For immediate release

Sherritt Announces Q3 2016 Results

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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

	For the three months ended			For the nine months ended		
	2016	2015		**2016**	2015	
$ millions, except per share amount	**September 30**	September 30	Change	**September 30**	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.

	2016	2015	
$ millions, except as noted, as at	**September 30**	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)

		2016		2015
For the three months ended September 30		**September 30**		September 30
	$ millions	**$/share**	$ millions	$/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	2016				2015				
	Moa JV & 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	**$ 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.

–30 –

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