Corporation has no foreign exchange or commodity options, futures or forward contracts.

Transactions with related parties

The Corporation enters into transactions related to its investment in an associate and joint arrangements. For further detail, refer to Note 6, 7 and 18 of the Corporation's September 30, 2016 interim condensed consolidated financial statements. Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

Controls and procedures

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting means a process designed by or under the supervision of the CEO and CFO, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

As at September 30, 2016, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended September 30, 2016, the Corporation did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

Supplementary information

SENSITIVITY ANALYSIS

The following table shows the approximate impact on the Corporation's net earnings and earnings per share from continuing operations for the three months ended September 30, 2016 from a change in selected key variables. The impact is measured changing one variable at a time and may not necessarily be indicative of sensitivities on future results.

Factor		Increase	Approximate change in quarterly net earnings ($ millions) Increase/(decrease)	Approximate change in quarterly basic EPS Increase/(decrease)
Prices				
Nickel - LME price per pound[1]	US$	0.50	$ 9	$ 0.04
Cobalt - Metal Bulletin price per pound[1]	US$	0.50	1	-
Oil -U.S. Gulf Coast Fuel Oil No. 6 price per barrel	US$	5.00	3	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	57	0.20
Operating costs[1]				
Natural gas - per gigajoule (Moa Joint Venture)	$	1.00	(1)	-
Sulphur - per tonne (Moa Joint Venture and Ambatovy)	US$	25.00	(2)	(0.01)
Sulphuric acid - per tonne (Moa Joint Venture)	US$	25.00	(1)	-
Coal - per tonne (Ambatovy)	US$	20.00	(1)	-
Limestone - per tonne (Ambatovy)	US$	5.00	(1)	-

(1) Variable changes are applied at the operating level with the approximate change in net earnings and basic EPS representing the Corporation's 50% interest in the Moa Joint Venture and 40% interest in the Ambatovy Joint Venture.

OIL AND GAS PRODUCTION AND SALES VOLUME

The following table provides further detail about the Corporation's oil and gas production and determination of sales volumes.

	For the three months ended			For the nine months ended		
	2016	2015		2016	2015	
Daily production volumes[1]	September 30	September 30	Change	September 30	September 30	Change
Gross working-interest oil production in Cuba[2][3]	14,709	17,693	(17%)	15,782	18,666	(15%)
Net working-interest oil production[4]						
Cuba (heavy oil)						
Cost recovery	2,592	4,349	(40%)	3,941	3,884	1%
Profit oil	5,453	6,005	(9%)	5,343	6,652	(20%)
Total	8,045	10,354	(22%)	9,284	10,536	(12%)
Spain (light oil)[4]	268	374	(28%)	294	471	(38%)
Pakistan (natural gas)[4]	406	298	36%	347	297	17%
	8,719	11,026	(21%)	9,925	11,304	(12%)

(1) Oil production is stated in barrels of oil per day (bopd). Natural gas production is stated in barrels of oil equivalent per day (boepd), which is converted at 6,000 cubic feet per barrel. Collectively, oil and natural gas production are referred to as boepd.

(2) In Cuba, Oil and Gas delivered all of its gross working-interest oil production to CUPET at the time of production.

(3) Gross working-interest oil production is allocated between Oil and Gas and CUPET in accordance with production-sharing contracts. The Corporation's share, referred to as net working-interest production, includes (i) cost recovery oil (based upon the recoverable capital and operating costs incurred by Oil and Gas under each production-sharing contract) and (ii) a percentage of profit oil (gross working-interest production remaining after cost recovery oil is allocated to Oil and Gas). Cost recovery pools for each production-sharing contract include cumulative recoverable costs, subject to certification by CUPET, less cumulative proceeds from cost recovery oil allocated to Oil and Gas. Cost recovery revenue equals capital and operating costs eligible for recovery under the production-sharing contracts.

(4) Net working-interest production (equivalent to net sales volume) represents the Corporation's share of gross working-interest production.

NON-GAAP MEASURES

Management uses combined results, Adjusted EBITDA, average-realized price, unit operating cost, adjusted earnings, adjusted operating cash flow per share, free cash flow and Net Investment in Ambatovy 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 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.

Combined results

The Corporation presents combined revenue, combined cost of sales, combined administrative expenses, combined net finance expense, and combined income taxes (together, combined results) as measures which help management assess the Corporation's financial performance across its business units. The combined results include the Corporation's consolidated financial results, and the results of its 50% share of the Moa Joint Venture and its 40% share of the Ambatovy Joint Venture, both of which are accounted for using the equity method for accounting purposes. Management uses these measures to reflect the Corporation's economic interest in its business units prior to the application of equity accounting. Refer to pages 7 to 9 for the reconciliations of the combined results.

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as earnings (loss) from operations, associate and joint venture as reported in the financial statements for the period adjusted for depletion, depreciation and amortization; impairment charges for long lived assets, intangible assets, goodwill and investments; and gain or loss on disposal of property, plant and equipment of the Corporation, associate and joint venture. The exclusion of impairment charges eliminates the non-cash impact. The Corporation believes that Adjusted EBITDA provides useful information to investors in evaluating our operating results in the same manner as management and the board of directors.

The tables below reconcile Adjusted EBITDA to net earnings (loss) from operations, associate and joint venture:

$ millions, for the three months ended September 30									2016
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
Loss from operations, associate and joint venture per financial statements	$ (4.0)	$ (38.5)	$ 0.3	$ (42.2)	$ (7.4)	$ (2.0)	$ (11.8)	$ (18.7)	$ (82.1)
Add (deduct):									
Depletion, depreciation and amortization	2.1	-	-	2.1	10.0	8.6	2.3	-	23.0
Impairment of assets	-	-	-	-	8.5	-	-	-	8.5
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	9.4	34.0	-	43.4	-	-	-	-	43.4
Net finance expense	-	-	-	-	-	-	-	18.2	18.2
Income tax expense	-	-	-	-	-	-	-	0.5	0.5
Adjusted EBITDA	$ 7.5	$ (4.5)	$ 0.3	$ 3.3	$ 11.1	$ 6.6	$ (9.5)	$ -	$ 11.5

$ millions, for the three months ended September 30									2015
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (7.7)	$ (55.0)	$ 0.7	$ (62.0)	$ (81.6)	$ 1.0	$ (8.6)	$ (14.7)	$ (165.9)
Add (deduct):									
Depletion, depreciation and amortization	1.5	-	(0.1)	1.4	21.8	8.6	0.8	-	32.6
Impairment of assets	-	-	-	-	80.6	-	-	-	80.6
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	8.4	52.5	(0.3)	60.6	-	-	-	-	60.6
Net finance expense	-	-	-	-	-	-	-	23.9	23.9
Income tax recovery	-	-	-	-	-	-	-	(9.2)	(9.2)
Adjusted EBITDA	$ 2.2	$ (2.5)	$ 0.3	$ -	$ 20.8	$ 9.6	$ (7.8)	$ -	$ 22.6

$ millions, for the nine months ended September 30									2016
	Metals							Adjustment for Joint Venture and Associate	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other		Total
(Loss) earnings from operations, associate and joint venture per financial statements	$ (20.8)	$ (135.9)	$ 0.6	$ (156.1)	$ (19.1)	$ (4.0)	$ (30.2)	$ (59.2)	$ (268.6)
Add (deduct):									
Depletion, depreciation and amortization	7.2	-	-	7.2	34.6	26.1	3.5	-	71.4
Impairment of assets	-	-	-	-	8.5	-	-	-	8.5
Gain on property, plant and equipment and intangibles	-	-	-	-	-	-	-	-	-
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	27.6	104.5	-	132.1	-	-	-	-	132.1
Net finance expense	-	-	-	-	-	-	-	51.0	51.0
Income tax expense	-	-	-	-	-	-	-	8.2	8.2
Adjusted EBITDA	$ 14.0	$ (31.4)	$ 0.6	$ (16.8)	$ 24.0	$ 22.1	$ (26.7)	$ -	$ 2.6

$ millions, for the nine months ended September 30									2015
	Metals							Adjustment for Joint	
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Venture and Associate	Total
Earnings (loss) from operations, associate and joint venture per financial statements	$ 2.4	$ (148.6)	$ 1.1	$ (145.1)	$ (70.4)	$ (0.4)	$ (8.0)	$ (32.8)	$ (256.7)
Add (deduct):									
Depletion, depreciation and amortization	6.9	-	-	6.9	62.0	24.9	2.2	-	96.0
Impairment of assets	-	-	-	-	80.6	-	-	-	80.6
Gain on property, plant and equipment and intangibles	-	-	-	-	-	-	(19.1)	-	(19.1)
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	25.3	148.7	(0.6)	173.4	-	-	-	-	173.4
Net finance expense	-	-	-	-	-	-	-	55.7	55.7
Income tax recovery	-	-	-	-	-	-	-	(22.9)	(22.9)
Adjusted EBITDA	$ 34.6	$ 0.1	$ 0.5	$ 35.2	$ 72.2	$ 24.5	$ (24.9)	$ -	$ 107.0

Average-realized price

Average-realized price is generally calculated by dividing revenue by sales volume for the given product in a given division. The average-realized price for nickel, cobalt, and fertilizer excludes the impact of by-product revenue and the metals marketing company. The average-realized price for oil and gas is based on net working-interest oil plus natural gas production stated in barrels of oil equivalent. Management uses this measure to better understand the price realized in each reporting period for nickel, cobalt, fertilizer, oil and gas, and power.

The tables below reconcile average-realized price to revenue as per the financial statements:

$ millions, except average-realized price and sales volume, for the three months ended September 30							2016
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 95.8	$ 22.5	$ 10.2	$ 14.5	$ 143.0	$ 27.3	$ 14.4
Adjustments to revenue:							
By-product revenue	-	-	-			-	(0.9)
Processing revenue	-	-	-			(1.1)	-
Service concession arrangement revenue	-	-	-			-	(0.9)
Revenue for purposes of average-realized price calculation	95.8	22.5	10.2			26.2	12.6
Sales volume for the period	16.3	1.4	39.3			0.8	226
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 5.88	$ 15.78	$ 260			$ 32.71	$ 55.47

$ millions, except average-realized price and sales volume, for the three months ended September 30							2015
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 129.3	$ 29.7	$ 15.0	$ 19.4	$ 193.4	$ 38.5	$ 14.5
Adjustments to revenue:							
By-product revenue	-	-	-			-	(1.0)
Processing revenue	-	-	-			(1.4)	-
Service concession arrangement revenue	-	-	-			-	(0.1)
Revenue for purposes of average-realized price calculation	129.3	29.7	15.0			37.1	13.4
Sales volume for the period	21.0	1.8	48.7			1.0	242
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 6.16	$ 16.08	$ 308			$ 36.69	$ 55.46

$ millions, except average-realized price and sales volume, for the nine months ended September 30							2016
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 286.9	$ 72.7	$ 54.4	$ 42.5	$ 456.5	$ 78.0	$ 44.9
Adjustments to revenue:							
By-product revenue	-	-	-			-	(2.8)
Processing revenue	-	-	-			(3.2)	-
Service concession arrangement revenue	-	-	-			-	(4.5)
Other	-	-	-			-	-
Revenue for purposes of average-realized price calculation	286.9	72.7	54.4			74.8	37.6
Sales volume for the period	53.7	5.0	158.8			2.7	670
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 5.35	$ 14.47	$ 343			$ 27.50	$ 56.05

$ millions, except average-realized price and sales volume, for the nine months ended September 30							2015
	Metals						
	Nickel	Cobalt	Fertilizer	Other revenue	Total	Oil and Gas	Power
Revenue per financial statements	$ 419.2	$ 81.2	$ 60.5	$ 60.4	$ 621.3	$ 132.1	$ 39.0
Adjustments to revenue:							
By-product revenue	-	-	-			-	(3.0)
Processing revenue	-	-	-			(3.5)	-
Service concession arrangement revenue	-	-	-			-	0.1
Revenue for purposes of average-realized price calculation	419.2	81.2	60.5			128.6	36.1
Sales volume for the period	59.4	5.0	162.8			3.1	676
Volume units	Millions of pounds	Millions of pounds	Thousands of tonnes			Millions of barrels[1]	Gigawatts
Average-realized price[2][3]	$ 7.06	$ 16.17	$ 372			$ 41.66	$ 53.49

For purposes of average-realized price tables, above:

(1) Net working-interest oil production. For additional discussion see Oil and Gas Production and Sales Volume section.

(2) Average-realized price may not calculate based on amounts presented due to foreign exchange and rounding.

(3) Power, average-realized price per MWh.

Unit operating cost

With the exception of Metals, which uses net direct cash cost, unit operating cost is generally calculated by dividing cost of sales as reported in the financial statements, less depreciation, depletion and amortization in cost of sales, the impact of impairment, gains and losses on property, plant, and equipment and exploration and evaluation assets and certain other non-production related costs by the number of units sold.

The Moa Joint Venture's and Ambatovy Joint Venture's net direct cash cost is calculated by dividing cost of sales, as reported in the financial statements, adjusted for the following: depreciation, depletion and amortization in cost of sales; cobalt by-product, fertilizer and other revenue; and other costs primarily related to the impact of opening and closing inventory values, by the number of finished nickel pounds sold in the period, and expressed in U.S. dollars.

Average unit operating costs for oil and gas is based on gross working-interest oil plus natural gas production stated in barrels of oil equivalent.

Unit operating costs for nickel, oil, and electricity are key measures that management uses to monitor performance. Management uses these statistics to assess how well the Corporation's producing mines, oil wells and power facilities are performing and to assess overall efficiency and effectiveness of the mining operations.

The tables below reconcile unit operating cost to cost of sales per the financial statements:

$ millions, except unit cost and sales volume, for the three months ended September 30						2016
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 81.7	$ 84.3	$ 10.9	$ 176.9	$ 23.9	$ 15.3
Less:						
Depletion, depreciation and amortization in cost of sales	(11.5)	(34.0)	-	(45.5)	(10.0)	(8.6)
	70.2	50.3	10.9	131.4	13.9	6.7
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(25.6)	(9.2)			-	-
Impact of opening/closing inventory and other	(1.0)	(0.5)			-	-
Service concession arrangements – Cost of construction	-	-			-	(0.9)
Cost of sales for purposes of unit cost calculation	43.6	40.6			13.9	5.8
Sales volume for the period	9.3	7.0			1.4	226
Volume units	Millions of pounds	Millions of pounds			Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$ 4.69	5.81			$ 9.76	$ 25.55
Unit operating cost (U.S. dollars)	$ 3.55	4.67				

$ millions, except unit cost and sales volume, for the three months ended September 30												2015
				Metals								
		Moa JV and Fort Site		Ambatovy JV		Other		Total		Oil and Gas		Power
Cost of sales per financial statements	$	103.7	$	127.1	$	14.5	$	245.3	$	37.9	$	12.7
Less:												
Depletion, depreciation and amortization in cost of sales		(9.7)		(52.3)		0.2		(61.8)		(21.8)		(8.6)
		94.0		74.8		14.7		183.5		16.1		4.1
Adjustments to cost of sales:												
Cobalt by-product, fertilizer and other revenue		(34.3)		(15.5)						-		-
Impact of opening/closing inventory and other		(5.1)		(0.8)						-		-
Service concession arrangements – Cost of construction		-		-						-		(0.1)
Cost of sales for purposes of unit cost calculation		54.6		58.5						16.1		4.0
Sales volume for the period		10.0		11.0						1.7		242
Volume units		Millions of pounds		Millions of pounds						Millions of barrels[1]		Gigawatts
Unit operating cost[2][3]	$	5.45		5.33					$	9.76	$	17.42
Unit operating cost (U.S. dollars)	$	4.07		4.24								

$ millions, except unit cost and sales volume, for the nine months ended September 30												2016
				Metals								
		Moa JV and Fort Site		Ambatovy JV		Other		Total		Oil and Gas		Power
Cost of sales per financial statements	$	260.2	$	298.2	$	31.8	$	590.2	$	80.7	$	45.6
Less:												
Depletion, depreciation and amortization in cost of sales		(34.7)		(104.2)		(0.1)		(139.0)		(34.5)		(26.0)
		225.5		194.0		31.7		451.2		46.2		19.6
Adjustments to cost of sales:												
Cobalt by-product, fertilizer and other revenue		(99.3)		(33.0)						-		-
Impact of opening/closing inventory and other		(6.8)		(1.7)						-		-
Service concession arrangements – Cost of construction		-		-						-		(4.5)
Cost of sales for purposes of unit cost calculation		119.4		159.3						46.2		15.1
Sales volume for the period		27.4		26.3						4.5		670
Volume units		Millions of pounds		Millions of pounds						Millions of barrels[1]		Gigawatts
Unit operating cost[2][3]	$	4.36		6.07					$	10.24	$	22.34
Unit operating cost (U.S. dollars)	$	3.30		4.79								

$ millions, except unit cost and sales volume, for the nine months ended September 30							2015
		Metals					
		Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$	304.6	$ 392.8	$ 45.8	$ 743.2	$ 116.7	$ 35.9
Less:							
Depletion, depreciation and amortization in cost of sales		(32.1)	(148.3)	0.3	(180.1)	(61.8)	(24.9)
		272.5	244.5	46.1	563.1	54.9	11.0
Adjustments to cost of sales:							
Cobalt by-product, fertilizer and other revenue		(111.8)	(43.1)			-	-
Impact of opening/closing inventory and other		(11.4)	0.7			-	-
Service concession arrangements – Cost of construction		-	-			-	0.1
Cost of sales for purposes of unit cost calculation		149.3	202.1			54.9	11.1
Sales volume for the period		28.1	31.3			5.3	676
Volume units		Millions of pounds	Millions of pounds			Millions of barrels[1]	Gigawatts
Unit operating cost[2][3]	$	5.31	6.46			$ 10.40	$ 16.68
Unit operating cost (U.S. dollars)	$	4.22	5.08				

For purposes of unit operating cost tables, above:

(1) Gross working-interest oil production. For additional discussion, see Oil and Gas Production and Sales Volume section.

(2) Unit operating costs may not calculate based on amounts presented due to rounding and foreign exchange.

(3) Power, unit operating cost per MWh.

Adjusted earnings from continuing operations

The Corporation defines adjusted earnings from continuing operations as earnings from continuing operations less items not reflective of operational performance. These adjusting items include, but are not limited to, the Ambatovy call option fair value adjustment, impairment of assets, gains and losses on the acquisition or disposition of assets, gains and losses on unrealized foreign exchange, and other one-time adjustments. While some adjustments are recurring (such as unrealized foreign exchange (gain) loss), management believes that they do not reflect the Corporation's operational performance or future operational performance. Management believes that these measures, which are used internally to monitor operational performance, provide investors the ability to better assess the Corporation's operations.

The table below reconciles adjusted earnings net earnings (loss) per the financial statements:

	For the three months ended		For the nine months ended	
	2016	2015	2016	2015
$ millions	September 30	September 30	September 30	September 30
Net loss from continuing operations	$ (120.8)	$ (210.0)	$ (272.2)	$ (314.4)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - Continuing	12.8	10.2	(61.6)	26.0
Corporate - Gain on repurchase of debentures	-	-	(12.6)	-
Corporate - Call option fair value adjustment	-	13.7	-	17.7
Corporate - Gain on sale of corporate office	-	-	-	(19.1)
Ambatovy - VAT adjustment	(2.9)	-	(13.2)	(4.5)
Ambatovy - Inventory impairment	-	3.0	-	7.3
Ambatovy - Arbitration Award costs	-	4.5	-	4.5
Oil and Gas - Deferred consideration	-	-	(2.7)	-
Oil and Gas - Impairment	8.5	80.6	8.5	80.6
Severance	-	2.2	-	2.2
Total adjustments, before tax	$ 18.4	$ 114.2	$ (81.6)	$ 114.7
Moa joint venture and Oil and Gas Cuban tax recovery	-	-	-	(43.3)
Moa joint venture Deferred tax asset write-off	-	-	7.7	-
Other tax adjustments	(1.9)	4.4	(1.9)	5.4
Adjusted net loss from continuing operations	$ (104.3)	$ (91.4)	$ (348.0)	$ (237.6)

Combined adjusted operating cash flow per share

The Corporation defines combined adjusted operating cash flow per share as cash provided (used) by continuing operations adjusted for dividends received from joint venture and associate and before net changes in non-cash working capital divided by the weighted average number of outstanding shares during the period.

Combined adjusted operating cash flow per share is used by management to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Corporation.

The tables below reconcile combined adjusted operating cash flow per share to the consolidated statement of cash flow:

$ millions, except per share amounts, for the three months ended September 30										2016
	Metals								Adjustment for Joint Venture and Associate	Total derived from financial statements
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Combined total		
Cash provided (used) by continuing operations	$ 25.6	$ (11.4)	$ (5.4)	$ 8.8	$ 54.5	$ 5.5	$ (21.4)	$ 47.4	$ 12.9	$ 60.3
Adjust: net change in non-cash working capital	(18.8)	6.5	5.8	(6.5)	(46.3)	3.7	4.7	(44.4)	(14.0)	(58.4)
Adjusted continuing operating cash flow	6.8	(4.9)	0.4	2.3	8.2	9.2	(16.7)	3.0	(1.1)	1.9
Combined adjusted operating cash flow per share[1]	$ 0.03	$ (0.01)	$ -	$ 0.02	$ 0.03	$ 0.03	$ (0.05)	$ 0.03	$ (0.01)	$ 0.02

(1) The weighted average number of common shares for the quarter was 293.9 million shares.

$ millions, except per share amounts, for the three months ended September 30										2015
	Metals								Adjustment for Joint Venture and Associate	Total derived from financial statements
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Combined total		
Cash (used) provided by continuing operations	$ 22.3	$ (21.8)	$ 0.4	$ 0.9	$ 47.2	$ 15.6	$ (22.3)	$ 41.4	$ 27.1	$ 68.5
Adjust: net change in non-cash working capital	(21.6)	16.0	(0.2)	(5.8)	(27.7)	(2.3)	5.1	(30.7)	(22.8)	(53.5)
Adjusted continuing operating cash flow	0.7	(5.8)	0.2	(4.9)	19.5	13.3	(17.2)	10.7	4.3	15.0
Combined adjusted operating cash flow per share[(1)]	$ -	$ (0.02)	$ -	$ (0.02)	$ 0.07	$ 0.05	$ (0.06)	$ 0.04	$ 0.01	$ 0.05

(1) The weighted average number of common shares for the quarter was 293.8 million shares.

$ millions, except per share amounts, for the nine months ended September 30										2016
	Metals								Adjustment for Joint Venture and Associate	Total derived from financial statements
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Combined total		
Cash (used) provided by continuing operations	$ 14.2	$ (33.8)	$ (0.2)	$ (19.8)	$ 65.0	$ 11.3	$ (65.3)	$ (8.8)	$ 33.0	$ 24.2
Adjust: net change in non-cash working capital	(3.9)	(14.0)	0.8	(17.1)	(44.9)	9.9	5.9	(46.2)	14.5	(31.7)
Adjusted continuing operating cash flow	10.3	(47.8)	0.6	(36.9)	20.1	21.2	(59.4)	(55.0)	47.5	(7.5)
Combined adjusted operating cash flow per share[(1)]	$ 0.04	$ (0.16)	$ -	$ (0.12)	$ 0.07	$ 0.07	$ (0.20)	$ (0.18)	$ 0.16	$ (0.02)

(1) The weighted average number of common shares for the year was 293.9 million shares.

$ millions, except per share amounts, for the nine months ended September 30										2015
	Metals								Adjustment for Joint Venture and Associate	Total derived from financial statements
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	Combined total		
Cash provided (used) by continuing operations	$ 32.3	$ (2.0)	$ 2.7	$ 33.0	$ 50.6	$ 55.0	$ (80.4)	$ 58.2	$ (4.5)	$ 53.7
Adjust: net change in non-cash working capital	(10.5)	(0.2)	(2.2)	(12.9)	15.8	4.4	26.9	34.2	2.3	36.5
Adjusted continuing operating cash flow	21.8	(2.2)	0.5	20.1	66.4	59.4	(53.5)	92.4	(2.2)	90.2
Combined adjusted operating cash flow per share[(1)]	$ 0.07	$ (0.01)	$ -	$ 0.06	$ 0.23	$ 0.20	$ (0.18)	$ 0.31	$ (0.01)	$ 0.30

(1) The weighted average number of common shares for the year was 293.6 million shares.

Combined free cash flow

The Corporation defines combined free cash flow as cash flow provided (used) by continuing operations adjusted for dividends received from joint venture and associate less cash spending on property plant and equipment, exploration and evaluation, and intangible expenditures.

Management uses free cash flow as a non-GAAP measure to analyze cash flows generated from operations. Free cash flow should be viewed as a measure that provides supplemental information to the Corporation's condensed consolidated statements of cash flow, as reconciled below.

$ millions, for the three months ended September 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture and Associate	2016 Total derived from financial statements
Cash (used) provided by continuing operations	$ 25.6	$ (11.4)	$ (5.4)	$ 8.8	$ 54.5	$ 5.5	$ (21.4)	$ 47.4	$ 12.9	$ 60.3
Less:										
Property, plant and equipment expenditures	(8.3)	(10.4)	-	(18.7)	(0.7)	(0.4)	-	(19.8)	14.5	(5.3)
Intangible Expenditures	-	-	-	-	(7.3)	-	-	(7.3)	-	(7.3)
Free Cash Flow	$ 17.3	$ (21.8)	$ (5.4)	$ (9.9)	$ 46.5	$ 5.1	$ (21.4)	20.3	$ 27.4	$ 47.7

$ millions, for the three months ended September 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture and Associate	2015 Total derived from financial statements
Cash provided (used) by continuing operations	$ 22.3	$ (21.8)	$ 0.4	$ 0.9	$ 47.2	$ 15.6	$ (22.3)	$ 41.4	$ 27.1	$ 68.5
Less:										
Property, plant and equipment expenditures	(19.2)	(16.2)	-	(35.4)	(10.7)	(0.9)	(1.1)	(48.1)	31.6	(16.5)
Intangible expenditures	-	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Free Cash Flow	$ 3.1	$ (38.0)	$ 0.4	$ (34.5)	$ 35.7	$ 14.7	$ (23.4)	(7.5)	$ 58.7	$ 51.2

$ millions, for the nine months ended September 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture and Associate	2016 Total derived from financial statements
Cash (used) provided by continuing operations	$ 14.2	$ (33.8)	$ (0.2)	$ (19.8)	$ 65.0	$ 11.3	$ (65.3)	$ (8.8)	$ 33.0	$ 24.2
Less:										
Property, plant and equipment expenditures	(27.5)	(11.5)	-	(39.0)	(8.7)	(0.6)	(0.1)	(48.4)	28.2	(20.2)
Intangible Expenditures	-	-	-	-	(9.2)	-	-	(9.2)	-	(9.2)
Free Cash Flow	$ (13.3)	$ (45.3)	$ (0.2)	$ (58.8)	$ 47.1	$ 10.7	$ (65.4)	(66.4)	$ 61.2	$ (5.2)

$ millions, for the nine months ended September 30	Metals: Moa JV and Fort Site	Metals: Ambatovy JV	Metals: Other	Metals: Total	Oil and Gas	Power	Corporate and Other	Combined total	Adjustment for Joint Venture and Associate	2015 Total derived from financial statements
Cash provided (used) by continuing operations	$ 32.3	$ (2.0)	$ 2.7	$ 33.0	$ 50.6	$ 55.0	$ (80.4)	$ 58.2	$ (4.5)	$ 53.7
Less:										
Property, plant and equipment expenditures	(42.6)	(31.8)	-	(74.4)	(51.5)	(2.3)	(3.3)	(131.5)	63.2	(68.3)
Intangible expenditures	-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Free Cash Flow	$ (10.3)	$ (33.8)	$ 2.7	$ (41.4)	$ (1.8)	$ 52.7	$ (83.7)	(74.2)	$ 58.7	$ (15.5)

Net Investment in Ambatovy

The table below reconciles the Net Investment in Ambatovy to the consolidated statement of financial position at December 31, 2015.

Audited, Canadian $ millions, as at	2015 December 31	Investment in Associate	Ambatovy Subordinated Loan Receivable	Non-recourse Ambatovy JV Partner Loans	Adjusted 2015 December 31
ASSETS					
Current assets	$ 820.4	$ -	$ -	$ -	$ 820.4
Non- current assets					
Advances, loans receivable and other financial assets	1,600.5	-	(1,187.2)	-	413.3
Investment in an associate	757.3	(757.3)	-	-	-
Net investment in Ambatovy	-	757.3	1,187.2	(1,303.2)	641.3
Other non-current assets	911.8	-	-	-	911.8
Total assets	$ 4,090.0	$ -	$ -	$ (1,303.2)	$ 2,786.8
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	$ 212.1	$ -	$ -	$ -	$ 212.1
Non- current liabilities					
Non-recourse loans and borrowings	1,303.2	-	-	(1,303.2)	-
Loans and borrowings	868.7	-	-	-	868.7
Other non-current liabilities	148.9	-	-	-	148.9
Total liabilities	2,532.9	-	-	(1,303.2)	1,229.7
Shareholders' equity	1,557.1	-	-	-	1,557.1
Total liabilities and shareholders' equity	$ 4,090.0	$ -	$ -	$ (1,303.2)	$ 2,786.8
Total debt-to-capital (1)	59%				38%

(1) Calculated as total debt divided by the sum of total debt and shareholder's' equity.

FORWARD- LOOKING STATEMENTS

This MD&A 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 MD&A and certain expectations about capital costs and expenditures; production volumes; capital project completion and ramp up dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; results of on-going discussions regarding the partnership structure and future financing arrangements at the Ambatovy Joint Venture; results of discussions regarding timing of ongoing Cuban payments; completion of development and exploration wells; and amounts of certain joint venture commitments.

Forward-looking statements are not based on historic facts, but rather on current expectations, assumptions and projections about future events. 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 MD&A 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 and access to capital resources, access to financing, risk of future non-compliance with debt restrictions and covenants; risks associated with the Corporation's joint venture partners; discrepancies between actual and estimated production; variability in production at Sherritt's operations in Madagascar and Cuba; risks associated with the ramp-up of Moa Joint Venture Acid Plant; 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; uncertainties in environmental 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 Madagascar and 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 amounts owed to the Corporation by the Malagasy and Cuban governments; risks related to the accuracy of capital and operating cost estimates; reliance on significant customers; 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; maintaining the Corporation's social license to grow and operate; risks relating to community relations; 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; 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; and certain corporate objectives, goals and plans for 2016; and the Corporation's ability to meet other factors listed from time to time in the Corporation's continuous disclosure documents. 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 MD&A and in the Corporation's other documents filed with the Canadian securities authorities.

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 MD&A 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 MD&A 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.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2016 and 2015

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts	Note	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Revenue		**$ 58.5**	$ 76.9	**$ 191.8**	$ 259.4
Cost of sales	5	**(59.2)**	(77.9)	**(194.5)**	(245.2)
Administrative expenses	5	**(13.5)**	(9.3)	**(39.7)**	(33.2)
Impairment of Oil assets	14	**(8.5)**	(80.6)	**(8.5)**	(80.6)
Gain on sale of Corporate assets		**–**	-	**–**	19.1
Share of loss of an associate, net of tax	6	**(55.9)**	(68.6)	**(180.7)**	(173.5)
Share of loss of a joint venture, net of tax	7	**(3.5)**	(6.4)	**(37.0)**	(2.7)
Loss from operations, associate and joint venture		**(82.1)**	(165.9)	**(268.6)**	(256.7)
Financing income	8	**16.2**	11.3	**64.5**	51.9
Financing expense	8	**(55.1)**	(51.3)	**(65.7)**	(145.5)
Net finance expense		**(38.9)**	(40.0)	**(1.2)**	(93.6)
Loss before tax		**(121.0)**	(205.9)	**(269.8)**	(350.3)
Income tax recovery (expense)	9	**0.2**	(4.1)	**(2.4)**	35.9
Net loss from continuing operations		**(120.8)**	(210.0)	**(272.2)**	(314.4)
Loss from discontinued operations, net of tax		**–**	-	**–**	(5.0)
Net loss for the period		**$ (120.8)**	$ (210.0)	**$ (272.2)**	$ (319.4)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	17	**20.7**	233.0	**(143.3)**	460.4
Items that will not be subsequently reclassified to profit or loss:					
Actuarial gains (losses) on pension plans, net of tax	17	**0.4**	(0.4)	**0.5**	(0.2)
Other comprehensive income (loss)		**21.1**	232.6	**(142.8)**	460.2
Total comprehensive (loss) income		**$ (99.7)**	$ 22.6	**$ (415.0)**	$ 140.8
Net loss from continuing operations per common share, basic and diluted	11	**$ (0.41)**	$ (0.72)	**$ (0.93)**	$ (1.07)
Net loss per common share, basic and diluted	11	**$ (0.41)**	$ (0.72)	**$ (0.93)**	$ (1.09)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statements of financial position

Unaudited, Canadian $ millions, as at	Note	2016 September 30	2015 December 31
ASSETS			
Current assets			
Cash and cash equivalents	12	**$ 211.2**	$ 230.6
Short-term investments	12	**134.0**	204.8
Advances, loans receivable and other financial assets	13	**80.1**	82.7
Trade accounts receivable, net	12	**267.0**	258.3
Inventories		**37.7**	38.0
Prepaid expenses		**5.9**	6.0
		735.9	820.4
Non-current assets			
Advances, loans receivable and other financial assets	13	**1,455.1**	1,600.5
Other non-financial assets		**1.0**	0.8
Property, plant and equipment	14	**310.0**	351.1
Investment in an associate	6	**787.3**	757.3
Investment in a joint venture	7	**341.7**	404.2
Intangible assets		**143.7**	154.8
		3,038.8	3,268.7
Assets held for sale		**0.9**	0.9
Total assets		**$ 3,775.6**	$ 4,090.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other loans and borrowings	15	**$ 45.0**	$ 91.2
Trade accounts payable and accrued liabilities		**159.2**	73.6
Income taxes payable		**2.8**	2.4
Other financial liabilities	15	**2.9**	1.5
Deferred revenue		**20.1**	24.6
Provisions	16	**12.0**	18.8
		242.0	212.1
Non-current liabilities			
Non-recourse loans and borrowings	15	**1,284.0**	1,303.2
Other loans and borrowings	15	**812.2**	868.7
Other financial liabilities	15	**137.8**	1.9
Deferred revenue		**3.6**	3.8
Provisions	16	**115.6**	107.8
Deferred income taxes		**28.8**	35.4
		2,382.0	2,320.8
Total liabilities		**2,624.0**	2,532.9
Shareholders' equity			
Capital stock	17	**2,775.3**	2,775.3
Deficit		**(2,614.8)**	(2,342.6)
Reserves	17	**234.4**	224.9
Accumulated other comprehensive income	17	**756.7**	899.5
		1,151.6	1,557.1
Total liabilities and shareholders' equity		**$ 3,775.6**	$ 4,090.0

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statements of cash flow

Unaudited, Canadian $ millions	Note	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Operating activities					
Net loss from continuing operations		$ **(120.8)**	$ (210.0)	$ **(272.2)**	$ (314.4)
Add (deduct):					
Depletion, depreciation and amortization		**23.0**	32.6	**71.4**	96.0
Share of loss of an associate, net of tax	6	**55.9**	68.6	**180.7**	173.5
Share of loss of a joint venture, net of tax	7	**3.5**	6.4	**37.0**	2.7
Loss on impairment of assets		**8.5**	80.6	**8.5**	80.6
Net finance expense (less accretion expense)	8	**38.8**	39.8	**0.7**	92.8
Income tax (recovery) expense	9	**(0.2)**	4.1	**2.4**	(35.9)
Service concession arrangement		**(0.9)**	-	**(4.5)**	-
Gain on sale of Corporate assets		**–**	-	**–**	(19.1)
Net change in non-cash working capital	18	**58.4**	53.5	**31.7**	(36.5)
Interest received		**4.7**	5.2	**7.4**	45.9
Interest paid		**(10.0)**	(9.2)	**(40.8)**	(38.5)
Income tax paid		**(2.7)**	(2.2)	**(6.7)**	(7.0)
Dividends received from joint venture		**–**	-	**–**	12.5
Liabilities settled for environmental rehabilitation provisions		**(0.4)**	-	**(0.9)**	-
Other operating items	18	**2.5**	(0.9)	**9.5**	1.1
Cash provided by continuing operations		**60.3**	68.5	**24.2**	53.7
Cash used by discontinued operations	10	**(0.8)**	(0.1)	**(6.8)**	(3.7)
Cash provided by operating activities		**59.5**	68.4	**17.4**	50.0
Investing activities					
Property, plant and equipment expenditures		**(5.3)**	(16.5)	**(20.2)**	(68.3)
Intangible asset expenditures		**(7.3)**	(0.8)	**(9.2)**	(0.9)
Increase in advances, loans receivable and other financial assets		**–**	(17.1)	**–**	(17.1)
Receipt of advances, loans receivable and other financial assets		**0.4**	10.9	**1.3**	30.2
Loans to an associate		**–**	(91.8)	**–**	(135.7)
Net proceeds from sale of Corporate assets		**–**	-	**–**	21.2
Net proceeds from sale of property, plant and equipment		**–**	-	**–**	0.1
Proceeds from short-term investments		**45.9**	35.0	**70.8**	207.6
Cash provided (used) by continuing operations		**33.7**	(80.3)	**42.7**	37.1
Cash used by discontinued operations	10	**–**	-	**–**	-
Cash provided (used) by investing activities		**33.7**	(80.3)	**42.7**	37.1
Financing activities					
Repayment of loans, borrowings and other financial liabilities		**(0.5)**	(0.4)	**(63.7)**	(1.2)
Increase in loans, borrowings and other financial liabilities		**–**	25.0	**–**	25.0
Fees paid on debenture extension	15	**(14.6)**	-	**(14.6)**	-
Issuance of common shares		**–**	0.7	**–**	0.7
Dividends paid on common shares		**–**	(3.0)	**–**	(9.0)
Cash (used) provided by continuing operations		**(15.1)**	22.3	**(78.3)**	15.5
Cash used by discontinued operations	10	**–**	-	**–**	-
Cash (used) provided by financing activities		**(15.1)**	22.3	**(78.3)**	15.5
Effect of exchange rate changes on cash and cash equivalents		**0.4**	0.1	**(1.2)**	2.6
Increase (decrease) in cash and cash equivalents		**78.5**	10.5	**(19.4)**	105.2
Cash and cash equivalents at beginning of the period		**132.7**	256.3	**230.6**	161.6
Cash and cash equivalents at end of the period	12	$ **211.2**	$ 266.8	$ **211.2**	$ 266.8

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statements of changes in shareholders' equity

Unaudited, Canadian $ millions

	Note	Capital stock	Deficit	Reserves	Accumulated other comprehensive income (loss)	Total
Balance as at December 31, 2014		**$ 2,772.9**	**$ (259.9)**	**$ 225.2**	**$ 320.5**	**$ 3,058.7**
Total comprehensive income (loss):						
Net loss for the period		-	(319.4)	-	-	(319.4)
Foreign currency translation differences on foreign operations		-	-	-	460.4	460.4
Actuarial loss on pension plans, net of tax		-	-	-	(0.2)	(0.2)
		-	(319.4)	-	460.2	140.8
Shares issued for:						
Restricted stock plan (vested)		1.6	-	(1.6)	-	-
Employee share purchase plan (vested)		0.8	-	(0.1)	-	0.7
Restricted stock plan expense		-	-	0.1	-	0.1
Stock option plan expense		-	-	1.0	-	1.0
Dividend declared to common shareholders		-	(6.0)	-	-	(6.0)
Balance as at September 30, 2015		**$ 2,775.3**	**$ (585.3)**	**$ 224.6**	**$ 780.7**	**$ 3,195.3**
Total comprehensive income (loss):						
Net loss for the period		-	(1,757.3)	-	-	(1,757.3)
Foreign currency translation differences on foreign operations		-	-	-	118.8	118.8
		-	(1,757.3)	-	118.8	(1,638.5)
Stock option plan expense		-	-	0.3	-	0.3
Balance as at December 31, 2015		**$ 2,775.3**	**$ (2,342.6)**	**$ 224.9**	**$ 899.5**	**$ 1,557.1**
Total comprehensive income (loss):						
Net loss for the period		-	(272.2)	-	-	(272.2)
Foreign currency translation differences on foreign operations	17	-	-	-	(143.3)	(143.3)
Actuarial gain on pension plans, net of tax	17	-	-	-	0.5	0.5
		-	(272.2)	-	(142.8)	(415.0)
Stock option plan expense		-	-	1.3	-	1.3
Warrant issuance	15	-	-	8.2	-	8.2
Balance as at September 30, 2016		**$ 2,775.3**	**$ (2,614.8)**	**$ 234.4**	**$ 756.7**	**$ 1,151.6**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

(All dollar amounts presented in tables are expressed in millions of Canadian dollars except share and per share amounts)

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Sherritt International Corporation ("Sherritt" or the "Corporation") is a 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 is domiciled in Ontario, Canada and its registered office is 181 Bay Street, Toronto, Ontario, M5J 2T3. These interim condensed consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on October 24, 2016. The Corporation is listed on the Toronto Stock Exchange.

2. BASIS OF PRESENTATION

The interim condensed consolidated financial statements of the Corporation are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed. These interim condensed consolidated financial statements include the financial results of the Corporation's interest in its subsidiaries, joint arrangements and associate.

The interim condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities which are presented at fair value. All financial information is presented in Canadian dollars, the Corporation's reporting currency, except as otherwise noted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2015, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from January 1, 2016 and disclosed in the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2015. The adoption of these amendments and interpretations did not have a material impact on the accounting policies, methods of computation or presentation applied by the Corporation. The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Accordingly, the interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2015.

4. SEGMENTED INFORMATION

Business segments

Canadian $ millions, for the three months ended September 30								2016
	Metals							
	Moa JV and Fort Site(1)	Ambatovy JV(2)	Other(3)	Oil and Gas	Power	Corporate and Other(4)	Adjustments for Joint Venture and Associate(5)	Total
Revenue	$ 80.6	$ 51.0	$ 11.4	$ 27.3	$ 14.4	$ (0.2)	$ (126.0)	$ 58.5
Cost of sales	(81.7)	(84.3)	(10.9)	(23.9)	(15.3)	(3.3)	160.2	(59.2)
Administrative expenses	(2.9)	(5.2)	(0.2)	(2.3)	(1.1)	(8.3)	6.5	(13.5)
Impairment of Oil assets	–	–	–	(8.5)	–	–	–	(8.5)
Share of loss of an associate, net of tax	–	–	–	–	–	–	(55.9)	(55.9)
Share of loss of a joint venture, net of tax	–	–	–	–	–	–	(3.5)	(3.5)
(Loss) earnings from operations, associate and joint venture	(4.0)	(38.5)	0.3	(7.4)	(2.0)	(11.8)	(18.7)	(82.1)
Financing income								16.2
Financing expense								(55.1)
Net finance expense								(38.9)
Loss before tax								(121.0)
Income tax recovery								0.2
Net loss from continuing operations								(120.8)
Earnings from discontinued operations, net of tax (note 10)								–
Net loss for the period								(120.8)

Supplementary information								
Depletion, depreciation and amortization	$ 11.5	$ 34.0	$ –	$ 10.0	$ 8.6	$ 2.3	$ (43.4)	$ 23.0
Property, plant and equipment expenditures	8.3	10.4	–	0.7	0.4	–	(14.5)	5.3
Intangible asset expenditures	–	–	–	7.3	–	–	–	7.3
Canadian $ millions, as at September 30								2016
Non-current assets(6)	$ 749.6	$ 2,582.7	$ –	$ 119.9	$ 169.1	$ 8.0	$ (3,175.6)	$ 453.7
Total assets	981.6	2,865.7	65.8	1,187.8	534.4	620.8	(2,480.5)	3,775.6

Canadian $ millions, for the three months ended September 30								2015
	Metals							
	Moa JV and Fort Site(1)	Ambatovy JV(2)	Other(3)	Oil and Gas	Power	Corporate and Other(4)	Adjustments for Joint Venture and Associate(5)	Total
Revenue	$ 97.6	$ 80.8	$ 15.0	$ 38.5	$ 14.5	$ 0.1	$ (169.6)	$ 76.9
Cost of sales	(103.7)	(127.1)	(14.5)	(37.9)	(12.7)	(2.6)	220.6	(77.9)
Administrative expenses	(1.6)	(8.7)	0.2	(1.6)	(0.8)	(6.1)	9.3	(9.3)
Impairment of Oil assets	-	-	-	(80.6)	-	-	-	(80.6)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(68.6)	(68.6)
Share of loss of a joint venture, net of tax	-	-	-	-	-	-	(6.4)	(6.4)
(Loss) earnings from operations, associate and joint venture	(7.7)	(55.0)	0.7	(81.6)	1.0	(8.6)	(14.7)	(165.9)
Financing income								11.3
Financing expense								(51.3)
Net finance expense								(40.0)
Loss before tax								(205.9)
Income tax expense								(4.1)
Net loss from continuing operations								(210.0)
Earnings from discontinued operations, net of tax (note 10)								-
Net loss for the period								(210.0)

Supplementary information								
Depletion, depreciation and amortization	$ 9.8	$ 52.5	$ (0.3)	$ 21.8	$ 8.6	$ 0.8	$ (60.6)	$ 32.6
Property, plant and equipment expenditures	19.2	16.2	-	10.7	0.9	1.1	(31.6)	16.5
Intangible asset expenditures	-	-	-	0.8	-	-	-	0.8
Canadian $ millions, as at December 31								2015
Non-current assets(6)	$ 772.0	$ 2,815.9	$ -	$ 147.6	$ 199.6	$ 11.0	$ (3,440.2)	$ 505.9
Total assets	1,039.8	3,044.1	12.2	1,219.5	548.6	913.8	(2,688.0)	4,090.0

Canadian $ millions, for the nine months ended September 30	Metals							**2016**
	Moa JV and Fort Site[(1)]	**Ambatovy JV**[(2)]	**Other**[(3)]	**Oil and Gas**	**Power**	**Corporate and Other**[(4)]	**Adjustments for Joint Venture and Associate**[(5)]	**Total**
Revenue	$ **246.8**	$ **176.6**	$ **33.1**	$ **78.0**	$ **44.9**	$ **0.5**	$ **(388.1)**	$ **191.8**
Cost of sales	**(260.2)**	**(298.2)**	**(31.8)**	**(80.7)**	**(45.6)**	**(6.9)**	**528.9**	**(194.5)**
Administrative expenses	**(7.4)**	**(14.3)**	**(0.7)**	**(7.9)**	**(3.3)**	**(23.8)**	**17.7**	**(39.7)**
Impairment of Oil assets	**–**	**–**	**–**	**(8.5)**	**–**	**–**	**–**	**(8.5)**
Share of loss of an associate, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(180.7)**	**(180.7)**
Share of loss of a joint venture, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(37.0)**	**(37.0)**
(Loss) earnings from operations, associate and joint venture	**(20.8)**	**(135.9)**	**0.6**	**(19.1)**	**(4.0)**	**(30.2)**	**(59.2)**	**(268.6)**
Financing income								**64.5**
Financing expense								**(65.7)**
Net finance expense								**(1.2)**
Loss before tax								**(269.8)**
Income tax expense								**(2.4)**
Net loss from continuing operations								**(272.2)**
Earnings from discontinued operations, net of tax (note 10)								**–**
Net loss for the period								**(272.2)**
Supplementary information								
Depletion, depreciation and amortization	$ **34.8**	$ **104.5**	$ **–**	$ **34.6**	$ **26.1**	$ **3.5**	$ **(132.1)**	$ **71.4**
Property, plant and equipment expenditures	**27.5**	**11.5**	**–**	**8.7**	**0.6**	**0.1**	**(28.2)**	**20.2**
Intangible asset expenditures	**–**	**–**	**–**	**9.2**	**–**	**–**	**–**	**9.2**
Canadian $ millions, as at September 30								**2016**
Non-current assets[(6)]	$ **749.6**	$ **2,582.7**	$ **–**	$ **119.9**	$ **169.1**	$ **8.0**	$ **(3,175.6)**	$ **453.7**
Total assets	**981.6**	**2,865.7**	**65.8**	**1,187.8**	**534.4**	**620.8**	**(2,480.5)**	**3,775.6**

Canadian $ millions, for the nine months ended September 30	Metals							2015
	Moa JV and Fort Site[(1)]	Ambatovy JV[(2)]	Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue	$ 311.5	$ 262.1	$ 47.7	$ 132.1	$ 39.0	$ 0.8	$ (533.8)	$ 259.4
Cost of sales	(304.6)	(392.8)	(45.8)	(116.7)	(35.9)	(6.2)	656.8	(245.2)
Administrative expenses	(4.5)	(17.9)	(0.8)	(5.2)	(3.5)	(21.7)	20.4	(33.2)
Impairment of Oil assets	-	-	-	(80.6)	-	-	-	(80.6)
Gain on sale of Corporate assets	-	-	-	-	-	19.1	-	19.1
Share of loss of an associate, net of tax	-	-	-	-	-	-	(173.5)	(173.5)
Share of loss of a joint venture, net of tax	-	-	-	-	-	-	(2.7)	(2.7)
Earnings (loss) from operations, associate and joint venture	2.4	(148.6)	1.1	(70.4)	(0.4)	(8.0)	(32.8)	(256.7)
Financing income								51.9
Financing expense								(145.5)
Net finance expense								(93.6)
Loss before tax								(350.3)
Income tax recovery								35.9
Net loss from continuing operations								(314.4)
Loss from discontinued operations, net of tax (note 10)								(5.0)
Net loss for the period								(319.4)
Supplementary information								
Depletion, depreciation and amortization	$ 32.2	$ 148.7	$ (0.6)	$ 62.0	$ 24.9	$ 2.2	$ (173.4)	$ 96.0
Property, plant and equipment expenditures	42.6	31.8	-	51.5	2.3	3.3	(63.2)	68.3
Intangible asset expenditures	-	-	-	0.9	-	-	-	0.9
Canadian $ millions, as at December 31								2015
Non-current assets[(6)]	$ 772.0	$ 2,815.9	$ -	$ 147.6	$ 199.6	$ 11.0	$ (3,440.2)	$ 505.9
Total assets	1,039.8	3,044.1	12.2	1,219.5	548.6	913.8	(2,688.0)	4,090.0

(1) Included in the Moa JV and Fort Site segment are the operations of the Corporation's 50% interest in the Moa Joint Venture and its 100% interest in the utility and fertilizer operations in Fort Saskatchewan.

(2) Included in the Ambatovy JV segment are the operations of the Corporation's 40% interest in the Ambatovy Joint Venture.

(3) Included in the Metals Other segment are the operations of three wholly-owned subsidiaries of the Corporation established to buy, market and sell certain Ambatovy Joint Venture and Moa Joint Venture nickel and cobalt production.

(4) Revenues from Corporate and Other primarily relate to sales from the Corporation's metallurgical technologies business. Also included in the Corporate and Other segment are the operations of wholly-owned subsidiaries of the Corporation established to finance the Ambatovy Joint Venture.

(5) The Adjustments for Joint Venture and Associate reflect the adjustments for equity-accounted investments in the Ambatovy Joint Venture and Moa Joint Venture.

(6) Non-current assets are composed of property, plant and equipment and intangible assets.

Geographic information

Canadian $ millions, as at		**2016**		**September 30**		2015		December 31
		Non-current assets[1]		**Total assets[2]**		Non-current assets[1]		Total assets[2]
North America	**$**	**168.6**	**$**	**963.1**	$	165.0	$	1,070.8
Cuba		**266.9**		**868.0**		324.4		1,002.0
Madagascar		**1.1**		**1,860.0**		1.3		1,975.4
Europe		**16.3**		**61.4**		14.2		20.4
Asia		**0.8**		**20.9**		1.0		2.6
Other		**–**		**2.2**		-		18.8
	$	**453.7**	**$**	**3,775.6**	$	505.9	$	4,090.0

(1) Non-current assets are composed of property, plant and equipment and intangible assets and exclude the non-current assets of equity accounted investments.

(2) For its geographic information, the Corporation has allocated assets based on their physical location.

		For the three months ended				For the nine months ended		
		2016		2015		**2016**		2015
Canadian $ millions		**September 30**		September 30		**September 30**		September 30
		Total revenue[1]		Total revenue[1]		**Total revenue[1]**		Total revenue[1]
North America	**$**	**16.1**	$	23.0	**$**	**62.9**	$	85.9
Cuba		**39.9**		50.3		**117.3**		160.8
Madagascar		**0.6**		0.4		**1.6**		1.3
Europe		**1.4**		2.4		**8.6**		9.3
Asia		**0.4**		0.4		**1.0**		1.0
Other		**0.1**		0.4		**0.4**		1.1
	$	**58.5**	$	76.9	**$**	**191.8**	$	259.4

(1) For its geographic information, the Corporation has allocated revenue based on the location of the customer. Revenue excludes the revenue of equity accounted investments.

Revenue components

		For the three months ended				For the nine months ended		
		2016		2015		**2016**		2015
Canadian $ millions		**September 30**		September 30		**September 30**		September 30
		Total revenue[1]		Total revenue[1]		**Total revenue[1]**		Total revenue[1]
Nickel	**$**	**8.8**	$	13.9	**$**	**28.5**	$	44.4
Fertilizer		**6.2**		9.3		**37.1**		40.7
Oil and gas		**26.3**		37.2		**74.8**		128.6
Power		**12.6**		13.4		**37.6**		36.1
Other		**4.6**		3.1		**13.8**		9.6
	$	**58.5**	$	76.9	**$**	**191.8**	$	259.4

(1) Revenue excludes the revenue of equity accounted investments.

5. EXPENSES

Cost of sales includes the following:

	For the three months ended		For the nine months ended	
	2016	2015	**2016**	2015
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Employee costs	**$ 16.6**	$ 11.5	**$ 50.1**	$ 46.4
Depletion, depreciation and amortization	**22.4**	31.8	**69.4**	93.9
Raw materials and consumables	**9.1**	12.6	**25.4**	37.9
Repairs and maintenance	**10.3**	15.8	**28.4**	49.9
Freight and shipping costs	**3.6**	4.3	**11.9**	13.0
Construction costs	**0.9**	-	**4.5**	-
Other	**(3.7)**	1.9	**4.8**	4.1
	$ 59.2	$ 77.9	**$ 194.5**	$ 245.2

Administrative expenses include the following:

	For the three months ended		For the nine months ended	
	2016	2015	**2016**	2015
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Employee costs	**$ 7.3**	$ 6.5	**$ 23.1**	$ 23.2
Severance	**0.1**	2.2	**1.4**	2.2
Depreciation	**0.6**	0.8	**2.0**	2.1
Stock-based compensation expense (recovery)	**2.4**	(3.0)	**5.9**	(1.8)
Consulting services and audit fees	**1.5**	1.5	**5.6**	3.9
Other	**1.6**	1.3	**1.7**	3.6
	$ 13.5	$ 9.3	**$ 39.7**	$ 33.2

6. INVESTMENT IN AN ASSOCIATE

Deferral of principal repayment on Ambatovy Joint Venture financing

In August 2016, the Ambatovy Joint Venture financing lenders agreed to up to six principal payment deferrals totaling US$565.1 million (100% basis), which are to be repaid on a schedule starting in June 2021, or earlier subject to cash flow generation. Until June 2019, the Ambatovy Joint Venture will pay semi-annual interest payments only and will not make semi-annual principal payments unless there is sufficient free cash flow after required deductions. Deferred principal will be subject to an additional 2% accrued interest calculated from the date of each deferral. Total principal repayments were nil for the three and nine months ended September 30, 2016 as a result of this deferral (nil and US$109.9 million for the three and nine months ended September 30, 2015). Interest payments of US$0.4 million and US$27.1 million were made to the lenders during the three and nine months ended September 30, 2016 (US$24.3 million for the three and nine months ended September 30, 2015).

Ambatovy Joint Venture funding and Shareholders Agreement

Total post-financial completion cash funding provided by Sumitomo and KORES is US$153.0 million, pursuant to total post-financial completion cash calls of US$255.0 million, with cash funding of US$81.0 million and US$123.0 million provided during the three and nine months ended September 30, 2016, respectively. Sherritt has not funded any portion of these cash calls, and continues not to fund. Sherritt's unfunded amounts remain payable. These amounts will be subtracted from future Ambatovy Joint Venture distributions, or may be set off against other amounts owed to Sherritt. Sherritt also has the option to pay the amounts in cash at any time, at Sherritt's election. Until the funding deficit is addressed, and subject to continued discussions with the Ambatovy Joint Venture partners, Sherritt will not exercise its Ambatovy Joint Venture voting rights. Sherritt has the ability to cure the underfunding and regain their voting rights at any time. Therefore, it is the Corporation's judgment that it continues to have significant influence over the Ambatovy Joint Venture.

By agreement amongst the partners, Sherritt is not considered to be a defaulting shareholder under the Shareholders Agreement for amounts not funded through January 15, 2017, while discussions continue regarding the partnership structure and future funding arrangements. As part of this agreement, shareholder funding contributed from and including December 15, 2015, will accrue interest at a rate of LIBOR plus 8.0% and will be paid in priority to the subordinated loans payable. Repayments of principal and interest will not be made prior to certain conditions being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. As at September 30, 2016, the shareholder funding contributed from and including December 15, 2015 amounts to US$153.0 million and has been recognized in the Ambatovy Joint Venture's statement of financial position as Ambatovy subordinated loans payable – post-financial completion.

The following provides additional information relating to the Corporation's 40% interest in the Ambatovy Joint Venture:

Statement of financial position

Canadian $ millions, 100% basis, as at	**2016 September 30**	2015 December 31
Assets		
Cash and cash equivalents	**$ 74.8**	$ 39.6
Other current assets	**14.2**	12.9
Trade accounts receivable, net	**101.5**	89.6
Inventories	**380.7**	426.2
Other non-current assets(1)	**139.2**	5.8
Property, plant and equipment	**6,454.0**	7,036.5
Total assets	**7,164.4**	7,610.6
Liabilities		
Trade accounts payable and accrued liabilities	**342.3**	317.5
Income taxes payable	**20.5**	15.8
Current portion of loans and borrowings:		
Ambatovy Joint Venture financing(4)	**247.1**	260.7
Ambatovy revolving credit facility(2)	**53.1**	60.6
Non-current portion of loans and borrowings:		
Ambatovy Joint Venture financing(4)	**1,820.0**	1,927.9
Ambatovy subordinated loans payable(3)	**2,225.7**	3,009.1
Ambatovy subordinated loans payable - post-financial completion(5)	**203.1**	-
Environmental rehabilitation provision	**142.7**	117.6
Other non-current liabilities(1)	**141.7**	8.2
Total liabilities	**5,196.2**	5,717.4
Net assets	**$ 1,968.2**	$ 1,893.2

(1) As at September 30, 2016, the Ambatovy Joint Venture has recognized a financial asset relating to its right to receive outstanding shareholder funding from the Corporation (note 15). The Ambatovy Joint Venture has also recognized a financial liability relating to future distributions payable to the Corporation if and when the funding deficit is cured (note 13). This financial liability has not been included within the Ambatovy subordinated loans payable as the funding has not yet been provided by the Corporation.

(2) The Ambatovy revolving credit facility is a Malagasy Ariary (MGA) 126.0 billion ($53.1 million) revolving credit facility agreement with local financial institutions (December 31, 2015 – MGA 140.0 billion ($60.6 million)) which matures on July 31, 2017. The facility bears interest rates between 9.00% and 11.85% and is subordinated to the Ambatovy Joint Venture financing.

(3) During the nine months ended September 30, 2016, US$510.0 million of the Ambatovy Joint Venture subordinated loans payable was converted to equity which, at the Corporation's 40% share, resulted in a US$204.0 million ($284.1 million) decrease in the Corporation's subordinated loans receivable. The Corporation has recorded its share of the related subordinated loans receivable within advances, loans receivable and other financial assets (note 13). There was no change to the Corporation's ownership interest as a result of the conversion.

(4) During the three months ended September 30, 2016, the Ambatovy Joint Venture capitalized US$8.7 million ($11.4 million) of financing costs relating to the deferral of principal repayments on Ambatovy Joint Venture financing.

(5) The subordinated loans payable – post-financial completion are comprised of Ambatovy Joint Venture partner contributions from and including December 15, 2015, and accrues interest at a rate of LIBOR plus 8.0%.

Reconciliation of Ambatovy Joint Venture's net assets to the carrying value of investment in an associate recognized in the interim condensed consolidated statements of financial position:

Canadian $ millions, as at	2016 September 30	2015 December 31
Net assets of Ambatovy Joint Venture	$ **1,968.2**	$ 1,893.2
Proportion of Sherritt's ownership interest	**40%**	40%
Carrying value of investment in an associate	$ **787.3**	$ 757.3

Results of operations

	For the three months ended		For the nine months ended	
Canadian $ millions, 100% basis	**2016 September 30**	2015 September 30	**2016 September 30**	2015 September 30
Revenue	$ **127.5**	$ 201.5	$ **441.4**	$ 655.0
Cost of sales(1)	**(210.8)**	(317.6)	**(745.6)**	(981.9)
Administrative expenses	**(13.0)**	(21.8)	**(35.7)**	(45.7)
Operating loss	**(96.3)**	(137.9)	**(339.9)**	(372.6)
Financing income	**(0.7)**	-	**1.1**	0.1
Financing expense(2)	**(59.2)**	(82.5)	**(161.7)**	(195.5)
Net finance expense	**(59.9)**	(82.5)	**(160.6)**	(195.4)
Loss before tax	**(156.2)**	(220.4)	**(500.5)**	(568.0)
Income tax recovery	**–**	18.9	**–**	53.1
Net loss and comprehensive loss for the period	$ **(156.2)**	$ (201.5)	$ **(500.5)**	$ (514.9)

(1) Included in cost of sales for the three and nine months ended September 30, 2016 is depreciation and amortization of $85.0 million and $260.4 million, respectively ($130.9 million and $370.8 million for the three and nine months ended September 30, 2015).

(2) The Ambatovy Joint Venture has a value added tax (VAT) receivable of $22.7 million (December 31, 2015 - $15.5 million) from the government of Madagascar. The VAT receivable is net of a provision of $150.6 million (December 31, 2015 - $251.3 million) reflecting an assessment of the likelihood of receipt of these amounts. During the three and nine months ended September 30, 2016, a gain on the partial reversal of this provision of $7.2 million and $33.0 million, respectively, was recognized in financing expense (nil and $11.5 million, respectively, for the three and nine months ended September 30, 2015).

Reconciliation of Ambatovy Joint Venture's net loss and comprehensive loss to the share of loss of an associate recognized in the interim condensed consolidated statements of comprehensive income (loss):

	For the three months ended		For the nine months ended	
Canadian $ millions	**2016 September 30**	2015 September 30	**2016 September 30**	2015 September 30
Net loss and comprehensive loss of Ambatovy Joint Venture	$ **(156.2)**	$ (201.5)	$ **(500.5)**	$ (514.9)
Proportion of Sherritt's ownership interest	**40%**	40%	**40%**	40%
Total	**(62.5)**	(80.6)	**(200.2)**	(206.0)
Intercompany interest expense elimination	**6.6**	12.0	**19.5**	32.5
Share of loss of an associate, net of tax	$ **(55.9)**	$ (68.6)	$ **(180.7)**	$ (173.5)

7. JOINT ARRANGEMENTS

Investment in a joint venture

The following provides information relating to the Corporation's 50% interest in the Moa Joint Venture:

Statement of financial position

Canadian $ millions, 100% basis, as at	2016 September 30	2015 December 31
Assets		
Cash and cash equivalents	**$ 18.4**	$ 43.7
Other current assets	**11.1**	11.8
Trade accounts receivable, net	**66.9**	72.2
Inventories	**191.9**	208.4
Other non-current assets	**13.2**	13.9
Property, plant and equipment	**1,280.4**	1,349.5
Deferred income taxes(1)	**–**	12.1
Total assets	**1,581.9**	1,711.6
Liabilities		
Trade accounts payable and accrued liabilities	**48.9**	68.3
Income taxes payable	**4.9**	2.9
Other current financial liabilities(2)	**57.3**	59.0
Loans and borrowings(3)	**50.4**	43.9
Environmental rehabilitation provision	**87.8**	80.6
Other non-current financial liabilities(4)	**527.3**	519.9
Deferred income taxes	**27.3**	27.6
Total liabilities	**803.9**	802.2
Net assets	**$ 778.0**	$ 909.4

(1) As at September 30, 2016, the Moa Joint Venture has derecognized its deferred tax asset. As at September 30, 2016, the Moa Joint Venture has tax losses of $79.9 million (December 31, 2015 - $53.8 million) for which a deferred tax asset has not been recognized as the realization of tax losses at Moa Nickel S.A. are not probable. The tax losses have a 5-year carry forward period from the year incurred and are located in Cuba.

(2) Included in other current financial liabilities as at September 30, 2016 is a $56.9 million working capital facility with the Corporation (December 31, 2015 - $56.9 million) (note 13).

(3) Included in loans and borrowings as at September 30, 2016 is a $50.4 million loan for the construction of the Moa Joint Venture acid plant (December 31, 2015 - $43.9 million).

(4) Included in other non-current financial liabilities as at September 30, 2016 is $509.2 million in expansion loans of which $254.6 million are with the Corporation (December 31, 2015 - $511.8 million, $255.9 of which are with the Corporation) (note 13).

Reconciliation of Moa Joint Venture's net assets to the carrying value of investment in a joint venture recognized in the interim condensed consolidated statements of financial position:

Canadian $ millions, as at	2016 September 30	2015 December 31
Net assets of Moa Joint Venture	**$ 778.0**	$ 909.4
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**389.0**	454.7
Intercompany capitalized interest elimination	**(47.3)**	(50.5)
Carrying value of investment in a joint venture	**$ 341.7**	$ 404.2

Results of operations

Canadian $ millions, 100% basis	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Revenue	**$ 150.0**	$ 178.1	**$ 423.0**	$ 543.6
Cost of sales[(1)]	**(151.7)**	(187.6)	**(461.3)**	(529.2)
Administrative expenses	**(2.7)**	(1.9)	**(6.9)**	(5.1)
Operating (loss) profit	**(4.4)**	(11.4)	**(45.2)**	9.3
Financing income	**0.1**	0.1	**0.2**	0.3
Financing expense	**(9.3)**	(9.5)	**(30.6)**	(32.1)
Net finance expense	**(9.2)**	(9.4)	**(30.4)**	(31.8)
Loss before tax	**(13.6)**	(20.8)	**(75.6)**	(22.5)
Income tax (expense) recovery[(2)]	**(1.2)**	3.2	**(16.5)**	3.3
Net loss and comprehensive loss for the period	**$ (14.8)**	$ (17.6)	**$ (92.1)**	$ (19.2)

(1) Included in cost of sales for the three and nine months ended September 30, 2016 is depreciation and amortization of $18.8 million and $55.2 million, respectively (for the three and nine months ended September 30, 2015 - $16.6 million and $50.5 million, respectively).

(2) Included in income tax (expense) recovery for the three and nine months ended September 30, 2016 is an income tax expense of nil and $15.4 million related to the derecognition of the deferred tax asset at Moa Nickel S.A. (nil for the three and nine months ended September 30, 2015).

Reconciliation of Moa Joint Venture's net loss and comprehensive loss to the share of loss of a joint venture recognized in the interim condensed consolidated statements of comprehensive income (loss):

Canadian $ millions	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Net loss and comprehensive loss of Moa Joint Venture	**$ (14.8)**	$ (17.6)	**$ (92.1)**	$ (19.2)
Proportion of Sherritt's ownership interest	**50%**	50%	**50%**	50%
Total	**(7.4)**	(8.8)	**(46.1)**	(9.6)
Intercompany elimination	**3.9**	2.4	**9.1**	6.9
Share of loss of a joint venture, net of tax	**$ (3.5)**	$ (6.4)	**$ (37.0)**	$ (2.7)

Joint operations

The following provides information relating to the Corporation's one-third interest in Energas S.A. (Energas):

Canadian $ millions, as at	2016 September 30 Energas	2015 December 31 Energas
Current assets	**$ 42.6**	$ 25.6
Non-current assets	**153.0**	176.2
Current liabilities	**26.3**	21.4
Non-current liabilities	**83.8**	79.8
Net assets	**$ 85.5**	$ 100.6

Canadian $ millions	For the three months ended 2016 September 30 Energas	2015 September 30 Energas	For the nine months ended 2016 September 30 Energas	2015 September 30 Energas
Revenue	**$ 14.4**	$ 14.4	**$ 44.9**	$ 38.4
Expense	**(14.3)**	(5.4)	**(49.5)**	(15.4)
Net earnings (loss)	**$ 0.1**	$ 9.0	**$ (4.6)**	$ 23.0

8. NET FINANCE INCOME (EXPENSE)

		For the three months ended		For the nine months ended	
		2016	2015	**2016**	2015
Canadian $ millions	Note	**September 30**	September 30	**September 30**	September 30
Revaluation on financial instruments		**$ –**	$ (13.7)	**$ 2.7**	$ (17.7)
Interest income on cash, cash equivalents and short-term investments		**0.6**	0.6	**1.8**	2.2
Interest income on investments		**–**	-	**0.3**	-
Interest income on advances and loans receivable		**15.6**	24.4	**47.1**	67.4
Gain on repurchase of debentures	15	**–**	-	**12.6**	-
Total financing income		**16.2**	11.3	**64.5**	51.9
Interest expense and accretion on loans and borrowings		**(41.5)**	(38.6)	**(124.8)**	(109.9)
Unrealized foreign exchange (loss) gain		**(12.8)**	(10.1)	**61.6**	(25.9)
Realized foreign exchange (loss) gain	18	**(0.2)**	1.3	**(0.4)**	1.5
Other finance charges	18	**(0.5)**	(3.7)	**(1.6)**	(10.4)
Accretion expense on environmental rehabilitation provisions	16, 18	**(0.1)**	(0.2)	**(0.5)**	(0.8)
Total financing expense		**(55.1)**	(51.3)	**(65.7)**	(145.5)
Net finance expense		**$ (38.9)**	$ (40.0)	**$ (1.2)**	$ (93.6)

9. INCOME TAXES

	For the three months ended		For the nine months ended	
	2016	2015	**2016**	2015
Canadian $ millions	**September 30**	September 30	**September 30**	September 30
Current income tax expense (recovery)	**$ 2.7**	$ 3.4	**$ 7.3**	$ (13.6)
Deferred income tax (recovery) expense	**(2.9)**	0.7	**(4.9)**	(22.3)
Income tax (recovery) expense	**$ (0.2)**	$ 4.1	**$ 2.4**	$ (35.9)

Tax rate changes

In 2015, clarification was received from the Cuban government regarding the application of tax rate reductions in Cuba due to a new foreign investment law. As a result, the tax expense for the three and nine months ended September 30, 2015 included tax recoveries of nil and $40.7 million, respectively, in Oil and Gas.

10. DISCONTINUED OPERATIONS

On April 28, 2014, the Corporation completed the sale of its Coal operation resulting in the classification of Coal as a discontinued operation.

For the three and nine months ended September 30, 2016, the Corporation has recognized $0.8 million and $6.8 million, respectively, in cash used by discontinued operations in the interim condensed consolidated statements of cash flow ($0.1 million and $3.7 million, respectively, for the three and nine months ended September 30, 2015). Cash used by discontinued operations relates to cash paid to settle the obligations retained by the Corporation post-disposition.

11. LOSS PER SHARE

Canadian $ millions, except share amounts in millions and per share amounts in dollars	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Net loss from continuing operations	$ (120.8)	$ (210.0)	$ (272.2)	$ (314.4)
Loss from discontinued operations, net of tax	–	-	–	(5.0)
Net loss – basic and diluted	$ (120.8)	$ (210.0)	$ (272.2)	$ (319.4)
Weighted-average number of common shares – basic and diluted(1)	293.9	293.8	293.9	293.6
Net loss from continuing operations per common share, basic and diluted	$ (0.41)	$ (0.72)	$ (0.93)	$ (1.07)
Loss from discontinued operations per common share, basic and diluted	$ –	$ -	$ –	$ (0.02)
Net loss per common share, basic and diluted	$ (0.41)	$ (0.72)	$ (0.93)	$ (1.09)

(1) The determination of the weighted-average number of common shares - diluted excludes 9.6 million shares related to stock options and 19.1 million warrants that were anti-dilutive for the three and nine months ended September 30, 2016 (7.3 million and nil, respectively, for the three and nine months ended September 30, 2015).

12. FINANCIAL INSTRUMENTS

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at	2016 September 30	2015 December 31
Cash equivalents	$ 116.9	$ 118.9
Cash on hand and balances with banks	93.3	110.7
Restricted cash	1.0	1.0
	$ 211.2	$ 230.6

The Corporation's cash balances are deposited with major financial institutions rated A- or higher by Standard and Poor's except for institutions located in Madagascar and Cuba that are not rated. The total cash held in Madagascan and Cuban bank deposit accounts was $4.0 million and $19.7 million, respectively, as at September 30, 2016 (December 31, 2015 – $4.0 million and $3.8 million, respectively).

As at September 30, 2016, $18.5 million of cash on the Corporation's interim condensed consolidated statements of financial position was held by Energas (December 31, 2015 – $0.8 million). These funds are for use by the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills, term deposits with maturities of 90 days or less and demand deposits redeemable upon 31 days request. The term deposits and demand deposits are with major financial institutions. As at September 30, 2016, the Corporation had $76.9 million in Government of Canada treasury bills, $25.0 million in term deposits and $15.0 million in demand deposits (December 31, 2015 - $93.9 million, $25.0 million and nil, respectively) included in cash and cash equivalents and $134.0 million in Government of Canada treasury bills included in short-term investments (December 31, 2015 - $204.8 million).

Fair value measurement

As at September 30, 2016, the carrying amounts of cash and cash equivalents, short-term investments, trade accounts receivable, current portion of advances, loans receivable and other financial assets, current portion of other loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities are at fair value or approximate fair value due to their immediate or short terms to maturity.

The fair values of non-current loans and borrowings and other non-current financial assets and liabilities approximate their carrying amount except as indicated in the below table. Due to the use of judgment and uncertainties in the determination of the estimated fair values, these values should not be interpreted as being realizable in the immediate term.

The following table presents financial instruments with carrying amounts different from their fair values[1]:

Canadian $ millions, as at	Note	Hierarchy level	2016 September 30 Carrying value	2016 September 30 Fair value	2015 December 31 Carrying value	2015 December 31 Fair Value
Liabilities:						
8.00% senior unsecured debentures due 2021	15	1	$ **211.5**	$ **151.3**	$ 247.3	$ 140.0
7.50% senior unsecured debentures due 2023	15	1	**239.2**	**162.5**	246.5	135.0
7.875% senior unsecured debentures due 2025	15	1	**232.7**	**156.3**	240.3	130.0
Ambatovy Joint Venture Additional Partner loans[2]	15	2	**1,284.0**	**136.2**	1,303.2	106.4
Ambatovy Joint Venture Partner loans[2]	15	2	**128.8**	**25.3**	134.6	20.1
Assets:						
Ambatovy subordinated loans receivable[3]	13	2	**890.3**	**969.6**	1,187.2	1,308.7
Energas conditional sales agreement[3]	13	2	**165.6**	**109.7**	157.5	167.7
Moa Joint Venture expansion loans receivable[3]	13	2	**265.5**	**195.8**	255.9	225.7

(1) The carrying values are net of financing costs. Fair values exclude financing costs and are based on market closing prices.

(2) The fair values of the Ambatovy Joint Venture Partner loans and Ambatovy Joint Venture Additional Partner loans are calculated by discounting future cash flows using rates that are based on market rates adjusted for the Corporation's credit quality for instruments with similar maturity horizons.

(3) The fair values of the Ambatovy subordinated loans receivable, Energas conditional sales agreement and Moa Joint Venture expansion loans receivable are calculated by discounting future cash flows using rates that are based on market rates adjusted for the entity's credit quality.

The following table presents financial assets, measured at fair value through profit or loss on a recurring basis:

Canadian $ millions, as at	Hierarchy level	2016 September 30	2015 December 31
Cash equivalents	1	$ **116.9**	$ 118.9
Short-term investments	1	**134.0**	204.8
Restricted cash	1	**1.0**	1.0

Trade accounts receivable, net

Canadian $ millions, as at	2016 September 30	2015 December 31
Trade accounts receivable	$ **187.0**	$ 186.6
Allowance for doubtful accounts	**(11.5)**	(11.8)
Accounts receivable from joint operations	**0.3**	0.7
Accounts receivable from joint venture	**11.4**	20.2
Accounts receivable from associate	**51.8**	33.8
Other	**28.0**	28.8
	$ **267.0**	$ 258.3

Aging of receivables not impaired:

Canadian $ millions, as at	2016 September 30	2015 December 31
Not past due	$ **211.8**	$ 170.6
Past due no more than 30 days	**9.5**	26.9
Past due for more than 30 days but no more than 60 days	**0.1**	11.8
Past due for more than 60 days	**45.6**	49.0
	$ **267.0**	$ 258.3

13. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	2016 September 30	2015 December 31
Advances and loans receivable		
Ambatovy subordinated loans receivable(1)(2)	**$ 890.3**	$ 1,187.2
Energas conditional sales agreement(1)	**188.7**	182.0
Moa Joint Venture expansion loans receivable(1)	**254.6**	255.9
Moa Joint Venture working capital facility(3)	**56.9**	56.9
Other(5)	**10.8**	1.2
Other financial assets(4)	**133.9**	–
	1,535.2	1,683.2
Current portion of advances, loans receivable and other financial assets	**(80.1)**	(82.7)
	$ 1,455.1	$ 1,600.5

(1) As at September 30, 2016, the non-current portions of the Ambatovy subordinated loans receivable, Energas conditional sales agreement and the Moa Joint Venture expansion loans receivable are $890.3 million, $165.6 million and $254.6 million, respectively (December 31, 2015 – $1,187.2 million, $157.5 million and $255.9 million, respectively).

(2) During the nine months ended September 30, 2016, the Ambatovy Joint Venture converted US$510.0 million of its subordinated loans payable to equity (note 6) which, at the Corporation's 40% share, resulted in a US$204.0 million ($284.1 million) decrease in the Corporation's subordinated loans receivable. There was no change to the Corporation's ownership interest as a result of the conversion.

(3) During the nine months ended September 30, 2016, the terms of the working capital facility were amended to increase the interest rates from prime plus 2.25% or bankers' acceptance plus 3.25% to prime plus 2.50% or bankers' acceptance plus 3.50%.

(4) As at September 30, 2016, other financial assets relate to the Corporation's right to receive future distributions from the Ambatovy Joint Venture (note 15). This non-current financial asset has not been included within Ambatovy subordinated loans receivable as the funding has not yet been provided by the Corporation (note 6).

(5) During the three months ended September 30, 2016, a $10.8 million intercompany receivable from Cobalt Refinery Company Inc. to Fort Site was reclassified to other advances and loans receivable as it was not expected to be repaid in one business cycle.

14. PROPERTY, PLANT AND EQUIPMENT

Impairment of Oil assets

During the three months ended September 30, 2016, the Corporation recognized an impairment loss of $8.5 million for the write-down of the Puerto Escondido/Yumuri extension ("PE/YU extension") cash-generating unit ("CGU"), within the Oil and Gas segment, to its recoverable amount. This impairment was the result of a decrease in internally forecasted oil reserves at the PE/YU extension due to two oil wells being shut-in as a result of low oil production. The impairment has been recognized within the consolidated statements of comprehensive income (loss) as Impairment of Oil assets. The Corporation has four cash-generating units ("CGUs") within its Oil and Gas segment. These CGUs were determined by geographical area or production-sharing contract ("PSC"). The PE/YU extension was the only CGU where an impairment indicator was identified. Its recoverable amount was determined to be negligible based on value in use analysis at September 30, 2016. In determining value in use for the PE/YU extension CGU, the cash flows were discounted at a rate of 10.0%.

15. LOANS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	2016 September 30	2015 December 31
Non-recourse loans and borrowings			
Ambatovy Joint Venture Additional Partner loans	12	**$ 1,284.0**	$ 1,303.2
Other loans and borrowings			
8.00% senior unsecured debentures due 2021	12	**$ 211.5**	$ 247.3
7.50% senior unsecured debentures due 2023	12	**239.2**	246.5
7.875% senior unsecured debentures due 2025	12	**232.7**	240.3
Ambatovy Joint Venture Partner loans	12	**128.8**	134.6
Syndicated revolving-term credit facility		**45.0**	55.0
Line of credit		**–**	35.0
Vendor financing		**–**	1.2
		857.2	959.9
Current portion of other loans and borrowings		**(45.0)**	(91.2)
		$ 812.2	$ 868.7

Extension of senior unsecured debentures

In July 2016, the extension of maturity dates of each of the Corporation's outstanding senior unsecured debentures (the "Notes") by three years from 2018, 2020 and 2022 to 2021, 2023 and 2025, respectively (the "Extension"), was approved. The applicable interest rates and existing covenants for the Notes remain unchanged. The Noteholders that voted in favour of the Extension received, at the option of the Noteholder, either:

- cash consent consideration equal to 2% of the principal amount of the debentures; or,
- 73.25 warrants for each $1,000 of principal amount of debentures held. Warrants have a term of 5 years, are not listed on any exchange and have an exercise price of $0.74 per share.

During the three months ended September 30, 2016, 19.1 million warrants were granted to the Noteholders that elected for this option with a fair value of $0.43 per warrant which totalled $8.2 million. The fair value of the warrants was determined using the Black-Scholes option valuation model using observable market data and an expected dividend of 0% and was recognized in Reserves (note 17). Cash consent fees paid to Noteholders that voted in favour of the extension and other transaction fees totalled $14.6 million and have been capitalized to the Notes on a pro-rata basis.

Syndicated revolving-term credit facility

During the nine months ended September 30, 2016, the terms of the syndicated revolving-term credit facility were amended to update the financial covenants. The maximum credit available remains at $115.0 million with the total available draw based on eligible receivables and inventory. The interest rates increased from prime plus 2.25% or bankers' acceptance plus 3.25% to prime plus 2.50% or bankers' acceptance plus 3.50%.

The facility is subject to the following financial covenants: net financial debt-to-EBITDA covenant of 4.25:1, net financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 1.75:1. If net financial debt-to-EBITDA is greater than 3.75:1, unrestricted cash must be greater than 50% of the lower of the borrowing base amount and facility amount.

As at September 30, 2016, the Corporation has $49.6 million of letters of credit outstanding on this facility (December 31, 2015 - $47.5 million).

Line of credit

On February 23, 2016, the Corporation repaid the outstanding balance of $35.0 million and terminated its line of credit.

Repurchase of senior unsecured debentures

During the nine months ended September 30, 2016, the Corporation repurchased $30.0 million aggregate principal amount of its 8.00% senior unsecured debentures due 2021 for $17.4 million. A gain of nil and $12.6 million was recognized during the three and nine months ended September 30, 2016 within net finance expense in the interim condensed consolidated statements of comprehensive income (loss) (note 8).

Covenants

At September 30, 2016, there are no events of default on the Corporation's borrowings or debentures.

Other financial liabilities

Canadian $ millions, as at	2016 September 30	2015 December 31
Other long-term financial liabilities[(1)]	$ 134.0	$ 0.3
Stock compensation liability	6.7	3.1
	140.7	3.4
Current portion of other financial liabilities	(2.9)	(1.5)
	$ 137.8	$ 1.9

(1) As at September 30, 2016, the Corporation has an obligation for outstanding shareholder funding to the Ambatovy Joint Venture. This obligation represents cash calls that were not funded during the nine months ended September 30, 2016 (note 6). The Corporation has also recognized a financial asset relating to its right to future distributions from the Ambatovy Joint Venture if and when this financial obligation is cured (note 13).

16. PROVISIONS

Canadian $ millions, as at	2016 September 30	2015 December 31
Environmental rehabilitation provisions	$ 115.6	$ 107.8
Other provisions	12.0	18.8
	127.6	126.6
Current portion of provisions	(12.0)	(18.8)
	$ 115.6	$ 107.8

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the nine months ended 2016 September 30	For the year ended 2015 December 31
Balance, beginning of the period		$ 107.8	$ 101.7
Additions		–	0.2
Change in estimates		9.5	0.7
Utilized during the period		(0.9)	(0.1)
Accretion	8	0.5	1.1
Effect of movement in exchange rates		(1.3)	4.2
Balance, end of the period		$ 115.6	$ 107.8

The following is a reconciliation of other provisions:

Canadian $ millions	For the nine months ended 2016 September 30	For the year ended 2015 December 31
Balance, beginning of the period	$ 18.8	$ 25.1
Additions	–	5.0
Utilized during the period	(6.8)	(11.3)
Balance, end of the period	$ 12.0	$ 18.8

17. SHAREHOLDERS' EQUITY

Capital Stock

The Corporation's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. The changes in the Corporation's outstanding common shares were as follows:

Canadian $ millions, except share amounts		For the nine months ended 2016 September 30		For the year ended 2015 December 31
	Number	Capital stock	Number	Capital stock
Balance, beginning of the period	**293,853,001**	**$ 2,775.3**	293,271,191	$ 2,772.9
Restricted stock plan (vested)	–	–	260,400	1.6
Employee share purchase plan (vested)	–	–	321,410	0.8
Warrants exercised	**10,206**	–	-	-
Balance, end of the period	**293,863,207**	**$ 2,775.3**	293,853,001	$ 2,775.3

Reserves

Canadian $ millions	Note	For the nine months ended 2016 September 30	For the year ended 2015 December 31
Stated capital reserve			
Balance, beginning of the period		**$ 217.8**	$ 217.8
Warrant issuance	15	**8.2**	-
Balance, end of the period		**$ 226.0**	$ 217.8
Stock-based compensation reserve			
Balance, beginning of the period		**$ 7.1**	$ 7.4
Restricted stock plan (vested)		–	(1.6)
Restricted stock plan expense		–	0.1
Employee share purchase plan (vested)		–	(0.1)
Stock option plan expense		**1.3**	1.3
Balance, end of the period		**8.4**	7.1
Total reserves, end of the period		**$ 234.4**	$ 224.9

Accumulated other comprehensive income

Canadian $ millions	For the nine months ended 2016 September 30	For the year ended 2015 December 31
Foreign currency translation reserve		
Balance, beginning of the period	**$ 903.0**	$ 323.8
Foreign currency translation differences on foreign operations	**(143.3)**	579.2
Balance, end of the period	**759.7**	903.0
Actuarial gains (losses) on pension plans		
Balance, beginning of the period	**$ (3.5)**	$ (3.3)
Actuarial gains (losses) on pension plans, net of tax	**0.5**	(0.2)
Balance, end of the period	**$ (3.0)**	$ (3.5)
Total accumulated other comprehensive income	**$ 756.7**	$ 899.5

18. SUPPLEMENTAL CASH FLOW INFORMATION

Other operating items

Canadian $ millions	Note	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Add (deduct) non-cash items:					
Accretion expense on environmental rehabilitation provisions	8, 16	**$ 0.1**	$ 0.2	**$ 0.5**	$ 0.8
Stock-based compensation expense (recovery)		**2.4**	(3.0)	**5.9**	(1.8)
Other items		**0.7**	4.3	**5.1**	11.0
Cash flow arising from changes in:					
Other finance charges	8	**(0.5)**	(3.7)	**(1.6)**	(10.4)
Realized foreign exchange (loss) gain	8	**(0.2)**	1.3	**(0.4)**	1.5
		$ 2.5	$ (0.9)	**$ 9.5**	$ 1.1

Net change in non-cash working capital

Canadian $ millions	For the three months ended 2016 September 30	2015 September 30	For the nine months ended 2016 September 30	2015 September 30
Trade accounts receivable, net	**$ (4.8)**	$ 54.0	**$ (13.3)**	$ 38.5
Inventories	**(3.8)**	(5.6)	**(0.9)**	(7.6)
Prepaid expenses	**(2.1)**	(1.4)	**0.1**	(10.0)
Trade accounts payable and accrued liabilities	**55.8**	(14.0)	**50.5**	(62.4)
Deferred revenue	**13.3**	20.5	**(4.7)**	5.0
	$ 58.4	$ 53.5	**$ 31.7**	$ (36.5)

19. RELATED PARTY TRANSACTIONS

The Corporation enters into transactions related to its investment in an associate (note 6) and joint arrangements (note 7). Transactions between related parties are generally based on standard commercial terms. All amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received on the outstanding amounts. No expense has been recognized in the current or prior periods for bad debts in respect of amounts owed by related parties.

20. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at September 30	2016
Property, plant and equipment commitments	**$ 20.3**
Joint venture:	
Property, plant and equipment commitments	**9.8**

Sherritt International Corporation
181 Bay Street, 26th Floor, Brookfield Place
Toronto, ON M5J 2T3

For further investor information contact:
Telephone: 416.935.2451
Toll-free: 1.800.704.6698

www.sherritt.com