

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Alberta Securities Act s. 179(2)(c) and Alberta Securities Rules s. 171(2) -Exemption from the Valuation Requirements - An issuer wants relief from the requirement to obtain a formal valuation in connection with an issuer bid for its outstanding securities - A liquid market for the issuer's securities exists prior to the bid; after the bid, there will be a market for the issuer's securities that is not materially less liquid than before the bid

Applicable Legislative Provisions

Securities Act (Alberta), R.S.A. 2000, c. S-4, s. 179(2)(c) and Securities Rules (Alberta), R.S.A. 2000, c S-4, s. 171(2)

Citation: Sherritt International Corporation, 2006 ABASC 1890 **Date:** 20061219

In the Matter of
the Securities Legislation of
Alberta, British Columbia, Manitoba,
Newfoundland, Nova Scotia and Saskatchewan
(the Jurisdictions)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
Sherritt International Corporation
(the Filer)

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) that, in connection with the proposed purchase by the Filer of up to 7,500,000 of its common shares (the Common Shares) pursuant to an issuer bid (the Offer), the Filer be exempt from the requirements in the Legislation to obtain a valuation of the Common Shares and provide disclosure in the Circular of such valuation, or summary thereof (the Valuation Requirement).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (MRRS):

2.1 the Alberta Securities Commission is the principal regulator for this application; and

2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

3. Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are otherwise defined in this decision.

Representations

4. This decision is based on the following facts represented by the Filer:

4.1 The Filer is a reporting issuer or the equivalent in each of the Jurisdictions and is not to its knowledge in default of any requirement under the Legislation.

4.2 The Filer's authorized capital consists of an unlimited number of Common Shares. 151,814,329 Common Shares were outstanding as at November 15, 2006. The Filer also has outstanding \$142,384,000 aggregate principal amount outstanding on its 7% Convertible Unsecured Subordinated Debentures due December 15, 2013, (the Debentures). On November 16, 2005, the Filer announced its intention to redeem the Debentures and to satisfy the redemption price by issuing Common Shares to Debentureholders. If all of the outstanding Debentures are redeemed, then the Filer will issue approximately 13,407,156.3 Common Shares. If all of the Debentureholders exercise their option to convert, then the Filer will issue approximately 20,340,571.42 Common Shares.

4.3 The Debentures and the Common Shares are listed and posted for trading on the Toronto Stock Exchange (the TSX).

4.4 To the knowledge of the Filer, no person or company holds more than 10% of the Common Shares.

4.5 On November 15, 2006, the last full trading day prior to the day on which the Filer announced its pricing of the Offer, the closing price of the Common Shares on the TSX was \$11.48.

4.6 During the 12 months ended November 15, 2006:

4.6.1 the number of outstanding Common Shares was at all times at least 5,000,000, excluding Common Shares that either were beneficially owned or over which control or direction was exercised by related parties to the Filer or were not freely tradeable;

4.6.2 the aggregate trading volume of the Common Shares on the TSX was at least 1,000,000 Shares;

4.6.3 there were at least 1,000 trades in Common Shares on the TSX; and

4.6.4 the aggregate trading value based on the price of the trades referred to in paragraph 4.6.3 was at least \$15,000,000.

The market value of the Common Shares on the TSX was at least \$75,000,000 for the month of October 2006.

4.7 The Filer intends to rely upon the exemptions from the valuation requirement in subsections 1.2(1)(a) and 3.4(3) of Ontario Securities Commission rule 61-501 and subsections 1.3(1)(a) and 3.4(3) of Quebec Regulations Policy Statement Q-27 (the Liquid Market Exemption) on the basis that there is a published market for the Common Shares, namely the TSX, and it is reasonable to conclude that, following the completion of the Offer there will be a market for shareholders who did not tender to the Offer that is not materially less liquid than the market that existed at the time of the making of the Offer.

4.8 The Circular discloses the Filer's reliance on the Liquid Market Exemption.

Decision

5. 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.

6. The decision of the Decision Makers under the Legislation is that, in connection with the Offer, the Filer is exempt from the Valuation Requirement, provided that the Filer can rely on the Liquid Market Exemption and complies with representations 4.7.

"original signed by"

Patricia Leeson

Associate Director, Corporate Finance

Alberta Securities Commission