

INTERNATIONAL CORPORATION

MANDATE OF THE AUDIT COMMITTEE

1. Mandate

The mandate of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Sherritt International Corporation (the “Corporation”) is to assist the Corporation in ensuring the integrity and accuracy of the Corporation’s financial reporting and disclosure controls and procedures. The Committee shall fulfill its mandate by providing an open avenue of communication among management, the auditors (external and internal) and the Board.

2. Duties and Responsibilities

- (a) review and approve the Corporation’s interim financial statements, MD&A and earnings press releases prior to disclosure;
- (b) review and recommend for approval to the Board the Corporation’s annual financial statements, MD&A and earnings press releases and report to the Board thereon;
- (c) ensure the adequacy of procedures for the review of other corporate disclosure that is derived or extracted from the financial statements and periodically assess the adequacy of those procedures;
- (d) ensure that management fulfills its responsibilities to maintain effective disclosure controls and procedures and an effective system of internal control over financial reporting; report any deficiencies to the Board;
- (e) ensure management adequately identifies, manages, monitors and discloses the principal financial and business risks that could impact the Corporation’s financial results and reporting;
- (f) recommend and propose guidelines for the disclosure of information, such that relevant information is disclosed in a timely manner and is not selective;
- (g) ensure that, taken together, the work of the external and internal auditors provides an appropriate level of audit coverage and is effectively coordinated, to the extent appropriate;
- (h) oversee procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls or auditing matters, and procedures to allow confidential and anonymous submission of concerns regarding questionable accounting or auditing matters;
- (i) review all material public documents relating to the Corporation’s financial performance, financial position or financial analyses prior to release, including the AIF;

- (j) review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year;
- (k) review all litigation and claims involving the Corporation which could materially affect its financial position and which the auditors or General Counsel may refer to the Committee;
- (l) review the Corporation's tax status, significant tax issues and reviews by tax authorities;
- (m) review the adequacy of insurance coverage;
- (n) review management identification and evaluation of risks and risk mitigation procedures (including hedging);
- (o) review other information provided by management relating to the financial affairs of the Corporation;
- (p) review, at least annually, the quality and sufficiency of the Corporation's accounting and financial personnel; and
- (q) perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

With regard to fulfilling their obligations as set out above, Committee members or the Board may request management, from time to time, to present information to the Committee on such matters relating to the financial affairs of the Corporation as deemed appropriate.

Relationship with External Auditors

The external auditors report directly to the Committee and are accountable to the Board and the Committee. The Committee shall:

- (a) recommend for approval to the Board the appointment and oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services;
- (b) approve the audit plan (including scope, timing and materiality);
- (c) review the qualifications and performance of the external auditors and recommend approval of fees;
- (d) report to the Board regarding the nomination, remuneration and other material terms of the engagement of the external auditors as well as their performance;
- (e) review the results of the external auditors' work. The external auditors'

report on the results of their work should include their views on the quality, not just the acceptability, of the implementation of generally accepted accounting principles, with a particular focus on the accounting estimates made by management and management's selection of accounting principles;

- (f) assess working relationships with management and resolve any disagreements between management and the external auditors about financial reporting;
- (g) pre-approve the nature and fees of non-audit services; and
- (h) review and approve the hiring policies regarding partners and employees and former partners and employees of the present and former external auditors.

The Committee should review and discuss written reports by the external auditors detailing all factors that might have an impact on the external auditors' independence, including all services provided and fees charged. The Committee should satisfy itself regarding the independence of the external auditors and report its conclusions and the basis for those conclusions to the Board.

The external auditors are entitled to receive notice of every meeting of the Committee and be heard thereat.

The external auditors are entitled to and are responsible for providing their views directly to the shareholders if they disagree with an approach being taken by the Committee.

Relationship with Chief Internal Auditor

The Chief Internal Auditor reports to the Senior Vice President, General Counsel and Corporate Secretary and is accountable to the Committee. The Chief Internal Auditor must be independent from the CFO. The Committee shall:

- (a) approve the mandate for the internal audit department and annually review its objectives, goals and staffing levels;
- (b) ensure that the Chief Internal Auditor has direct and open communication with the Committee with respect to progress on planned audits, significant audit findings, recommendations made and management's response;
- (c) approve the appointment or removal of the Chief Internal Auditor; and
- (d) review management's decisions related to the need for an internal audit.

3. **Composition and Chair**

The members of the Committee shall, subject to appointments made as a result of resignations or retirements, be appointed annually by the Board on the recommendation of the Nominating and Corporate Governance Committee.

The Committee shall consist of not less than three directors, each of whom shall be “independent” as determined under applicable Canadian securities laws. All members of the Committee are required to be financially literate. The requirements for qualification of Committee members shall be determined and interpreted by the Board from time to time based upon recommendations by the Nominating and Corporate Governance Committee.

The Board shall annually designate a Committee Chair from among the Committee members on the recommendation of the Nominating and Corporate Governance Committee. If, in any year, the Board does not appoint a Chair, the Committee members shall appoint a Chair from their number.

4. **Meetings**

The Committee shall meet as often as the Committee determines is necessary to fulfill its responsibilities and not less than four times a year.

Notice of every meeting will be given to each member.

A majority of the Committee members will constitute a quorum. No business may be transacted by the Committee except at meetings at which a quorum is present.

The Committee may invite such members of management or such outside advisors as it may see fit from time to time to attend its meetings and assist in the discussion and consideration of any matter.

A meeting of the Committee may be convened by the Chair, any two Committee members or the Corporation’s external auditor.

An in-camera session will be held at each regularly scheduled Committee meeting with the following groups:

- management;
- external auditors; and
- Chief Internal Auditor

5. **Reporting**

The Committee will:

- regularly report to the Board on all significant matters it has addressed and

with respect to such other matters that are within its responsibilities; and

- oversee the preparation of any disclosure required under applicable Canadian securities laws with respect to matters that are within its responsibilities.

6. **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, provided that if the fees and expenses of any such special counsel or other experts or consultants retained by the Committee exceed, or are expected to exceed C\$150,000, the approval of the full Board will be obtained.

The Committee has the authority to communicate directly with the internal and external auditors.

The Committee may engage outside experts to provide education relevant to the mandate of the Committee.

The Committee must pre-approve any experts or consultants retained by the Corporation if such experts or consultants are currently or have previously been retained by the Committee.

7. **Tenure**

Each member shall hold office until his or her term as a Committee member expires or is terminated.

8. **Removal and Vacancies**

Any Committee member may be removed and replaced at any time by the Board and shall cease to be a Committee member upon ceasing to be a director. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all of the Committee's powers so long as a quorum remains in office.

(Revised June 2014)