sherritt

Q1

2016 FIRST QUARTER REPORT

Sherritt International Corporation

For the three months ended March 31, 2016

For immediate release

Sherritt Announces Q1 2016 Results

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

Toronto, Ontario – April 26, 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 months ended March 31, 2016.

"Our focus remains steadfast on maintaining liquidity and enforcing strict cost discipline and smart capital allocation across our business," said David Pathe, President and CEO, Sherritt International. "Consistent with that focus, we continue to decline to fund Ambatovy under the current capital structure. Liquidity at the end of the quarter remained strong after credit facility debt repayment of $45 million."

Q1 HIGHLIGHTS(1)

- Nickel and oil prices made new multi-year lows in the quarter, although prices for both commodities rallied somewhat in April, with WTI crude trading in a volatile fashion. The nickel price rally has been more cautious, with recent US$4/lb nickel up roughly 15% from the low in February. Strong cobalt and fertilizer production provided some support to mitigate the first quarter impact of the lower nickel production and lower nickel and oil average realized prices.

- Net direct cash costs of US$4.41/lb at Ambatovy and US$3.34/lb at the Moa JV remain well below the 50th percentile of C1 costs tracked by Wood Mackenzie, and on average are down 24% from the year ago quarter.

- Finished nickel production was down 4% from the year ago quarter, as Ambatovy's process plant experienced a number of unrelated reliability issues that increased downtime. Although this affected first quarter production by approximately 1,000 tonnes (100% basis), replacement components have been installed or other mitigation has occurred. Production guidance for Ambatovy remains at 48,000 – 50,000 tonnes finished nickel (100% basis).

- Cash, cash equivalents and short-term investments ended the first quarter at $370 million, after repaying and terminating the $35 million line of credit and making a $10 million repayment on the revolving term credit facility.

OUTLOOK AND SIGNIFICANT ITEMS

- Production guidance remains unchanged for all operations.

- Capital spending guidance has been reduced by US$9 million, attributable to lower spending in Oil & Gas as only one well will be drilled in Block 10 this year.

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

Q1 2016 FINANCIAL HIGHLIGHTS

$ millions, except as otherwise noted, for the three months ended March 31	2016	2015	Change
Combined Revenue(1)	**191.3**	278.3	(31%)
Adjusted EBITDA(1)	**(9.1)**	44.2	(121%)
Combined Free Cash Flow (1)	**(31.4)**	11.2	(380%)
Net (loss) earnings from continuing operations per share	**(0.16)**	(0.19)	16%
Combined Adjusted continuing operating cash flow per share ($ per share)(1)	**(0.08)**	0.19	(142%)

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

$ millions, except as noted, as at	2016 March 31	2015 December 31	Change
Cash, cash equivalents and short term investments	**369.9**	435.4	(15%)
Total loans and borrowings	**2,128.1**	2,263.1	(6%)

Adjusted earnings (loss) from continuing operations(1)

For the three months ended March 31	2016		2015	
	$ millions	**$/share**	$ millions	$/share
Net (loss) from continuing operations	**(47.8)**	**(0.16)**	(56.8)	(0.19)
Adjusting Items, net of tax	**(79.1)**	**(0.27)**	(14.2)	(0.05)
Adjusted net (loss) from continuing operations	**(126.9)**	**(0.43)**	(71.0)	(0.24)

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

During the first quarter, $(79.1) million $(0.27) per share in adjusting items occurred, primarily an unrealized foreign exchange gain of $76 million, as the Canadian dollar strengthened by approximately 10 cents from period end December 31, 2015 to period end March 31, 2016.

REVIEW OF OPERATIONS

METALS

$ millions except as otherwise noted, for the three months ended March 31	2016				2015				
	Moa JV and Fort Site[1] (50%)	**Ambatovy JV (40%)**	**Other[2]**	**Total**	Moa JV and Fort Site[1] (50%)	Ambatov JV (40%)	Other[2]	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 76.7**	**$ 65.1**	**$ 11.2**	**$ 153.0**	$ 104.5	$ 100.7	$ 18.5	$ 223.7	(32%)
Adjusted EBITDA[3]	**(0.2)**	**(12.8)**	**0.3**	**(12.7)**	18.3	4.3	0.1	22.7	(156%)
Cash provided (used) by operations	**(3.0)**	**(5.5)**	**4.2**	**(4.3)**	30.2	12.6	(0.5)	42.3	(110%)
Spending on Capital[4]	**7.8**	**1.7**	**-**	**9.5**	8.1	6.4	-	14.5	(34%)
Free cash flow[3]	**(10.6)**	**(5.5)**	**4.2**	**(11.9)**	22.4	9.9	(0.5)	31.8	(137%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,321**	**4,571**	**-**	**8,892**	4,876	5,522	-	10,398	(14%)
Finished Nickel	**4,242**	**4,442**	**-**	**8,684**	4,357	4,656	-	9,013	(4%)
Finished Cobalt	**499**	**365**	**-**	**864**	426	344	-	770	12%
Fertilizer	**70,907**	**14,355**	**-**	**85,262**	60,529	11,662	-	72,191	18%
NICKEL RECOVERY (%)	**88%**	**87%**			88%	85%			
SALES VOLUMES (tonnes)									
Finished Nickel	**4,141**	**4,491**	**-**	**8,632**	4,275	4,944	-	9,219	(6%)
Finished Cobalt	**468**	**332**	**-**	**800**	409	342	-	751	7%
Fertilizer	**31,713**	**14,107**	**-**	**45,820**	30,842	13,127	-	43,969	4%
AVERAGE REFERENCE PRICES (US$ per pound)[3]									
Nickel				**$ 3.86**				$ 6.50	(41%)
Cobalt				**10.70**				13.73	(22%)
AVERAGE-REALIZED PRICES[3]									
Nickel ($ per pound)	**$ 5.17**	**$ 5.15**		**$ 5.16**	$ 7.91	$ 7.95		$ 7.93	(35%)
Cobalt ($ per pound)	**13.84**	**15.39**		**14.52**	16.23	14.42		15.41	(6%)
Fertilizer ($ per tonne)	**391**	**186**		**327**	375	190		318	3%
UNIT OPERATING COSTS[3] (US$ per pound)									
Nickel - net direct cash cost	**$ 3.34**	**$ 4.41**		**3.90**	$ 4.36	$ 5.74		5.10	(24%)

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

METAL MARKETS

Although nickel prices continued their decline to lows not experienced in the past decade, Sherritt customer demand has been firm with demand from China climbing. Nickel sales into China increased over the prior year period at both the Moa JV and the Ambatovy JV, which is consistent with an overall increase reported in Chinese nickel imports. Importantly, the largest increase has been in non-LME deliverable metal, which indicates demand from end users rather than metal traders who tend to prefer LME-deliverable material. The increase experienced by Sherritt in Chinese demand is linked to declining availability of NPI and stainless steel scrap. Recent Chinese NPI production estimates for 2016 have pointed to approximately 300,000 tonnes compared to levels of approximately 350,000 – 375,000 tonnes in 2015.

Cobalt demand and pricing have been rising slowly, as cobalt supply suffers when nickel and copper production are cut back, and we are beginning to see evidence of supply cuts in these commodities. Cobalt is a smaller market, with most production occurring as by-products of copper or nickel production. Demand growth has come from battery manufacturers shifting from small consumer batteries (laptops, cell phones, etc.) to larger storage applications such as automotive, power tools and industrial/household storage. Sherritt's high grade cobalt remains well positioned to meet the demand for these applications as it is approved by the majority of major rechargeable battery manufacturers and recognized for its high purity.

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

Adjusted EBITDA of $(0.2) million in the quarter declined to levels that have not been seen since the first quarter of 2009, as nickel prices continued their downward trend.

Finished nickel production of 4,242 tonnes (50% basis) in the first quarter of 2016 was down marginally from the comparable quarter in 2015, although above planned levels. Mixed sulphide production was down 11%, which could have an impact on finished nickel production in the second quarter. Heavy rainfall in the first quarter limited access to planned mining faces, which impacted ore grade and was the primary cause for the lower production of mixed sulphides in the quarter. Refinery production remained relatively strong despite the limited mixed sulphide availability because of third party feed usage and a drawdown of mixed sulphides inventory.

Finished cobalt production of 499 tonnes (50% basis) in the first quarter was up 17% from last year's comparable quarter, reflecting stable plant operation.

The nickel recovery was 88% in the first quarter of 2016, consistent with the first quarter of last year.

The NDCC of US$3.34 per pound of nickel in the first quarter of 2016 was a significant improvement over last year's comparable quarter, and reflects mainly lower mining, processing and refining costs (driven by lower fuel oil, sulphuric acid and sulphur prices) and a higher fertilizer credit. In addition, the weaker Canadian dollar had a positive impact on refining costs, as the Fort Saskatchewan refinery costs are Canadian dollar denominated.

Continuing cost discipline is evident, as the first quarter 2016 NDCC is comparable to the fourth quarter 2015 NDCC of US$2.90 per pound when seasonal fertilizer sales are taken into account.

Capital spending of $7.8 million in the quarter is similar to its comparable quarter last year, with most of the capital spending this quarter related to the acid plant construction. The expansion capital of $4 million (US$3 million) refers to the 50% share of the acid plant, which has a total construction and commissioning budget of US$67 million (100% basis). On a 100% basis, counting the US$6 million spent in the first quarter of 2016 plus expenditures incurred in 2014 and 2015, approximately US$47 million has been spent on the acid plant. Acid plant construction progress is greater than 95% complete and pre-commissioning activities have been initiated with full operation expected in the third quarter of 2016.

Ambatovy Joint Venture (40% interest)

Adjusted EBITDA in the first quarter of 2016 was $(12.8) million compared to Adjusted EBITDA of $4.3 million in the same quarter last year. While lower nickel prices were the main factor affecting Ambatovy's results, the quarter's finished nickel production of 4,442 tonnes (40% basis) was also lower than expected. Ambatovy continued to improve in safety performance, and met expectations for ore grade and throughput rate, process control and stability, and product quality. However, the process plant experienced a number of unrelated reliability issues on equipment in the HPAL plant that resulted in lower nickel production. These issues are well understood, and Sherritt is addressing the challenge through both progressive replacement of problematic equipment and the implementation of a comprehensive asset management program. The impacts in the first quarter have not required any change to production or capital spending guidance, as they have been largely addressed during the quarter, with additional improvements to be implemented over the next one or two months.

First quarter finished cobalt production of 365 tonnes was also impacted by the unplanned downtime events, although cobalt revenue benefited from timing of sales as the average reference price of cobalt was approximately 6% higher in the fourth quarter of 2015.

Port operations at Ambatovy were interrupted for 21 days during the quarter while Sherritt confirmed Ambatovy's status regarding the Government of Madagascar's imposition of a new security-related protocol, the Advance Cargo Declaration, on all port users. This matter was resolved with no material financial impact and no impact to production.

Despite the lower first quarter production results, the trend in NDCC continues to be positive, as NDCC of US$4.41/lb is only 8% higher than the fourth quarter 2015 record low NDCC of US$4.07/lb, with finished nickel production down 9% in the same comparison period. First quarter 2016 NDCC was down 23% over its comparable quarter last year (NDCC of US$5.74/lb) on similar production levels.

Ambatovy Funding

As Sherritt announced in its fourth quarter and 2015 year end results disclosure, Ambatovy cash calls due in January this year amounted to US$50 million, with funding of US$30 million provided by partners Sumitomo Corp. and Korea Resources Corp. (KORES). Total cash funding provided by Sumitomo and KORES has increased to US$51 million, pursuant to additional cash calls of US$35 million. By agreement amongst the partners, Sherritt's unfunded amounts remain payable with accrued interest. 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 partners, Sherritt will not exercise its Ambatovy voting rights.

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 reduce Sherritt's 40% interest in Ambatovy to a 12% economic interest [1]. Sherritt continues to serve as operator, as constructive discussions are ongoing between partners and senior lenders regarding future funding of Ambatovy and modifications to the principal amortization on the existing senior loan.

(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%.

OIL AND GAS

$ millions, except as otherwise noted, for the three months ended		2016 March 31		2015 March 31	Change
Financial Highlights					
Revenue	**$**	**22.4**	$	42.3	(47%)
Adjusted EBITDA[1]		**4.0**		21.5	(81%)
Cash provided by operations		**2.6**		6.6	(61%)
Spending on Capital[2]		**4.7**		27.0	(83%)
Free cash flow[1]		**(2.4)**		(14.0)	83%
Production and sales (boepd)					
Gross working-interest (GWI) - Cuba		**16,449**		19,719	(17%)
Total net working-interest (NWI)		**10,504**		10,938	(4%)
Average reference price (US$ per barrel)					
Gulf Coast Fuel Oil No. 6	**$**	**21.13**	$	44.32	(52%)
Brent		**33.64**		53.88	(38%)
Average-realized price[1] (NWI)					
Cuba ($ per barrel)		**21.80**	$	41.44	(47%)
Unit operating costs[1][3] (GWI)					
Cuba ($ per barrel)		**9.53**	$	8.26	15%

(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.

Adjusted EBITDA in the first quarter of $4.0 million remained positive, although reference prices declined further from the lows of the fourth quarter 2015. In the first quarter this year, WTI prices averaged US$33.40/barrel, down 21% from fourth quarter 2015 levels, and down 31% from their average in the first quarter last year. Gulf Fuel Oil 6, the relevant benchmark for Sherritt's Cuban oil production, experienced a larger decline, where prices fell 29% from fourth quarter 2015 levels and 52% from the first quarter 2015. In the first quarter this year, Gulf Fuel Oil 6 averaged only 63% of WTI, compared to 92% in the first quarter of 2015.

Unit operating costs are higher on the lower production base and a lower Canadian dollar, but are lower than fourth quarter 2015 unit operating costs, and will fluctuate during the year, with the amount of workover activity and changes in the exchange rate.

First quarter GWI oil production in Cuba was as expected, down from the same quarter last year, consistent with the natural reservoir declines in our existing Production Sharing Contract (PSC) wells. Net working-interest (NWI) oil production in Cuba of 9,890 bopd, however, is down only slightly from its levels in the first quarter and the fourth quarter last year. This trend follows the pattern established last year with falling oil prices, where cost recovery oil increased because of lower oil prices.

Quarterly free cash flow of $(2.4) million is an improvement over the year ago quarter, when capex was higher. Capital spending in the first quarter of $4.7 million related mainly to drilling rig maintenance, well workovers and equipment purchases. Drilling activity in 2016 will be focused on the preparation and drilling of Block 10, as previously announced. Drilling the first well has shifted to the second half of the year, and with this timing, only one well will be drilled in 2016 (compared to the two originally planned). This is the main reason for the current capital expenditures guidance being revised to US$34 million from previous guidance of US$43 million. Results of the first well are to be evaluated in the fourth quarter.

Block 10 is one of two new PSC's which Sherritt signed in 2014 with the Cuban agency, covering 261 square kilometres for a 25-year term. Sherritt originally held Block 10 in the Bay of Cardenas, and drilled one well in June 1994. The well was drilled using an offshore drilling rig, and was tested at 3,750 barrels of oil per day. Since then, significant advances in horizontal drilling technology have made drilling the prospect from an onshore location viable.

POWER

$ millions (33⅓% basis), except as otherwise noted, for the three months ended		**2016 March 31**		2015 March 31	Change
Financial Highlights					
Revenue	**$**	**15.6**	$	11.8	32%
Adjusted EBITDA[1]		**8.7**		7.3	19%
Cash provided by operations		**0.9**		24.1	(96%)
Spending on Capital[2]		**2.0**		0.4	400%
Free cash flow[1]		**0.8**		23.7	(97%)
Production and sales					
Electricity (GWh)		**217**		210	3%
Average-realized price[1]					
Electricity ($/MWh)	**$**	**58.27**	$	52.63	11%
Total unit operating costs[1]					
Electricity ($/MWh)		**16.86**		15.64	8%
Net capacity factor (%)		**67**		66	2%

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

Quarterly Adjusted EBITDA of $8.7 million is up over its comparable quarter last year, mainly due to a higher average realized price from the weaker Canadian dollar. Production was higher than its year ago period, although down from quarterly production in fourth quarter 2015 due to slightly less gas being available for power generation.

The increase in operating costs on a year over year basis reflects mainly the weaker Canadian dollar; however, the first quarter of 2016 unit operating costs have reverted back to more normal ranges following the anomaly that existed in the fourth quarter of 2015 when a number of large maintenance activities occurred which had a disproportionate impact on the quarterly results.

Free cash flow generation of $0.8 million in the quarter is low compared to each of the four quarters last year. The power segment benefited in each of the four quarters of last year from principal repayments and interest payments received on the Energas conditional sales agreement ($71.6 million received for 2015). Due to higher capital spending and the current payment schedule, the repayment under the conditional sales agreement for 2016 is estimated at $34 million.

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 on track to complete in Q2 with full operation in Q3 this year
	Further reduce NDCC costs at Moa and Ambatovy towards the goal of being in the lowest quartile	Q1 NDCC of US$3.90/lb (avg between both operations) was down 24% over Q1 2015
	Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3	Ambatovy production was lower in the first quarter, but expected to recover in the second quarter with no change to guidance
	Maintain peer leading performance in environmental, health, safety and sustainability	Performance on track
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	Capital allocation has been reduced in Q1, as drilling is expected to take place in the second half. Results from the first well will dictate next steps
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH **3**	Protect Sherritt's balance sheet and preserve cash	Cash position declined by approximately $66 million since year end, with $45 million being repayment of credit facilities
	Establish clarity on long-term funding of Ambatovy	Ceased funding Ambatovy cash calls due to the "40 for 12" issue
	Run business units to be free cash flow neutral, and continue to optimize administrative costs	

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 US 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 US 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 Cdn$1.36 per U.S. dollar. Capital projects in the Metals business are generally US 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	Guidance at 2015 December 31	Actual 2016 March 31	Revised Projected 2016
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500-34,500	8,484	No change
Ambatovy Joint Venture	48,000-50,000	11,105	No change
Total	81,500-84,500	19,589	No change
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,300-3,800	998	No change
Ambatovy Joint Venture	3,300-3,800	913	No change
Total	6,600-7,600	1,911	No change
Oil – Cuba (gross working-interest, bopd)	14,500	16,449	No change
Oil and Gas – All operations (net working-interest, boepd)	8,900	10,504	No change
Electricity (GWh, 100% basis)	860	217	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	US$38	US$6	No change
Metals – Ambatovy Joint Venture (40% basis)	US$25	US$1	No change
Oil and Gas	US$43	US$3	US$34
Power (33⅓% basis) Pipeline Construction on Service Concession Agreements	US$4	US$2	No change
Power (33⅓% basis)	US$1	-	No change
Spending on capital (excluding Corporate)	US$111	US$12	US$102

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 March 31, 2016 for further information.

CONFERENCE CALL AND WEBCAST

Sherritt will hold its quarterly conference call and webcast tomorrow at 10:00 a.m. Eastern Time.

Conference Call and Webcast:	April 27, 2016, 10:00 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 May 2, 2016 by calling 647-436-0148 or 1-888-203-1112, access code 3281643#.

COMPLETE FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Sherritt's complete interim condensed consolidated financial statements and MD&A for the three months ended March 31, 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; capital project completion dates; production volumes; 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, including commodity and product prices and demand; share price volatility realized prices for production; earnings and revenues; development and exploratory wells and enhanced oil recovery in Cuba; environmental rehabilitation provisions; availability of regulatory approvals; compliance with applicable environmental laws and regulations; the impact of regulations related to greenhouse gas emissions and credits; debt repayments; collection of accounts receivable; and certain corporate objectives, goals and plans for 2016. 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. This 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 covenant, 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 completion of capital projects; 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 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 including, but not limited to, the Corporation's Management's Discussion and Analysis for the year ended December 31, 2015 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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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 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 April 26, 2016, should be read in conjunction with Sherritt's interim condensed consolidated financial statements for the three months ended March 31, 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% interest in a wholly-owned subsidiary established to buy, market and sell certain Ambatovy nickel 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 consolidated financial statements for the three months ended March 31, 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 on track to complete in Q2 with full operation in Q3 this year
	Further reduce NDCC costs at Moa and Ambatovy towards the goal of being in the lowest quartile	Q1 NDCC of US$3.90/lb (avg between both operations) was down 24% over Q1 2015
	Increase Ambatovy production over 2015, despite the major maintenance work scheduled for Q3	Ambatovy production was lower in the first quarter, but expected to recover in the second quarter with no change to guidance
	Maintain peer leading performance in environmental, health, safety and sustainability	Performance on track
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	Capital allocation has been reduced in Q1, as drilling is expected to take place in the second half. Results from the first well will dictate next steps
PRESERVE LIQUIDITY AND BUILD BALANCE SHEET STRENGTH **3**	Protect Sherritt's balance sheet and preserve cash	Cash position declined by approximately $66 million since year end, with $45 million being repayment of credit facilities
	Establish clarity on long-term funding of Ambatovy	Ceased funding Ambatovy cash calls due to the "40 for 12" issue
	Run business units to be free cash flow neutral, and continue to optimize administrative costs	

Highlights

OPERATIONS UPDATE

The Metals operations produced 8,684 tonnes of finished nickel (Sherritt's share) in the first quarter of 2016, representing a 4% decrease from the prior year period and a 3% decrease from the fourth quarter of 2015. This decrease is primarily due to unplanned downtime for repairs and equipment replacement in the process plant at Ambatovy.

Despite lower production, Sherritt's Metals operations achieved a net direct cash cost (NDCC) of US $3.90 in the first quarter of 2016, a 24% reduction on the prior year period. This decrease is due to lower input commodity costs and continued cost discipline. The 11% increase in Metals NDCC compared to the fourth quarter of 2015 is attributable to lower production and normal fertilizer sales seasonality.

AMBATOVY FUNDING

As reported in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2015, Ambatovy cash calls due in January 2016 amounted to US$50.0 million, with funding of US$30.0 million provided by partners Sumitomo Corp. and Korea Resources Corp. (KORES). Total cash funding provided by Sumitomo and KORES has increased to US$51.0 million, pursuant to additional cash calls of US$35.0 million. By agreement amongst the partners, Sherritt's unfunded amounts remain payable with accrued interest at LIBOR +3%. 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 partners, Sherritt will not exercise its Ambatovy voting rights.

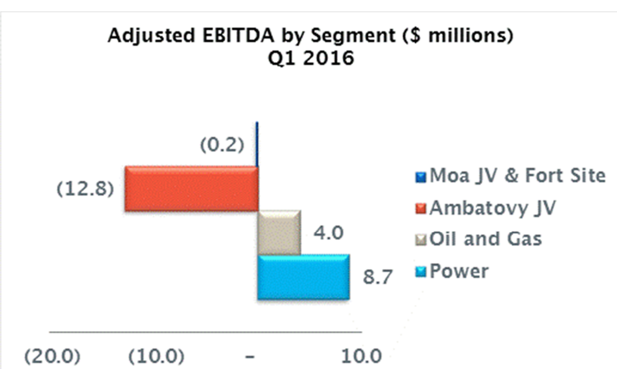
Sherritt continues not to fund further cash calls at this time due to the structure of the Ambatovy partner loans, which, at current nickel prices, effectively reduce Sherritt's 40% interest in Ambatovy to a 12% economic interest. Sherritt continues to serve as operator, as constructive discussions are ongoing between partners and senior lenders regarding future funding of Ambatovy and modifications to the principal amortization on the existing senior loan. The outcome of these discussions is not certain – for additional information see the Risk Factors section in the Annual Information Form.

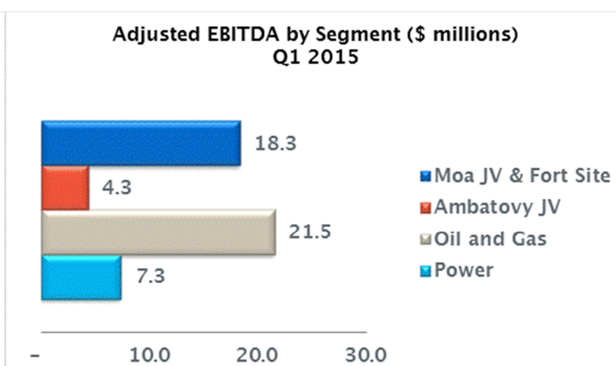
Financial results

$ millions, except as otherwise noted, for the three months ended March 31	2016	2015	Change
FINANCIAL HIGHLIGHTS			
Revenue	**$ 58.4**	$ 82.9	(30%)
Combined revenue[1]	**191.3**	278.3	(31%)
Adjusted EBITDA[1]	**(9.1)**	44.2	(121%)
Loss from operations, associate and joint venture	**(97.7)**	(50.1)	(95%)
Loss from continuing operations	**(47.8)**	(56.8)	16%
Net loss for the period	**(47.8)**	(56.8)	16%
Adjusted earnings from continuing operations	**(126.9)**	(71.0)	(79%)
Loss per common share (basic and diluted) ($ per share):			
Net loss from continuing operations	**$ (0.16)**	$ (0.19)	16%
Net loss for the period	**(0.16)**	(0.19)	16%
CASH FLOW			
Cash provided (used) by continuing operations	**$ (9.7)**	$ 26.3	(137%)
Combined free cash flow[1]	**(31.4)**	11.2	(380%)
Combined adjusted operating cash flow[1]	**(22.2)**	56.1	(140%)
Combined adjusted operating cash flow per share ($ per share)[1]	**(0.08)**	0.19	(142%)
OPERATIONAL DATA			
SPENDING ON CAPITAL AND INTANGIBLE ASSETS[2]	**$ 14.4**	$ 42.3	(66%)
PRODUCTION VOLUMES			
Finished nickel (tonnes)			
Moa Joint Venture (50% basis)	**4,242**	4,357	(3%)
Ambatovy Joint Venture (40% basis)	**4,442**	4,656	(5%)
Finished cobalt (tonnes)			
Moa Joint Venture (50% basis)	**499**	426	17%
Ambatovy Joint Venture (40% basis)	**365**	344	6%
Oil (boepd, net working-interest production)[3]	**10,504**	10,938	(4%)
Electricity (gigawatt hours) (33⅓% basis)	**217**	210	3%
AVERAGE-REALIZED PRICES[1]			
Nickel ($ per pound)	**$ 5.16**	$ 7.93	(35%)
Cobalt ($ per pound)	**14.52**	15.41	(6%)
Oil ($ per net boe)[3]	**22.27**	41.79	(47%)
Electricity ($ per megawatt hour)	**58.27**	52.63	11%
UNIT OPERATING COSTS[1]			
Nickel (US$ per pound)			
Moa Joint Venture	**$ 3.34**	$ 4.36	(23%)
Ambatovy Joint Venture	**4.41**	5.74	(23%)
Oil ($ per gross boe)[3]	**10.35**	10.16	2%
Electricity ($ per megawatt hour)	**16.86**	15.64	8%

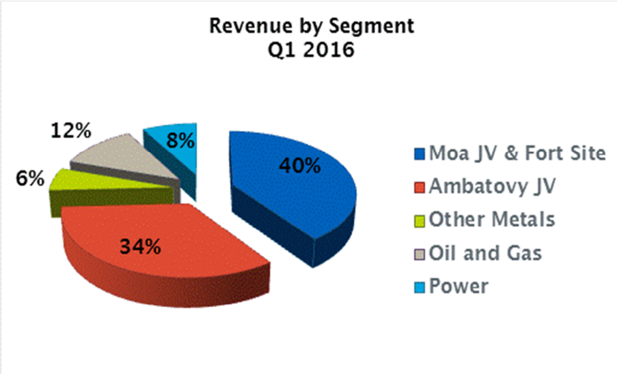
(1) For additional information see the Non-GAAP measures section.
(2) Spending on capital and intangible assets includes accruals and does not include spending on service concession arrangements.
(3) Net working-interest (NWI); gross working-interest (GWI); barrels of oil equivalent per day (boepd);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

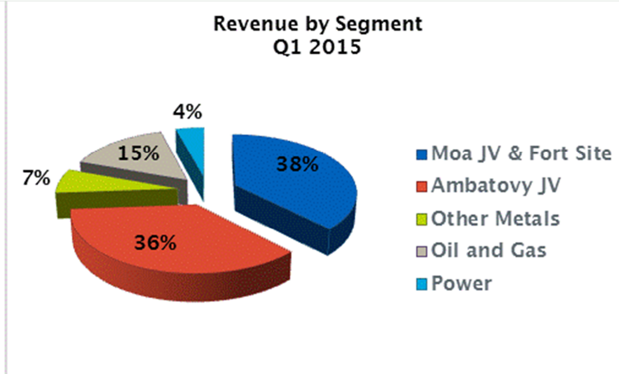
ADJUSTED EBITDA





REVENUE





$ millions, for the three months ended March 31		**2016**		2015	Change
Revenue by operations					
Metals	**$**	**153.0**	$	223.7	(32%)
Oil and Gas		**22.4**		42.3	(47%)
Power		**15.6**		11.8	32%
Corporate and Other		**0.3**		0.5	(40%)
Combined revenue[(1)]	**$**	**191.3**	$	278.3	(31%)
Adjust joint venture and associate		**(132.9)**		(195.4)	
Financial statement revenue	**$**	**58.4**	$	82.9	(30%)

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

Combined revenue for the three months ended March 31, 2016 was lower compared to the same period in the prior year primarily due to lower nickel and oil prices partly offset by a weaker Canadian dollar relative to the U.S. dollar.

Revenue at Metals was also affected by unplanned downtime for repairs and equipment replacement at Ambatovy. Revenue at Oil and Gas was also impacted by lower gross working-interest oil production in Cuba due to natural reservoir declines and the absence of new drilling in the first quarter of 2016.

Increased revenue 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 offset equally by construction activity expenses recorded in cost of goods sold.

COST OF SALES

$ millions, for the three months ended March 31		**2016**		2015	Change
Cost of sales by operations					
Metals	**$**	**206.6**	$	253.4	(18%)
Oil and Gas		**28.7**		41.3	(31%)
Power		**14.6**		11.4	28%
Corporate and other		**2.4**		1.1	118%
Combined cost of sales[(1)]	**$**	**252.3**	$	307.2	(18%)
Adjust joint venture and associate		**(187.7)**		(224.5)	
Financial statement cost of sales	**$**	**64.6**	$	82.7	(22%)

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

Combined cost of sales for the three months ended March 31, 2016 was lower compared to the same period in the prior year primarily due to decreased production at Ambatovy, Moa Joint Venture and Oil and Gas, continued cost discipline, lower input commodity prices partly offset by a weaker Canadian dollar relative to the U.S. dollar.

In addition, depletion, depreciation and amortization expense was lower at Ambatovy and Oil and Gas as a result of lower carrying values due to the impairments recognized in 2015. Increased cost of sales at Power primarily relate to construction activity expenses related to the construction of the Puerto Escondido/Yumuri pipeline equally offset by construction revenue.

ADMINISTRATIVE EXPENSES

$ millions, for the three months ended March 31		2016		2015	Change
Administrative expenses by operations					
Metals	**$**	**7.3**	$	6.8	7%
Oil and Gas		**2.4**		1.9	26%
Power		**1.2**		1.4	(14%)
Corporate and other		**7.7**		7.6	1%
Combined administrative expenses[1]	**$**	**18.6**	$	17.7	5%
Adjust joint venture and associate		**(5.9)**		(5.7)	
Financial statement administrative expenses	**$**	**12.7**	$	12.0	6%

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

Combined administrative expenses for the three months ended March 31, 2016 was higher compared to the same period in the prior year primarily due to higher stock based compensation expense and severance costs incurred in the quarter.

NET FINANCE (INCOME) EXPENSE

$ millions, for the three months ended March 31		2016		2015	Change
Financial statement net finance (income) expense	**$**	**(50.6)**	$	36.1	(240%)
Moa Joint Venture net finance expense[1]		**3.3**		5.5	(40%)
Ambatovy Joint Venture net finance expense[1]		**15.8**		5.2	204%
Combined net finance (income) expense[2]	**$**	**(31.5)**	$	46.8	(167%)

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

For the three months ended March 31, 2016 combined net finance income was primarily due to the strengthening of the Canadian dollar relative to the U.S. dollar since December 31, 2015.

INCOME TAXES

$ millions, for the three months ended March 31		2016		2015	Change
Income tax (recovery) expense by segment					
Metals	**$**	**(1.0)**	$	(7.2)	86%
Oil and Gas		**0.9**		(29.1)	103%
Power		**(0.2)**		(0.3)	33%
Corporate and other		**–**		–	–
Combined income taxes[1]	**$**	**(0.3)**	$	(36.6)	99%
Adjust joint venture and associate		**1.0**		7.2	
Financial statement income taxes	**$**	**0.7**	$	(29.4)	102%

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

Combined income taxes for the three months ended March 31, 2016 was higher than the prior year period primarily due to an income tax recovery recognized in the prior year period related to the reduction in tax rates in Cuba which impacted Oil and Gas and Moa Joint Venture.

CHANGE IN NET LOSS

For the three months ended March 31, 2016, net loss from continuing operations was $47.8 million, or $0.16 per share, compared to a loss of $56.8 million, or $0.19 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 March 31		2016
Lower U.S. dollar denominated nickel and cobalt prices	$	**(69.6)**
Lower oil and gas prices		**(15.0)**
Higher fertilizer prices		**0.5**
Change in total metals and fertilizer sales volumes		**2.9**
Lower Cuba oil and gas gross working-interest volumes		**(5.2)**
Lower Spain oil and gas volumes		**(1.2)**
Higher electricity volumes		**0.4**
Lower mining, processing and refining, third-party feed and fertilizer unit costs		**30.0**
Lower Oil and Gas cost of sales		**4.1**
Lower depletion, depreciation and amortization		**25.4**
Higher administrative expenses		**(0.9)**
Foreign exchange impact on operations		**(5.7)**
Lower combined net finance expense		**78.3**
Higher combined tax		**(36.3)**
Other		**1.3**
Change in net loss, compared to 2015	**$**	**9.0**

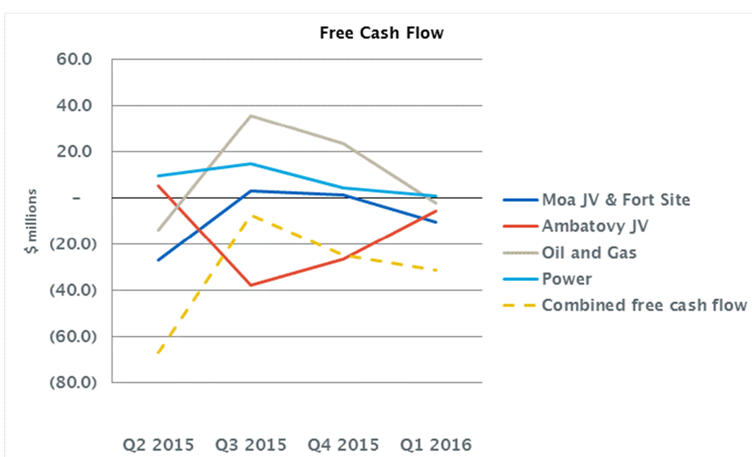
COMBINED ADJUSTED OPERATING AND FREE CASH FLOW

The Corporation's 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.

$ millions, for the three months ended March 31		2016		2015	Change
Combined adjusted operating cash flow	**$**	**(22.2)**	$	56.1	(140%)
Combined free cash flow		**(31.4)**		11.2	(380%)

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

During the three months ended March 31, 2016, combined adjusted operating cash flow, which excludes change in working capital, and combined free cash flow were lower compared to the same period 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, respectively, offset by lower combined property, plant and equipment expenditures.



CONSOLIDATED FINANCIAL POSITION

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

$ millions, except as noted, as at		2016 March 31	2015 December 31	Change
Financial Condition				
Cash, cash equivalents and short-term investments	**$**	**369.9**	$ 435.4	(15%)
Net working capital balance		**556.9**	608.3	(8%)
Current ratio		**3.85:1**	3.87:1	–
Total assets		**3,810.6**	4,090.0	(7%)
Total loans and borrowings		**2,128.1**	2,263.1	(6%)
Shareholders' equity		**1,340.3**	1,557.1	(14%)

At March 31, 2016, total available liquidity was $373.7 million, including undrawn credit facilities. Total debt at March 31, 2016, was $2.1 billion, including $1.3 billion related to non-recourse Ambatovy Partner Loans.

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 US 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 Cdn$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.

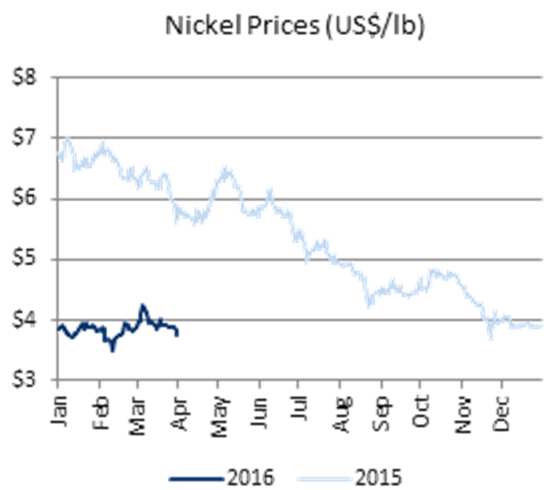
Production volumes and spending on capital	Guidance at 2015 December 31	Actual 2016 March 31	Revised Projected 2016
Production volumes			
Nickel, finished (tonnes, 100% basis)			
Moa Joint Venture	33,500–34,500	8,484	No change
Ambatovy Joint Venture	48,000–50,000	11,105	No change
Total	81,500–84,500	19,589	No change
Cobalt, finished (tonnes, 100% basis)			
Moa Joint Venture	3,300–3,800	998	No change
Ambatovy Joint Venture	3,300–3,800	913	No change
Total	6,600–7,600	1,911	No change
Oil – Cuba (gross working-interest, bopd)	14,500	16,449	No change
Oil and Gas – All operations (net working-interest, boepd)	8,900	10,504	No change
Electricity (GWh, 100% basis)	860	217	No change
Spending on capital (US$ millions)			
Metals – Moa Joint Venture (50% basis), Fort Site (100% basis)	US$38	US$6	No change
Metals – Ambatovy Joint Venture (40% basis)	US$25	US$1	No change
Oil and Gas	US$43	US$3	US$34
Power (33⅓% basis) Pipeline Construction on Service Concession Agreements	US$4	US$2	No change
Power (33⅓% basis)	US$1	–	No change
Spending on capital (excluding Corporate)	US$111	US$12	US$102

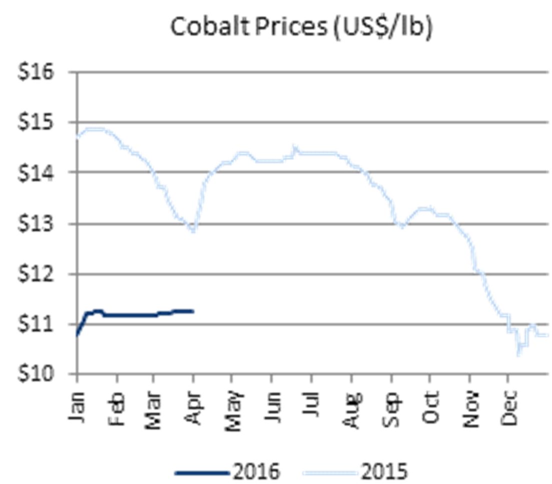
Significant factors influencing operations

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 months ended March 31, 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.





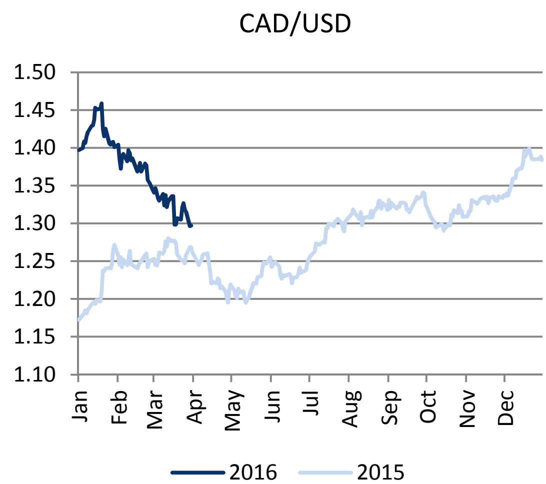
Although nickel prices continued their decline to lows not experienced in the past decade, Sherritt customer demand has been firm with demand from China climbing. Nickel sales into China increased over the prior year period at both the Moa JV and the Ambatovy JV, which is consistent with an overall increase reported in Chinese nickel imports. Importantly, the largest increase has been in non-LME deliverable metal, which indicates demand from end users rather than metal traders who tend to prefer LME-deliverable material. The increase experienced by Sherritt in Chinese demand is linked to declining availability of NPI and stainless steel scrap. Recent Chinese NPI production estimates for 2016 have pointed to approximately 300,000 tonnes compared to levels of approximately 350,000 – 375,000 tonnes in 2015.

Cobalt demand and pricing have been rising slowly, as cobalt supply suffers when nickel and copper production are cut back, and we are beginning to see evidence of supply cuts in these commodities. Cobalt is a smaller market, with most production occurring as by-products of copper or nickel production. Demand growth has come from battery manufacturers shifting from small consumer batteries (laptops, cell phones, etc.) to larger storage applications such as automotive, power tools and industrial/household storage. Sherritt's high grade cobalt remains well positioned to meet the demand for these applications as it is approved by the majority of major rechargeable battery manufacturers and recognized for its high purity.

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 exceeds U.S. denominated revenue, the foreign exchange impact is negative. The Canadian dollar was weaker relative to the U.S dollar for the three months ended March 31, 2016 compared to the same period 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 quarter 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 $76 million for the three months ended March 31, 2016.



Review of operations

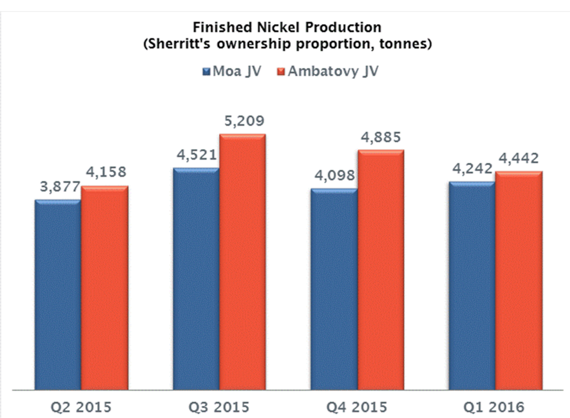
METALS

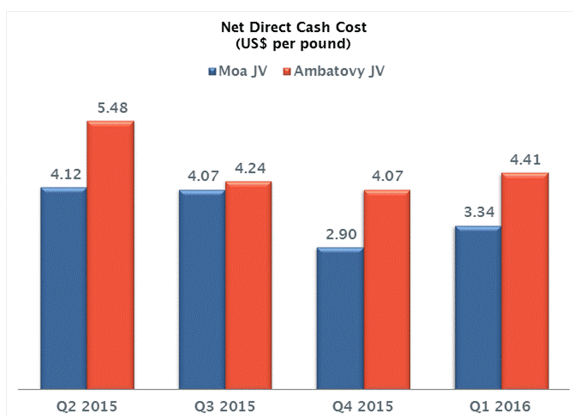
Financial Review

$ millions, except as otherwise noted, for the three months ended March 31	2016				2015				
	Moa JV and Fort Site	**Ambatovy JV**	**Other**	**Total**	Moa JV and Fort Site	Ambatovy JV	Other	Total	Change
FINANCIAL HIGHLIGHTS									
Revenue	**$ 76.7**	**$ 65.1**	**$ 11.2**	**$ 153.0**	$ 104.5	$ 100.7	$ 18.5	$ 223.7	(32%)
(Loss) earnings from operations	**(11.3)**	**(49.9)**	**0.3**	**(60.9)**	7.0	(43.8)	0.3	(36.5)	(67%)
Adjusted EBITDA[1]	**(0.2)**	**(12.8)**	**0.3**	**(12.7)**	18.3	4.3	0.1	22.7	(156%)
Cash provided (used) by operations	**(3.0)**	**(5.5)**	**4.2**	**(4.3)**	30.2	12.6	(0.5)	42.3	(110%)
Free cash flow[1]	**(10.6)**	**(5.5)**	**4.2**	**(11.9)**	22.4	9.9	(0.5)	31.8	(137%)
PRODUCTION VOLUMES (tonnes)									
Mixed Sulphides	**4,321**	**4,571**	**–**	**8,892**	4,876	5,522	–	10,398	(14%)
Finished Nickel	**4,242**	**4,442**	**–**	**8,684**	4,357	4,656	–	9,013	(4%)
Finished Cobalt	**499**	**365**	**–**	**864**	426	344	–	770	12%
Fertilizer	**70,907**	**14,355**	**–**	**85,262**	60,529	11,662	–	72,191	18%
NICKEL RECOVERY (%)	**88%**	**87%**			88%	85%			
SALES VOLUMES (tonnes)									
Finished Nickel	**4,141**	**4,491**	**–**	**8,632**	4,275	4,944	–	9,219	(6%)
Finished Cobalt	**468**	**332**	**–**	**800**	409	342	–	751	7%
Fertilizer	**31,713**	**14,107**	**–**	**45,820**	30,842	13,127	–	43,969	4%
AVERAGE REFERENCE PRICES (US$ per pound)									
Nickel				**$ 3.86**				$ 6.50	(41%)
Cobalt[2]				**10.70**				13.73	(22%)
AVERAGE-REALIZED PRICES[1]									
Nickel ($ per pound)	**$ 5.17**	**$ 5.15**	**–**	**$ 5.16**	$ 7.91	$ 7.95	–	$ 7.93	(35%)
Cobalt ($ per pound)	**13.84**	**15.39**	**–**	**14.52**	16.23	14.42	–	15.41	(6%)
Fertilizer ($ per tonne)	**391**	**186**	**–**	**327**	375	190	–	318	3%
UNIT OPERATING COSTS[1] (US$ per pound)									
Nickel – net direct cash cost	**$ 3.34**	**$ 4.41**	**–**	**3.90**	$ 4.36	$ 5.74	–	5.10	(24%)
SPENDING ON CAPITAL									
Sustaining	**$ 3.8**	**$ 1.7**	**$ –**	**$ 5.5**	$ 5.7	$ 6.4	$ –	$ 12.1	(55%)
Expansion	**4.0**	**–**	**–**	**4.0**	2.4	–	–	2.4	67%
	$ 7.8	**$ 1.7**	**$ –**	**$ 9.5**	$ 8.1	$ 6.4	$ –	$ 14.5	(34%)

(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:

$ millions, for the three months ended March 31	2016	2015	Change
Nickel	$ **47.2**	$ 74.5	(37%)
Cobalt	**14.3**	14.6	(2%)
Fertilizers	**12.4**	11.5	8%
Other[(1)]	**2.8**	3.9	(28%)
	$ **76.7**	$ 104.5	(27%)

(1) Beginning in the second quarter of 2015 sulphuric acid revenue was reclassified from fertilizers to other; the prior year period has been adjusted to reflect this change. The amount of sulphuric acid revenue included in other was $2.1 million for the three months ended March 31, 2016 and $2.6 million for the three months ended March 31, 2015.

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

$ millions, for the three months ended March 31	2016
Lower U.S. dollar denominated realized nickel prices	$ **(30.3)**
Lower U.S. dollar denominated realized cobalt prices	**(3.2)**
Higher fertilizer prices	**0.5**
Higher cobalt net of lower nickel sales volumes	**1.1**
Higher fertilizer sales volumes	**0.2**
Lower mining, processing and refining, third-party feed and fertilizer unit costs	**11.8**
Weaker Canadian dollar relative to the U.S. dollar	**0.1**
Other	**1.5**
Change in earnings from operations, compared to 2015	$ **(18.3)**

The average-realized prices of nickel and cobalt for the three months ended March 31, 2016 were lower than the same period in the prior year due to lower reference prices. The impact of lower reference prices was partly offset by the impact of a weaker Canadian dollar relative to the U.S. dollar.

Production of contained mixed sulphides for three months ended March 31, 2016 was lower compared to the same period in the prior year primarily as a result of lower quality ore available for processing at Moa Nickel. Ore grade was impacted in the quarter as access to planned mining faces was limited by above average rainfall. Finished nickel and cobalt production in the quarter was lower than the same period in the prior year but above planned levels as the impact of lower mixed sulphides production was partly offset by third party feed usage and a higher drawdown of mixed sulphides inventory.

Fertilizer's contributions to operating earnings for the three months ended March 31, 2016 were higher compared to the same period in the prior year due to higher sales volumes as temperatures in Western Canada allowed early application of ground nutrients coupled with higher realized prices.

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

$ millions, for the three months ended March 31	2016	2015	Change
Mining, processing and refining	$ **56.5**	$ 63.4	(11%)
Third-party feed costs	**2.9**	3.7	(22%)
Fertilizers	**7.8**	8.0	(3%)
Selling costs	**3.6**	3.6	–
Other[(2)]	**3.7**	6.1	(39%)
	$ **74.5**	$ 84.8	(12%)

(1) Excludes depletion, depreciation and amortization

(2) Beginning in the second quarter of 2015 sulphuric acid cost of sales was reclassified from fertilizers to other; the prior year period has been adjusted to reflect this change. The amount of sulphuric acid cost of sales included in other was $1.4 million for the three months ended March 31, 2016 and $3.2 million for the three months ended March 31, 2015.

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

		2016		2015	Change
Mining, processing and refining costs	$	**4.45**	$	5.28	(16%)
Third-party feed costs		**0.23**		0.32	(28%)
Cobalt by-product credits		**(1.15)**		(1.25)	8%
Other[2]		**(0.19)**		0.01	(2,000%)
Net direct cash cost (US$ per pound of nickel)	$	**3.34**	$	4.36	(23%)

(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 in the three months ended March 31, 2016 was lower compared to the same period in the prior year due largely to lower input commodity prices for fuel oil, sulphuric acid and sulphur, higher net fertilizer by-product credits and a weaker Canadian dollar relative to the U.S. dollar.

Sustaining capital spending was lower in the three months ended March 31, 2016 compared to the same period in the prior year reflecting lower planned spending. Expansion capital spending relates to the construction of the 2,000 tonnes per day acid plant at Moa. Construction of the third acid plant was greater than 95% complete as of March 31, 2016 and some commissioning activities have commenced. Project construction is on schedule to be completed by the end of the second quarter of 2016 with full operation expected in Q3 2016.

Ambatovy

Revenue is composed of the following:

$ millions, for the three months ended March 31	2016	2015	Change
Nickel	$ 51.1	$ 86.7	(41%)
Cobalt	11.3	10.9	4%
Fertilizers	2.6	2.5	4%
Other	0.1	0.6	(83%)
	$ 65.1	$ 100.7	(35%)

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

$ millions, for the three months ended March 31	2016
Lower US dollar denominated realized nickel prices	$ (35.7)
Lower US dollar denominated realized cobalt prices	(0.4)
Lower metals sales volumes	1.4
Higher fertilizer sales volumes	0.2
Lower mining, processing and refining, selling and fertilizer unit costs	18.2
Lower depreciation expense	17.1
Weaker Canadian dollar relative to the U.S. dollar	(7.3)
Other	0.4
Change in earnings from operations, compared to 2015	$ (6.1)

The average-realized price of nickel for the three months ended March 31, 2016 decreased compared to the same period in the prior year due to lower reference prices. The impact of a lower reference price was partly offset by a weaker Canadian dollar relative to the U.S. dollar.

The average-realized price of cobalt for the three months ended March 31, 2016 increased compared to the same period in the prior year despite a decline in the cobalt reference price. This increase was due to a weaker Canadian dollar relative to the U.S. dollar and the timing of mark to market adjustments on provisionally priced sales.

Production and sales volumes of nickel and cobalt were lower for the three months ended March 31, 2016 compared to the same periods in the prior year as a result of a number of reliability issues on equipment in the HPAL plant. These issues are well understood, and the Corporation is addressing the challenge through both progressive replacement of problematic equipment and the implementation of a comprehensive asset management program. Port operations at Ambatovy were interrupted for 21 days during the quarter while Sherritt confirmed Ambatovy's status regarding the Government of Madagascar's imposition of a new security-related protocol, the Advance Cargo Declaration, on all port users. This matter was resolved with no material financial impact and no impact to production. Finished nickel production for three months ended March 31, 2016 represents 74% of design capacity.

Depletion, depreciation, and amortization expense for the three months ended March 31, 2016 was lower compared to the same period 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.

In the third quarter of 2016, a two week total plant shutdown is scheduled to complete inspections of pressure vessels in accordance with statutory engineering codes and to carry out major opportune maintenance in various areas of the plant.

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

$ millions, for the three months ended March 31		2016		2015	Change
Mining, processing and refining	$	**68.3**	$	86.1	(21%)
Selling costs		**3.8**		4.0	(5%)
Other		**1.2**		1.4	(14%)
	$	**73.3**	$	91.5	(20%)

(1) Excludes depletion, depreciation and amortization.

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

		2016		2015	Change
Mining, processing and refining costs	$	**4.91**	$	6.38	(23%)
Cobalt by-product credits		**(0.67)**		(0.90)	(26%)
Other[2]		**0.17**		0.26	(35%)
Net direct cash cost (US$ per pound of nickel)		**4.41**	$	5.74	(23%)

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

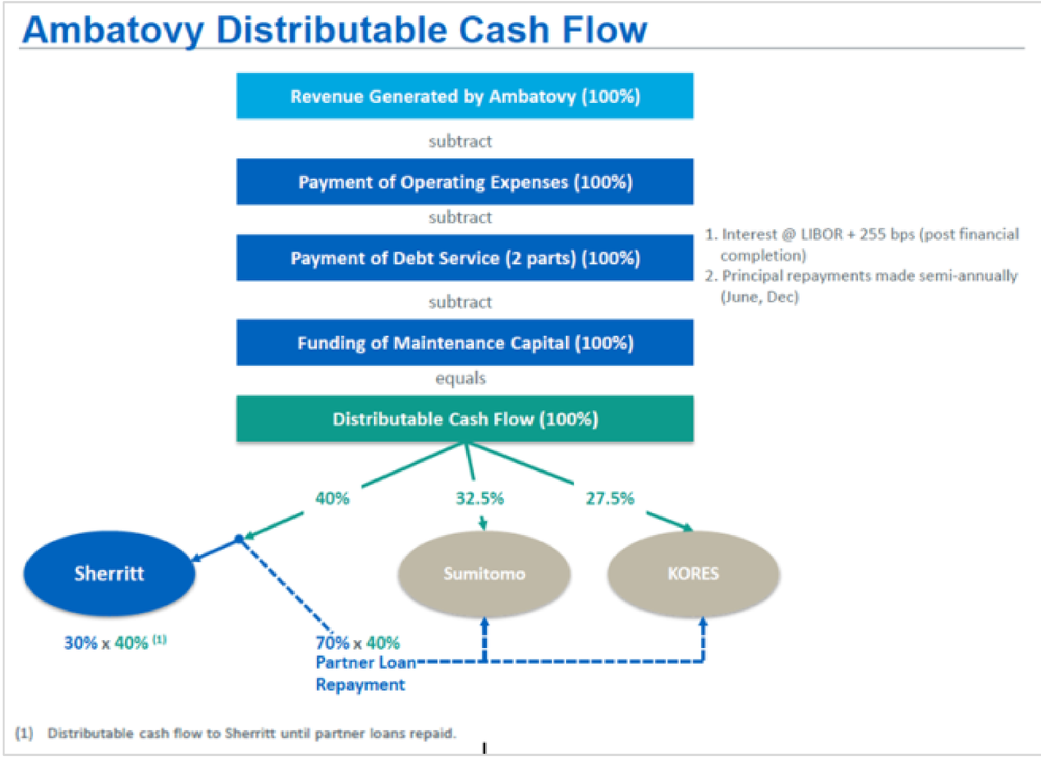
Net direct cash cost of nickel for the three months ended March 31, 2016 decreased compared to the same period in the prior year primarily due to efficiencies resulting from the continued ramp up, lower maintenance costs and lower overall input commodity prices partly offset by lower cobalt by-product credits in U.S. dollars. Other costs are lower in the current year period primarily due to higher discounts in the comparative quarter as Ambatovy's production was not then certified for delivery to the London Metal Exchange (LME).

Capital spending for Ambatovy is focused on sustaining capital for mining and production equipment and the tailings facility.

As reported in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2015, Ambatovy cash calls due in January 2016 amounted to US$50.0 million, with funding of US$30.0 million provided by partners Sumitomo Corp. and Korea Resources Corp. (KORES). Total cash funding provided by Sumitomo and KORES has increased to US$51.0 million, pursuant to additional cash calls of US$35.0 million. By agreement amongst the partners, Sherritt's unfunded amounts remain payable with accrued interest at LIBOR +3%. 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 partners, Sherritt will not exercise its Ambatovy voting rights.

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 reduce Sherritt's 40% interest in Ambatovy to a 12% economic interest as set-out in the following chart[1]. Sherritt continues to serve as operator, as constructive discussions are ongoing between partners and senior lenders regarding future funding of Ambatovy and modifications to the principal amortization on the existing senior loan. The outcome of these 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 Annual Information Form.

(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%.


Ambatovy Distributable Cash Flow
Revenue Generated by Ambatovy (100%)
subtract
Payment of Operating Expenses (100%)
subtract
Payment of Debt Service (2 parts) (100%)
1. Interest @ LIBOR + 255 bps (post financial completion)
2. Principal repayments made semi-annually (June, Dec)
subtract
Funding of Maintenance Capital (100%)
equals
Distributable Cash Flow (100%)
40%
32.5%
27.5%
Sherritt
Sumitomo
KORES
30% x 40% (1)
70% x 40%
Partner Loan Repayment
(1) Distributable cash flow to Sherritt until partner loans repaid.

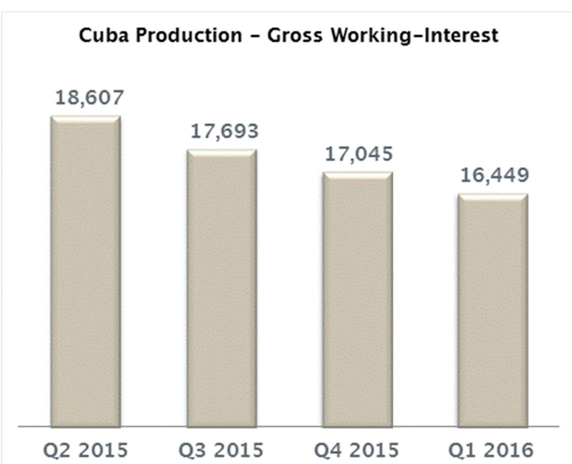
OIL AND GAS

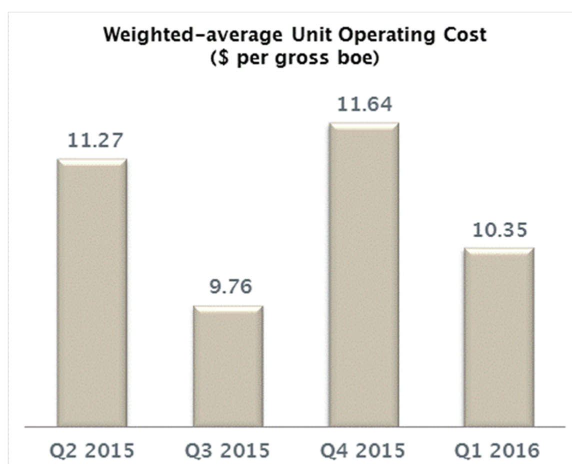
Financial review

$ millions, except as otherwise noted, for the three months ended March 31		2016		2015	Change
FINANCIAL HIGHLIGHTS					
Revenue	$	**22.4**	$	42.3	(47%)
Loss from operations		**(8.7)**		(0.9)	(867%)
Adjusted EBITDA(1)		**4.0**		21.5	(81%)
Cash provided by operations		**2.6**		6.6	(61%)
Free cash flow(1)		**(2.4)**		(14.0)	83%
PRODUCTION AND SALES(2)					
Gross working-interest (GWI) - Cuba		**16,449**		19,719	(17%)
Total net working-interest (NWI)		**10,504**		10,938	(4%)
AVERAGE REFERENCE PRICES (US$ per barrel)					
Gulf Coast Fuel Oil No. 6	$	**21.13**	$	44.32	(52%)
Brent		**33.64**		53.88	(38%)
AVERAGE-REALIZED PRICES(1) (per NWI)					
Cuba ($ per barrel)	$	**21.80**	$	41.44	(47%)
Spain ($ per barrel)		**45.84**		65.33	(30%)
Pakistan ($ per boe)(2)		**10.77**		10.59	2%
Weighted-average		**22.27**		41.79	(47%)
UNIT OPERATING COSTS(1)(2) (per GWI)					
Cuba	$	**9.53**	$	8.26	15%
Spain		**50.30**		79.52	(37%)
Pakistan		**9.33**		8.17	14%
Weighted-average ($ per boepd)		**10.35**		10.16	2%
SPENDING ON CAPITAL					
Development, facilities and other	$	**4.1**	$	27.0	(85%)
Exploration		**0.6**		-	-
	$	**4.7**	$	27.0	(83%)

(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).





Oil and Gas revenue is composed of the following:

$ millions, for the three months ended March 31	2016	2015	Change
Cuba	$ **19.6**	$ 37.6	(48%)
Spain	**1.4**	3.2	(56%)
Pakistan	**0.3**	0.3	–
Processing	**1.1**	1.2	(8%)
	$ **22.4**	$ 42.3	(47%)

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

$ millions, for the three months ended March 31	2016
Lower realized oil and gas prices, denominated in U.S. dollars	$ **(15.0)**
Lower Cuba gross working-interest volumes	**(5.2)**
Lower Spain volumes	**(1.2)**
Lower depletion, depreciation and amortization	**8.8**
Weaker Canadian dollar relative to the U.S. dollar	**1.1**
Lower operating costs	**4.1**
Other	**(0.4)**
Change in earnings from operations, compared to 2015	$ **(7.8)**

Reference and realized prices continued to decline in the first quarter of 2016 and were significantly lower in the three months ended March 31, 2016 compared to the same period in the prior year. The decrease in average-realized price in the current year benefited from the impact of a weaker Canadian dollar relative to the U.S. dollar.

Production and sales volumes were as follows:

Daily production volumes, for the three months ended March 31[1]	2016	2015	Change
Gross working-interest oil production in Cuba	**16,449**	19,719	(17%)
Net working-interest oil production			
Cuba (heavy oil)			
Cost recovery	**4,443**	2,229	99%
Profit oil	**5,447**	7,872	(31%)
Total	**9,890**	10,101	(2%)
Spain (light oil)	**334**	542	(38%)
Pakistan (natural gas)	**280**	295	(5%)
	10,504	10,938	(4%)

(1) Refer to Oil and Gas production and sales volume on page 33 for further detail.

Gross working-interest oil production in Cuba decreased for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to natural reservoir declines and the absence of new drilling in the first quarter of 2016.

Cost-recovery oil production in Cuba for the three months ended March 31, 2016 increased compared to the same period in the prior year as a result of 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, were lower in the three months ended March 31, 2016 as a result of higher cost recovery oil volumes during the current-year period and a reduction in GWI volumes.

In Spain, oil production was lower in the three months ended March 31, 2016 compared to the same period in the prior year as a result of production stabilizing in the Rodaballo field since the major workover was completed in this field in the first quarter of 2015.

Unit operating cost in Cuba increased in the three months ended March 31, 2016 compared to the same period in the prior year primarily due to lower production and a weaker Canadian dollar relative to the U.S. dollar.

Unit operating cost in Spain decreased in the three months ended March 31, 2016 compared to the same period in the prior year primarily due to lower production and as a result of limited workover costs in the first quarter of 2016 compared to $2.8 million in major workover costs incurred in the comparative period, which accounted for an increase in workover costs of $56.43 per barrel in the first quarter of 2015.

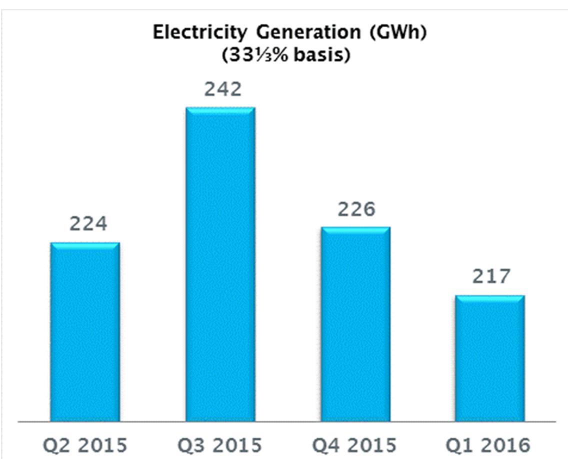
Spending on capital was significantly lower in the three months ended March 31, 2016 compared to the same period in the prior year due to the absence of any development drilling activities. Drilling activity in 2016 will be focused on the preparation and drilling of Block 10, as previously disclosed. The Corporation is expected to commence drilling in the second half of the year, and with this timing, only one well will be drilled in 2016, compared to the two originally planned.

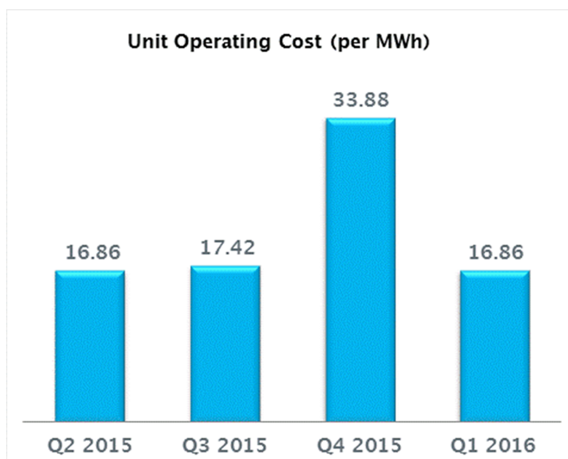
POWER

Financial review

$ millions (33⅓% basis), except as otherwise noted, for the three months ended March 31	2016	2015	Change
FINANCIAL HIGHLIGHTS			
Revenue	**$ 15.6**	$ 11.8	32%
Loss from operations	**(0.2)**	(1.0)	80%
Adjusted EBITDA[1]	**8.7**	7.3	19%
Cash provided by operations	**0.9**	24.1	(96%)
Free cash flow[1]	**0.8**	23.7	(97%)
PRODUCTION AND SALES			
Electricity (GWh[2])	**217**	210	3%
AVERAGE-REALIZED PRICES[1]			
Electricity (per MWh[2])	**$ 58.27**	$ 52.63	11%
UNIT OPERATING COSTS[1] (per MWh)			
Base	**$ 14.86**	$ 15.55	(4%)
Non-base[3]	**2.00**	0.09	2,122%
	16.86	15.64	8%
SPENDING ON CAPITAL AND SERVICE CONCESSION ARRANGEMENTS			
Sustaining	**$ 0.1**	$ 0.4	(75%)
Spending on Capital	**$ 0.1**	$ 0.4	(75%)
Service concession arrangements	**1.9**	–	–
	$ 2.0	$ 0.4	400%

(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 (33⅓% basis), for the three months ended March 31	2016	2015	Change
Electricity sales	**$ 12.7**	$ 11.1	14%
By-products and other	**1.0**	0.7	43%
Construction activity[1]	**1.9**	–	–
	$ 15.6	$ 11.8	32%

(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 (33⅓% basis), for the three months ended March 31		2016
Higher electricity volumes	$	0.4
Lower realized by-product prices		(0.2)
Higher realized by-product volume		0.1
Higher depletion, depreciation and amortization		(0.5)
Weaker Canadian dollar relative to the U.S. dollar		0.4
Other		0.6
Change in earnings from operations, compared to 2015	$	0.8

Production and electricity sales were relatively unchanged for the three months ended March 31, 2016 compared to the same period in the prior year. 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 higher for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to a weaker Canadian dollar relative to the U.S. dollar.

Unit operating cost increased for the three months ended March 31, 2016 compared to the same period in the prior year primarily due to timing of planned maintenance activities at Boca and Puerto Escondido.

The Puerto Escondido/Yumuri pipeline is expected to be operational in the fourth quarter of 2016.

Liquidity and capital resources

Total available liquidity at March 31, 2016 was $373.7 million which includes cash, cash equivalents and short term investments of $369.9 million and available credit facilities of $3.8 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 March 31, 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	$ 98.8	$ 98.8	$ –	$ –	$ –	$ –	$ –
Income taxes payable	1.4	1.4	–	–	–	–	–
Senior unsecured debentures	1,032.1	58.4	58.4	308.4	38.4	279.1	289.4
Ambatovy Joint Venture Additional Partner loans (non-recourse)(1)	4,629.0	–	–	–	–	–	4,629.0
Ambatovy Joint Venture Partner loans(1)	157.7	–	–	–	–	–	157.7
Other loans and borrowings	47.3	47.3	–	–	–	–	–
Provisions	161.9	16.2	0.5	11.8	–	–	133.4
Operating leases	19.2	1.0	2.9	2.9	3.0	3.0	6.4
Capital commitments	15.3	7.8	7.5	–	–	–	–
Total	$ 6,162.7	$ 230.9	$ 69.3	$ 323.1	$ 41.4	$ 282.1	$ 5,215.9

(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 $81.6 million, with no significant payments due in the next four years;
- Advances and loans payable of $227.0 million; and
- Other commitments of $0.9 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 $213.0 million, with no significant payments due in the next four years;
- Other contractual commitments of $27.6 million; and
- Ambatovy revolving credit facility of $20.6 million. The facility bears interest rates between 9.00% and 11.85% and matures on April 29, 2016.
- Ambatovy Joint Venture senior debt financing of US$640.4 million ($831.7 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%. On an undiscounted basis, principal and interest repayments are $1.0 billion.

INVESTMENT LIQUIDITY

At March 31, 2016, cash and cash equivalents and investments were located in the following countries:

$ millions, as at March 31, 2016	Cash	Cash equivalents and short-term investments	Total
Canada	$ 69.6	$ 284.0	$ 353.6
Cuba	9.0	–	9.0
Other	7.3	–	7.3
	$ 85.9	$ 284.0	$ 369.9

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.

At March 31, 2016 cash equivalents includes $190.8 million in Government of Canada treasury bills and term deposits with major financial institutions, both having original maturity dates of less than three months and short-term investments includes $93.1 million in Government of Canada treasury bills having original maturity dates of greater than three months and less than one year.

The table above does not include cash and cash equivalents of $27.2 million (100% basis) held by the Moa Joint Venture, or $51.3 million (100% basis) 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.

Loans and Borrowings

Loans and borrowings are composed primarily of:

- $750.0 million in unsecured debentures and notes having interest rates between 7.50% and 8.00% and maturities in 2018, 2020 and 2022;
- $1.3 billion in two 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% and 1.125%, respectively;
- $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%; and

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

Syndicated revolving-term credit facility

During the three months ended March 31, 2016, the terms of the syndicated revolving-term credit facility were amended to update the financial covenants. The amendments, effective March 31, 2016, were executed subsequent to period end. 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 March 31, 2016: net financial debt-to-EBITDA covenant of 3.75:1, net financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 1.75:1. The net financial debt-to-EBITDA covenant increases to 4:1 as at June 30, 2016 and increases to 4.25:1 as at September 30, 2016. If, after March 31, 2016, 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 a result of these amendments, the Corporation was in compliance with these amended financial covenants at March 31, 2016.

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 March 31, 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 statements for the year ended December 31, 2015.

$ millions, as at			2016 March 31			2015 December 31
	Maximum	**Undrawn**	**Available**(1)	Maximum	Undrawn	Available(1)
Short-term						
Syndicated revolving-term credit facility(2)	**$ 115.0**	**$ 23.8**	**$ 3.8**	$ 115.0	$ 12.6	$ 2.6
Line of credit(3)	**–**	**–**	**–**	35.0	–	–
Total	**$ 115.0**	**$ 23.8**	**$ 3.8**	$ 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 March 31, 2016, the Corporation had $46.2 million of letters of credit outstanding and drew down $45.0 million on this facility. Letters of credit at March 31, 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).

$ millions, for the three months ended March 31		2016		2015	Change
Cash provided (used) by operating activities					
Oil and Gas operating cash flow	$	**2.6**	$	6.6	(61%)
Power operating cash flow (excluding interest received on Energas CSA loan)		**0.9**		1.1	(18%)
Fort Site operating cash flow		**0.3**		13.5	(98%)
Dividends received from Moa Joint Venture		**–**		12.5	(100%)
Interest received on Moa Joint Venture loans		**0.7**		2.9	(76%)
Interest received on Energas CSA loan		**–**		23.0	(100%)
Interest paid on debentures		**(10.3)**		(9.4)	(10%)
Corporate and other operating cash flow		**(3.9)**		(23.9)	84%
Cash provided by continuing operations		**(9.7)**		26.3	(137%)
Cash used by discontinued operations		**(2.9)**		(3.5)	17%
	$	**(12.6)**	$	22.8	(155%)
Cash (used) provided by investing and financing					
Property, plant, equipment and intangible expenditures	$	**(6.4)**	$	(23.8)	73%
Receipts of advances, loans receivable and other financial assets		**0.4**		3.5	(89%)
Repayment of loans, borrowings and other financial liabilities		**(45.4)**		(0.4)	(11250%)
Dividends paid on common shares		**–**		(3.0)	100%
Other		**(1.5)**		2.4	(163%)
	$	**(52.9)**	$	(21.3)	(148%)
		(65.5)		1.5	(4467%)
Cash, cash equivalents and short-term investments:					
Beginning of the period		**435.4**		477.2	(9%)
End of the period	$	**369.9**	$	478.7	(23%)

(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 months ended March 31, 2016 compared to prior year period:

- Interest received on the Energas CSA loan was nil for the three months ended March 31, 2016 compared to $23.0 million in the prior year period. This reduction in interest was due to higher capital spending in 2015 and the comparative period included interest received relating to 2014. Under the current repayment schedule the Corporation expects interest received under the CSA to be $34.0 million in 2016;
- movements in cash flow from operations at Fort Site related primarily to timing of collection of fertilizer sales;
- cash from continuing operating activities at Oil and Gas was lower for the three months ended March 31, 2016 as a result of lower earnings and the timing of settlement of receivables and payment of taxes ; and
- cash from continuing operating activities at Corporate was higher for the three months ended March 31, 2016 due to timing of working capital payments.

Included in investing and financing activities:

- repayment in loans and borrowings of $45.0 million in the three months ended March 31, 2016 relates to the repayment and termination of the $35.0 million line of credit and a $10.0 million repayment on the revolving – term credit facility.

COMMON SHARES

As at April 26, 2016, the Corporation had 293,880,001 common shares outstanding. An additional 9,678,416 common shares are issuable upon exercise of outstanding stock options granted to employees and directors pursuant to the Corporation's stock option plan.

As part of a comprehensive initiative to manage liquidity, the Board suspended the $0.01 per share quarterly dividend, effective September 2015.

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 first 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 June 30, 2014 to March 31, 2016[1].

$ millions, except per share amounts, for the three months ended	**2016 Mar 31**	2015 Dec 31	2015 Sept 30	2015 June 30	2015 Mar 31	2014 Dec 31	2014 Sept 30	2014 June 30
Revenue								
Metals	**$ 153.0**	$ 183.8	$ 193.4	$ 204.2	$ 223.7	$ 216.5	$ 221.2	$ 216.0
Oil and Gas	**22.4**	30.5	38.5	51.3	42.3	49.6	68.1	74.7
Power	**15.6**	13.7	14.5	12.7	11.8	11.7	12.7	12.7
Corporate and Other	**0.3**	1.5	0.1	0.2	0.5	0.5	0.7	1.2
Combined Revenue[2]	**$ 191.3**	$ 229.5	$ 246.5	$ 268.4	$ 278.3	$ 278.3	$ 302.7	$ 304.6
Adjust joint venture and associate revenue	**(132.9)**	(153.0)	(169.6)	(168.8)	(195.4)	(176.7)	(199.8)	(174.4)
Financial statement revenue	**$ 58.4**	$ 76.5	$ 76.9	$ 99.6	$ 82.9	$ 101.6	$ 102.9	$ 130.2
Share of loss of an associate, net of tax	**(65.9)**	(1,703.2)	(68.6)	(62.6)	(42.3)	(65.0)	(49.4)	(50.9)
Share of (loss) earnings of a joint venture, net of tax	**(12.9)**	(9.1)	(6.4)	(0.3)	4.0	4.5	10.8	1.0
Net loss from continuing operations	**(47.8)**	(1,757.3)	(210.0)	(47.6)	(56.8)	(147.7)	(51.3)	(49.0)
(Loss) earnings from discontinued operations, net of tax	**–**	–	–	(5.0)	–	(12.7)	–	18.9
Net loss for the period	**$ (47.8)**	$ (1,757.3)	$ (210.0)	$ (52.6)	$ (56.8)	$ (160.4)	$ (51.3)	$ (30.1)
Net loss per share, basic and diluted ($ per share)								
Net loss from continuing operations	**$ (0.16)**	$ (5.99)	$ (0.72)	$ (0.16)	$ (0.19)	$ (0.50)	$ (0.17)	$ (0.16)
Net loss for the period	**(0.16)**	(5.99)	(0.72)	(0.18)	(0.19)	(0.54)	(0.17)	(0.10)

(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 $1.09 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 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;
- the third quarter of 2014 includes a $12.8 million gain on arbitration settlement; and
- the second quarter of 2014 includes a $13.0 million gain recognized on the sale of the Coal operations.

Off-balance sheet arrangements

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

Transactions with related parties

The Corporation and subsidiaries provide goods, labour, advisory and other administrative services to jointly controlled entities and an associate at fair value. The Corporation and its subsidiaries also market, pursuant to sales agreements, a portion of the nickel, cobalt and certain by-products produced by certain jointly controlled entities and an associate in the Metals business.

Canadian $ millions, as at	**2016 March 31**	2015 December 31
Accounts receivable from joint operations	**$ 0.7**	$ 0.7
Accounts receivable from joint venture	**22.0**	20.2
Accounts receivable from associate	**41.6**	33.8
Accounts payable to joint operations	**0.1**	0.2
Accounts payable to joint venture	**17.5**	5.2
Accounts payable to associate	**1.4**	0.5
Advances and loans receivable from associate	**897.9**	1,187.2
Advances and loans receivable from joint operations	**185.5**	182.0
Advances and loans receivable from joint venture	**300.6**	312.8

	For the three months ended	
Canadian $ millions	**2016 March 31**	2015 March 31
Total value of goods and services:		
Provided to joint operations	**$ 8.8**	**$** 5.5
Provided to joint venture	**34.5**	35.2
Provided to associate	**0.7**	0.6
Purchased from joint venture	**35.5**	28.6
Purchased from associate	**9.6**	17.0
Net financing income from joint operations	**3.6**	4.3
Net financing income from associate	**10.6**	15.3
Net financing income from joint venture	**2.4**	2.1

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.

Advances and loans receivable from associate, joint operation and joint venture relate to the Corporation's interest in the Ambatovy subordinated loans receivable, Energas conditional sales agreement, and Moa Joint Venture loans receivable, respectively. For further detail, refer to note 14 of the Corporation's December 31, 2015 audited consolidated financial statements.

Goods and services provided to joint venture primarily relates to services provided by Fort Site to Moa Joint Venture. Goods and services purchased from associate relate to nickel purchased from the Ambatovy Joint Venture purchased under long term nickel off take agreements by a subsidiary of the Corporation established to buy, market and sell certain Ambatovy nickel production. Net financing income from associate relates to interest income recognized by the Corporation on the Ambatovy subordinated loans receivable.

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 March 31, 2016, the Corporation's CEO and CFO have certified that the disclosure controls and procedures are effective and that during the quarter ended March 31, 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 March 31, 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	$ 12	$ 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	4	0.02
Exchange rate				
Strengthening of the Canadian dollar relative to the U.S. dollar	$	0.05	51	0.18
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	(2)	(0.01)
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		
	2016	2015	
Daily production volumes[1]	**March 31**	March 31	Change
Gross working-interest oil production in Cuba[2][3]	**16,449**	19,719	(17%)
Net working-interest oil production[4]			
Cuba (heavy oil)			
Cost recovery	**4,443**	2,229	99%
Profit oil	**5,447**	7,872	(31%)
Total	**9,890**	10,101	(2%)
Spain (light oil)[4]	**334**	542	(38%)
Pakistan (natural gas)[4]	**280**	295	(5%)
	10,504	10,938	(4%)

(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 and free cash flow 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 6 to 7 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 tables below reconcile Adjusted EBITDA to net earnings (loss) from operations, associate and joint venture:

$ millions, for the three ended March 31									**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	**$ (11.3)**	**$ (49.9)**	**$ 0.3**	**$ (60.9)**	**$ (8.7)**	**$ (0.2)**	**$ (9.8)**	**$ (18.1)**	**$ (97.7)**
Add (deduct):									
Depletion, depreciation and amortization	**2.1**	**–**	**–**	**2.1**	**12.7**	**8.9**	**0.7**	**–**	**24.4**
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	**9.0**	**37.1**	**–**	**46.1**	**–**	**–**	**–**	**–**	**46.1**
Net finance expense	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19.1**	**19.1**
Income tax recovery	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Adjusted EBITDA	**$ (0.2)**	**$ (12.8)**	**$ 0.3**	**$ (12.7)**	**$ 4.0**	**$ 8.7**	**$ (9.1)**	**$ –**	**$ (9.1)**

$ millions, for the three ended March 31									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
Earnings (loss) from operations, associate and joint venture per financial statements	$ 7.0	$ (43.8)	$ 0.3	$ (36.5)	$ (0.9)	$ (1.0)	$ (8.2)	$ (3.5)	$ (50.1)
Add (deduct):									
Depletion, depreciation and amortization	2.3	–	(0.1)	2.2	22.4	8.3	0.9	–	33.8
Adjustments for share of associate and joint venture:									
Depletion, depreciation and amortization	9.0	48.1	(0.1)	57.0	–	–	–	–	57.0
Net finance expense	–	–	–	–	–	–	–	10.7	10.7
Income tax recovery	–	–	–	–	–	–	–	(7.2)	(7.2)
Adjusted EBITDA	$ 18.3	$ 4.3	$ 0.1	$ 22.7	$ 21.5	$ 7.3	$ (7.3)	$ –	$ 44.2

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.

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 ended March 31														2016
	Metals													
		Nickel		Cobalt		Fertilizer		Other revenue		Total		Oil and Gas		Power
Revenue per financial statements	$	**98.3**	$	**25.6**	$	**15.0**	$	**14.1**	$	**153.0**	$	**22.4**	$	**15.6**
Adjustments to revenue:														
By-product revenue		–		–		–						–		**(1.0)**
Processing revenue		–		–		–						**(1.1)**		–
Service concession arrangement revenue		–		–		–						–		**(1.9)**
Other		–		–		–						–		–
Revenue for purposes of average-realized price calculation		**98.3**		**25.6**		**15.0**						**21.3**		**12.7**
Sales volume for the period		**19.0**		**1.8**		**45.8**						**1.0**		**217**
Volume units		Millions of pounds		Millions of pounds		Thousands of tonnes						Millions of barrels(1)		Gigawatts
Average-realized price(2)(3)	$	**5.16**	$	**14.52**	$	**327**					$	**22.27**	$	**58.27**

$ millions, except average-realized price and sales volume, for the three months ended March 31														2015
	Metals													
		Nickel		Cobalt		Fertilizer		Other revenue		Total		Oil and Gas		Power
Revenue per financial statements	$	161.2	$	25.5	$	14.0	$	23.0	$	223.7	$	42.3	$	11.8
Adjustments to revenue:														
By-product revenue		–		–		–						–		(0.7)
Processing revenue		–		–		–						(1.2)		–
Revenue for purposes of average-realized price calculation		161.2		25.5		14.0						41.1		11.1
Sales volume for the period		20.3		1.7		44.0						1.0		210
Volume units		Millions of pounds		Millions of pounds		Thousands of tonnes						Millions of barrels(1)		Gigawatts
Average-realized price(2)(3)	$	7.93	$	15.41	$	318					$	41.79	$	52.63

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.

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 March 31						**2016**
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	**$ 85.6**	**$ 110.3**	**$ 10.7**	**$ 206.6**	**$ 28.7**	**$ 14.6**
Less:						
Depletion, depreciation and amortization in cost of sales	**(11.1)**	**(37.0)**	**–**	**(48.1)**	**(12.7)**	**(8.9)**
	74.5	**73.3**	**10.7**	**158.5**	**16.0**	**5.7**
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	**(29.5)**	**(11.8)**			**–**	**–**
Impact of opening/closing inventory and other	**(3.1)**	**(0.6)**			**–**	**–**
Service concession arrangements – Cost of construction	**–**	**–**			**–**	**(1.9)**
Cost of sales for purposes of unit cost calculation	**41.9**	**60.9**			**16.0**	**3.8**
Sales volume for the period	**9.1**	**9.9**			**1.6**	**217**
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	**$ 4.59**	**6.15**			**$ 10.35**	**$ 16.86**
Unit operating cost (U.S. dollars)	**$ 3.34**	**4.41**				

$ millions, except unit cost and sales volume, for the three months ended March 31						2015
	Metals					
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power
Cost of sales per financial statements	$ 96.1	$ 139.5	$ 17.8	$ 253.4	$ 41.3	$ 11.4
Less:						
Depletion, depreciation and amortization in cost of sales	(11.3)	(48.0)	0.2	(59.1)	(22.3)	(8.3)
	84.8	91.5	18.0	194.3	19.0	3.1
Adjustments to cost of sales:						
Cobalt by-product, fertilizer and other revenue	(30.0)	(15.3)			–	–
Impact of opening/closing inventory and other	(3.7)	1.0			–	–
Cost of sales for purposes of unit cost calculation	51.1	77.2			19.0	3.1
Sales volume for the period	9.4	10.9			1.9	210
Volume units	Millions of pounds	Millions of pounds			Millions of barrels(1)	Gigawatts
Unit operating cost(2)(3)	$ 5.42	7.08			$ 10.16	$ 15.64
Unit operating cost (U.S. dollars)	$ 4.36	5.74				

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.

(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 the Ambatovy call option fair value adjustment), 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:

$ millions, for the three months ended March 31		**2016**		2015
Net (loss) earnings from continuing operations	$	**(47.8)**	$	(56.8)
Adjusting items:				
Sherritt - Unrealized foreign exchange (gain) loss - Continuing		**(76.0)**		17.6
Corporate - Call option fair value adjustment		**–**		2.8
Ambatovy - VAT adjustment		**(3.8)**		(4.5)
Severance		**0.7**		–
Total adjustments, before tax	**$**	**(79.1)**	$	15.9
Tax adjustments(1)		**–**		(30.1)
Adjusted net (loss) earnings from continuing operations	**$**	**(126.9)**	$	(71.0)

(1) Prior year to date period includes tax recoveries of $30.1 million related to changes in tax rates in Cuba. See Income taxes on page 7 for further details.

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.

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 March 31	Metals								Adjustment	**2016**
	Moa JV and Fort Site	Ambatovy JV	Other	Total	Oil and Gas	Power	Corporate and Other	**Combined total**	for Joint Venture and Associate	**Total derived from financial statements**
Cash provided (used) by continuing operations	$ **(3.0)**	$ **(5.5)**	$ **4.2**	$ **(4.3)**	$ **2.6**	$ **0.9**	$ **(17.8)**	$ **(18.6)**	$ **8.9**	$ **(9.7)**
Adjust: net change in non-cash working capital	**1.2**	**(7.5)**	**(3.9)**	**(10.2)**	**(0.1)**	**5.6**	**1.1**	**(3.6)**	**7.8**	**4.2**
Adjusted continuing operating cash flow	**(1.8)**	**(13.0)**	**0.3**	**(14.5)**	**2.5**	**6.5**	**(16.7)**	**(22.2)**	**16.7**	**(5.5)**
Combined adjusted operating cash flow per share(1)	$ **(0.01)**	$ **(0.04)**	$ **–**	$ **(0.05)**	$ **0.01**	$ **0.02**	$ **(0.06)**	$ **(0.08)**	$ **0.06**	$ **(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 three months ended March 31	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	**Total derived from financial statements**
2015										
Cash provided (used) by continuing operations	$ 30.2	$ 12.6	$ (0.5)	$ 42.3	$ 6.6	$ 24.1	$ (29.9)	$ 43.1	$ (16.8)	$ 26.3
Adjust: net change in non-cash working capital	(18.3)	(8.0)	0.7	(25.6)	15.3	6.3	17.0	13.0	13.3	26.3
Adjusted continuing operating cash flow	11.9	4.6	0.2	16.7	21.9	30.4	(12.9)	56.1	(3.5)	52.6
Combined adjusted operating cash flow per share[1]	$ 0.04	$ 0.02	$ –	$ 0.06	$ 0.07	$ 0.10	$ (0.04)	$ 0.19	$ (0.01)	$ 0.18

(1) The weighted average number of common shares for the year was 293.4 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.

The tables below reconciled free cash flow to the consolidated statement of cash flow.

$ millions, for the three months ended March 31	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	**Total derived from financial statements**
2016										
Cash provided (used) by continuing operations	**$ (3.0)**	**$ (5.5)**	**$ 4.2**	**$ (4.3)**	**$ 2.6**	**$ 0.9**	**$ (17.8)**	**$ (18.6)**	**$ 8.9**	**$ (9.7)**
Less:										
Property, plant and equipment expenditures	**(7.6)**	**–**	**–**	**(7.6)**	**(4.4)**	**(0.1)**	**(0.1)**	**(12.2)**	**6.4**	**(5.8)**
Intangible Expenditures	**–**	**–**	**–**	**–**	**(0.6)**	**–**	**–**	**(0.6)**	**–**	**(0.6)**
Free Cash Flow	**$ (10.6)**	**$ (5.5)**	**$ 4.2**	**$ (11.9)**	**$ (2.4)**	**$ 0.8**	**$ (17.9)**	**(31.4)**	**$ 15.3**	**$ (16.1)**

$ millions, for the three months ended March 31	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	**Total derived from financial statements**
2015										
Cash provided (used) by continuing operations	$ 30.2	$ 12.6	$ (0.5)	$ 42.3	$ 6.6	$ 24.1	$ (29.9)	$ 43.1	$ (16.8)	$ 26.3
Less:										
Property, plant and equipment expenditures	(7.8)	(2.7)	–	(10.5)	(20.6)	(0.4)	(0.4)	(31.9)	8.1	(23.8)
Free Cash Flow	$ 22.4	$ 9.9	$ (0.5)	$ 31.8	$ (14.0)	$ 23.7	$ (30.3)	11.2	$ (8.7)	$ 2.5

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”, “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 dates; future price of key commodities; sales volumes; revenue, costs, and earnings; sufficiency of working capital and capital project funding; 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 completion 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 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 months ended March 31, 2016 and 2015

Condensed consolidated statements of comprehensive income (loss)

Unaudited, Canadian $ millions, except per share amounts, for the three months ended March 31	Note		**2016**		2015
Revenue		**$**	**58.4**	$	82.9
Cost of sales	5		**(64.6)**		(82.7)
Administrative expenses	5		**(12.7)**		(12.0)
Share of loss of an associate, net of tax	6		**(65.9)**		(42.3)
Share of (loss) earnings of a joint venture, net of tax	7		**(12.9)**		4.0
Loss from operations, associate and joint venture			**(97.7)**		(50.1)
Financing income	8		**17.3**		20.0
Financing expense	8		**33.3**		(56.1)
Net finance income (expense)			**50.6**		(36.1)
Loss before tax			**(47.1)**		(86.2)
Income tax (expense) recovery	9		**(0.7)**		29.4
Net loss from continuing operations			**(47.8)**		(56.8)
Earnings from discontinued operations, net of tax	10		**–**		-
Net loss for the period		**$**	**(47.8)**	$	(56.8)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences on foreign operations	19		**(169.3)**		281.6
Items that will not be subsequently reclassified to profit or loss:					
Actuarial (losses) gains on pension plans, net of tax					
Continuing operations	19		**(0.2)**		0.7
Other comprehensive (loss) income			**(169.5)**		282.3
Total comprehensive (loss) income		**$**	**(217.3)**	$	225.5
Net loss from continuing operations per common share, basic and diluted	12	**$**	**(0.16)**	$	(0.19)
Net loss per common share, basic and diluted	12	**$**	**(0.16)**	$	(0.19)

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 March 31	2015 December 31
ASSETS			
Current assets			
Cash and cash equivalents	13	$ **276.8**	$ 230.6
Short-term investments	13	**93.1**	204.8
Advances, loans receivable and other financial assets	14	**80.7**	82.7
Trade accounts receivable, net	13	**257.7**	258.3
Inventories	15	**40.4**	38.0
Prepaid expenses		**3.5**	6.0
		752.2	820.4
Non-current assets			
Advances, loans receivable and other financial assets	14	**1,348.3**	1,600.5
Other non-financial assets		**0.6**	0.8
Property, plant and equipment	16	**332.4**	351.1
Investment in an associate	6	**864.3**	757.3
Investment in a joint venture	7	**369.0**	404.2
Intangible assets		**142.9**	154.8
		3,057.5	3,268.7
Assets held for sale	11	**0.9**	0.9
Total assets		$ **3,810.6**	$ 4,090.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Loans and borrowings	17	$ **45.9**	$ 91.2
Trade accounts payable and accrued liabilities		**98.8**	73.6
Income taxes payable		**1.4**	2.4
Other financial liabilities	17	**2.2**	1.5
Deferred revenue		**31.1**	24.6
Provisions	18	**15.9**	18.8
		195.3	212.1
Non-current liabilities			
Loans and borrowings	17	**2,082.2**	2,171.9
Other financial liabilities	17	**45.6**	1.9
Deferred revenue		**3.7**	3.8
Provisions	18	**110.9**	107.8
Deferred income taxes		**32.6**	35.4
		2,275.0	2,320.8
Total liabilities		**2,470.3**	2,532.9
Shareholders' equity			
Capital stock	19	**2,775.3**	2,775.3
Deficit		**(2,390.4)**	(2,342.6)
Reserves	19	**225.4**	224.9
Accumulated other comprehensive income	19	**730.0**	899.5
		1,340.3	1,557.1
Total liabilities and shareholders' equity		$ **3,810.6**	$ 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, for the three months ended March 31	Note	2016	2015
Operating activities			
Net loss from continuing operations		$ **(47.8)**	$ (56.8)
Add (deduct):			
Depletion, depreciation and amortization		**24.4**	33.8
Share of loss of an associate, net of tax	6	**65.9**	42.3
Share of loss (earnings) of a joint venture, net of tax	7	**12.9**	(4.0)
Net finance (income) expense (less accretion expense)	8	**(50.8)**	35.9
Income tax expense (recovery)	9	**0.7**	(29.4)
Service concession arrangement		**(2.0)**	-
Net change in non-cash working capital	21	**(4.2)**	(26.3)
Interest received		**1.2**	27.0
Interest paid		**(10.3)**	(9.4)
Income tax paid		**(2.3)**	(0.1)
Dividends received from joint venture	7	**–**	12.5
Other operating items	21	**2.6**	0.8
Cash (used) provided by continuing operations		**(9.7)**	26.3
Cash used by discontinued operations	10	**(2.9)**	(3.5)
Cash (used) provided by operating activities		**(12.6)**	22.8
Investing activities			
Property, plant and equipment expenditures	4	**(5.8)**	(23.8)
Intangible asset expenditures	4	**(0.6)**	-
Receipts of advances, loans receivable and other financial assets		**0.4**	3.5
Net proceeds from sale of property, plant and equipment		**–**	0.1
Proceeds from short-term investments		**111.7**	132.6
Cash provided by continuing operations		**105.7**	112.4
Cash used by discontinued operations	10	**–**	-
Cash provided by investing activities		**105.7**	112.4
Financing activities			
Repayment of loans and borrowings and other financial liabilities		**(45.4)**	(0.4)
Dividends paid on common shares	19	**–**	(3.0)
Cash used by continuing operations		**(45.4)**	(3.4)
Cash used by discontinued operations	10	**–**	-
Cash used by financing activities		**(45.4)**	(3.4)
Effect of exchange rate changes on cash and cash equivalents		**(1.5)**	2.3
Increase in cash and cash equivalents		**46.2**	134.1
Cash and cash equivalents at beginning of the period		**230.6**	161.6
Cash and cash equivalents at end of the period	13	$ **276.8**	$ 295.7

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	Retained earnings (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		-	(56.8)	-	-	(56.8)
Foreign currency translation differences on foreign operations	19	-	-	-	281.6	281.6
Actuarial gains on defined benefit obligations, net of tax	19	-	-	-	0.7	0.7
		-	(56.8)	-	282.3	225.5
Shares issued for:						
Restricted stock plan (vested)	19	1.6	-	(1.6)	-	-
Restricted stock plan expense	20	-	-	0.1	-	0.1
Stock option plan expense	20	-	-	0.2	-	0.2
Dividend declared to common shareholders		-	(3.0)	-	-	(3.0)
Balance as at March 31, 2015		**$ 2,774.5**	**$ (319.7)**	**$ 223.9**	**$ 602.8**	**$ 3,281.5**
Total comprehensive income (loss):						
Net loss for the period		-	(2,019.9)	-	-	(2,019.9)
Foreign currency translation differences on foreign operations	19	-	-	-	297.6	297.6
Actuarial loss on defined benefit obligations, net of tax	19	-	-	-	(0.9)	(0.9)
		-	(2,019.9)	-	296.7	(1,723.2)
Shares issued for:						
Employee share purchase plan (vested)	19	0.8	-	(0.1)	-	0.7
					-	
Stock option plan expense	20	-	-	1.1	-	1.1
Dividend declared to common shareholders		-	(3.0)	-	-	(3.0)
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		-	(47.8)	-	-	(47.8)
Foreign currency translation differences on foreign operations	19	-	-	-	(169.3)	(169.3)
Actuarial loss on defined benefit obligations, net of tax	19	-	-	-	(0.2)	(0.2)
		-	(47.8)	-	(169.5)	(217.3)
Stock option plan expense	20	-	-	0.5	-	0.5
Balance as at March 31, 2016		**$ 2,775.3**	**$ (2,390.4)**	**$ 225.4**	**$ 730.0**	**$ 1,340.3**

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

Notes to the 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 consolidated financial statements were approved and authorized for issuance by the Audit Committee on behalf of the Board of Directors of Sherritt on April 25, 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 IAS 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 an 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 March 31 — 2016

	Metals: Moa JV and Fort Site[(1)]	Metals: Ambatovy JV[(2)]	Metals: Other[(3)]	Oil and Gas	Power	Corporate and Other[(4)]	Adjustments for Joint Venture and Associate[(5)]	Total
Revenue	$ 76.7	$ 65.1	$ 11.2	$ 22.4	$ 15.6	$ 0.3	$ (132.9)	$ 58.4
Cost of sales	(85.6)	(110.3)	(10.7)	(28.7)	(14.6)	(2.4)	187.7	(64.6)
Administrative expenses	(2.4)	(4.7)	(0.2)	(2.4)	(1.2)	(7.7)	5.9	(12.7)
Share of loss of an associate, net of tax	–	–	–	–	–	–	(65.9)	(65.9)
Share of loss of a joint venture, net of tax	–	–	–	–	–	–	(12.9)	(12.9)
(Loss) earnings from operations, associate and joint venture	(11.3)	(49.9)	0.3	(8.7)	(0.2)	(9.8)	(18.1)	(97.7)
Financing income								17.3
Financing expense								33.3
Net finance income								50.6
Loss before tax								(47.1)
Income tax expense								(0.7)
Net loss from continuing operations								(47.8)
Earnings from discontinued operations, net of tax (note 10)								–
Net loss for the period								(47.8)
Supplementary information								
Depletion, depreciation and amortization	$ 11.1	$ 37.1	$ –	$ 12.7	$ 8.9	$ 0.7	$ (46.1)	$ 24.4
Property, plant and equipment expenditures	7.6	–	–	4.4	0.1	0.1	(6.4)	5.8
Intangible asset expenditures	–	–	–	0.6	–	–	–	0.6

Canadian $ millions, as at March 31								2016
Non-current assets[(6)]	$ 741.4	$ 2,604.0	$ –	$ 133.9	$ 182.0	$ 10.3	$ (3,196.3)	$ 475.3
Total assets	1,008.6	2,828.9	12.8	1,189.6	531.3	595.7	(2,356.3)	3,810.6

Canadian $ millions, for the three months ended March 31	Metals: Moa JV and Fort Site[1]	Metals: Ambatovy JV[2]	Metals: Other[3]	Oil and Gas	Power	Corporate and Other[4]	Adjustments for Joint Venture and Associate[5]	Total 2015
Revenue	$ 104.5	$ 100.7	$ 18.5	$ 42.3	$ 11.8	$ 0.5	$ (195.4)	$ 82.9
Cost of sales	(96.1)	(139.5)	(17.8)	(41.3)	(11.4)	(1.1)	224.5	(82.7)
Administrative expenses	(1.4)	(5.0)	(0.4)	(1.9)	(1.4)	(7.6)	5.7	(12.0)
Share of loss of an associate, net of tax	-	-	-	-	-	-	(42.3)	(42.3)
Share of earnings of a joint venture, net of tax	-	-	-	-	-	-	4.0	4.0
Earnings (loss) from operations, associate and joint venture	7.0	(43.8)	0.3	(0.9)	(1.0)	(8.2)	(3.5)	(50.1)
Financing income								20.0
Financing expense								(56.1)
Net finance expense								(36.1)
Loss before tax								(86.2)
Income tax recovery								29.4
Net loss from continuing operations								(56.8)
Earnings from discontinued operations, net of tax (note 10)								-
Net loss for the period								(56.8)
Supplementary information								
Depletion, depreciation and amortization	$ 11.3	$ 48.1	$ (0.2)	$ 22.4	$ 8.3	$ 0.9	$ (57.0)	$ 33.8
Property, plant and equipment expenditures	7.8	6.4	-	20.6	0.4	0.4	(11.8)	23.8
Intangible asset expenditures	-	-	-	-	-	-	-	-
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 two wholly-owned subsidiaries of the Corporation established to buy, market and sell certain Ambatovy Joint Venture and Moa Joint Venture nickel 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 March 31 Non-current assets[1]**	**2016 March 31 Total assets[2]**	2015 December 31 Non-current assets[1]	2015 December 31 Total assets[2]
North America	**$ 165.0**	**$ 987.7**	$ 165.0	$ 1,070.8
Cuba	**294.2**	**945.1**	324.4	1,002.0
Madagascar	**1.3**	**1,844.8**	1.3	1,975.4
Europe	**13.9**	**19.1**	14.2	20.4
Asia	**0.9**	**2.5**	1.0	2.6
Other	**–**	**11.4**	-	18.8
	$ 475.3	**$ 3,810.6**	$ 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.

Canadian $ millions, for the three months ended March 31		2016		2015
		Total revenue(1)		Total revenue(1)
North America	**$**	**17.2**	$	28.1
Cuba		**36.2**		50.5
Madagascar		**0.4**		0.5
Europe		**4.0**		3.1
Asia		**0.3**		0.3
Other		**0.3**		0.4
	$	**58.4**	$	82.9

(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

Revenue includes the following significant categories:

Canadian $ millions, for the three months ended March 31		2016		2015
Commodity and electricity	**$**	**54.3**	$	80.3
Other		**4.1**		2.6
	$	**58.4**	$	82.9

5. EXPENSES

Cost of sales includes the following:

Canadian $ millions, for the three months ended March 31		2016		2015
Employee costs	**$**	**17.5**	$	15.6
Depletion, depreciation and amortization		**23.7**		33.1
Raw materials and consumables		**9.3**		12.7
Repairs and maintenance		**7.0**		11.8
Freight and shipping costs		**4.2**		4.4
Other		**2.9**		5.1
	$	**64.6**	$	82.7

Administrative expenses include the following:

Canadian $ millions, for the three months ended March 31		2016		2015
Employee costs	**$**	**7.1**	$	9.5
Severance		**0.7**		-
Depreciation		**0.7**		0.7
Stock-based compensation expense (recovery)		**1.8**		(0.4)
Annual general meetings costs and other shareholder related costs		**0.1**		-
Consulting services and audit fees		**1.0**		1.0
Other		**1.3**		1.2
	$	**12.7**	$	12.0

6. INVESTMENT IN AN ASSOCIATE

The Corporation indirectly holds a 40% interest in Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (collectively the Ambatovy Joint Venture). Sherritt is the operator of the Ambatovy Joint Venture and has as its partners, Sumitomo Corporation (Sumitomo) and Korea Resources Corporation (Kores). The Ambatovy Joint Venture has two nickel deposits located near Moramanga, Madagascar. The ore from these deposits is delivered via pipeline to a processing plant and refinery located near the Port of Toamasina.

Ambatovy funding

Ambatovy cash calls due in January 2016 amounted to US$50.0 million, with funding of US$30.0 million provided by Ambatovy Joint Venture partners Sumitomo and Kores. Total cash funding provided by Sumitomo and Kores has increased to US$51.0 million, pursuant to additional cash calls of US$35.0 million. By agreement amongst the Ambatovy Joint Venture partners, Sherritt's unfunded amounts remain payable with accrued interest at LIBOR plus 3.0%. 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 voting rights. The Corporation has the ability to cure the underfunding and regain these voting rights at any time. Therefore, it is the Corporation's judgment that it continues to have significant influence over the Ambatovy Joint Venture.

Statement of financial position

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

Canadian $ millions, 100% basis, as at		2016 March 31		2015 December 31
Assets				
Cash and cash equivalents[1]	$	**51.3**	$	39.6
Other current assets		**4.2**		12.9
Trade accounts receivable, net		**78.9**		89.6
Inventories		**381.3**		426.2
Other non-current assets[2]		**49.6**		5.8
Property, plant and equipment		**6,507.1**		7,036.5
Total assets		**7,072.4**		7,610.6
Liabilities				
Trade accounts payable and accrued liabilities		**305.0**		317.5
Other current financial liabilities		**16.8**		15.8
Current portion of loans and borrowings:				
Ambatovy Joint Venture financing[3]		**244.3**		260.7
Ambatovy revolving credit facility[4]		**51.4**		60.6
Non-current portion of loans and borrowings:				
Ambatovy Joint Venture financing[3]		**1,808.2**		1,927.9
Ambatovy Subordinated loan payable[5]		**2,311.2**		3,009.1
Environmental rehabilitation provision		**125.2**		117.6
Other non-current liabilities[2]		**49.5**		8.2
Total liabilities		**4,911.6**		5,717.4
Net assets	$	**2,160.8**	$	1,893.2

(1) In accordance with *La loi établissant un régime special pour les grands investissements dans le secteur minier malagasy* (LGIM), Madagascar's large scale mining investment act, the Ambatovy Joint Venture is required to (a) maintain foreign currency in local bank accounts sufficient to pay 90 days of local expenses, or (b) repatriate all revenue from export sales of mining products, less authorized debt service costs, to local bank accounts within 90 days of receipt. The Ambatovy Joint Venture is currently electing to repatriate revenue from export sales, less authorized debt service costs, in compliance with the requirements of the LGIM.

(2) As at March 31, 2016, the Ambatovy Joint Venture has recognized a financial asset relating to its right to receive outstanding shareholder funding from the Corporation (note 17). 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 14). This financial liability has not been included within the Ambatovy subordinated loan payable as the funding has not yet been provided by the Corporation.

(3) The Ambatovy Joint Venture financing of $2,052.5 million, net of financing costs, is project financing with a group of international lenders that matures on June 15, 2024. For the three months ended March 31, 2016, total principal repayments were nil. The project financing became non-recourse to the partners in September 2015 when the project filed the remaining completion certificates and is now solely secured by the project assets. Interest is payable based on LIBOR rates plus 2.5%. As at March 31, 2016, the Ambatovy Joint Venture had borrowed US$1,601.1 million (December 31, 2015 - US$1,601.1 million) under the project financing.

(4) The Ambatovy revolving credit facility is a Malagasy Ariary (MGA) 126.0 billion ($51.4 million) revolving credit facility agreement with local financial institutions (December 31, 2015 – MGA 140 billion ($60.6 million)) which matures on April 29, 2016. The Corporation is in current discussions to extend the maturity date of this revolving credit facility agreement. The facility bears interest rates between 9.00% and 11.85% and is subordinated to the Ambatovy Joint Venture financing. As at March 31, 2016, MGA 126.0 billion ($51.4 million) was drawn on the revolving credit facility (December 31, 2015 - MGA 140 billion ($60.6 million)). As at December 31, 2015, the Ambatovy revolving credit facility was also comprised of a MGA 20 billion ($8.7 million) overdraft facility which matured on February 29, 2016.

(5) The subordinated loan payable is comprised of pro-rata contributions provided by the Ambatovy Joint Venture partners. The debt bears interest at LIBOR plus 6%. Repayments of principal or interest will not be made prior to certain conditions of the finance agreements being satisfied. Unpaid interest is accrued monthly and capitalized to the principal balance semi-annually. In January 2016, US$430.0 million of the Ambatovy Joint Venture Subordinated loan payable was converted to equity which, at the Corporation's 40% share, resulted in a US$172.0 million ($242.2 million) decrease in the Corporation's subordinated loans receivable. The Corporation has recorded its share of the related subordinated loan receivable within advances, loans receivable and other financial assets (note 14). There was no change to the Corporation's ownership interest as a result of the conversion.

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 March 31	2015 December 31
Net assets of Ambatovy Joint Venture	**$ 2,160.8**	$ 1,893.2
Proportion of Sherritt's ownership interest	**40%**	40%
Carrying value of investment in an associate	**$ 864.3**	$ 757.3

Results of operations

Canadian $ millions, 100% basis, for the three months ended March 31	2016	2015
Revenue	**$ 162.7**	$ 251.7
Cost of sales(1)	**(275.8)**	(348.7)
Administrative expenses	**(11.7)**	(12.4)
Loss from operations	**(124.8)**	(109.4)
Financing income	**1.2**	-
Financing expense	**(58.5)**	(38.2)
Net financing expense	**(57.3)**	(38.2)
Loss before tax	**(182.1)**	(147.6)
Income tax recovery	**–**	16.7
Net loss and comprehensive loss for the period	**$ (182.1)**	$ (130.9)

(1) Included in cost of sales for the three months ended March 31, 2016 is depreciation and amortization of $92.5 million ($120.0 for the three months ended March 31, 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):

Canadian $ millions, for the three months ended March 31	2016	2015
Net loss and comprehensive loss for the period of Ambatovy Joint Venture	**$ (182.1)**	$ (130.9)
Proportion of Sherritt's ownership interest	**40%**	40%
Total	**(72.8)**	(52.4)
Intercompany interest expense elimination	**6.9**	10.1
Share of loss of an associate, net of tax	**$ (65.9)**	$ (42.3)

7. JOINT ARRANGEMENTS

Investment in a joint venture

The Corporation indirectly holds a 50% interest in the Moa Joint Venture. The operations of the Moa Joint Venture are currently conducted among three companies. Moa Nickel S.A. owns and operates the mining and processing facilities located in Moa, Cuba; The Cobalt Refinery Company Inc. owns and operates the metals refinery located at Fort Saskatchewan; and International Cobalt Company Inc. acquires mixed-sulphides from Moa Nickel S.A. and third parties, contracts the refining of such purchased materials and then markets finished nickel and cobalt.

The following provides additional information relating to the Corporation's investment in the Moa Joint Venture:

Statement of financial position

Canadian $ millions, 100% basis, as at	2016 March 31	2015 December 31
Assets		
Cash and cash equivalents	**$ 27.2**	$ 43.7
Other current assets	**15.7**	11.8
Trade accounts receivable, net	**74.0**	72.2
Inventories	**191.4**	208.4
Other non-current assets	**13.1**	13.9
Property, plant and equipment	**1,278.7**	1,349.5
Deferred income taxes	**15.3**	12.1
Total assets	**1,615.4**	1,711.6
Liabilities		
Trade accounts payable and accrued liabilities	**69.8**	68.3
Other current financial liabilities	**58.3**	59.0
Other current liabilities	**3.8**	2.9
Loans and borrowings	**46.1**	43.9
Environmental rehabilitation provision	**83.3**	80.6
Other non-current financial liabilities	**494.9**	519.9
Deferred income taxes	**27.1**	27.6
Total liabilities	**783.3**	802.2
Net assets	**$ 832.1**	$ 909.4

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 March 31	2015 December 31
Net assets of Moa Joint Venture	**$ 832.1**	$ 909.4
Proportion of Sherritt's ownership interest	**50%**	50%
Total	**416.1**	454.7
Intercompany capitalized interest elimination	**(47.1)**	(50.5)
Carrying value of investment in a joint venture	**$ 369.0**	$ 404.2

Results of operations

Canadian $ millions, 100% basis, for the three months ended March 31	2016	2015
Revenue	**$ 135.6**	$ 189.6
Cost of sales[1]	**(154.8)**	(170.4)
Administrative expenses	**(2.4)**	(1.5)
Operating (loss) profit	**(21.6)**	17.7
Financing income	**0.1**	0.2
Financing expense	**(11.4)**	(15.3)
Net finance expense	**(11.3)**	(15.1)
(Loss) earnings before tax	**(32.9)**	2.6
Income tax recovery	**2.0**	1.0
Net (loss) earnings and comprehensive (loss) income for the period	**$ (30.9)**	$ 3.6

(1) Included in cost of sales for the three months ended March 31, 2016 is depreciation and amortization of $18.0 million (for the three months ended March 31, 2015 - $18.1 million).

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

Canadian $ millions, for the three months ended March 31		2016		2015
Net (loss) earnings and comprehensive (loss) income for the period of Moa Joint Venture	**$**	**(30.9)**	$	3.6
Proportion of Sherritt's ownership interest		**50%**		50%
Total		**(15.5)**		1.8
Intercompany interest expense elimination		**2.6**		2.2
Share of (loss) earnings of a joint venture, net of tax	**$**	**(12.9)**	$	4.0

For the three months ended March 31, 2016, the Moa Joint Venture (50% basis) paid nil dividends ($12.5 for the three months ended March 31, 2015).

Joint operations

Sherritt's primary power generating assets are located in Cuba at Varadero, Boca de Jaruco and Puerto Escondido. These assets are held by Sherritt through its one-third interest in Energas S.A. (Energas), which is a Cuban joint arrangement established to process raw natural gas and generate electricity for sale to the Cuban national electrical grid. Cuban government agencies Union Electrica (UNE) and Unión Cuba Petróleo (CUPET) hold the remaining two-thirds interest in Energas.

		2016		2015
Canadian $ millions, as at		**March 31**		December 31
		Energas		Energas
		33⅓%		33⅓%
Current assets	$	**29.2**	$	25.6
Non-current assets		**160.9**		176.2
Current liabilities		**18.5**		21.4
Non-current liabilities		**82.3**		79.8
Net assets	$	**89.3**	$	100.6

Canadian $ millions, for the three months ended March 31		2016		2015
		Energas		Energas
		33⅓%		33⅓%
Revenue	**$**	**15.6**	$	11.3
(Expense) recovery		**(20.2)**		3.9
Net (loss) earnings	**$**	**(4.6)**	$	15.2

8. NET FINANCE (INCOME) EXPENSE

Canadian $ millions, for the three months ended March 31	Note		2016		2015
Revaluation on financial instruments		**$**	**–**	$	(2.8)
Interest income on cash, cash equivalents and short-term investments			**0.7**		1.0
Interest income on investments			**0.1**		0.2
Interest income on advances and loans receivable			**16.5**		21.6
Total financing income			**17.3**		20.0
Interest expense and accretion on loans and borrowings			**42.4**		35.5
Unrealized foreign exchange (gain) loss			**(76.0)**		17.6
Realized foreign exchange gain			**(0.3)**		(0.6)
Other finance charges			**0.4**		3.4
Accretion expense on environmental rehabilitation provisions	18,21		**0.2**		0.2
Total financing expense			**(33.3)**		56.1
Net finance (income) expense		**$**	**(50.6)**	$	36.1

Included in interest income on advances and loans receivable in the interim condensed consolidated statements of comprehensive income (loss) is interest on the Energas conditional sales agreement of $3.6 million for the three months ended March 31, 2016 ($4.3 million for the three months ended March 31, 2015). Additionally, included in interest received in the interim condensed consolidated statements of cash flow is interest of nil for the three months ended March 31, 2016 ($23.0 million for the three months ended March 31, 2015). In the prior period, these amounts were netted against interest expense and accretion on loans and borrowings and interest paid, respectively. For consistency of presentation with the current periods presented, the comparative amounts have been reclassified to interest income and interest received, respectively.

9. INCOME TAXES

Canadian $ millions, for the three months ended March 31		2016		2015
Current income tax expense (recovery)				
Current period	**$**	**1.6**	$	6.2
Effect of tax rate change in Cuba		**–**		(14.0)
		1.6		(7.8)
Deferred income tax (recovery) expense				
Origination and reversal of temporary differences		**(6.0)**		(12.3)
Non-recognition of tax assets		**5.1**		4.2
Effect of tax rate change in Cuba		**–**		(13.5)
		(0.9)		(21.6)
Income tax expense (recovery)	**$**	**0.7**	$	(29.4)

Tax rate changes

Cuba

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 months ended March 31, 2015 included a tax recovery of $27.5 million in Oil and Gas. In addition, for the three months ended March 31, 2015 a tax recovery of $2.9 million (50% basis) was recognized at the Moa Joint Venture, the impact of which was included in the Corporation's share of (loss) earnings of a joint venture. In 2015, the new foreign investment law in Cuba resulted in the following rate changes:

Operation	**Prior Statutory Tax Rate**	**Revised Statutory Tax Rate**
Oil and Gas	**30.0%**	**22.5%**
Power	**30.0%**	**15.0%**
Metals - Moa Joint Venture	**45.0%**	**22.5%**

10. DISCONTINUED OPERATIONS

On April 28, 2014, the Corporation completed the sale of its Coal operations, receiving $793.0 million in cash proceeds. In addition, a net post-closing adjustment of $21.4 million was received in June 2014.

For the three months ended March 31, 2016, the Corporation has recognized $2.9 million in cash used by discontinued operations in the interim condensed consolidated statements of cash flow ($3.5 million for the three months ended March 31, 2015). Cash used 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 (note 18). For the three months ended March 31, 2016, the Corporation has recognized nil change in the estimated provision and made $2.9 million in payments to settle this provision (nil and $3.5 million, respectively, for the three months ended March 31, 2015).

11. ASSETS HELD FOR SALE

During the second quarter of 2015, the Corporation approved the sale of the Technologies property located in Fort Saskatchewan. In classifying the land and building as held for sale, the Corporation is required to measure the assets at the lower of carrying amount and fair value less cost to sell. The expected purchase consideration was used as the basis for determining the fair value. In performing this assessment, the Corporation concluded that the fair value less cost to sell of the assets exceeded the carrying amount. As a result, no adjustment was required. The transaction is expected to be completed in 2016.

12. LOSS PER SHARE

The following table presents the calculation of basic and diluted loss per common share:

Canadian $ millions, except share amounts in millions and per share amounts in dollars, for the three months ended March 31		**2016**		2015
Net loss from continuing operations	$	(47.8)	$	(56.8)
(Loss) earnings from discontinued operations, net of tax		–		-
Net loss – basic and diluted	$	**(47.8)**	$	(56.8)
Weighted-average number of common shares – basic and diluted[(1)]		**293.9**		293.4
Net loss from continuing operations per common share, basic and diluted	$	**(0.16)**	$	(0.19)
(Loss) earnings from discontinued operations per common share, basic and diluted	$	**–**	$	-
Net loss per common share, basic and diluted	$	**(0.16)**	$	(0.19)

(1) The determination of the weighted-average number of common shares - diluted excludes 9.7 million shares related to stock options that were anti-dilutive for the three months ended March 31, 2016 (7.1 million for the three months ended March 31, 2015). There were nil shares related to the restricted stock plan that were anti-dilutive for the three months ended March 31, 2016 (nil shares for the three months ended March 31, 2015). On June 30, 2015, the Corporation closed its employee share purchase plan. There were 0.3 million shares related to the employee share purchase plan that were anti-dilutive for the three months ended March 31, 2015.

13. FINANCIAL INSTRUMENTS

Cash, cash equivalents and short-term investments

Cash and cash equivalents consist of:

Canadian $ millions, as at		2016 March 31		2015 December 31
Cash equivalents	$	**190.8**	$	118.9
Cash on hand and balances with banks		**85.0**		110.7
Restricted cash		**1.0**		1.0
	$	**276.8**	$	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 Cuban bank deposit accounts was $9.0 million at March 31, 2016 (December 31, 2015 – $3.8 million).

As at March 31, 2016, $4.7 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 the use of the joint operation.

The Corporation's cash equivalents consist of Government of Canada treasury bills and term deposits with a major financial institution with maturities of 90 days or less. As at March 31, 2016, the Corporation had $190.8 million in Government of Canada treasury bills and term deposits (December 31, 2015 - $118.9 million) included in cash and cash equivalents and $93.1 million in short-term investments (December 31, 2015 - $204.8 million).

Financial instrument hierarchy

Canadian $ millions, as at	Hierarchy level		2016 March 31		2015 December 31
Recurring financial assets, measured at fair value through profit or loss:					
Cash equivalents	1	$	**190.8**	$	118.9
Short-term investments	1		**93.1**		204.8
Restricted cash	1		**1.0**		1.0
Provisionally priced sales[1]	2		**8.6**		5.2

(1) Revenue from provisionally priced sales is initially recorded at the estimated fair value of the consideration that is ultimately expected to be received based on forecast reference prices. At each reporting date all outstanding receivables originating from provisionally priced sales are marked to market based on a forecast of reference prices at that time. The adjustment to accounts receivable is recorded as an adjustment to sales revenue. Provisional pricing is only used in the pricing of nickel and cobalt sales for which reference prices are established in a freely traded and active market.

Fair values

Financial instruments with carrying amounts different from their fair values include the following[1]:

Canadian $ millions, as at	Note	Hierarchy value		2016 March 31 Carrying value		2016 March 31 Fair value		2015 December 31 Carrying value		2015 December 31 Fair Value
Liabilities:										
8.00% senior unsecured debentures due 2018	17	1	$	**247.5**	$	**120.0**	$	247.3	$	140.0
7.50% senior unsecured debentures due 2020	17	1		**246.7**		**115.0**		246.5		135.0
7.875% senior unsecured debentures due 2022	17	1		**240.5**		**110.0**		240.3		130.0
Ambatovy Joint Venture Additional Partner loans[2]	17	2		**1,221.3**		**39.7**		1,303.2		106.4
Ambatovy Joint Venture Partner loans[2]	17	2		**126.2**		**11.9**		134.6		20.1
Assets:										
Ambatovy subordinated loans receivable[3]	14	2		**897.9**		**925.0**		1,187.2		1,308.7
Energas conditional sales agreement[3]	14	2		**162.5**		**153.9**		157.5		167.7
Moa Joint Venture loans receivable[3]	14	2		**243.7**		**217.0**		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 value for the Ambatovy Partner loans and Ambatovy Additional Partner loans is 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 value for the Ambatovy subordinated loans receivable, Energas conditional sales agreement and Moa Joint Venture loans receivable is calculated by discounting future cash flows using rates that are based on market rates adjusted for the entity's credit quality.

As at March 31, 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 loans and borrowings, current portion of other financial liabilities, trade accounts payable and accrued liabilities and income taxes payable 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 above 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 Corporation's 2022 notes include an option for the Corporation to redeem all or part of the notes outstanding prior to the expiration date at a determinable price. The fair value of the embedded derivative was insignificant at March 31, 2016.

As at March 31, 2016, the carrying amount of the lenders' conversion option under the Ambatovy Joint Venture additional partner loan agreements is approximately equal to its fair value.

Trade accounts receivable, net

The Corporation's trade accounts receivable are composed of the following:

Canadian $ millions, as at	Note	**2016 March 31**	2015 December 31
Trade accounts receivable		**$ 181.6**	$ 186.6
Allowance for doubtful accounts		**(11.2)**	(11.8)
Accounts receivable from joint operations	23	**0.7**	0.7
Accounts receivable from joint venture	23	**22.0**	20.2
Accounts receivable from associate	23	**41.6**	33.8
Other		**23.0**	28.8
		$ 257.7	$ 258.3

Aging of receivables not impaired:

Canadian $ millions, as at	**2016 March 31**	2015 December 31
Not past due	**$ 161.6**	$ 170.6
Past due no more than 30 days	**20.2**	26.9
Past due for more than 30 days but no more than 60 days	**7.5**	11.8
Past due for more than 60 days	**68.4**	49.0
	$ 257.7	$ 258.3

Payment terms for oil sales to an agency of the Cuban government are based on Gulf Coast No. 6 Fuel Oil (FO#6) reference prices. If the FO#6 price is greater than US$29.50, payment terms are 180 days from the date of invoice. If FO#6 price is between US$24.76 and US$29.50, payment terms are 150 days from the date of invoice. If FO#6 price is between US$20.01 and US$24.75, payment terms are 120 days from the date of invoice. If FO#6 price is equal to or less than US$20.00, payment terms are 90 days from the date of invoice.

Payment terms for electricity and by-product sales to Cuban state enterprises are 60 days from the date of invoice.

14. ADVANCES, LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Canadian $ millions, as at	Note	2016 March 31	2015 December 31
Advances and loans receivable			
Ambatovy subordinated loans receivable[(1)(2)]	23	$ **897.9**	$ 1,187.2
Energas conditional sales agreement[(1)]	23	**185.5**	182.0
Moa Joint Venture loans receivable[(1)(3)]	23	**300.6**	312.8
Other		**0.9**	1.2
Other financial assets[(4)]		**44.1**	-
		1,429.0	1,683.2
Current portion of advances, loans receivable and other financial assets		**(80.7)**	(82.7)
		$ **1,348.3**	$ 1,600.5

(1) As at March 31, 2016, the non-current portions of the Ambatovy subordinated loans receivable, Energas conditional sales agreement and the Moa Joint Venture loans receivable are $897.9 million, $162.5 million and $243.7 million, respectively (December 31, 2015 – $1,187.2 million, $157.5 million and $255.9 million, respectively).

(2) In January 2016, the Ambatovy Joint Venture converted US$430.0 million of its subordinated loans payable to equity (note 6) which, at the Corporation's 40% share, resulted in a US$172.0 million ($242.2 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) The Moa Joint Venture loans receivable consists of two funding arrangements. The first is a funding agreement for expansion financing and the second is a working capital facility with maximum credit available of $90.0 million. During the three months ended March 31, 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 March 31, 2016, other financial assets relate to the Corporation's right to receive future distributions from the Ambatovy Joint Venture (note 17). 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).

15. INVENTORIES

Canadian $ millions, as at	2016 March 31	2015 December 31
Materials in process	$ **0.3**	$ -
Finished products	**9.5**	7.7
	9.8	7.7
Spare parts and operating materials	**30.6**	30.3
	$ **40.4**	$ 38.0

For the three months ended March 31, 2016, the cost of inventories included in cost of sales was $9.3 million ($15.1 million for the three months ended March 31, 2015).

16. PROPERTY, PLANT AND EQUIPMENT

Canadian $ millions, for the three months ended March 31	Oil and Gas properties	Plant, equipment and land	Total 2016
Cost			
Balance, beginning of the period	$ 1,564.0	$ 716.9	$ 2,280.9
Additions	1.6	3.8	5.4
Additions and changes in estimates to environmental rehabilitation provisions	1.6	2.6	4.2
Disposals and derecognition	–	(0.9)	(0.9)
Effect of movements in exchange rates	(85.7)	(28.5)	(114.2)
Balance, end of the period	$ 1,481.5	$ 693.9	$ 2,175.4
Depletion, depreciation and impairment losses			
Balance, beginning of the period	$ 1,507.8	$ 422.0	$ 1,929.8
Depletion and depreciation	9.2	10.0	19.2
Disposals and derecognition	–	(0.9)	(0.9)
Effect of movements in exchange rates	(84.1)	(21.0)	(105.1)
Balance, end of the period	1,432.9	410.1	1,843.0
Net book value	$ 48.6	$ 283.8	$ 332.4

Canadian $ millions, for the year ended December 31	Note	Oil and Gas properties	Plant, equipment and land	Total 2015
Cost				
Balance, beginning of the year		$ 1,303.6	$ 649.9	$ 1,953.5
Additions		32.1	42.1	74.2
Additions and changes to estimates to environmental rehabilitation provisions		6.7	(5.8)	0.9
Disposals and derecognition		(1.3)	(27.4)	(28.7)
Effect of movements in exchange rates and other		222.9	62.1	285.0
Reclassified to assets held for sale	11	-	(4.0)	(4.0)
Balance, end of the year		$ 1,564.0	$ 716.9	$ 2,280.9
Depletion, depreciation and impairment losses				
Balance, beginning of the year		$ 1,227.5	$ 303.9	$ 1,531.4
Depletion and depreciation		59.8	38.5	98.3
Impairments		78.5	2.1	80.6
Disposals and derecognition		(1.3)	(26.0)	(27.3)
Effect of movements in exchange rates and other		143.3	106.6	249.9
Reclassified to assets held for sale	11	-	(3.1)	(3.1)
Balance, end of the year		1,507.8	422.0	1,929.8
Net book value		$ 56.2	$ 294.9	$ 351.1

Canadian $ millions	Plant, equipment and land
Assets under construction, included in above	
As at March 31, 2016	**16.8**
As at December 31, 2015	18.3

Impairment of Oil assets

In 2015, the Corporation recognized an impairment loss of $80.6 million representing the write-down of certain Oil assets in the Oil and Gas segment to their recoverable amount as a result of lower oil price forecasts and drilling results from development wells at the Puerto Escondido/Yumuri extension that were below expectations. This impairment was recognized in 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 impaired CGUs consisted of Puerto Escondido/Yumuri, Puerto Escondido/Yumuri extension and Spain. The recoverable amounts of the impaired CGUs were based on value in use and were $54.4 million as at September 30, 2015. In determining value in use for the CGU, the cash flows were discounted at a rate of 10%. The drilling results used in the value in use were derived from internal estimates.

17. LOANS, BORROWINGS AND OTHER LIABILITIES

Loans and borrowings

Canadian $ millions, as at	Note	**2016 March 31**	2015 December 31
Long-term loans			
8.00% senior unsecured debentures due 2018	13	**$ 247.5**	$ 247.3
7.50% senior unsecured debentures due 2020	13	**246.7**	246.5
7.875% senior unsecured debentures due 2022	13	**240.5**	240.3
Ambatovy Joint Venture Additional Partner loans	13	**1,221.3**	1,303.2
Ambatovy Joint Venture Partner loans	13	**126.2**	134.6
Syndicated revolving-term credit facility		**45.0**	55.0
Line of credit		**–**	35.0
Vendor financing		**0.9**	1.2
		2,128.1	2,263.1
Current portion of loans and borrowings		**(45.9)**	(91.2)
		$ 2,082.2	$ 2,171.9

Syndicated revolving-term credit facility

During the three months ended March 31, 2016, the terms of the syndicated revolving-term credit facility were amended to update the financial covenants. The amendments, effective March 31, 2016, were executed subsequent to period end. 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 March 31, 2016: net financial debt-to-EBITDA covenant of 3.75:1, net financial debt-to-equity covenant of 0.55:1 and EBITDA-to-interest expense covenant of not less than 1.75:1. The net financial debt-to-EBITDA covenant increases to 4:1 as at June 30, 2016 and increases to 4.25:1 as at September 30, 2016. If, after March 31, 2016, 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 a result of these amendments, the Corporation was in compliance with these amended financial covenants at March 31, 2016. As at March 31, 2016, the Corporation has $46.2 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.

Covenants

At March 31, 2016, there are no events of default on the Corporation's borrowings or debentures.

Other financial liabilities

Canadian $ millions, as at	Note	2016 March 31	2015 December 31
Other long-term financial liabilities[1]		$ 44.4	$ 0.3
Stock compensation liability	20	3.4	3.1
		47.8	3.4
Current portion of other financial liabilities		(2.2)	(1.5)
		$ 45.6	$ 1.9

(1) As at March 31, 2016, the Corporation has an obligation for outstanding shareholder funding to the Ambatovy Joint Venture. This obligation represents cash calls that were not funded in January and March 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 14).

18. PROVISIONS, CONTINGENCIES AND GUARANTEES

Canadian $ millions, as at	2016 March 31	2015 December 31
Environmental rehabilitation provisions	$ 110.9	$ 107.8
Other provisions	15.9	18.8
	126.8	126.6
Current portion of provisions	(15.9)	(18.8)
	$ 110.9	$ 107.8

Environmental rehabilitation provisions

The following is a reconciliation of the environmental rehabilitation provisions:

Canadian $ millions	Note	For the three months ended March 31 2016	For the year ended December 31 2015
Balance, beginning of the period		$ 107.8	$ 101.7
Additions		–	0.2
Change in estimates		4.2	0.7
Utilized during the period		–	(0.1)
Accretion	8	0.2	1.1
Effect of movement in exchange rates		(1.3)	4.2
Balance, end of the period		$ 110.9	$ 107.8

Other provisions

The following is a reconciliation of other provisions:

Canadian $ millions	For the three months ended March 31 2016	For the year ended December 31 2015
Balance, beginning of the period	$ 18.8	$ 25.1
Additions	–	5.0
Utilized during the period	(2.9)	(11.3)
Balance, end of the period	$ 15.9	$ 18.8

On October 31, 2013 a breach of an onsite water containment pond occurred at the Coal operations' Obed Mountain mine near Hinton, Alberta. The release consisted of 670,000 cubic metres of process water, containing water mixed with clay, mud, slate and coal particles. The Corporation continues to be subject to financial obligations relating to the Obed breach subsequent to the sale of the Coal operations (note 10).

19. 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 three months ended March 31 2016		For the year ended December 31 2015	
	Note	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)	20	–	–	260,400	1.6
Employee share purchase plan (vested)		–	–	321,410	0.8
Balance, end of the period		293,853,001	$ 2,775.3	293,853,001	$ 2,775.3

The following dividends were paid or were declared but unpaid:

Canadian $ millions, except per share amounts	For the three months ended March 31 2016		For the year ended December 31 2015	
	Per share	Total	Per share	Total
Dividends paid during the period	$ –	$ –	$ 0.030	$ 9.0

On September 17, 2015, the Corporation's Board of Directors suspended its quarterly dividend of $0.01 per common share.

Reserves

Canadian $ millions	Note	For the three months ended March 31 2016	For the year ended December 31 2015
Stated capital reserve			
Balance, beginning and end of the period		**$ 217.8**	$ 217.8
Stock-based compensation reserve[1]			
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	20	**0.5**	1.3
Balance, end of the period		**7.6**	7.1
Total reserves, end of the period		**$ 225.4**	$ 224.9

(1) Stock-based compensation reserve relates to equity-settled compensation plans issued by the Corporation to its directors, officers and employees.

Accumulated other comprehensive income

Canadian $ millions	For the three months ended March 31 2016	For the year ended December 31 2015
Foreign currency translation reserve		
Balance, beginning of the period	**$ 903.0**	$ 323.8
Foreign currency translation differences on foreign operations	**(169.3)**	579.2
Balance, end of the period	**733.7**	903.0
Actuarial losses on defined benefit obligation		
Balance, beginning of the period	**$ (3.5)**	$ (3.3)
Actuarial losses on defined benefit obligation, net of tax		
Continuing operations	**(0.2)**	(0.2)
Balance, end of the period	**$ (3.7)**	$ (3.5)
Total accumulated other comprehensive income	**$ 730.0**	$ 899.5

20. STOCK-BASED COMPENSATION PLANS

Stock options and options with tandem stock appreciation rights

The following is a summary of stock option activity:

Canadian $, except number of options, for the three months ended March 31	2016 Number of options		2016 Weighted-average exercise price	2015 Number of options		2015 Weighted-average exercise price
Outstanding, beginning of the period	**6,149,349**	**$**	**5.80**	5,518,752	$	7.52
Granted	**3,802,400**		**0.68**	1,805,000		2.11
Forfeited	**–**		**–**	(198,200)		6.19
Expired	**(273,333)**		**10.59**	-		-
Outstanding, end of the period	**9,678,416**	**$**	**3.65**	7,125,552	$	6.19
Options exercisable, end of the period	**4,313,944**	**$**	**6.73**	4,305,615	$	8.52

The following table summarizes information on stock options outstanding and exercisable:

As at March 31 / Range of exercise prices	Number outstanding	Weighted-average remaining contractual life (years)		Weighted-average exercise price	Number exercisable		Exercisable weighted-average exercise price
$0.68 - $2.10	**3,802,400**	**9.9**	**$**	**0.68**	**–**	**$**	**–**
$2.11 - $5.05	**2,836,800**	**8.5**		**2.49**	**1,274,728**		**2.64**
$5.06 - $9.77	**2,344,216**	**4.7**		**6.55**	**2,344,216**		**6.55**
$9.78 - $15.23	**695,000**	**1.6**		**14.86**	**695,000**		**14.86**
Total	**9,678,416**	**7.6**	**$**	**3.65**	**4,313,944**	**$**	**6.73**

As at March 31, 2016, 1,750,216 options with tandem SARs (March 31, 2015 – 2,545,552) and 7,928,200 options without tandem SARs (March 31, 2015 – 4,580,000) remained outstanding for which the Corporation has recognized a compensation expense of $0.5 million for the three months ended March 31, 2016 (compensation recovery of $0.1 million for the three months ended March 31, 2015). The carrying amount of liabilities associated with stock options with tandem SARs is nil as at March 31, 2016 (December 31, 2015 – nil).

Inputs for measurement of grant date fair values

The fair value at the grant date of the stock options was measured using Black-Scholes. The following summarizes the weighted average fair value measurement factors for options granted during the period:

Canadian $, except as noted, for the three months ended March 31		2016		2015
Share price at grant date	**$**	**0.68**	$	2.11
Exercise price	**$**	**0.68**	$	2.11
Risk-free interest rates (based on 10-year Government of Canada bonds)		**1.14%**		1.47%
Expected volatility		**55.12%**		51.65%
Expected dividend yield		**0.00%**		1.89%
Expected life of options		**10 years**		10 years
Weighted-average fair value of options granted during the period	**$**	**0.43**	$	1.01

Other stock-based compensation

A summary of the Share Purchase Plan units, RSUs, DSUs and RSP units outstanding as at March 31, 2016 and 2015 and changes during the three months ended is as follows:

For the three months ended March 31			**2016**
	RSU	**DSU**	**RSP**
Outstanding, beginning of the period	**7,208,937**	**738,699**	**27,000**
Issued	**18,944,740**	**290,355**	**–**
Exercised	**(1,126,196)**	**–**	**–**
Forfeited	**(281,505)**	**–**	**–**
Outstanding, end of the period	**24,745,976**	**1,029,054**	**27,000**
Units exercisable, end of the period	**n/a**	**1,029,054**	**n/a**

For the three months ended March 31				2015
	Share Purchase Plan	**RSU**	**DSU**	**RSP**
Outstanding, beginning of the period	293,280	4,696,518	375,314	287,400
Issued	-	3,229,795	85,455	-
Dividends credited	-	15,641	1,239	-
Forfeited	(17,890)	(1,505)	-	-
Vested	-	(628,404)	-	(260,400)
Outstanding, end of the period	275,390	7,312,045	462,008	27,000
Units exercisable, end of the period	n/a	n/a	462,008	n/a

For other stock-based compensation plans the Corporation recorded a compensation expense of $1.3 million for the three months ended March 31, 2016 (compensation recovery of $0.3 million for the three months ended March 31, 2015). The carrying amount of liabilities associated with cash-settled compensation arrangements is $3.4 million as at March 31, 2016 (December 31, 2015 - $3.1 million).

Measurement of fair values at grant date

The fair value of the RSUs, DSUs and RSPs are determined by reference to the market value and performance conditions, as applicable, of the shares at the time of grant.

The number of RSUs subject to a performance condition based on the Corporation's relative total shareholder return outstanding at March 31, 2016 was 17,695,097 (March 31, 2015 – 7,236,801).

In the first quarter of 2016, the Corporation's Board of Directors approved an additional one-time grant of performance based RSUs to certain employees which vest at December 31, 2018. Under the plan, each unit awarded is equivalent to a common share. A liability is accrued related to the units awarded and a compensation expense is recognized in the interim condensed consolidated statement of comprehensive income (loss) over the service period required for employees to become fully entitled to the award. At the maturity date, the participant receives cash representing the value of the units. The final number of units that vest will be either 0%, 50% or 100% of the initial number awarded, plus dividend equivalents (if any), depending on the Corporation's ability to achieve certain net direct cash cost (NDCC) milestones in the Corporation's Metals operation. The number of units subject to this RSU performance condition outstanding at March 31, 2016 was 8,448,555 (March 31, 2015 – nil).

The following summarizes the grant date fair values for the RSU and DSU units granted during the period:

Canadian $, for the three months ended March 31	**2016**	2015
RSU	**0.68**	2.11
DSU	**0.62**	2.37

The intrinsic value of cash-settled stock-based compensation awards vested and outstanding as at March 31, 2016 was $3.4 million (December 31, 2015 - $3.1 million).

Employee share ownership plan

The Corporation accounts for its contributions to the employee share ownership plan (ESOP) as compensation and benefits expense when the amounts are contributed to the plan. Compensation and benefits expense related to this plan was $0.2 million for the three months ended March 31, 2016 ($0.2 million for the three months ended March 31, 2015).

21. CASH FLOWS

Other operating items

Canadian $ millions, for the three months ended March 31	Note	2016	2015
Add (deduct) non-cash items:			
Accretion expense on environmental rehabilitation provisions	8, 18	$ **0.2**	$ 0.2
Stock-based compensation expense (recovery), net	20	**1.8**	(0.4)
Other items		**0.7**	3.8
Cash flow arising from changes in:			
Other finance charges	8	**(0.4)**	(3.4)
Realized foreign exchange gain	8	**0.3**	0.6
		$ **2.6**	$ 0.8

Net change in non-cash working capital

Canadian $ millions, for the three months ended March 31	2016	2015
Trade accounts receivable	$ **(4.4)**	$ 11.7
Inventories	**(3.8)**	(4.9)
Prepaid expenses	**2.4**	(6.7)
Trade accounts payable and accrued liabilities	**(4.8)**	(45.3)
Deferred revenue	**6.4**	18.9
	$ **(4.2)**	$ (26.3)

22. FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Credit risk

Cuba

The Corporation has credit risk exposure related to its share of cash, accounts receivable and advances and loans receivable associated with its businesses located in Cuba or businesses which have Cuban joint venture partners as follows:

Canadian $ millions, as at	2016 March 31	2015 December 31
Cash	$ **13.0**	$ 9.8
Trade accounts receivable, net	**145.0**	155.8
Advances and loans receivable	**578.8**	585.7
Total	$ **736.8**	$ 751.3

The table above reflects the Corporation's maximum credit exposure to Cuban counterparties which may differ from balances in the consolidated results due to eliminations in accordance with accounting principles for subsidiaries and joint ventures.

Madagascar

The Corporation has credit risk exposure in Madagascar related to its share (40% basis) of net accounts receivable of $31.6 million (December 31, 2015 - $35.8 million) associated with the Ambatovy Joint Venture including value added tax (VAT) receivables of $6.7 million (December 31, 2015 - $6.2 million) from the government of Madagascar. The VAT receivable is net of a provision of $89.6 million (40% basis) (December 31, 2015 - $100.5 million) reflecting an assessment on the likelihood of receipt of these amounts. During the quarter, this provision was reduced by $10.9 million (40% basis). As at March 31, 2016, total overdue VAT receivable (net of provision) for the Ambatovy Joint Venture amount to $2.7 million (40% basis) (December 31, 2015 - $5.5 million).

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Corporation's financial obligations and in the management of its assets, liabilities and capital structure. The Corporation manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

Financial obligation maturity analysis

The Corporation's significant contractual commitments, obligations, and interest and principal repayments in respect of its financial liabilities are presented in the following table:

Canadian $ millions, as at March 31, 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	$ 98.8	$ 98.8	$ –	$ –	$ –	$ –	$ –
Income taxes payable	1.4	1.4	–	–	–	–	–
Senior unsecured debentures	1,032.1	58.4	58.4	308.4	38.4	279.1	289.4
Ambatovy Joint Venture Additional Partner Loans (non-recourse)(1)	4,629.0	–	–	–	–	–	4,629.0
Ambatovy Joint Venture Partner Loans(1)	157.7	–	–	–	–	–	157.7
Other loans and borrowings	47.3	47.3	–	–	–	–	–
Provisions	161.9	16.2	0.5	11.8	–	–	133.4
Operating leases	19.2	1.0	2.9	2.9	3.0	3.0	6.4
Total	**$ 6,147.4**	**$ 223.1**	**$ 61.8**	**$ 323.1**	**$ 41.4**	**$ 282.1**	**$ 5,215.9**

(1) Ambatovy Joint Venture Additional Partner loans and Partner loans are loans provided by the Ambatovy Joint Venture partners to finance Sherritt's portion of the funding requirements of the Joint Venture, bearing interest of LIBOR plus a margin of 7% and 1.125%, respectively. These partner loans are to be repaid from the Corporation's share of cash distributions from the Ambatovy Joint Venture (note 17). The amounts above 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.

As a result of the Corporation's 40% interest in the Ambatovy Joint Venture, its proportionate share of significant undiscounted commitments of the joint venture include accounts payable of $122.0 million, income taxable payable of $6.7 million, environmental rehabilitation commitments of $213.0 million, other contractual commitments of $27.6 million and senior debt financing and working capital facility of $999.3 million.

As a result of the Corporation's 50% interest in the Moa Joint Venture, its proportionate share of significant undiscounted commitments of the joint venture include accounts payable of $34.9 million, income taxes payable of $1.9 million, advances and loans payable of $227.0 million, environmental rehabilitation commitments of $81.6 million and other commitments of $0.9 million.

Market risk

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices, interest rates and stock-based compensation costs.

Foreign exchange risk

Many of Sherritt's businesses transact in currencies other than the Canadian dollar. The Corporation is sensitive to foreign exchange exposure when commitments are made to deliver products quoted in foreign currencies or when the contract currency is different from the product price currency. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates. The Corporation is also sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the Canadian dollar impacting other comprehensive income (loss).

Based on financial instrument balances as at March 31, 2016, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have a favourable or unfavourable impact of approximately $52.4 million, respectively, on net loss.

Based on financial instrument balances as at March 31, 2016, a strengthening or weakening of $0.05 of the Canadian dollar to the U.S. dollar with all other variables held constant could have an unfavourable or favourable impact of approximately $43.3 million, respectively, on other comprehensive income.

Commodity price risk

The Corporation is exposed to fluctuations in certain commodity prices. Realized prices for finished products and for input commodities are the most significant factors affecting the Corporation's revenue and earnings. Revenue, earnings and cash flows from the sale of nickel, cobalt and oil are sensitive to changes in market prices over which the Corporation has little or no control.

The Corporation has the ability to address its price-related exposures through the limited use of options and future and forward contracts, but generally does not enter into such arrangements. Sherritt reduces the business-cycle risks inherent in its commodity operations through industry diversification.

The Corporation has certain provisional pricing agreements in Metals. These provisionally priced transactions are periodically adjusted to actual as prices are confirmed as the settlement occurs within a short period of time. In periods of volatile price movements, adjustments may be material.

Interest rate risk

The Corporation is exposed to interest rate risk based on its outstanding loans and borrowings, and short-term and other investments. A change in interest rates could affect future cash flows or the fair value of financial instruments.

Based on the balance of short-term and long-term loans and borrowings, cash equivalents, short-term and long-term investments, and advances and loans receivable at March 31, 2016, excluding interest capitalized to project costs, a 1.0% decrease or increase in the market interest rate could decrease or increase the Corporation's net earnings by approximately $5.0 million, respectively. The Corporation does not engage in hedging activities to mitigate its interest rate risk.

Capital risk management

In the definition of capital, the Corporation includes, as disclosed in its interim condensed consolidated financial statements and notes: capital stock, deficit and available credit facilities.

Canadian $ millions, as at	**2016 March 31**	2015 December 31
Capital stock	**$ 2,775.3**	$ 2,775.3
Deficit	**(2,390.4)**	(2,342.6)
Available credit facilities	**3.8**	2.6

23. RELATED PARTY TRANSACTIONS

A description of the Corporation's interest in an associate and its interest in jointly controlled entities are included in notes 6 and 7, respectively.

Canadian $ millions, for the three months ended March 31	2016	2015
Total value of goods and services:		
Provided to joint operations	$ 8.8	$ 5.5
Provided to joint venture	34.5	35.2
Provided to associate	0.7	0.6
Purchased from joint venture	35.5	28.6
Purchased from associate	9.6	17.0
Net financing income from joint operations	3.6	4.3
Net financing income from associate	10.6	15.3
Net financing income from joint venture	2.4	2.1

Canadian $ millions, as at	Note	2016 March 31	2015 December 31
Accounts receivable from joint operations	13	$ 0.7	$ 0.7
Accounts receivable from joint venture	13	22.0	20.2
Accounts receivable from associate	13	41.6	33.8
Accounts payable to joint operations		0.1	0.2
Accounts payable to joint venture		17.5	5.2
Accounts payable to associate		1.4	0.5
Advances and loans receivable from associate	14	897.9	1,187.2
Advances and loans receivable from joint operations	14	185.5	182.0
Advances and loans receivable from joint venture	14	300.6	312.8

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.

24. OPERATING LEASE ARRANGEMENTS

Corporation acts as a lessor

The Corporation acts as a lessor in operating leases related to the Power facilities in Madagascar and in Varadero, Cuba. During 2013, the Corporation recorded an impairment related to its electricity generating facility located in Madagascar. Accordingly, the future minimum lease payments have been determined to be nil as at March 31, 2016 and as at December 31, 2015.

All operating lease payments related to the Varadero facility are contingent on power generation. The terms of the leases are for 20 years, ending in February 2017 and March 2018. For the three months ended March 31, 2016, contingent revenue was $3.9 million ($3.1 million for the three months ended March 31, 2015).

Corporation acts as a lessee

Operating lease payments recognized as an expense in the consolidated statement of comprehensive income (loss) for the three months ended March 31, 2016 were $0.8 million ($0.5 million for the three months ended March 31, 2015).

25. COMMITMENTS FOR EXPENDITURES

Canadian $ millions, as at March 31		2016
Property, plant and equipment commitments	$	**15.3**
Joint venture:		
Property, plant and equipment commitments		**9.4**
Joint operations:		
Constructions commitments relating to service concession arrangements		**3.4**

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