



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

Six months ended June 30 (unaudited)

thousands of Canadian dollars except per share amounts	2000	1999
Revenue	\$ 252,306	\$ 162,939
Net earnings	66,617	17,088
Earnings per share		
Basic	0.76	0.07
Fully diluted	0.44	—
Shareholders' equity	1,230,279	1,165,158

REPORT to SHAREHOLDERS

Sherritt International Corporation achieved net earnings of \$31.9 million or \$0.36 per restricted voting share ("share") for the second quarter of 2000, a sharp increase from net earnings of \$14.5 million or \$0.12 per share in the prior year period. Consolidated revenue for the second quarter of 2000 rose by 45% to \$140.4 million from \$96.7 million in the same period one year ago, reflecting the benefit of higher metals and oil prices and increased oil production. Net earnings for the first six months of 2000 were \$66.6 million or \$0.76 per share, markedly higher than net earnings of \$17.1 million or \$0.07 per share for the first half of 1999.

In April, the Corporation repurchased, 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, for a total cost (including accrued interest) of \$18.2 million. A further \$25 million principal amount of convertible debentures was repurchased on July 18, 2000 at a price of \$740 per \$1,000 principal amount of debentures for a total cost (including accrued interest) of \$18.6 million. The Corporation's aggregate principal amount of debentures outstanding is now \$625 million.

The Corporation's total assets of \$1.4 billion at June 30, 2000 included cash and short-term investments of \$353.1 million. Net cash decreased by \$32.9 million during the six months ended June 30, 2000. Cash from operating activities for the six months was \$67.0 million and included a working capital increase of \$43.3 million. The increase in working capital arose from higher receivables reflecting rising oil prices and an increase in recoverable amounts incurred to bring new oil fields in Cuba into production, higher nickel prices and seasonal fertilizer sales. Cash from operating activities was offset by capital expenditures of \$44.3 million, convertible debenture interest payments of \$19.5 million, costs of repurchasing convertible debentures of \$18.2 million, dividends on restricted voting shares of \$7.2 million and costs associated with exiting the Vega platform in Italy of \$8.3 million.

OPERATING HIGHLIGHTS

METALS Continued nickel price strength contributed to operating earnings of \$23.6 million on revenue of \$63.9 million during the second quarter of 2000, more than double the operating earnings of \$11.3 million on revenue of \$42.5 million reported in the prior year period.

Operating earnings of \$47.7 million on revenue of \$127.6 million generated during the first six months of the year were more than quadruple the \$10.8 million in operating earnings on revenue of \$82.5 million achieved during the first six months of 1999.

	Six months ended June 30		Three months ended June 30	
	2000	1999	2000	1999
Financial (thousands of dollars)				
Revenue	\$ 127,550	\$ 82,516	\$ 63,873	\$ 42,524
Operating earnings	47,650	10,779	23,587	11,287
Capital expenditures	7,769	3,121	4,512	1,427
Sales volumes (thousands of pounds) (1)				
Nickel	15,204	15,843	7,424	7,378
Cobalt	1,556	1,807	763	794
Production volumes (tonnes) (1)				
Mixed sulphides containing				
nickel and cobalt	7,196	6,771	3,600	3,256
Nickel	6,841	6,811	3,437	3,221
Cobalt	729	663	363	302

(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 for the quarter, 80% higher than the same period in 1999. Continued strong worldwide nickel demand contributed to a tight physical market, supporting nickel prices in the quarter. The Metal Bulletin average free market price for 99.3% cobalt was U.S.\$14.30 per pound for the second quarter of 1999, down 8% from U.S.\$15.59 per pound during the same period last year.

For the third consecutive quarter, the mining and processing facilities set a new mixed sulphides production record. Total production of nickel and cobalt contained in mixed sulphides was 7,199 tonnes, up 11% from 6,511 tonnes produced during the same period in 1999. Total production of mixed sulphides for the first six months of 2000 was a record 14,392 tonnes, 6% higher than the 13,541 tonnes produced during the same period in 1999.

Total finished production of 6,875 tonnes of nickel and 727 tonnes of cobalt for the second quarter of 2000 was up 7% and 20% respectively over the same period in 1999. For the first six months of 2000, total finished nickel and cobalt production was 13,682 tonnes and 1,458 tonnes respectively, compared with 13,621 and 1,327 tonnes respectively during the first six months of 1999.

OIL and GAS The Oil and Gas business generated second quarter operating earnings of \$16.8 million compared with \$6.9 million for the same period last year. Higher realized prices and a 26% increase in average daily oil production volumes resulted in revenue for the quarter of \$38.4 million, a 73% increase over revenues of \$22.2 million for the second quarter last year.

The trend of strong oil prices and record oil production resulted in record six month operating earnings for the division of \$37.0 million for the first half of the year compared with \$9.7 million for the same period in 1999.

	Six months ended June 30		Three months ended June 30	
	2000	1999	2000	1999
Financial (thousands of dollars)				
Revenue	\$ 77,580	\$ 37,672	\$ 38,368	\$ 22,174
Operating earnings	36,987	9,723	16,840	6,900
Capital expenditures	29,516	33,183	19,412	19,244
Oil production (thousands of barrels)	3,233	2,546	1,622	1,283

For the second quarter of the year, net oil production averaged 17,822 barrels per day and was 26% higher than the same quarter in 1999. Gross production in Cuba averaged 31,818 barrels per day compared to 18,801 barrels per day for the second quarter of 1999. Production from new wells in the Canasi, Yumuri and Seboruco fields contributed to the increased production from Cuba. Natural declines resulted in a 34% reduction in production from Spain.

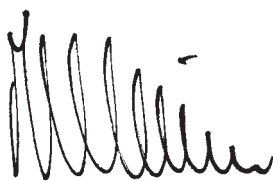
Year-to-date realized oil prices averaged U.S.\$23.40 per barrel compared with U.S.\$14.29 per barrel during the same period last year. The U.S. Gulf Coast Fuel Oil No. 6 reference price averaged U.S.\$20.76 per barrel for the first six months of 2000 compared with U.S.\$10.36 per barrel for the first half of last year.

Oil and Gas capital expenditures were \$19.4 million for the second quarter of 2000 compared with \$19.2 million for the same period in 1999. The expenditures were primarily directed towards oil production and included four development wells in Cuba.

FERTILIZERS During the second quarter, the Fertilizer business had operating earnings of \$0.9 million on revenue of \$34.1 million, compared with operating earnings of \$2.1 million on revenue of \$28.9 million for the same period last year. The reduction in operating earnings was primarily due to higher natural gas costs.

Gross fertilizer production was 91,936 tonnes during the second quarter of 2000 compared with 92,697 tonnes produced during the same period in 1999. The Western Canadian ammonia reference price averaged \$358 per tonne during the second quarter of 2000, up 11% from the same period last year. The average price for Western Canadian ammonium super sulphate was \$210 per tonne for the second quarter of 2000, a decrease of 4% from the same period last year.

OTHER Operating earnings for the quarter were \$1.0 million compared with \$0.6 million in the second quarter of 1999.

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Frederic J. Wellhauser
President and Chief Executive Officer
July 20, 2000

CONSOLIDATED BALANCE SHEETS

thousands of Canadian dollars	June 30, 2000 (unaudited)	December 31, 1999 (audited)
<i>Assets</i>		
Current assets		
Cash and short-term investments	\$ 353,074	\$ 386,018
Advance and loans receivable	11,282	13,739
Accounts receivable	187,026	126,813
Inventories	67,201	76,131
Prepaid expenses	3,140	6,400
	621,723	609,101
Capital assets	470,076	460,455
Investments	174,052	174,033
Future income taxes	17,598	13,357
Other assets	85,796	86,009
	\$ 1,369,245	\$ 1,342,955
<i>Liabilities and shareholders' equity</i>		
Current liabilities		
Short-term indebtedness	\$ 5,500	\$ 9,283
Accounts payable and accrued liabilities	92,292	88,752
Site restoration and abandonment	—	8,280
	97,792	106,315
Site restoration and abandonment	24,993	23,239
Future income taxes	13,123	8,197
Minority interest	3,058	2,377
	138,966	140,128
Shareholders' equity		
Convertible debentures (1)	636,258	660,729
Capital stock (2)	349,305	548,997
Contributed surplus (3)	196,990	—
Retained earnings (deficit)	47,726	(6,899)
	1,230,279	1,202,827
	\$ 1,369,245	\$ 1,342,955

(1) Comprised \$650 million (December 31, 1999 — \$675 million) aggregate principal amount of 6% convertible unsecured subordinated debentures, net of issue costs. In July 2000, \$25 million principal amount of convertible debentures was repurchased, following which the Corporation's aggregate principal amount of convertible debentures was \$625 million as at July 19, 2000.

(2) Issued capital stock comprises 72,366,517 (December 31, 1999 — 72,269,069) restricted voting shares and 100 (December 31, 1999 — 100) multiple voting shares. The multiple voting shares are convertible into restricted voting shares on a share-per-share basis upon the occurrence of certain events. If all of the convertible debentures were converted into shares at the option of the holders, up to 74,074,074 additional restricted voting shares may be issued on or before December 14, 2006.

(3) Contributed surplus at June 30, 2000 comprised \$193.1 million created pursuant to a special resolution of shareholders at the May 25, 2000 annual meeting and the difference between the cost and principal amount of debentures repurchased during the second quarter of 2000.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

thousands of Canadian dollars except per share amounts	Three months ended June 30		Six months ended June 30	
	2000	1999 (1)	2000	1999 (1)
Revenue	\$ 140,438	\$ 96,700	\$ 252,306	\$ 162,939
Expenses and other income				
Operating, selling, general and administrative	85,207	69,072	140,135	125,676
Depletion and amortization	19,216	11,758	36,450	22,392
Amortization of goodwill	306	309	618	618
Provision for site restoration and abandonment	541	537	1,078	1,136
Share of loss (earnings) of equity investments	(31)	263	(468)	(33)
Financing income, net	(8,047)	(6,568)	(14,969)	(14,957)
Minority interest	351	225	681	518
Earnings before taxes	42,895	21,104	88,781	27,589
Taxes	10,992	6,591	22,164	10,501
Net earnings	31,903	14,513	66,617	17,088
Interest on convertible debentures	(5,831)	(5,887)	(11,654)	(11,710)
Net earnings applicable to restricted voting shares	\$ 26,072	\$ 8,626	\$ 54,963	\$ 5,378
Earnings per restricted voting share				
Basic	\$ 0.36	\$ 0.12	\$ 0.76	\$ 0.07
Fully diluted (2)	0.22	0.09	0.44	—
Weighted-average shares outstanding (thousands)	72,367	72,181	72,300	72,160

CONSOLIDATED STATEMENTS OF
RETAINED EARNINGS (DEFICIT)

(unaudited)

thousands of Canadian dollars	Three months ended June 30		Six months ended June 30	
	2000	1999	2000	1999
Beginning of period	\$ 21,992	\$ (53,134)	\$ (6,899)	\$ (49,886)
Elimination of deficit at December 31, 1999 through a reduction in stated capital	6,899	—	6,899	—
Net earnings	31,903	14,513	66,617	17,088
Interest on convertible debentures	(5,831)	(5,887)	(11,654)	(11,710)
Dividends on restricted voting shares	(7,237)	—	(7,237)	—
End of period	\$ 47,726	\$ (44,508)	\$ 47,726	\$ (44,508)

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

(2) Fully diluted earnings per share for the six months ended June 30, 1999 was not appropriate as the assumed conversion of the convertible debentures and stock options would not be dilutive.

CONSOLIDATED STATEMENTS OF CASH FLOW

Six months ended June 30 (unaudited)

thousands of Canadian dollars	2000	1999
Operating activities		
Net earnings	\$ 66,617	\$ 17,088
Items not affecting cash		
Depletion and amortization	36,450	22,392
Amortization of goodwill	618	618
Provision for site restoration and abandonment	1,078	1,136
Future income taxes	6,301	4,126
Other items	(786)	(231)
Cash provided before working capital changes	110,278	45,129
Decrease (increase) in non-cash working capital		
Accounts receivable	(60,213)	(13,379)
Inventories	8,930	10,335
Prepaid expenses	3,260	(1,543)
Accounts payable and accrued liabilities	4,736	(16,192)
	(43,287)	(20,779)
Cash provided from operating activities	66,991	24,350
Investing activities		
Capital expenditures	(44,334)	(47,607)
Payment related to divestiture of the Vega platform	(8,280)	—
Investments	598	(44,380)
Other assets	523	(13,982)
Cash used for investing activities	(51,493)	(105,969)
Financing activities		
Short-term indebtedness	(3,783)	(1,543)
Convertible debenture interest payments	(19,500)	(20,250)
Dividends to restricted voting shares	(7,237)	—
Dividends paid to minority shareholder	—	(1,015)
Issue of restricted voting shares	308	330
Repurchase of convertible debentures	(18,230)	—
Cash used for financing activities	(48,442)	(22,478)
Decrease in net cash	(32,944)	(104,097)
Net cash at beginning of year	386,018	510,391
Net cash at end of period	\$ 353,074	\$ 406,294

Net cash consists of cash and short-term investments.

SEGMENTED INFORMATION

Three months ended June 30 (unaudited)

2000	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from						
external customers	\$ 63,873	\$ 38,368	\$ 34,106	\$ 4,091	\$ —	\$ 140,438
Intersegment revenues	4,435	—	—	268	—	4,703
Depletion and amortization	3,381	13,379	296	949	1,211	19,216
Provision for site restoration and abandonment	461	30	50	—	—	541
Operating earnings (loss)	23,587	16,840	933	988	(6,874)	35,474
Goodwill amortization	—	—	—	(306)	—	(306)
Share of earnings of equity investments	—	—	—	31	—	31
Financing income (expense)	1,256	1,343	—	(2,065)	7,513	8,047
Minority interest	—	—	—	(351)	—	(351)
Earnings (loss) before taxes	24,843	18,183	933	(1,703)	639	42,895
Capital expenditures	4,512	19,412	1,151	2,877	125	28,077

1999	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from						
external customers	\$ 42,524	\$ 22,174	\$ 28,864	\$ 3,138	\$ —	\$ 96,700
Intersegment						
revenues	2,632	—	—	199	—	2,831
Depletion and						
amortization	2,659	6,539	233	871	1,456	11,758
Provision for site						
restoration and						
abandonment	416	71	50	—	—	537
Operating						
earnings (loss)	11,287	6,900	2,106	561	(5,521)	15,333
Goodwill						
amortization	—	—	—	(309)	—	(309)
Share of loss						
of equity						
investments	—	—	—	(263)	—	(263)
Financing income						
(expense)	296	861	—	(52)	5,463	6,568
Minority interest	—	—	—	(225)	—	(225)
Earnings (loss)						
before taxes	11,583	7,761	2,106	(288)	(58)	21,104
Capital						
expenditures	1,427	19,244	1,429	5,626	231	27,957

SEGMENTED INFORMATION

Six months ended June 30 (unaudited)

2000	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from						
external customers	\$ 127,550	\$ 77,580	\$ 39,253	\$ 7,923	\$ —	\$ 252,306
Intersegment revenues	4,750	—	—	530	—	5,280
Depletion and amortization	6,824	24,729	610	1,856	2,431	36,450
Provision for site restoration and abandonment	914	64	100	—	—	1,078
Operating earnings (loss)	47,650	36,987	(34)	1,963	(11,923)	74,643
Goodwill amortization	—	—	—	(618)	—	(618)
Share of earnings of equity investments	—	—	—	468	—	468
Financing income (expense)	418	842	—	(2,924)	16,633	14,969
Minority interest	—	—	—	(681)	—	(681)
Earnings (loss) before taxes	48,068	37,829	(34)	(1,792)	4,710	88,781
Capital expenditures	7,769	29,516	1,398	5,508	143	44,334
Assets	285,545	368,336	36,436	200,689	478,239	1,369,245

1999	Metals	Oil and Gas	Fertilizers	Other	Corporate	Consolidated
Revenue from						
external customers	\$ 82,516	\$ 37,672	\$ 36,240	\$ 6,511	\$ —	\$ 162,939
Intersegment						
revenues	4,114	—	—	404	—	4,518
Depletion and						
amortization	5,332	12,191	475	1,756	2,638	22,392
Provision for site						
restoration and abandonment	877	159	100	—	—	1,136
Operating earnings (loss)	10,779	9,723	2,274	1,281	(10,322)	13,735
Goodwill amortization	—	—	—	(618)	—	(618)
Share of earnings of equity investments	—	—	—	33	—	33
Financing income (expense)	543	166	—	(206)	14,454	14,957
Minority interest	—	—	—	(518)	—	(518)
Earnings (loss) before taxes	11,322	9,889	2,274	(28)	4,132	27,589
Capital expenditures	3,121	33,183	2,392	8,630	281	47,607
Assets	243,504	292,670	55,324	114,598	566,291	1,272,387

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

Three months ended June 30 (unaudited)	Metals (1)		Oil and Gas		Fertilizers	
	2000	1999	2000	1999	2000	1999
Sales						
Nickel (thousands of pounds)	7,424	7,378				
Cobalt (thousands of pounds)	763	794				
Oil (thousands of barrels)			1,622	1,283		
Natural gas (mmcf)			91	105		
Fertilizers (tonnes)					177,406	150,841
Production						
Mixed sulphides (2) (tonnes)	3,600	3,256				
Nickel (tonnes)	3,437	3,221				
Cobalt (tonnes)	363	302				
Oil (thousands of barrels)			1,622	1,283		
Natural gas (mmcf)			91	105		
Fertilizers (gross tonnes) (3)					91,936	92,697

(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

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

<i>Six months ended June 30</i> <i>(unaudited)</i>	Metals (1)		Oil and Gas		Fertilizers	
	2000	1999	2000	1999	2000	1999
Sales						
Nickel (<i>thousands of pounds</i>)	15,204	15,843				
Cobalt (<i>thousands of pounds</i>)	1,556	1,807				
Oil (<i>thousands of barrels</i>)			3,233	2,546		
Natural gas (<i>mmcf</i>)			181	198		
Fertilizers (<i>tonnes</i>)					207,002	192,170
Production						
Mixed sulphides (2) (<i>tonnes</i>)	7,196	6,771				
Nickel (<i>tonnes</i>)	6,841	6,811				
Cobalt (<i>tonnes</i>)	729	663				
Oil (<i>thousands of barrels</i>)			3,233	2,546		
Natural gas (<i>mmcf</i>)			181	198		
Fertilizers (<i>gross tonnes</i>) (3)					192,004	197,690
Realized Prices (Cdn.\$)						
Nickel (<i>per pound</i>)	\$ 6.27	\$ 3.20				
Cobalt (<i>per pound</i>)	19.94	16.82				
Oil (<i>per barrel</i>)			\$ 23.40	\$ 14.29		
Natural gas (<i>per mcf</i>)			5.97	3.90		
Fertilizers (<i>per tonne</i>)					\$ 190	\$ 188

(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



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