

1

S H E R R I T T I N T E R N A T I O N A L



F I R S T Q U A R T E R R E P O R T

March 31, 2000

C O R P O R A T E P R O F I L E

Sherritt International Corporation operates in Canada, the Republic of Cuba, and internationally. Sherritt International owns a 50% indirect interest in a vertically-integrated commodity nickel/cobalt metals business. The Corporation owns assets which are operated to provide for some of the input requirements of the Metals refinery and which also produce fertilizer. The Corporation explores for, develops and produces oil and natural gas reserves worldwide. In addition, the Corporation has investments in power-generation, communications, soybean processing, tourism and agriculture in Cuba.

Sherritt International Corporation, a widely-held Canadian public company, trades on The Toronto Stock Exchange ("TSE") under the symbol S; the Corporation's convertible debentures trade on the TSE under the symbol S.DB.

F I N A N C I A L H I G H L I G H T S

Three months ended March 31 (unaudited)

thousands of Canadian dollars except per share amounts	2000	1999
Revenue	\$ 111,868	\$ 66,239
Net earnings	34,714	2,575
Earnings (loss) per share		
Basic	0.40	(0.05)
Fully diluted	0.22	—
Shareholders' equity	1,232,026	1,156,202

REPORT to SHAREHOLDERS

Sherritt International Corporation achieved record quarterly net earnings of \$34.7 million or \$0.40 per restricted voting share ("share") for the first three months of 2000. The impact of strong nickel and oil prices throughout the quarter translated into record quarterly operating earnings in the Corporation's Metals and Oil and Gas businesses.

Consolidated revenue for the first quarter was up 69% to \$111.9 million from \$66.2 million during the same period last year. Significantly higher nickel and oil prices combined with record oil production in Cuba contributed to the increase. Net earnings for the first quarter of 1999 were \$2.6 million or a loss of \$0.05 per share after convertible debenture interest.

In April 2000, the Corporation purchased, through a substantial issuer bid, \$25 million principal amount of its 6% convertible unsecured subordinated debentures at a price of \$710 per \$1,000 principal amount of debentures. Payment for the debentures totalling \$18.2 million, including accrued interest, was made on April 11, 2000. As a result of the debenture buy-back, the Corporation's aggregate principal amount of debentures outstanding is now \$650 million.

The Corporation's total assets of \$1.4 billion at March 31, 2000 included cash and short-term investments of \$396.9 million. Net cash increased by \$10.8 million during the quarter. Cash from operating activities for the three months of \$40.4 million was partly offset by capital expenditures of \$16.3 million and \$7.6 million of costs associated with exiting the Vega platform in Italy.

OPERATING HIGHLIGHTS

METALS The Metals business generated record quarterly operating earnings of \$24.1 million during the first quarter of 2000 on revenue of \$63.7 million, compared with an operating loss of \$0.5 million on revenue of \$40.0 million for the same period last year. The record earnings reflect the benefit of significantly higher nickel prices and higher realized cobalt prices during the quarter.

Three months ended March 31	2000	1999
Financial (thousands of dollars)		
Revenue	\$ 63,677	\$ 39,992
Operating earnings (loss)	24,063	(508)
Capital expenditures	3,257	1,694
Sales volumes (thousands of pounds) (1)		
Nickel	7,780	8,465
Cobalt	793	1,013
Production volumes (tonnes) (1)		
Mixed sulphides containing nickel and cobalt	3,596	3,515
Nickel	3,404	3,590
Cobalt	366	361

(1) Represents the Corporation's 50% share of the Metals Enterprise and the Corporation's marketing and trading activities in commodity metals.

The London Metal Exchange cash price for nickel averaged U.S.\$4.27 per pound in the first quarter of 2000, up 103% from U.S.\$2.10 per pound for the same period last year. Increased worldwide demand and ongoing supply uncertainties supported the nickel price. The Metal Bulletin average free market price for 99.3% cobalt was U.S.\$13.45 per pound for the first quarter of 2000, compared with an average 99.3% cobalt price of U.S.\$13.77 per pound during the same period last year.

During the first quarter of 2000, a new quarterly production record of 7,193 tonnes of nickel plus cobalt contained in mixed sulphides was established at the mining and processing facilities, up 2% from the 7,030 tonnes produced during the same period in 1999. Total finished cobalt production of 731 tonnes for the first quarter of 2000 surpassed production of 722 tonnes during the first quarter of 1999. Total finished nickel production of 6,807 tonnes during the first quarter was down slightly from the 7,179 tonnes produced during the same period in 1999.

OIL and GAS The Oil and Gas business generated record quarterly operating earnings of \$20.1 million during the first quarter of 2000 compared with operating earnings of \$2.8 million for the same period last year. Higher realized prices and a 26% increase in average daily production volumes boosted revenue during the first quarter to \$39.2 million compared with \$15.5 million for the same period last year.

Three months ended March 31	2000	1999
Financial (thousands of dollars)		
Revenue	\$ 39,212	\$ 15,498
Operating earnings	20,147	2,823
Capital expenditures	10,104	13,939
Oil production (thousands of barrels)	1,611	1,263

Total average net oil production of 17,703 barrels per day was 26% higher than the first quarter of 1999. Average net oil production in Cuba of 16,798 barrels per day was 43% higher than the same period last year and represented a new quarterly production record. Production from new wells in the Canasi, Yumuri and Seboruco fields contributed to the increased production from Cuba. Natural declines resulted in a 37% reduction in production from Spain. Oil production for the first quarter of 1999 included 865 barrels per day from the Vega field in Italy, which was divested at the end of 1999.


The average realized oil price more than doubled during the first quarter of 2000 to \$23.89 per barrel compared with \$11.80 per barrel for the same period last year. The U.S. Gulf Coast Fuel Oil No. 6 reference price averaged U.S.\$19.10 per barrel for the first quarter of 2000 compared with U.S.\$8.75 per barrel for the same period last year.

Oil and Gas capital expenditures of \$10.1 million for the first quarter were primarily directed towards oil production and included four development wells in Cuba.

FERTILIZERS During the first quarter, the Fertilizer business built inventory in preparation for peak sales during the spring agricultural season. For the first quarter of 2000, the Fertilizer business posted an operating loss of \$1.0 million on revenue of \$5.1 million, compared with operating earnings of \$0.2 million on revenue of \$7.4 million for the same period last year. High natural gas costs in Western Canada and low fertilizer prices continued to impact operating results.

Gross production of ammonia, urea and sulphates of 100,068 tonnes was slightly below the 104,993 tonnes produced during the first quarter of 1999. The Western Canadian ammonia reference price recovered modestly during the first quarter of 2000, averaging \$325 per tonne compared with \$305 per tonne for the same period last year. Average prices for Western Canadian ammonium super sulphate during the first quarter of 2000 were \$200 per tonne compared with \$215 per tonne during the same period last year.

OTHER Operating earnings for the quarter were \$1.0 million compared with \$0.7 million in the first quarter of 1999. Equity earnings from the power-generation and tourism investments were \$0.4 million for the quarter.

A handwritten signature in black ink, appearing to read 'Frederic J. Wellhauser', with a stylized, cursive script.

Frederic J. Wellhauser
President and Chief Executive Officer
April 18, 2000

CONSOLIDATED BALANCE SHEETS

thousands of Canadian dollars	March 31, 2000 (unaudited)	December 31, 1999 (audited)
<i>Assets</i>		
Current assets		
Cash and short-term investments	\$ 396,865	\$ 386,018
Advance and loans receivable	13,492	13,739
Accounts receivable	144,006	126,813
Inventories	80,483	76,131
Prepaid expenses	3,893	6,400
	638,739	609,101
Capital assets	460,325	460,455
Investments	174,469	174,033
Future income taxes	16,709	13,357
Other assets	90,669	86,009
	\$ 1,380,911	\$ 1,342,955
<i>Liabilities and shareholders' equity</i>		
Current liabilities		
Short-term indebtedness	\$ 8,425	\$ 9,283
Accounts payable and accrued liabilities	103,538	88,752
Site restoration and abandonment	726	8,280
	112,689	106,315
Site restoration and abandonment	23,765	23,239
Future income taxes	9,724	8,197
Minority interest	2,707	2,377
	148,885	140,128
Shareholders' equity		
Convertible debentures	660,729	660,729
Capital stock	549,305	548,997
Retained earnings (deficit)	21,992	(6,899)
	1,232,026	1,202,827
	\$ 1,380,911	\$ 1,342,955

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31 (unaudited)

thousands of Canadian dollars except per share amounts	2000	1999 (1)
Revenue	\$ 111,868	\$ 66,239
Expenses and other income		
Operating, selling, general and administrative	54,928	56,604
Depletion and amortization	17,234	10,634
Amortization of goodwill	312	309
Provision for site restoration and abandonment	537	599
Share of earnings of equity investments	(437)	(296)
Financing income, net	(6,922)	(8,389)
Minority interest	330	293
Earnings before taxes	45,886	6,485
Taxes	11,172	3,910
Net earnings	34,714	2,575
Interest on convertible debentures	(5,823)	(5,823)
Net earnings (loss) applicable to restricted voting shares	\$ 28,891	\$ (3,248)
Earnings (loss) per restricted voting share		
Basic	\$ 0.40	\$ (0.05)
Fully diluted (2)	0.22	—
Weighted-average shares outstanding (thousands)	72,276	72,139

CONSOLIDATED STATEMENTS OF
RETAINED EARNINGS (DEFICIT)

Three months ended March 31 (unaudited)

thousands of Canadian dollars	2000	1999
Beginning of period	\$ (6,899)	\$ (49,886)
Net earnings	34,714	2,575
Interest on convertible debentures	(5,823)	(5,823)
End of period	\$ 21,992	\$ (53,134)

(1) Certain comparative amounts have been reclassified to conform to the current period presentation.

(2) Fully diluted earnings per restricted voting share is not appropriate for 1999 as the assumed conversion of the convertible debentures and stock options would not be dilutive.

CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 (unaudited)

thousands of Canadian dollars	2000	1999
Operating activities		
Net earnings	\$ 34,714	\$ 2,575
Items not affecting cash		
Depletion and amortization	17,234	10,634
Amortization of goodwill	312	309
Provision for site restoration and abandonment	537	599
Future income taxes	(1,974)	(1,393)
Other items	4,019	(503)
Cash provided before working capital changes	54,842	12,221
Decrease (increase) in non-cash working capital		
Accounts receivable	(17,193)	(1,759)
Inventories	(4,352)	496
Prepaid expenses	2,507	(3,417)
Accounts payable and accrued liabilities	4,628	6,025
	(14,410)	1,345
Cash provided by operating activities	40,432	13,566
Investing activities		
Capital expenditures	(16,257)	(19,650)
Payment related to divestiture of the Vega platform	(7,554)	—
Other assets	(5,224)	(4,552)
Cash used for investing activities	(29,035)	(24,202)
Financing activities		
Short-term indebtedness	(858)	2,437
Dividends paid to minority shareholder	—	(1,015)
Issue of restricted voting shares	308	—
Cash provided from (used for) financing activities	(550)	1,422
Increase (decrease) in net cash	10,847	(9,214)
Net cash at beginning of period	386,018	510,391
Net cash at end of period	\$ 396,865	\$ 501,177

Net cash consists of cash and short-term investments.

SEGMENTED INFORMATION

Three months ended March 31 (unaudited)

2000	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from external customers	\$ 63,677	\$ 39,212	\$ 5,147	\$ 3,832	\$ —	\$ 111,868
Intersegment revenues	315	—	—	262	—	577
Depletion and amortization	3,443	11,350	314	907	1,220	17,234
Provision for site restoration and abandonment	453	34	50	—	—	537
Operating earnings (loss)	24,063	20,147	(967)	975	(5,049)	39,169
Goodwill amortization	—	—	—	(312)	—	(312)
Share of earnings of equity investments	—	—	—	437	—	437
Financing income (expense)	(838)	(501)	—	(859)	9,120	6,922
Minority interest	—	—	—	(330)	—	(330)
Earnings (loss) before taxes	23,225	19,646	(967)	(89)	4,071	45,886
Capital expenditures	3,257	10,104	247	2,631	18	16,257
Assets	263,668	341,026	53,317	183,780	539,120	1,380,911

1999	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from external customers	\$ 39,992	\$ 15,498	\$ 7,376	\$ 3,373	\$ —	\$ 66,239
Intersegment revenues	1,482	—	—	205	—	1,687
Depletion and amortization	2,673	5,652	242	885	1,182	10,634
Provision for site restoration and abandonment	461	88	50	—	—	599
Operating earnings (loss)	(508)	2,823	168	720	(4,801)	(1,598)
Goodwill amortization	—	—	—	(309)	—	(309)
Share of earnings of equity investments	—	—	—	296	—	296
Financing income (expense)	247	(695)	—	(47)	8,884	8,389
Minority interest	—	—	—	(293)	—	(293)
Earnings (loss) before taxes	(261)	2,128	168	367	4,083	6,485
Capital expenditures	1,694	13,939	963	3,004	50	19,650
Assets	233,705	278,846	38,881	123,718	623,543	1,298,693

O P E R A T I N G I N F O R M A T I O N

Three months ended March 31 (unaudited)	Metals (1)		Oil and Gas		Fertilizers	
	2000	1999	2000	1999	2000	1999

Sales

Nickel (thousands of pounds)	7,780	8,465				
Cobalt (thousands of pounds)	793	1,013				
Oil (thousands of barrels)			1,611	1,263		
Natural gas (mmcf)			90	93		
Fertilizers (tonnes)					29,596	41,329

Production

Mixed sulphides (2) (tonnes)	3,596	3,515				
Nickel (tonnes)	3,404	3,590				
Cobalt (tonnes)	366	361				
Oil (thousands of barrels)			1,611	1,263		
Natural gas (mmcf)			90	93		
Fertilizers (gross tonnes) (3)					100,068	104,993

Realized Prices (Cdn.\$)

Nickel (per pound)	6.15	2.97				
Cobalt (per pound)	19.24	13.83				
Oil (per barrel)			23.89	11.80		
Natural gas (per mcf)			5.75	4.07		
Fertilizers (per tonne)					174	178

(1) Metals represents the Corporation's 50% share of the Metals Enterprise and the Corporation's marketing and trading activities in commodity metals.

(2) Nickel and cobalt contained.

(3) Gross tonnes is before consumption in the production of metals, urea and 19-2-0.

mcf—thousands of cubic feet

mmcf—millions of cubic feet

sherritt

Sherritt International Corporation
1133 Yonge Street
Toronto Ontario M4T 2Y7

Investor contact:
T 416-924-4551
F 416-924-5015