

IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA  
ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND,

AND

IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF  
SHERRITT INTERNATIONAL CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, and Newfoundland (collectively, the "Jurisdictions") has received an application (the "Application") from Sherritt International Corporation ("Sherritt") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that, in connection with the proposed purchases from time to time by Sherritt of portions of its outstanding 6% Convertible Unsecured Subordinated Debentures due December 15, 2006 (the "Debentures") pursuant to issuer bids (the "Offers"), Sherritt be exempt from:

- (i) the requirements in the Legislation (other than that of Quebec) to take up and pay for securities proportionately according to the number of securities deposited by each securityholder (the "Proportionate Take-up and Payment Requirement");
- (ii) the requirements in the Legislation (other than that of Quebec) to provide disclosure in the issuer bid circulars (the "Circulars") of such proportionate take-up and payment (the "Associated Disclosure Requirement"); and
- (iii) the requirements in the Legislation to obtain valuations of the Debentures and provide disclosure in the Circulars of such valuations, or summaries thereof, and of prior valuations (the "Valuation Requirement").

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS Sherritt has represented to the Decision Makers as follows:

1. Sherritt is a reporting issuer or the equivalent in each of the Jurisdictions and is not in default of any requirement of the Legislation. The head office of Sherritt is located in Toronto, Ontario.
2. Sherritt's authorized capital consists of 100 Multiple Voting Shares and an unlimited number of Restricted Voting Shares. 100 Multiple Voting Shares and 72,269,069 Restricted Voting Shares were outstanding as at December 31, 1999. Debentures in the aggregate principal amount of \$675,000,000 were outstanding as at February 23, 2000.
3. The Debentures and the Restricted Voting Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE").
4. To the knowledge of Sherritt, no person or company holds more than 10% of the aggregate principal amount of outstanding Debentures.
5. The Debentures are convertible at the option of the holder into Restricted Voting Shares at a conversion price of \$8.775 per Restricted Voting Share. The Debentures are redeemable on or after December 16, 1999, provided that the trading price of the Restricted Voting Shares reaches certain levels between \$9.50 and \$11.88.
6. On February 23, 2000, the last fit trading day prior to the day on which Sherritt announced its intention to make the initial Offer, the closing price of the Restricted Voting Shares on the TSE was \$3.92 and the closing price of the Debentures on the TSE was \$69.50 per \$100 principal amount of Debentures.
7. Over the next two years, Sherritt proposes to purchase Debentures from time to time through Offers by way of Circulars. A new Offer will likely be made each fiscal quarter, provided business conditions warrant. Sherritt intends to acquire the aggregate principal amount of \$25,000,000 of Debentures, representing approximately 3.7% of the outstanding Debentures, pursuant to the initial Offer. Sherritt anticipates using cash on hand to make the Debenture acquisitions.
8. The Offers will be made pursuant to a Dutch auction procedure as follows:
  - (a) the maximum aggregate principal amount of Debentures (the "Specified Amount") that Sherritt intends to purchase under an Offer will be specified in the Circular;
  - (b) the range of prices (the "Range") within which Sherritt is prepared to purchase Debentures under an Offer also will be specified in the Circular;
  - (c) holders of Debentures (the "Debentureholders") wishing to tender to an Offer will be able to specify the lowest price within the Range at which they are willing to sell their Debentures (an "Auction Tender");

(d) Debentureholders wishing to tender to an Offer but who do not wish to make an Auction Tender may elect to be deemed to have tendered at the Clearing Price determined in accordance with paragraph (e) below (a "Purchase Price Tender");

(e) the purchase price (the "Clearing Price") of the Debentures tendered to an Offer will be the lowest price that will enable Sherritt to purchase the Specified Amount of Debentures and will be determined based upon the aggregate principal amount of Debentures tendered pursuant to an Auction Tender at each price within the Range and tendered pursuant to a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price in the Range for the purpose of calculating the Clearing Price;

(f) the aggregate amount that Sherritt will expend pursuant to an Offer will not be ascertained until the Clearing Price is determined;

(g) all Debentures tendered at or below the Clearing Price pursuant to an Auction Tender and all Debentures tendered pursuant to a Purchase Price Tender will be taken up and paid for at the Clearing Price, plus accrued and unpaid interest, subject to proration (calculated to the nearest whole \$1,000 principal amount of Debentures, so as to avoid the creation of fractional Debentures) if the aggregate principal amount of Debentures tendered at or below the Clearing Price pursuant to Auction Tenders and the aggregate principal amount of Debentures tendered pursuant to Purchase Price Tenders exceeds the Specified Amount;

(h) all Debentures tendered at prices above the Clearing Price will be returned to the appropriate Debentureholders;

(i) all Debentures tendered by Debentureholders who specify a tender price for such tendered Debentures that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Clearing Price, will not be purchased by Sherritt and will be returned to the tendering Debentureholders; and

(j) all Debentures tendered by Debentureholders who fail to specify any tender price for such tendered Debentures and fail to indicate that they have tendered their Debentures pursuant to a Purchase Price Tender will be considered to have been tendered pursuant to a Purchase Price Tender and will be dealt with as described in paragraph (g) above.

9. Prior to the expiry of an Offer, all information regarding the aggregate principal amount of Debentures tendered and the prices at which such Debentures are tendered will be kept confidential, and the depositories will be directed by Sherritt to maintain such confidentiality until the Clearing Price is determined.

10. Since the Offers will be for less than all the Debentures, if the aggregate principal amount of Debentures tendered to an Offer at or below the Clearing Price exceeds the Specified Amount,

Legislation would require Sherritt to take up and pay for deposited Debentures proportionately, according to the principal amount of Debentures deposited by each Debentureholder. In addition, the Legislation would require disclosure in the Circulars that Sherritt would, if Debentures tendered to the Offers exceeded the Specified Amount, take up such Debentures proportionately according to the aggregate principal amount of Debentures tendered by each Debentureholder.

11. The Circulars will:

- (a) disclose the mechanics for the take-up of and payment for, or the return of, Debentures as described in paragraph 8 above; and
- (b) explain that, by tendering Debentures at the lowest price in the Range, a Debentureholder can reasonably expect that the Debentures so tendered will be purchased at the Clearing Price, subject to proration as described in paragraph 8 above.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers in the Jurisdictions pursuant to the Legislation is that, in connection with the Offers, Sherritt is exempt from the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirement and the Valuation Requirement, provided that

- (i) the Offers are otherwise carried out in accordance with the requirements of the Legislation applicable to issuer bids;
- (ii) Debentures tendered to the Offers are taken up and paid for, or returned to the Debentureholders, in the manner and circumstances described in paragraph 8 above;
- (iii) Sherritt receives an opinion (the "Liquidity Opinion") from an independent registered dealer, in respect of each Offer, that there is a liquid market in the Debentures before the making of a particular Offer and, following the particular Offer, the remaining Debentureholders who decline the particular Offer will have available a market that is not materially less liquid than the market that existed prior to the making of the particular Offer, and the TSE, which is the principal Canadian stock exchange on which the Debentures are listed and traded, states that it concurs with the Liquidity Opinion; and
- (iv) this Decision will terminate twenty-four months from the date of the Decision.

DATED this "27<sup>th</sup>" day of March, 2000.