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SHERRITT INTERNATIONAL CORPORATION POSTS $116 MILLION IN NET EARNINGS IN 2003 ON RECORD REVENUE

Highlights

- High nickel and cobalt prices combine with a record level of nickel sales for an excellent fourth quarter in our Metals business
- Cash balances top $330 million
- $300 million 6% convertible debentures due December 2006 exchanged for $300 million 7% convertible debentures due December 2013
- Dual class share structure eliminated
- 2004 outlook buoyed by the expectation of solid commodity production and high commodity prices

TORONTO, Mar 04, 2004 (Canada NewsWire via COMTEX) -- Sherritt International Corporation today announced net earnings of $115.8 million or $0.67 per restricted voting share (share) for 2003 compared with net earnings of $60.5 million or $0.38 per share in 2002. Earnings from continuing operations, excluding certain items such as write-downs, gains or losses not indicative of ongoing operations, and currency translation adjustments were $109.0 million or $0.68 per share compared with $85.3 million or $0.63 per share during 2002. EBITDA for 2003 was a record $327.8 million compared with $279.5 million in 2002, mainly on the strength of higher commodity prices. The Corporation ended the year with cash, cash equivalents and short-term investments of $333 million.

Net earnings for the fourth quarter were $26.9 million or $0.10 per share compared with net earnings of $14.7 million or $0.09 per share in the prior year period. Earnings from continuing operations for the quarter, excluding certain items not indicative of ongoing operations, currency translation adjustments and a loss on the exchange of convertible debentures which impacted earnings per share only, were $29.9 million or $0.19 per share compared with $11.6 million or $0.06 per share in the fourth quarter of 2002. EBITDA for the quarter was $87.4 million compared with $61.5 million in the prior year quarter, mainly due to higher commodity prices.

Financial Highlights (unaudited)

(millions of dollars, except per share amounts)	Three months ended December 31 2003	Three months ended December 31 2002	Year ended December 31 2003	Year ended December 31 2002
Revenue	$ 220.3	$ 184.4	$ 820.8	$ 729.4
EBITDA(1)	87.4	61.5	327.8	279.5
Operating earnings(1)	41.9	30.3	149.8	130.9
Earnings				
Continuing operations	26.9	14.5	108.5	59.2
Continuing operations, excluding certain items	29.9	11.6	109.0	85.3
Net earnings	26.9	14.7	115.8	60.5
Earnings per share - basic				
Continuing operations	0.10	0.09	0.61	0.37
Continuing operations, excluding certain items	0.19	0.06	0.68	0.63
Net earnings	0.10	0.09	0.67	0.38
Earnings per share - diluted				

Continuing operations	0.09	0.09	0.56	0.36
Continuing operations, excluding certain items	0.15	0.06	0.58	0.51
Net earnings	0.09	0.09	0.60	0.36

(1) EBITDA, operating earnings and earnings from continuing operations excluding certain items do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable with similar measures presented by other issuers. Reference should be made to the Financial Results by Segment and the Canadian GAAP Reconciliation Table later in this release for a description of EBITDA, operating earnings, earnings from continuing operations excluding certain items, a reconciliation of EBITDA and operating earnings to earnings from continuing operations before taxes and for a reconciliation of earnings from continuing operations excluding certain items to Canadian GAAP earnings from continuing operations.

Significant Developments

The Corporation underwent significant transformation in 2003 and is well positioned to benefit from strong commodity prices and favourable growth opportunities. Significant operating developments in 2003 included the following:

- Completion of the acquisition of thermal coal operations from Fording Inc. and the disposal of metallurgical coal operations;
- Acquisition of the outside interest in Sherritt Power Corporation; and
- Sale of the telecommunications business.

The Corporation also undertook a number of financial transactions, which improved its liquidity, better aligned its capital structure with growth opportunities and improved its corporate governance. In May, Sherritt issued $110 million in equity capital to fund growth opportunities and for general corporate purposes. This was followed by an exchange of $300 million 6% convertible debentures due December 2006 for an equal amount of 7% convertible debentures, effectively extending their term by seven years to 2013. In addition, the Corporation eliminated its dual class share structure.

Consolidated Operating Results

The Corporation disposed of its metallurgical coal operations in February 2003. Consequently, the consolidated statements of operations present the results of these operations as discontinued operations. Discontinued operations are also discussed separately in the following analysis. Please refer to note 3(a) of the consolidated financial statements for additional information.

2003 Results

Consolidated revenue from continuing operations was a record $820.8 million in 2003, an increase of $91.4 million over 2002. The increase was due to the strengthening of nickel and cobalt prices, slightly higher sales volumes in the Metals business, the acquisition of thermal coal operations at the end of February and the consolidation of the Power business results for the last nine months of 2003. These increases were partly offset by lower revenue as a result of a change in the accounting for the soybean-based food processing and telecommunications businesses to an equity basis commencing in July 2003.

Operating, selling, general and administrative costs of $511.6 million in 2003 increased by $62.7 million over 2002. In the Metals business, costs were higher due to increased sales volumes and higher energy, raw materials and maintenance costs. The costs also included the addition of thermal coal operations, the consolidation of costs from the Power business for nine months and corporate costs in respect of stock-based compensation costs tied to the Corporation's share price. The change to equity accounting for the soybean- based food processing and telecommunications businesses in June partly offset these increases.

Depletion and amortization expense of $159.0 million in 2003 increased by $18.4 million from $140.6 million in 2002. The increase was due mainly to oil reserve adjustments, higher gross working interest production in Oil and Gas and the acquisition of the thermal coal operations.

Net financing expense decreased by $1.3 million to $7.2 million in 2003 due to distributions received from the Corporation's investment in Fording Canadian Coal Trust units and the net gain on the sale of these units in 2003. These items were offset in part by higher interest expense relating to the debt assumed as part of the acquisition of Sherritt Power in March 2003 and foreign exchange losses arising from the strengthening of the Canadian dollar.

Earnings from continuing operations before taxes in 2003 included income on the repayment of a Luscar promissory note of $10.7 million. In addition, the Corporation's share of loss of equity investments increased by $2.1 million due to losses incurred in the soybean-based food processing business during the period it was accounted for on an equity basis. Earnings from continuing operations before taxes in 2002 included a $37 million write-down of investments.

Sherritt's effective tax rate from continuing operations of 19% in 2003 was positively impacted by Canadian federal government changes in resource sector taxation rates, offset by currency translation adjustments which were not tax-affected. Excluding these items, the effective tax rate for the year was 23% compared with 26% in 2002, excluding write-downs and foreign currency translation gains not tax affected.

Cash from operating activities before working capital changes of $238.6 million increased slightly over 2002 due to higher operating earnings. Cash from operating activities was $226.3 million in 2003 compared with $233.6 million in 2002. This small decrease resulted from higher non-cash working capital due mainly to an increase in accounts receivable caused by higher commodity prices for nickel, cobalt and oil.

Capital expenditures in 2003 were $97.5 million, a $34.6 million decrease compared with 2002. This mainly reflects lower spending by Oil and Gas and the lower capital requirements of the Coal business following the disposal of metallurgical coal operations and acquisition of the thermal coal operations.

Other investing activities, excluding capital expenditures, resulted in a net cash outflow of $42.9 million and primarily comprised the purchase of Fording's thermal coal operations, the purchase and subsequent sale of Fording Canadian Coal Trust units and the sale of the telecommunications business. Cash provided by financing activities of $54.1 million was primarily related to the equity issue completed in May, partly offset by the payment of convertible debenture interest.

Fourth Quarter 2003 Results

Consolidated revenue from continuing operations was $220.3 million for the quarter compared with $184.4 million for the same period in 2002. The increase is mainly attributed to the higher nickel and cobalt prices and higher nickel sales volumes experienced in the Metals business, revenue from newly acquired thermal coal operations and the inclusion of revenue from the consolidated Power business. These increases were offset in part by a decrease in oil revenue due mainly to lower net sales volumes and lower realized prices as the stronger Canadian dollar more than offset increases in the U.S. dollar reference price for oil, and from the change to equity accounting for the soybean-based food processing and telecommunications businesses.

Operating, selling, general and administrative costs were $134.5 million for the fourth quarter of 2003, compared with $117.8 million for the same period in 2002. The increase in costs was the result of higher energy, raw material and maintenance costs and higher volumes in the Metals business, the acquisition of thermal coal operations, the consolidation of the Power business and higher corporate costs.

Depletion and amortization expense increased to $39.0 million for the quarter compared to $33.8 million in 2002, mainly due to the thermal coal operations acquired. Earnings before taxes for the fourth quarter included a gain on the sale of Fording Canadian Coal Trust units of $4.5 million. Income tax expense from continuing operations for the fourth quarter was $8.6 million. After adjusting for foreign exchange translation losses in U.S. dollar denominated businesses which were not tax-effected, the effective tax rate for the quarter was 18% compared with 47% in the same period last year. The decrease is mainly attributable to cumulative provisions recorded in 2002 for Cuban income taxes on the Oil and Gas business in respect of prior periods.

Cash provided by operating activities was $83.6 million for the fourth quarter of 2003, an increase of $58.9 million from the same period in 2002 due to a decrease in working capital requirements. Capital expenditures were $29.0 million during the quarter compared with $39.2 million for the same period in 2002. This decrease mainly reflects lower spending in Oil and Gas and lower capital requirements in Coal.

Other investing activities, excluding capital expenditures, resulted in a net cash increase of $61.2 million primarily related to the sale of Fording Canadian Coal Trust units. Cash used for financing activities of $18.2 million was primarily for payment of interest on convertible debentures.

Discontinued Operations

Earnings in 2003 from metallurgical coal operations disposed of in February 2003 were $7.3 million, including a pre-tax gain of $13.7 million ($6.8 million after tax) on the disposition. These discontinued operations had earnings of $1.3 million for the whole of 2002. The fourth quarter of 2002 included earnings from discontinued operations of $0.2 million.

Consolidated Financial Position

Total assets at December 31, 2003 were $2.3 billion. Cash, cash equivalents and short-term investments totalled $333.0 million at December 31, 2003, an increase of $140.0 million during the year. The increase was due to cash generated by operating activities, proceeds from the sale of investments and the issue of equity capital, partly offset by the acquisition of thermal coal operations and Sherritt Power, capital expenditures and interest on the convertible debentures.

Advances and loans receivable increased by $22.2 million to $60.7 million during 2003. This increase was mainly due to the addition of $39.3 million in respect of the consolidation of the current portion of recoverable project costs in the Power business, partially offset by $20.7 million in notes receivable that were eliminated on the consolidation of Power.

Accounts receivable were $281.5 million at the end of 2003 compared with $251.4 million at the end of 2002. The increase was primarily due to the consolidation of Power. Increases in U.S. dollar denominated receivables were largely offset by the strength of the Canadian dollar.

Coal accounts receivable are mainly the result of sales to Canadian power utilities. Metals accounts receivable include receivables of finished metals sales to customers primarily located in Europe and Asia and receivables from fertilizer sales to customers in Canada. Oil and Gas and Power receivables include amounts due from Cuban government agencies, and Corporate receivables includes dividends and distributions due from joint ventures and third parties.

The accounts receivable balances in Oil and Gas and Power from Cuban government agencies include overdue amounts, bearing interest, that generally have not historically exceeded three to four months of average monthly revenues. Oil and Gas sales to the Cuban government provide for payment for oil within 90 days to 180 days of invoicing, depending upon oil prices, with interest accruing on balances outstanding beyond 90 days. The Corporation manages its overall accounts receivable with the Cuban government agencies on a consolidated basis to provide for cash positive operation in its businesses, to provide for prudent growth and to provide for an orderly reduction of overdue balances. The Corporation has been one of the largest foreign investors in Cuba for over a decade and continues to have a co-operative and mutually beneficial relationship with the state. Management of accounts receivable risk with Cuban government agencies requires taking into account payments made to Cuban agencies for labour, taxes, royalties and other local services in Metals, Oil and Gas and Power; obtaining pledges of third party payments to Cuban agencies as security for the receivables; and managing sustaining and growth capital, appropriately.

Inventory of $92.6 million and overburden removal costs of $2.1 million decreased by $20.4 million and $12.6 million respectively during the year, mainly due to the disposal of metallurgical coal operations. Capital assets were $1,254.0 million at December 31, 2003 compared with $1,124.3 million at December 31, 2002.

The $129.7 million increase resulted mainly from the inclusion of capital assets of Sherritt Power and the net increase in capital assets of the Coal business following the disposal of metallurgical coal operations and acquisition of thermal coal operations. These increases were offset in part by the change to equity accounting for the soybean-based food processing business and sale of the telecommunications business.

Investments were $55.7 million at December 31, 2003 compared with $99.5 million at the end of 2002. The decrease reflected the elimination of the Sherritt Power investment on consolidation, offset in part by the inclusion of the investment in the soybean-based food processing business, which is now equity-accounted.

The future tax assets at December 31, 2003 of $56.2 million primarily represented the tax benefit of approximately $38 million of non-capital losses and $13 million of capital losses. The benefit of losses has been recognized in the financial statements on the expectation that sufficient taxable income will be realized in the future to utilize these losses.

Other assets were $173.9 million at December 31, 2003, compared with $122.7 million at the end of 2002. The increase reflected the reclassification of $21.1 million of future income tax assets to other assets in recognition of the use of tax losses as a result of the corporate reorganization of the Corporation's Coal business, the addition of recoverable project costs on the consolidation of the Power business, an intangible asset arising from the Sherritt Power purchase and the addition of the long-term note receivable on the sale of the telecommunications business. These increases were partly offset by the elimination of a loan receivable now reflected as part of the Corporation's investment in the equity accounted soybean-based food processing business, the elimination of goodwill on the sale of the telecommunications business and the write-off of outdated feasibility studies in respect of Metals expansion opportunities.

Accounts payable and accrued liabilities were $165.8 million at the end of 2003, compared with $130.9 million at the end of 2002. The increase was due mainly to the consolidation of Power. Consolidated long-term debt and other liabilities of $315.6 million at December 31, 2003 increased by $60.4 million during 2003, primarily reflecting the $105 million of senior debentures assumed as part of the Sherritt Power acquisition. This was partly offset by the impact of the stronger Canadian dollar on the U.S. dollar denominated Luscar senior notes and the repayment of a promissory note in the Coal business. Dominion Bond Rating Service has assigned a rating of BB (high) to the assumed $105 million in senior unsecured debentures.

A future income tax liability of $195.1 million at December 31, 2003 increased slightly compared with the prior year amount. The future income tax liability represents the temporary difference between the value of capital assets for tax purposes versus accounting purposes. These temporary differences are expected to reverse over time, with a corresponding credit to the income statement. The majority of this amount relates to the future income tax liability of the Coal business.

An increase in shareholders' equity to $1.6 billion from $1.4 billion in 2003 was mainly the result of a $110 million equity issue in May and a net increase in retained earnings of $89.9 million, comprising net earnings of $115.8 million less a $1.5 million loss on exchange of the 6% convertible debentures and $27.3 million of interest and accretion on the convertible debentures.

Outlook

Strong nickel, cobalt and oil prices and a high level of general economic activity are among the key factors that will continue to affect financial results for 2004. To date in 2004, the London Metal Exchange settlement price for nickel has remained above U.S. $6 per pound and the Metal Bulletin 99.3% free market cobalt price is currently in excess of U.S. $25 per pound. Oil prices are favourable and export thermal coal spot prices have also risen dramatically from depressed levels. Commodity prices are cyclical but early signs for 2004 are positive.

Sherritt's share of coal production is expected to increase by 8% to approximately 19 million tonnes in 2004, reflecting the acquisition of the Highvale and Whitewood mine contracts and an interest in the Genesee mine. Luscar's restructuring and rationalization program, which is designed to exploit the similarities of each of its mining operations and enhance overall efficiencies, is expected to result in reduced operating costs, enhanced productivity and increased profitability and cash flow in 2004 and subsequent years. The maturity of Luscar's promissory note in December 2004 will result in an addition to Sherritt's operating earnings of approximately $19 million, which will be recorded in the fourth quarter. Sherritt's share of capital expenditures for the Coal business is expected to be approximately $13 million in 2004. In addition, approximately $20 million in assets are expected to be acquired through operating leases.

The Coal business continues to examine the feasibility of constructing coal-based industrial steam generation facilities to replace natural gas-fired facilities at existing large industrial operations. The advancement of these opportunities is subject to completion of long-term definitive commercial arrangements with customers as well as detailed engineering and environmental impact assessments. Customers can expect substantial cost savings and price stability in switching from high priced natural gas to coal, as well as modern and environmentally compliant facilities.

In 2004, finished nickel and cobalt production is expected to remain close to record levels, with sales closely matching production. Nickel prices are anticipated to remain strong for 2004 as market fundamentals continue to be positive with limited availability of stainless steel scrap, strong stainless steel demand, and limited new nickel production. Limited global supply of high-grade cobalt and rising demand are expected to support a high cobalt price for 2004. The benefits of the strong nickel and cobalt prices are expected to be partly offset by continued high energy and raw materials costs and a strong Canadian dollar. Capital expenditures for the Metals business are expected to be approximately $20 million in 2004 and will focus on achieving operational efficiencies and maintaining process reliability.

Sherritt and its Cuban partner believe that the potential expansion of the existing Metals operation represents the best nickel laterite expansion opportunity in the world today. The capital cost of such an expansion is estimated to be significantly less than the greenfield development of a nickel laterite ore deposit. Sherritt continues to explore this opportunity.

Fuel Oil No. 6 prices are expected to remain strong throughout 2004 and development drilling activity is expected to return to historical levels. Oil and Gas expects to produce an average of approximately 23,000 net barrels of oil per day in 2004, a 5% increase over the level of 2003. Total capital expenditures for the year are expected to be $90 million, with both drilling rigs in operation throughout the year. Sherritt will focus 2004 drilling activities on onshore locations. Development of its deepwater blocks, offshore Cuba, will focus on defining potential drill locations on the basis of geophysical and geological analysis. These expectations are contingent upon the success of drilling activities and oil prices staying at levels necessary to generate sufficient cash flow to fund drilling expenditures.

Sherritt's share of electricity production in 2004 is expected to be a record 0.5 million megawatt hours. Capital expenditures by Power for ongoing operations for the year are anticipated to be minimal. Power continues to examine various opportunities to expand upon its experience in financing, constructing and operating power plants in Cuba.

Aggregate consolidated capital expenditures for ongoing operations in 2004 are expected to be $125 million, excluding equipment expected to be leased by the Coal business.

This interim report contains forward-looking statements. These forward- looking statements are not based on historical facts, but rather on Sherritt International Corporation's current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that are beyond the Corporation's ability to control or predict. Actual results and developments may differ materially from those contemplated by these statements depending on, among others, such key factors as business and economic conditions in Canada, Cuba and the principal markets for Sherritt's products.

Key factors which may result in material differences between actual results and developments and those contemplated by these statements also include the supply and demand for products Sherritt produces; dependence on significant customers; deliveries; production levels, production and other anticipated and unanticipated costs and expenses; energy costs; prices for Sherritt's products; premiums or discounts realized over LME cash and other benchmark prices; interest rates; foreign exchange rates; the rate of inflation; changes in tax legislation; the timing of the development of, and capital costs and financing arrangements associated with projects; the timing of the receipt of governmental and other approvals; political unrest or instability in the countries where Sherritt is active; risks related to collecting accounts receivable and repatriating profits and dividends from Cuba; risks related to foreign exchange controls on

Cuban government enterprises to transact in foreign currency; risks associated with the United States embargo on Cuba and the Helms-Burton Act; risks associated with mining, processing and exploration activities; market competition; developments affecting labour relations; environmental regulation and other risk factors listed from time to time in Sherritt's continuous disclosure documents such as the annual report, annual information form and management information circular.

Sherritt International Corporation, with assets of $2.3 billion, is a diversified Canadian natural resource company that operates in Canada, Cuba and internationally. Sherritt's 131 million restricted voting shares, $300 million of 6% convertible debentures and $300 million of 7% convertible debentures trade on the Toronto Stock Exchange under the symbols S, S.DB and S.DB.A, respectively. Sherritt's $105 million of 9.875% senior unsecured debentures trade on the over-the-counter bond market.

Financial Results by Segment (1)

Year ended December 31, 2003

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power (3)	Other (4)	Corporate	Consolidated
Revenue	$ 232.6	$ 321.1	$ 223.1	$ 26.8	$ 17.2	$ -	$ 820.8
Operating, selling, general and administrative	179.1	235.0	49.2	7.7	12.9	27.7	511.6
Add items excluded from EBITDA (2)	14.0	3.6	1.0	-	-	-	18.6
EBITDA (1)	67.5	89.7	174.9	19.1	4.3	(27.7)	327.8
Depletion and amortization	48.5	18.5	80.8	4.1	3.6	3.5	159.0
Provision for site restoration and abandonment	8.6	0.9	1.6	-	-	-	11.1
Income on redemption of promissory note	(10.7)	-	-	-	-	-	(10.7)
Items excluded from EBITDA:							
Severance (2)	7.5	-	1.0	-	-	-	8.5
Inventory write-down (2)	5.2	-	-	-	-	-	5.2
Other adjustments and write-downs (2)	1.3	-	-	-	-	-	1.3
Feasibility studies write-off (2)	-	3.6	-	-	-	-	3.6
Operating earnings (loss) from continuing operations (1)	$ 7.1	$ 66.7	$ 91.5	$ 15.0	$ 0.7	$(31.2)	149.8
Write-down of investments							(4.0)
Share of loss of equity investments							(4.1)
Net financing expense							(7.2)
Minority interest							(0.6)
Earnings from continuing operations before income taxes							$ 133.9
Capital expenditures	$ 13.7	$ 17.1	$ 60.1	$ 2.3	$ 3.5	$ 0.8	$ 97.5

Year ended December 31, 2002 (millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power (3)	Other (4)	Corpo-rate	Conso-lidated
Revenue	$ 221.6	$ 252.9	$ 218.8	$ -	$ 36.1	$ -	$ 729.4
Operating, selling, general and administrative	159.6	195.6	45.2	-	28.2	20.3	448.9
Add (subtract) items excluded from EBITDA (2)	(5.1)	4.1	-	-	-	-	(1.0)
EBITDA (1)	56.9	61.4	173.6	-	7.9	(20.3)	279.5
Depletion and amortization	39.3	17.1	73.3	-	7.4	3.5	140.6
Provision for site restoration and abandonment	6.6	1.0	1.4	-	-	-	9.0
Items excluded from EBITDA:							
Provision for bad debt (2)	-	4.1	-	-	-	-	4.1
Settlement of legal claim (2)	(5.1)	-	-	-	-	-	(5.1)
Operating earnings from continuing operations (1)	$ 16.1	$ 39.2	$ 98.9	$ -	$ 0.5	$(23.8)	130.9
Write-down of investment							(37.0)
Share of loss of equity investments							(2.0)
Net financing expense							(8.5)
Minority interest							(1.1)
Earnings from continuing operations before income taxes							$ 82.3
Capital expenditures	$ 25.5	$ 13.7	$ 90.9	$ -	$ 1.3	$ 0.7	$ 132.1

(1) This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings from continuing operations before taxes. Reference should be made to the Canadian GAAP Reconciliation later in this release for a description of EBITDA and operating earnings.
(2) Items included in operating, selling, general and administrative costs in the consolidated statements of operations.
(3) Power operating earnings were reported as a separate segment commencing March 28, 2003.
(4) Results for soybean-based food processing and telecommunications prior to July 1, 2003 were included in Other.

Financial Results by Segment (1)

Three months ended December 31, 2003 (millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power (3)	Other (4)	Corpo-rate	Conso-lidated

Revenue	$ 60.3	$ 99.6	$ 51.2	$ 9.2	$ -	$ -	$ 220.3
Operating, selling, general and administrative	46.9	61.2	12.1	3.1	-	11.2	134.5
Add items excluded from EBITDA (2)	1.6	-	-	-	-	-	1.6
EBITDA (1)	15.0	38.4	39.1	6.1	-	(11.2)	87.4
Depletion and amortization	13.6	5.0	19.0	0.5	-	0.9	39.0
Provision for site restoration and abandonment	4.2	0.2	0.5	-	-	-	4.9
Items excluded from EBITDA:							
Inventory write-down (2)	1.0	-	-	-	-	-	1.0
Other adjustments and write-downs (2)	0.6	-	-	-	-	-	0.6
Operating earnings (loss) from continuing operations (1)	$ (4.4)	$ 33.2	$ 19.6	$ 5.6	$ -	$ (12.1)	41.9
Share of loss of equity investments							(2.2)
Net financing expense							(4.2)
Earnings from continuing operations before income taxes							$ 35.5
Capital expenditures	$ 6.6	$ 7.3	$ 14.8	$ 0.3	$ -	$ -	$ 29.0

Three months ended December 31, 2002 (millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power (3)	Other (4)	Corporate	Consolidated
Revenue	$ 54.4	$ 60.2	$ 59.7	$ -	$ 10.1	$ -	$ 184.4
Operating, selling, general and administrative	37.0	50.1	16.0	-	7.8	6.9	117.8
Add (subtract) items excluded from EBITDA (2)	(5.1)	-	-	-	-	-	(5.1)
EBITDA (1)	12.3	10.1	43.7	-	2.3	(6.9)	61.5
Depletion and amortization	10.3	2.2	18.7	-	1.8	0.8	33.8
Provision for site restoration and abandonment	2.0	0.2	0.3	-	-	-	2.5
Items excluded from EBITDA:							
Settlement of legal claim (2)	(5.1)	-	-	-	-	-	(5.1)

Operating earnings from continuing operations (1)	$ 5.1	$ 7.7	$ 24.7	$ -	$ 0.5	$ (7.7)	30.3
Share of loss of equity investments							(0.3)
Net financing expense							(1.0)
Minority interest							(0.4)
Earnings from continuing operations before income taxes							$ 28.6
Capital expenditures	$ 8.7	$ 8.1	$ 22.0	$ -	$ 0.2	$ 0.2	$ 39.2

(1) This table presents EBITDA and operating earnings by segment and reconciles these non-GAAP measures to earnings from continuing operations before taxes. Reference should be made to the Canadian GAAP Reconciliation later in this release for a description of EBITDA and operating earnings.

(2) Items included in operating, selling, general and administrative costs in the consolidated statements of operations.

(3) Power operating earnings are reported as a separate segment since March 28, 2003.

(4) Results for soybean-based food processing and telecommunications prior to July 1, 2003 were included in Other.

Operating Results from Continuing Operations

Year ended December 31, 2003

	Coal	Metals	Oil and Gas	Power (3)
Sales Volumes				
Thermal coal (000's of tonnes)(1)	17,532			
Nickel (000's of pounds)(1)		35,088		
Cobalt (000's of pounds)(1)		3,488		
Fertilizers (tonnes)		254,639		
Net oil - Cuba (000's of bbl)(2)			7,739	
Net oil - Spain (000's of bbl)			317	
Electricity generation (MWh)(1)				404,537
Realized Prices				
Thermal coal (per tonne)	$ 13.27			
Nickel (per pound)		$ 5.95		
Cobalt (per pound)		13.50		
Oil - Cuba (per bbl)			$ 27.36	
Oil - Spain (per bbl)			35.05	
Power (per MWh)				$ 60.56
Average Reference Prices				
Nickel (U.S.$ per pound)		4.37		
Cobalt (U.S.$ per pound)		9.69		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			23.79	

Year ended December 31, 2002

	Coal	Metals	Oil and Gas	Power (3)
Sales Volumes				
Thermal coal (000's of tonnes)(1)	16,777			
Nickel (000's of pounds)(1)		33,836		
Cobalt (000's of pounds)(1)		3,418		
Fertilizers (tonnes)		234,595		
Net oil - Cuba (000's of bbl)(2)			7,914	
Net oil - Spain (000's of bbl)			215	
Electricity generation (MWh)				-
Realized Prices				
Thermal coal (per tonne)	$ 13.20			
Nickel (per pound)		$ 4.82		
Cobalt (per pound)		11.02		
Oil - Cuba (per bbl)			$ 26.57	
Oil - Spain (per bbl)			36.92	
Power (per MWh)				-
Average Reference Prices				
Nickel (U.S.$ per pound)		3.07		
Cobalt (U.S.$ per pound)		6.93		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			20.43	

(1) Represents the Corporation's 50% share of Luscar Energy Partnership (Coal), the Corporation's 50% share of the Metals Enterprise and the Corporation's marketing and trading activities in commodity metals (Metals) and the Corporation's 33.3% share of the Energas S.A. joint venture (Power).

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban Government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban Government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban Government is considered to be a royalty interest.

(3) Power results reported as an operating segment since March 28, 2003.

Operating Results from Continuing Operations

Three months ended December 31, 2003

	Coal	Metals	Oil and Gas	Power (3)
Sales Volumes				
Thermal coal (000's of tonnes)(1)	4,773			
Nickel (000's of pounds)(1)		9,466		
Cobalt (000's of pounds)(1)		857		
Fertilizers (tonnes)		60,763		
Net oil - Cuba (000's of bbl)(2)			1,887	

Net oil - Spain (000's of bbl)			105	
Electricity generation (MWh)(1)				143,871
Realized Prices				
Thermal coal (per tonne)	$ 12.72			
Nickel (per pound)		$ 7.21		
Cobalt (per pound)		16.74		
Oil - Cuba (per bbl)			$ 25.22	
Oil - Spain (per bbl)			34.57	
Power (per MWh)				$ 58.59
Average Reference Prices				
Nickel (U.S.$ per pound)		5.62		
Cobalt (U.S.$ per pound)		12.25		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			23.40	

Three months ended December 31, 2002

	Coal	Metals	Oil and Gas	Power (3)
Sales Volumes				
Thermal coal (000's of tonnes)(1)	4,276			
Nickel (000's of pounds)(1)		7,387		
Cobalt (000's of pounds)(1)		929		
Fertilizers (tonnes)		60,715		
Net oil - Cuba (000's of bbl)(2)			2,105	
Net oil - Spain (000's of bbl)			49	
Electricity generation (MWh)(1)				-
Realized Prices				
Thermal coal (per tonne)	$ 12.71			
Nickel (per pound)		$ 5.04		
Cobalt (per pound)		10.20		
Oil - Cuba (per bbl)			$ 27.62	
Oil - Spain (per bbl)			36.69	
Power (per MWh)				-
Average Reference Prices				
Nickel (U.S.$ per pound)		3.22		
Cobalt (U.S.$ per pound)		6.39		
U.S. Gulf Coast Fuel Oil No. 6 (U.S.$ per bbl)			21.17	

(1) Represents the Corporation's 50% share of Luscar Energy Partnership (Coal), the Corporation's 50% share of the Metals Enterprise and the Corporation's marketing and trading activities in commodity metals (Metals) and the Corporation's 33.3% share of the Energas S.A. joint venture (Power).

(2) Gross working interest production in Cuba is allocated to the Corporation and agencies of the Cuban Government in accordance with participation and production-sharing arrangements. Net working interest production or net sales volumes represents the Corporation's share of gross working interest production. Net working interest production for each production-sharing arrangement comprises profit oil (which is based upon a negotiated percentage) and cost recovery oil (which is based upon the Corporation's costs within each block). These costs, upon certification by agencies of the Cuban Government,

are accumulated in cost recovery pools by each production-sharing arrangement and reduced by allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban Government is considered to be a royalty interest.

(3) Power results reported as an operating segment since March 28, 2003.

COAL

Coal results reflect continuing operations only, excluding the results of the metallurgical coal operations disposed of in February 2003. Coal generated EBITDA for the year of $67.5 million compared to $56.9 million in 2002 with the increase due mainly to the addition of the thermal operations in February 2003. Operating earnings for 2003 were $7.1 million compared with $16.1 million in 2002. The increases in EBITDA and income on the redemption of a promissory note were more than offset by costs recorded in 2003 for the restructuring and reorganization of the coal operations, as well as idling costs for the Obed Mountain mine and higher amortization due to the increased asset base following the acquisition of thermal coal assets. In addition, 2002 operating earnings were $5.1 million higher due to the inclusion of income on the settlement of a legal claim.

In the fourth quarter of 2003, EBITDA was $15.0 million compared to $12.3 million in 2002 due to the addition of the thermal operations. An operating loss of $4.4 million from continuing operations in the fourth quarter of 2003 compared with operating earnings of $5.1 million in the fourth quarter of 2002. The increase in EBITDA was more than offset by inventory write-downs, higher amortization due to an increased asset base and income in 2002 on the settlement of a legal claim.

Capital expenditures for the year were $13.7 million, about half the $25.5 million invested in 2002, reflecting a combination of delayed spending and decreased capital requirements. Spending was primarily to maintain and upgrade mine operations. Capital expenditures were $6.6 million for the quarter compared with $8.7 million in the same period last year.

Sales volumes of thermal coal were higher in 2003 and in the fourth quarter compared with the prior year periods due mainly to the addition of the Genesee and Whitewood mines, offset in part by lower sales volumes to export thermal coal markets due to the oversupply that existed in the market in the first half of 2003. During the fourth quarter, an internal reorganization of the Coal business resulted in a $115 million capital gain for tax purposes, which was fully sheltered by accumulated tax losses.

METALS

EBITDA and operating earnings for 2003 were both at record levels of $89.7 million and $66.7 million, respectively, compared to $61.4 million and $39.2 million in 2002. The increases were caused by higher realized nickel and cobalt prices and higher nickel sales volumes, which more than offset the effect of a strengthening Canadian dollar and higher energy, raw materials and maintenance costs. For the fourth quarter, EBITDA and operating earnings were $38.4 million and $33.2 million respectively, both of which were quarterly records. The 2002 fourth quarter amounts were $10.1 million and $7.7 million respectively. The increases were due to higher realized nickel and cobalt prices and higher nickel sales volumes, which more than offset the effect of a strengthening Canadian dollar, lower cobalt sales volumes and higher energy, raw materials and maintenance costs. Record annual nickel and cobalt sales volumes were achieved for the third consecutive year for nickel and the second consecutive year for cobalt.

The current year includes expenses of $3.6 million for certain costs associated with outdated expansion feasibility studies completed in 2001. Sherritt and its Cuban partner believe that the potential expansion of the existing operation represents the best nickel laterite expansion opportunity in the world today. The capital cost of such an expansion is estimated to be significantly less than the greenfield development of a nickel laterite ore deposit. Sherritt continues to explore this opportunity. However, because of the time period that has passed since completion of the studies, and the need to update the studies, these costs were charged against operations in the third quarter of 2003.

Nickel prices on the London Metal Exchange (LME) closed the year up 134% at U.S. $7.55 per pound. The average LME nickel settlement price for 2003 was U.S. $4.37, 42% higher than the 2002 average of U.S. $3.07 per pound due largely to strong demand, primarily from China, without significant increases in overall global nickel supply. The average LME nickel settlement price for the fourth quarter of 2003 was U.S. $5.62 per pound compared with U.S. $3.22 per pound during the same period in 2002.

The Metal Bulletin 99.3% free market cobalt price closed the year up 218% at U.S. $20.50 per pound. The average Metal Bulletin 99.3% free market cobalt price for 2003 was U.S. $9.69 per pound, 40% higher than the 2002 average of U.S. $6.93 per pound, due largely to improving cobalt market fundamentals. The average Metal Bulletin 99.3% free market cobalt price for the fourth quarter of 2003 was U.S. $12.25 per pound compared with U.S. $6.39 per pound during the same period in 2002.

The Moa mining and processing facilities produced a total of 7,715 tonnes and 32,042 tonnes of nickel plus cobalt contained in mixed sulphides in the fourth quarter and full year, respectively, compared with a total of 8,159 tonnes during the fourth quarter of 2002 and a record 33,382 tonnes during the prior year. The lower production rates were largely a result of lower ore grade and additional maintenance activities relative to 2002. Ore grades for 2004 production are expected to be slightly lower than 2003 ore grades. Production levels in 2004 are expected to be above the levels of 2003 due to operating improvements and efficiencies.

For the year 2003, total finished nickel production of 31,106 tonnes and total finished cobalt production of a record 3,141 tonnes were 588 tonnes lower and 76 tonnes higher, respectively, than the same period last year. A total of 7,227 tonnes of finished nickel and 688 tonnes of finished cobalt were produced in the fourth quarter of 2003, lower than the 8,263 tonnes and 866 tonnes, respectively, in the same period last year, due largely to the timing of the annual maintenance turnaround, which was undertaken during the fourth quarter of 2003.

Fertilizer operations generated operating earnings of $0.7 million on revenue of $16.5 million in the fourth quarter of 2003 compared with a loss of $1.0 million on revenue of $13.2 million during the same period in 2002. Depletion and amortization was $0.5 million in the fourth quarter of 2003 and 2002. A fertilizer operating loss of $0.5 million on revenue of $63.7 million in 2003 compared with operating earnings of $2.5 million on revenue of $50.6 million in 2002 due largely to higher energy and raw material costs, partially offset by higher fertilizer prices. Depletion and amortization of fertilizer related assets was $2.0 million in 2003 compared to $1.8 million in 2002.

Capital expenditures of $7.3 million in the fourth quarter and $17.1 million in 2003 were primarily directed towards sustaining and upgrading the facilities at both Moa and Fort Saskatchewan, with the remainder comprising environmental initiatives.

OIL AND GAS

EBITDA for the year was $174.9 million compared to $173.6 million in 2002 as increased revenue on higher prices were offset by higher costs due to increased gross working interest production. Operating earnings for the year were $91.5 million compared with $98.9 million in 2002 as the increase in EBITDA was more than offset by higher depletion. For quarterly comparisons, EBITDA decreased by $4.6 million to $39.1 million and operating earnings decreased by $5.1 million to $19.6 million due to lower net sales in Cuba, primarily as a result of lower production due to a temporary decrease in capital spending during 2003, offset in part by lower operating costs.

Gross working interest oil production in Cuba for the fourth quarter was 38,464 barrels per day, a 14% decrease over the same period last year. Annual average gross working interest oil production in Cuba increased to a record 41,226 barrels per day from 38,256 barrels per day in 2002. The higher production arose primarily from the Corporation's development drilling program along the fold and thrust belt on the north coast of Cuba, even though production from certain producing wells in the Puerto Escondido and Canasi oil fields was below expectations. Net oil production includes cost recovery barrels, which are based on operating and capital expenditures in producing blocks. Due to lower capital spending during 2003, the Corporation's average net oil production in Cuba during the fourth quarter was 20,508 barrels per day compared with 22,879 barrels per day for the prior year period, however net oil production increased slightly from the third quarter of 2003. On an annual basis, the Corporation's net share of Cuban production averaged 21,203 barrels per day, a 2% decrease from last year. By successfully implementing artificial lift equipment on an existing well in Spain, the Corporation increased its average net oil production to 1,137 barrels per day during the quarter from 527 barrels per day during the same quarter last year. On an annual basis, net oil production in Spain increased to 867 barrels per day from 589 barrels per day.

Capital expenditures for the year totalled $60.1 million, a decrease of $30.8 million from 2002. The Corporation participated in drilling nine development wells during the year. Although the Corporation did not participate in exploration drilling, seismic programs were acquired in Block 9 and in the deep-water offshore blocks. The Corporation also completed construction of new oil and gas treatment facilities at Yumuri and Canasi. During the fourth quarter, capital expenditures were $14.8 million. These expenditures related mostly to the drilling of three development wells.

POWER

The Power business finances, constructs, owns and operates power- generation facilities and has commissioned 226 megawatts (MW) of net power capacity in Cuba. Business in Cuba is conducted through Energas S.A., a Cuban joint venture corporation, in which Power holds a one-third equity interest. The business is now reported as a division of Sherritt, reflecting the acquisition of 50.3% of the non-Sherritt equity of Sherritt Power Corporation resulting in the consolidation of 100% of the entity as of March 28, 2003. Prior to March 28, 2003, Sherritt accounted for its investment in Sherritt Power Corporation using the equity method of accounting.

For the nine months ended December 31, 2003, EBITDA was $19.1 million and operating earnings were $15.0 million. Revenue for the nine months includes $2.3 million from by-products and miscellaneous sources. Operating costs include expenses relating to the repair of a turbine rotor in Varadero. An accrual for the estimated insurance recovery has been made for the loss of revenue from the failure of the rotor.

EBITDA was $6.1 million and operating earnings were $5.6 million during the fourth quarter of 2003. Operating costs for the quarter include an estimate of the remaining cost for the turbine rotor repair in Varadero which failed in December 2002 and was brought back into production in May 2003.

Capital expenditures in the fourth quarter were $0.3 million, and for the nine months ended December 31, 2003 were $2.3 million. Capital spending during the period was primarily directed towards the completion of the combined cycle that has been commissioned and has been operating at capacity for seven months.

For the quarter ended December 31, 2003, Sherritt's share of electricity sold was 143,871 MWh and the overall availability at Varadero was approximately 93% and at Boca de Jaruco was approximately 95%. For the nine months ended December 31, 2003, Sherritt's share of electricity sold was 404,537 MWh, with an overall availability of 91% at Varadero and 96% at Boca de Jaruco.

OTHER BUSINESSES

The composition of Sherritt's Other Businesses underwent significant change during 2003. At the beginning of the year, Other Businesses was comprised of Sherritt's share of its telecommunications and soybean-based food processing businesses, its equity interest in its tourism and Sherritt Power investments and its 50% interest in a Cuban market garden joint venture, which was accounted for at cost. The outside interests in Sherritt Power were acquired as of March 28, 2003 and it is now accounted for as the Power business unit. The soybean-based food processing business and the telecommunications businesses, which were previously consolidated have been accounted for on an equity basis since June 30, 2003. The telecommunications business was subsequently sold in late August 2003.

EBITDA of $4.3 million and operating earnings of $0.7 million in 2003 relate to the soybean-based food processing and telecommunications businesses prior to the change to equity accounting in June 2003. EBITDA of $7.9 million and operating earnings of $0.5 million in 2002 includes results from these businesses for the full year.

EBITDA and operating earnings were nil in the fourth quarter of 2003 compared to EBITDA of $2.3 million and operating earnings of $0.5 million for the same period in 2002. The soybean-based food processing investment was equity accounted in the fourth quarter of 2003 while it was consolidated in 2002.

Share of loss of equity investments of $4.1 million in 2003 includes a loss of $4.0 million from the soybean-based food processing business since June 30, 2003, income of $0.5 million from the tourism investments, a loss of $0.6 million from Sherritt Power prior to March 28, 2003, and the results of telecommunications from

June 30, 2003 until its disposal in the third quarter. Fourth quarter share of loss of equity investments of $2.2 million includes a loss in the soybean-based food processing business of $2.3 million and income of $0.1 million in the tourism investments.

The soybean-based food processing business performed below expectations during 2003. A considerable effort was focused on bringing the production process up to rated plant capacity and this has now been largely achieved. The business continues to have difficulty with distribution of and market development for its products within Cuba. The Corporation has started to work with agencies of the Cuban government to lower overall derivative soybean product imports, increase plant production and reduce logistical bottlenecks. The ultimate outcome of these activities may require the Corporation to reduce the carrying value of this investment.

New Accounting Standards

Asset Retirement Obligations

In March 2003, the Canadian Institute of Chartered Accountant (CICA) issued new recommendations in respect of accounting for asset retirement obligations and related asset retirement costs. These new recommendations apply to legal obligations resulting from the acquisition, construction, development or normal operation of tangible long-lived assets. The liability is recognized at its fair value when it is incurred, with a corresponding asset retirement cost added to the related asset and then amortized to expense on a basis consistent with the amortization policy for the asset.

The new policy was implemented on January 1, 2004, on a retroactive basis, as required by the CICA. The impact on the Corporation's financial statements will be disclosed in the financial results issued for the first quarter of 2004. In conjunction with the implementation of this new accounting policy, the Corporation reviewed the service lives and salvage values of certain of its depreciable assets. As a result of this review, changes have been made to the amortization of some depreciable assets. The impact of these changes will also be reflected in the financial results issued for the first quarter of 2004.

Liabilities and Equity

In November 2003, the CICA approved revisions to recommendations in respect of accounting for certain equity instruments that can be settled, at the issuer's option, by a variable number of equity instruments, requiring these amounts to be presented as liabilities. These proposals will alter the accounting for the 6% and 7% convertible debentures. The Corporation will assess the impact of the revised recommendation, which is effective for periods beginning on or after November 1, 2004.

Oil and Gas Full Cost Accounting

In July 2003, the CICA approved Accounting Guideline AcG-16, Oil and Gas Accounting-Full Cost. The guideline is effective for years beginning on or after January 1, 2004. The guideline modifies the ceiling test for oil and gas revenues and provides guidance on several other issues in respect of oil and gas assets. The implementation of this guideline does not materially change the current accounting policies in use and as a result, the Corporation expects that the implementation of this guideline will not have a significant impact on its financial statements.

Consolidated Balance Sheets

(millions of Canadian dollars)	December 31 2003 (audited)	December 31 2002 (audited)
ASSETS		
Current assets		
Cash, cash equivalents and short-term investments	$ 333.0	$ 193.0
Restricted cash	8.0	17.6
Advances and loans receivable	60.7	38.5
Accounts receivable	281.5	251.4

Inventories	92.6	113.0
Overburden removal costs	2.1	14.7
Prepaid expenses	7.7	7.9
Future income taxes	16.7	4.7
	802.3	640.8
Capital assets	1,254.0	1,124.3
Investments (note 2)	55.7	99.5
Future income taxes	39.5	38.2
Other assets	173.9	122.7
	$ 2,325.4	$ 2,025.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	$ 26.9	$ 32.1
Accounts payable and accrued liabilities	165.8	130.9
Current portion of long-term debt	23.3	12.5
Site restoration and abandonment	7.9	8.7
Future income taxes	0.7	1.7
Swaps and forward contracts	-	1.5
	224.6	187.4
Long-term debt and other liabilities	292.3	242.7
Site restoration and abandonment	46.0	45.2
Future income taxes	194.4	190.9
Minority interest	-	5.0
	757.3	671.2
Shareholders' equity		
Convertible debentures (note 4)	590.1	587.3
Capital stock (note 5)	581.7	451.0
Contributed surplus	193.1	199.8
Retained earnings	203.2	116.2
	1,568.1	1,354.3
	$ 2,325.4	$ 2,025.5

Consolidated Statements of Operations

	Three months ended December 31 (unaudited)		Years ended December 31 (audited)	
(millions of Canadian dollars except per share amounts)	2003	2002	2003	2002
Revenue	$ 220.3	$ 184.4	$ 820.8	$ 729.4
Operating, selling, general and administrative	134.5	117.8	511.6	448.9
Earnings before undernoted items	85.8	66.6	309.2	280.5
Depletion and amortization	39.0	33.8	159.0	140.6
Net financing expense (note 7)	4.2	1.0	7.2	8.5
Other items (note 8)	7.1	3.2	9.1	49.1
Earnings from continuing operations before income taxes	35.5	28.6	133.9	82.3

Income taxes				
Current	25.0	14.2	69.9	28.4
Future	(16.4)	(0.1)	(44.5)	(5.3)
	8.6	14.1	25.4	23.1
Earnings from continuing operations	26.9	14.5	108.5	59.2
Discontinued operations (note 3(a))	-	0.2	7.3	1.3
Net earnings	$ 26.9	$ 14.7	$ 115.8	$ 60.5
Earnings from continuing operations per restricted voting share (note 9)				
Basic	$ 0.10	$ 0.09	$ 0.61	$ 0.37
Diluted	0.09	0.09	0.56	0.36
Earnings per restricted voting share (note 9)				
Basic	0.10	0.09	0.67	0.38
Diluted	0.09	0.09	0.60	0.36

Consolidated Statements of Retained Earnings

	Three months ended December 31 (unaudited)		Years ended December 31 (audited)	
(millions of Canadian dollars)	2003	2002	2003	2002
Beginning of period	$ 183.0	$ 107.4	$ 116.2	$ 79.0
Net earnings	26.9	14.7	115.8	60.5
Loss on exchange of 6% convertible debentures (note 4(b))	(1.5)	-	(1.5)	-
Interest and accretion on convertible debentures (note 4)	(5.2)	(5.9)	(27.3)	(23.3)
End of period	$ 203.2	$ 116.2	$ 203.2	$ 116.2

Consolidated Statements of Cash Flow

	Three months ended December 31 (unaudited)		Years ended December 31 (audited)	
(millions of Canadian dollars)	2003	2002	2003	2002
Operating activities				
Net earnings	$ 26.9	$ 14.7	$ 115.8	$ 60.5
Items not affecting cash				
Depletion and amortization	39.0	34.7	159.6	144.5
Write-down of investments	-	-	4.0	37.0
Gain on sale of metallurgical coal assets (note 3(a))	-	-	(13.7)	-
Provision for site restoration and abandonment from continuing operations	4.9	2.5	11.1	9.0
Provision for site restoration and abandonment				

from discontinued operations	-	0.1	0.1	0.7
Payments for site restoration and abandonment	(3.5)	(3.1)	(9.9)	(10.7)
Future income taxes	(16.4)	(0.1)	(37.1)	(4.2)
Foreign exchange losses (gains)	3.2	0.2	2.2	(4.9)
Other items	(0.1)	12.7	6.5	3.2
Cash provided before working capital changes	54.0	61.7	238.6	235.1
Decrease (increase) in non-cash working capital				
Accounts receivable	3.4	(27.1)	(56.6)	6.2
Inventories	3.1	(12.2)	20.5	(15.5)
Overburden removal costs	-	0.9	0.7	(0.6)
Prepaid expenses	(0.1)	1.0	(1.1)	1.5
Accounts payable and accrued liabilities	23.2	21.4	24.2	27.9
Future income taxes	-	(21.0)	-	(21.0)
	29.6	(37.0)	(12.3)	(1.5)
Cash provided by operating activities	83.6	24.7	226.3	233.6
Investing activities				
Capital expenditures	(29.0)	(39.2)	(97.5)	(132.1)
Proceeds from sale of investments	52.5	-	149.8	3.2
Investments	-	(0.7)	(97.7)	-
Acquisition of businesses (note 3)	-	-	(126.4)	-
Net proceeds from sale of capital assets	-	0.2	0.7	7.9
Restricted cash	0.8	(2.1)	9.6	6.2
Other assets	7.9	(8.5)	21.1	(6.5)
Cash provided by (used for) investing activities	32.2	(50.3)	(140.4)	(121.3)
Financing activities				
Short-term debt	5.2	(0.1)	(0.1)	(3.9)
Long-term debt	(0.5)	(0.9)	(8.0)	(3.7)
Convertible debenture interest payments	(17.5)	(18.0)	(35.5)	(36.0)
Convertible debenture issue costs	(5.5)	-	(5.5)	-
Issue of restricted voting shares	0.1	-	103.2	0.2
Cash provided by (used for) financing activities	(18.2)	(19.0)	54.1	(43.4)
Increase (decrease) in net cash	97.6	(44.6)	140.0	68.9
Net cash at beginning of period	235.4	237.6	193.0	124.1
Net cash at end of period	$ 333.0	$ 193.0	$ 333.0	$ 193.0

Net cash consists of cash, cash equivalents and short-term investments. As at December 31, 2003, short-term investments with maturities greater than three months were $12.0 million (2002 - nil).

For the three-month period ended December 31, 2003, the Corporation received interest of $3.9 million (2002 - $3.7 million), paid interest on debt of $11.3 million (2002 - $14.9 million) and paid taxes of $8.7 million (2002 - $35.8 million). For the twelve-month period ended December 31, 2003, the Corporation received interest of $17.6 million (2002 - $14.2 million), paid interest on debt of $32.1 million (2002 - $32.3 million) and paid taxes of $42.2 million (2002 - $37.6 million).

Notes to Interim Consolidated Financial Statements (Unaudited)
(All dollar tabular amounts expressed in millions of Canadian dollars, except per share amounts)

1. Summary of accounting policies

These interim consolidated financial statements follow the same accounting policies as the consolidated financial statements for the year ended December 31, 2002. The disclosures contained in these interim consolidated financial statements do not include all requirements of Canadian generally accepted accounting principles for annual financial statements. Accordingly, the interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, except for the accounting policy additions and changes noted below.

Coal royalty revenue is recognized as it accrues, in accordance with the terms of each contractual agreement. Power revenue is recognized at the time electricity is delivered or services performed.

Intangible assets relating to the Corporation's joint venture interest in Energas S.A. ("Energas") and a coal mining contract are amortized using the straight-line method over their estimated useful lives of 15 and 5 years respectively. Management periodically assesses the value of intangible assets by considering current operating results, trends and prospects.

The Corporation early adopted amendments to the CICA recommendation in respect of stock compensation requiring the use of the fair value method of accounting for stock options. The fair value method is applied on a prospective basis to stock options issued under the Employee and Director Stock Option Plan and shares issued under the Employee Share Purchase Plan. Previously, no compensation expense was recognized when stock options or shares were issued under these plans and any consideration paid by employees on the exercise of stock options or the purchase of shares was credited to capital stock. Net earnings and earnings per restricted voting share would be unchanged from reported amounts if compensation expense had been recognized using the fair value method for such options granted on or after January 1, 2002, but prior to 2003.

During the fourth quarter of 2003, the Corporation adopted the accounting recommendations contained in the CICA Handbook Section 3475 pertaining to discontinued operations. As a result of the early adoption of these recommendations, the previously reported first, second and third quarters of 2003 (unaudited) are revised to separately present the results of discontinued operations in the amounts in note 3(a).

2. Accounting for investments

Effective June 30, 2003, the Corporation changed the applicable basis of accounting for its investments in telecommunications and soybean-based food processing businesses from proportionate consolidation to the equity method. The change has been applied prospectively and results in a reclassification of the individual balance sheet amounts of these businesses to investments on the balance sheet. Commencing July 1, 2003, the Corporation's proportionate share of net earnings (loss) of these businesses is recognized as part of share of loss of equity investments.

The change in accounting for these investments arose from the Corporation's decision to participate in the Cuban government's initiative to consolidate the telecommunications industry in Cuba and the identification of working capital, financing and operating factors that diminished the Corporation's ability to jointly control the operating, investing and financing policies of the soybean-based food processing business.

Balance sheet reclassifications at June 30, 2003 were as follows:

Increase in working capital	$ 7.2
Decrease in capital assets	(35.4)
Increase in investments	81.2
Decrease in other assets	(58.6)
Decrease in minority interest	5.6

On August 31, 2003, the Corporation sold its 40% indirect interest in the Cuban telecommunications business. The Corporation's share of proceeds of U.S. $34.4 million approximated the net book value and comprised cash of U.S. $8 million and a note receivable of U.S. $26.4 million. The note bears interest at 6% per annum and is to be repaid in quarterly instalments ending in August 2007. Based on a 10% discount rate, the estimated fair value and carrying value of the note receivable was initially recorded at $34.2 million.

3. Acquisitions and discontinued operations

(a) Transactions involving Fording Canadian Coal Trust

On January 13, 2003, Sherritt Coal Partnership II ("SCPII"), a partnership equally owned by subsidiaries of the Corporation and Ontario Teachers' Pension Plan ("Teachers'"), reached an agreement ("Fording Arrangement") with Fording Inc. ("Fording"), Teck Cominco Limited ("Teck") and Westshore Terminals Income Fund that combined certain metallurgical coal assets and port facilities jointly owned by Luscar Energy Partnership ("Luscar Energy"), a 50% partnership between the Corporation and Teachers', and CONSOL Energy Inc. ("CONSOL") with the metallurgical coal assets of Fording and Teck, in conjunction with a plan of arrangement to convert Fording into the Fording Canadian Coal Trust ("Fording Trust"). The transaction was completed on February 28, 2003.

Under the Fording Arrangement, SCPII indirectly acquired Fording's prairie operations for cash consideration of $225 million plus an amount for working capital and a royalty on certain future expansions. The prairie operations primarily consist of (i) the 50% joint venture interest in the Genesee mine and the contract mining operations at the Highvale and Whitewood mines, all of which supply coal to adjacent power plants near Edmonton, Alberta, (ii) certain coal and potash royalty agreements, and (iii) substantial non-producing coal and mineral reserves and resources. In addition, Sherritt invested $100 million in the Fording Trust in exchange for approximately 2.9 million units of the Fording Trust.

The acquisition of 2.9 million Fording Trust units and the prairie operations occurred concurrently as part of the Fording transactions. The Corporation's interest in the prairie operations and 2.9 million Fording Trust units was allocated as at February 28, 2003 (the date of closing of the Fording Arrangement) as follows:

Acquisition funding and cost:	
Cash	$ 159.5
Increase in short-term debt	56.0
Total cash paid	215.5
Consideration due to Fording	0.8
Transaction costs	1.6
Total acquisition cost	$ 217.9

Allocation of acquisition cost:	
Investment in Fording Trust units	$ 90.0
Capital assets	140.3
Net working capital	(5.2)
Future income taxes	(7.2)
	$ 217.9

The value of the 2.9 million Fording Trust units purchased was recorded at $31.50 per unit, which was their implied trading value around the date of the announcement of the Fording Arrangement.

The Fording Arrangement designated separate amounts as the consideration paid by Sherritt, directly and indirectly, for the 2.9 million Fording Trust units and the prairie operations. As these acquisitions occurred concurrently and the fair value of the Fording Trust units is determinable by reference to trading value, the excess of the total acquisition cost over the fair value of the Fording Trust units was allocated to capital assets.

In addition to the acquisition of the prairie operations and Fording Trust units, a subsidiary of Luscar Energy and a company jointly owned by the Corporation and Teachers' received an aggregate of 3.2 million units of Fording Trust in exchange for contributing their metallurgical coal assets to the Fording Trust. As at the date of disposition, the carrying value of the assets disposed of was $49.1 million and the carrying value of the liabilities was $13.7 million. As part of the transfer, Luscar Energy and CONSOL agreed to retain certain liabilities (note 12) in respect of the metallurgical coal assets. Earnings from discontinued operations of $7.3 million for the year (2002 - $1.3 million) includes the gain on sale of the metallurgical coal assets and the net earnings of these operations prior to their disposal, which occurred as part of the Fording Arrangement.

	Three months ended December 31 2003	Three months ended December 31 2002	Years ended December 31 2003	Years ended December 31 2002
Revenue from discontinued operations	$ -	$ 15.0	$ 14.6	$ 77.0
Operating earnings from discontinued operations	$ -	$ 0.2	$ 1.0	$ 2.4
Gain on disposal of metallurgical coal assets	-	-	13.7	-
Earnings from discontinued operations before income taxes	-	0.2	14.7	2.4
Income taxes	-	-	7.4	1.1
Earnings from discontinued operations	$ -	$ 0.2	$ 7.3	$ 1.3

On October 17, 2003, SCPII transferred ownership of its subsidiary, which held the prairie operations, to Luscar Ltd., a wholly-owned subsidiary of Luscar Energy. SCPII, Luscar Ltd. and Luscar Energy are all owned directly or indirectly by Sherritt and Teachers' on a 50/50 basis. The transfer involved a distribution by Luscar Ltd. to Sherritt and Teachers' of approximately 3 million units of Fording Trust and $70 million in cash.

The transfer was effected at fair market value in accordance with the requirements of Luscar Coal Ltd.'s senior notes. For accounting purposes, the transfer was recorded at book value due to the related party nature of the transaction. The transfer resulted in the reclassification of $21.1 million of future income tax assets to other assets in recognition of the use of tax losses as a result of the corporate reorganization. This other asset will be amortized over the life of the underlying assets.

Over the course of the year, Sherritt disposed of all of its Fording Trust units for proceeds of $138.8 million representing a gain of $3.7 million.

(b) Sherritt Power Corporation

On March 28, 2003, a wholly owned subsidiary of Sherritt amalgamated with Sherritt Power Corporation ("Sherritt Power"), a publicly-traded company in which the Corporation had an existing 49.7% interest. Pursuant to the amalgamation, shareholders of Sherritt Power received 1.45 restricted voting shares ("Shares") of Sherritt for each common share of Sherritt Power, resulting in the issuance of approximately 5.9 million Shares. Concurrent with the amalgamation, the terms of the outstanding 12.125% unsecured Sherritt Power notes due March 31, 2007 were amended to, among other things, change the interest rate to 9.875%, extend the maturity date to March 31, 2010 and remove the amortizing feature such that the repayment obligation was postponed until March 31, 2010. In addition, an aggregate of $15.3 million principal amount of the Sherritt Power notes was repaid upon the amalgamation being effected. Immediately following the amalgamation, the company resulting from the amalgamation transferred all of the Sherritt Power assets to the Corporation and the Corporation assumed all of the liabilities of the amalgamated company, including the outstanding $105 million principal amount of the Sherritt Power notes (the amended notes assumed are referred to as the "senior unsecured debentures").

The transaction to acquire 50.3% of the Sherritt Power business was accounted for by Sherritt using the purchase method of accounting and the Corporation has fully consolidated this business since March 28, 2003. Prior to this transaction, the Corporation accounted for its 49.7% investment in Sherritt Power using the equity method of accounting.

The consolidated net assets acquired and the existing investment were allocated as follows:

Acquisition cost:	
Paid to former Sherritt Power noteholders	$ 15.3
Consideration in Shares	27.5
Transaction costs	1.3
Cash acquired	(4.4)
	39.7
Balance of Sherritt's equity investment from original 49.7% investment	9.7
Sherritt's investment in Sherritt Power notes	60.2
	$ 109.6

Allocation of acquisition cost:	
Capital assets	$ 104.7
Net non-cash working capital	2.6
Deferred charges	3.5
Intangible assets	31.6
Other assets	100.2
Long-term debt	(105.0)
Future income taxes	(9.1)
Other liabilities	(18.9)
	$ 109.6

4. Convertible Debentures

	2003	2002
6% convertible debentures due 2006 (a)	$ 293.7	$ 587.3
7% convertible debentures due 2013 (b)	296.4	-
	$ 590.1	$ 587.3

(a) As at December 31, 2003, the 6% convertible debentures comprise $300 million (2002 - $600 million) of convertible unsecured subordinated debentures issued in November 1996. The debentures have a maturity date of December 15, 2006, and are convertible at the option of the holder into restricted voting shares of the Corporation at a conversion price of $8.775 per restricted voting share. Interest payments on the debentures are made semi-annually on June 15 and December 15. The 6% convertible debentures are redeemable, provided that the trading price of the Corporation's restricted voting shares reaches certain levels. Subject to regulatory approval, the Corporation may, at its option, satisfy the obligation to pay interest on the 6% convertible debentures or repay the principal amount of the 6% convertible debentures on redemption or at maturity in restricted voting shares. The 6% convertible debentures are included as part of shareholders' equity and are stated net of issue costs less applicable tax relief.

The 6% convertible debentures were distributed on an instalment basis with the final instalment of $338 million received on December 1, 1997. Interest payable to debenture holders was determined on the $675 million outstanding from the date of issue. Deferred debenture interest included in other assets of $2.8 million (2002 - $7.5 million) represents the portion of interest relating to the final instalment of the remaining 6% debentures, which was deferred and is being amortized through retained earnings over the term of the debentures. Accordingly, the effective interest rate of the 6% debentures is 6.32%.

(b) On December 4, 2003, the Corporation exchanged $300 million par value of its 6% convertible debentures for an equal principal amount of 7% convertible unsecured subordinated debentures. The 7% convertible debentures have a maturity date of December 15, 2013, and are convertible at the option of the holder into restricted voting shares of the Corporation at a conversion price of $7.00 per restricted voting share. Interest payments on the 7% convertible debentures are made semi-annually on June 15 and December 15. As a result of the exchange of convertible debentures, the Corporation recorded a loss of $8.2 million relating to the difference between the carrying value of the 7% convertible debentures versus the carrying value of the 6% convertible debentures that were exchanged. This loss was recorded as a reduction in contributed surplus of $6.7 million, which related to repurchases of convertible debentures at a discount in 2000, and the balance of $1.5 million as a charge to retained earnings.

The 7% convertible debentures are not redeemable by the Corporation prior to December 16, 2006. From December 16, 2006 to December 15, 2008 they will be redeemable provided the trading price of the Corporation's restricted voting shares exceed 125% of the conversion price. On and after December 16, 2008, the 7% convertible debentures will be redeemable at any time. Subject to regulatory approval, the Corporation may, at its option, satisfy the obligation to pay interest on the 7% convertible debentures or repay the principal amount of the 7% convertible debentures on redemption or at maturity in restricted voting shares. For accounting purposes, the convertible debenture is split into components based on the present value of interest payments, principal repayment at maturity and conversion option. As the Corporation has the unrestricted ability to settle the interest and principal through the issuance of restricted voting shares, all components have been presented in Shareholders' Equity. The components related to interest payments and principal repayment are increased over the term to the full face value by charges to retained earnings. The 7% convertible debentures are stated net of issue costs of $5.5 million less applicable tax relief of $1.9 million.

Interest and accretion on the convertible debentures is stated net of tax relief of $10.8 million (2002 - $14.6 million).

5. Capital stock

During 2003, the Corporation completed an equity issue of 27,500,000 restricted voting shares, including 2,500,000 shares issued in respect of an over-allotment option exercised by the syndicate of underwriters for the equity issue. The shares were issued at the price of $4.00 per share for proceeds of $102.9 million, net of issue costs of $7.1 million.

On December 11, 2003, the Corporation exchanged all 100 issued multiple voting shares for restricted voting shares on a one-for-one basis and the multiple voting shares were cancelled.

The Corporation will seek approval from shareholders to redesignate its restricted voting shares as common shares at its annual meeting on May 27, 2004.

The Corporation's outstanding restricted voting shares are as follows:

	Number		Stated Capital	
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
Beginning of year	97,761,889	97,711,764	$ 451.0	$ 450.8
Shares issued:				
Stock compensation plans	40,290	50,125	0.2	0.2
Stock options exercised	15,000	-	0.1	-
Sherritt Power amalgamation	5,872,500	-	27.5	-
Public offering	27,500,000	-	102.9	-
Exchange of multiple voting shares	100	-	-	-
	131,189,779	97,761,889	$ 581.7	$ 451.0

If all of the convertible debentures are converted into Shares at the option of the holders, up to 34,188,034 additional restricted voting Shares may be issued on or before December 14, 2006, and up to 42,857,143 additional restricted voting shares may be issued on or before December 14, 2013.

6. Stock compensation plans

In respect of the Sherritt Power amalgamation (see note 3(b)), the Corporation assumed responsibility for Sherritt Power's stock-linked compensation plan. Immediately prior to the acquisition, 582,500 Participation Units ("Power Units") were held by the former directors and key employees of Sherritt Power. The Power Units represented a right to receive a cash amount payable by Sherritt Power to a participant at time of exercise determined by reference to the amount by which the market price of Sherritt Power's shares exceeded the base price.

Pursuant to the terms of the transaction, the terms of the outstanding Power Units were amended such that the number of Power Units was increased to 1.45 times the number of Power Units outstanding at the time of the amalgamation. The number of Power Units outstanding at December 31, 2003 was 822,875. The base price per Share of each Power Unit has been adjusted to the base price per Sherritt Power share immediately prior to the amalgamation, divided by 1.45. During 2003, 29,000 Power Units were exercised for cash of $0.1 million. There are currently 532,875 Power Units outstanding with a base price of $1.93 and 282,750 Power Units outstanding with a base price of $2.07. All outstanding Power Units were fully vested and exercisable as of December 31, 2003. A liability of $2.1 million was recorded upon acquisition in respect of the Power Units at March 28, 2003. The amount of the liability on December 31, 2003 was $4.2 million.

For the year ended December 31, 2003, no options were issued (2002 - nil) under the Employee and Director Stock Option Plan. A total of 40,290 Shares (2002 - 50,125 Shares) were subscribed for and issued to employees under the Employee Share Purchase Plan during the year and on December 13, 2003, the Corporation granted 1.4 million (2002 - nil) participation units under the Corporation's stock-linked compensation plan. The participation units vest in three equal instalments on January 15 in 2004, 2005 and 2006.

During 2003, the Corporation established an Executive Share Unit Plan ("Executive Plan"). Under the terms of the Executive Plan, Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") are available to be granted to employees. The RSUs and DSUs represent a right to receive a cash amount payable by the Corporation to a participant at the end of the vesting period for RSUs or at retirement, death or termination date for DSUs determined by reference to the market price of the Corporation's restricted voting shares. The RSUs vest no later than the earlier of the third anniversary following December 1 of the calendar year in which the granting of the RSUs occurs and the death of the employee. Compensation expense related to the RSUs and DSUs is accrued over the vesting period of the Executive Plan based on the expected total compensation to be paid out at the end of the vesting period, factoring in the probability of any performance-based criteria being met during the vesting period and the change in the market price of the restricted voting shares. During the year, a total of 376,000 units were issued under this plan, representing 294,500 RSUs and 81,500 DSUs.

The Corporation implemented a non-executive Deferred Share Unit Plan ("Directors' Plan") for non-management directors in 2002. Under this plan, non-management directors are eligible to receive grants of DSUs. The DSUs entitle their holders to receive, upon their retirement or departure from the Board, a cash payment equal to the number of DSUs held by them multiplied by the market price of the restricted voting shares at the date of payment. A total of 17,898

DSUs have been granted under this plan in 2002.

Total compensation expense recognized during the year in respect of all stock compensation plans was $3.1 million (2002 - nil).

7. Net financing expense

	Three months ended December 31 2003	Three months ended December 31 2002	Years ended December 31 2003	Years ended December 31 2002
Investment income	$ (2.3)	$ (5.8)	$ (24.0)	$ (14.2)
Interest expense	7.8	6.6	32.1	27.6
Foreign exchange loss (gain)	3.2	0.2	2.2	(4.9)
Realized gain on sale of investments	(4.5)	-	(3.1)	-
	$ 4.2	$ 1.0	$ 7.2	$ 8.5

8. Other items

	Three months ended December 31 2003	Three months ended December 31 2002	Years ended December 31 2003	Years ended December 31 2002
Income on redemption of promissory note	$ -	$ -	$ (10.7)	$ -
Write-down of Minara Resources investment (formerly Anaconda)	-	-	4.0	37.0
Provision for site restoration and abandonment	4.9	2.5	11.1	9.0
Share of loss of equity investments	2.2	0.3	4.1	2.0
Minority interest	-	0.4	0.6	1.1
	$ 7.1	$ 3.2	$ 9.1	$ 49.1

9. Earnings per restricted voting share

The following table presents the calculation of basic and diluted earnings per restricted voting share. In the table, the number of shares is stated in millions.

	Three months ended December 31 2003	Three months ended December 31 2002	Years ended December 31 2003	Years ended December 31 2002
Earnings from continuing operations	$ 26.9	$ 14.5	$ 108.5	$ 59.2
Interest and accretion on convertible debentures	(5.2)	(5.9)	(27.3)	(23.3)
Loss on debenture settlement (note 4(b))	(8.2)	-	(8.2)	-
Earnings from continuing operations - basic	13.5	8.6	73.0	35.9
Earnings from discontinued operations	-	0.2	7.3	1.3
Net earnings - basic	13.5	8.8	80.3	37.2
Interest and accretion on convertible debentures(1)	3.4	5.9	14.5	23.3
Net earnings - diluted	16.9	14.7	94.8	60.5

Earnings from discontinued operations	-	(0.2)	(7.3)	(1.3)
Earnings from continuing operations - diluted	$ 16.9	$ 14.5	$ 87.5	$ 59.2
Weighted average number of restricted voting shares - basic	131.2	97.8	119.3	97.7
Weighted average effect of dilutive securities:				
Employee stock options(1)	0.3	0.2	0.3	0.2
Convertible debentures(1)	47.2	68.4	37.5	68.4
Weighted average number of restricted voting shares - diluted	178.7	166.4	157.1	166.3
Earnings from continuing operations per restricted voting share				
Basic	$ 0.10	$ 0.09	$ 0.61	$ 0.37
Diluted	0.09	0.09	0.56	0.36
Earnings from discontinued operations per restricted voting share				
Basic	-	-	0.06	0.01
Diluted	-	-	0.04	-
Earnings per restricted voting share				
Basic	0.10	0.09	0.67	0.38
Diluted	0.09	0.09	0.60	0.36

(1) The determination of net earnings-diluted, earnings from continuing operations-diluted and weighted average number of restricted voting shares-diluted, excludes all anti-dilutive amounts in respect of convertible debenture conversions and the exercise of stock options.

10. Segmented information

Following the acquisition of Sherritt Power, Sherritt is now reporting a new Power operating segment.

Three months ended December 31, 2003

(millions of Canadian dollars)	Coal(1)	Metals	Oil and Gas	Power(2)	Other	Corporate	Consolidated
Revenue	$ 60.3	$ 99.6	$ 51.2	$ 9.2	$ -	$ -	$ 220.3
Operating, selling, general and administrative	46.9	61.2	12.1	3.1	-	11.2	134.5
Earnings (loss) before undernoted items	13.4	38.4	39.1	6.1	-	(11.2)	85.8

Depletion and amortization	13.6	5.0	19.0	0.5	-	0.9	39.0
Provision for site restoration and abandonment	4.2	0.2	0.5	-	-	-	4.9
Operating earnings (loss) from continuing operations	(4.4)	33.2	19.6	5.6	-	(12.1)	41.9
Share of loss of equity investments							(2.2)
Net financing expense							(4.2)
Minority interest							-
Earnings from continuing operations before income taxes							35.5
Capital expenditures	6.6	7.3	14.8	0.3	-	-	29.0
Assets	$ 798.1	$ 359.3	$ 491.1	$ 263.1	$ 93.0	$ 320.8	$2,325.4

Three months ended December 31, 2002

(millions of Canadian dollars)	Coal(1)	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Revenue	$ 54.4	$ 60.2	$ 59.7	$ -	$ 10.1	$ -	$ 184.4
Operating, selling, general and administrative	37.0	50.1	16.0	-	7.8	6.9	117.8
Earnings (loss) before undernoted items	17.4	10.1	43.7	-	2.3	(6.9)	66.6
Depletion and amortization	10.3	2.2	18.7	-	1.8	0.8	33.8
Provision for site restoration and abandonment	2.0	0.2	0.3	-	-	-	2.5

Operating earnings (loss) from continuing operations	5.1	7.7	24.7	-	0.5	(7.7)	30.3
Share of loss of equity investments							(0.3)
Net financing expense							(1.0)
Minority interest							(0.4)
Earnings from continuing operations before income taxes							28.6
Capital expenditures	8.7	8.1	22.0	-	0.2	0.2	39.2
Assets	$ 748.2	$ 349.3	$ 556.7	$ -	$ 208.8	$ 162.5	$2,025.5

(1) Coal capital expenditures and assets include amounts relating to discontinued operations.
(2) Power operating earnings and capital expenditures are included as a separate segment since March 28, 2003.

Year ended December 31, 2003

(millions of Canadian dollars)	Coal(1)	Metals	Oil and Gas	Power(2)	Other	Corporate	Consolidated
Revenue	$ 232.6	$ 321.1	$ 223.1	$ 26.8	$ 17.2	$ -	$ 820.8
Operating, selling, general and administrative	179.1	235.0	49.2	7.7	12.9	27.7	511.6
Earnings (loss) before undernoted items	53.5	86.1	173.9	19.1	4.3	(27.7)	309.2
Depletion and amortization	48.5	18.5	80.8	4.1	3.6	3.5	159.0
Provision for site restoration and abandonment	8.6	0.9	1.6	-	-	-	11.1
Income on redemption of promissory note	(10.7)	-	-	-	-	-	(10.7)

Operating earnings (loss) from continuing operations	7.1	66.7	91.5	15.0	0.7	(31.2)	149.8
Write-down of investments							(4.0)
Share of loss of equity investments							(4.1)
Net financing expense							(7.2)
Minority interest							(0.6)
Earnings from continuing operations before income taxes							133.9
Capital expend-itures	$ 13.7	$ 17.1	$ 60.1	$ 2.3	$ 3.5	$ 0.8	$ 97.5

Year ended December 31, 2002 (millions of Canadian dollars)	Coal(1)	Metals	Oil and Gas	Power	Other	Corporate	Consol-idated
Revenue	$ 221.6	$ 252.9	$ 218.8	$ -	$ 36.1	$ -	$ 729.4
Operating, selling, general and admin-istrative	159.6	195.6	45.2	-	28.2	20.3	448.9
Earnings (loss) before undernoted items	62.0	57.3	173.6	-	7.9	(20.3)	280.5
Depletion and amort-ization	39.3	17.1	73.3	-	7.4	3.5	140.6
Provision for site restoration and aban-donment	6.6	1.0	1.4	-	-	-	9.0
Operating earnings (loss) from continuing operations	16.1	39.2	98.9	-	0.5	(23.8)	130.9
Write-down of investment							(37.0)
Share of loss of equity investments							(2.0)

Net financing expense							(8.5)
Minority interest							(1.1)
Earnings from continuing operations before income taxes							82.3
Capital expenditures	$ 25.5	$ 13.7	$ 90.9	$ -	$ 1.3	$ 0.7	$ 132.1

(1) Coal capital expenditures and assets include amounts relating to discontinued operations.
(2) Power operating earnings and capital expenditures are included as a separate segment since March 28, 2003.

Geographic Segments

Three months ended December 31

	2003		2002	
	Revenue	Capital Assets(1)	Revenue	Capital Assets and Goodwill
Canada	$ 81.0	$ 816.5	$ 63.0	$ 728.2
Cuba	55.0	425.7	68.3	397.6
Europe	56.9	5.0	35.5	6.9
Asia	23.3	6.8	15.9	6.7
Other foreign countries	4.1	-	1.7	-
	$ 220.3	$ 1,254.0	$ 184.4	$ 1,139.4

Years ended December 31

	2003		2002	
	Revenue	Capital Assets(1)	Revenue	Capital Assets and Goodwill
Canada	$ 281.3	$ 816.5	$ 242.7	$ 728.2
Cuba	254.3	425.7	248.1	397.6
Europe	180.3	5.0	153.0	6.9
Asia	86.2	6.8	66.7	6.7
Other foreign countries	18.7	-	18.9	-
	$ 820.8	$ 1,254.0	$ 729.4	$1,139.4

(1) During 2003, goodwill of $15.1 million was included in the disposal of the telecommunications business.

11. Financial instruments

Unutilized lines of credit as at December 31, 2003 were $55.6 million.

12. Commitments, contingencies and guarantees

Guarantees

During 2003, the Corporation adopted the CICA Accounting Guideline 14, Disclosure of Guarantees. This new policy requires the disclosure of information regarding certain types of guarantee contracts that require payments contingent on specified types of future events.

The Corporation manages the insurance program for its joint ventures, which results in a corporate retention of insurance risk to a maximum of U.S. $7.0 million per occurrence and U.S. $15 million annually aggregate for all of its joint ventures. The Corporation has recorded a liability for insurance claims of joint ventures of $3.4 million in 2003.

In conjunction with the disposition of the metallurgical coal assets (note 3), Luscar Energy retained certain liabilities in respect of the metallurgical coal assets. These included:

- Site restoration liabilities for certain closed mines and previously mined areas. These extend for an unlimited period of time and the maximum potential liability depends upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Approximately $4.0 million has been accrued with respect to this site restoration obligation.
- Severance liabilities for employees of the Luscar mine. This extends to February 2005, up to a maximum of approximately $2.2 million. At December 31, 2003, $0.9 million has been recorded as a liability by the Corporation.
- Employment liabilities for former employees arising from operations prior to the transfer and severance obligations for other former employees not hired by the purchaser, for which no liability has been recorded.
- Income tax obligations arising from the asset transfer. These extend for an unlimited period of time and the maximum potential liability depends upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No liability for this obligation has been recorded.

General indemnities were given for negligence and claims arising prior to the transfer. In addition, indemnities were provided to the purchaser and joint venture partner in respect of a transfer of a portion of the metallurgical coal assets between entities controlled by Luscar Energy immediately preceding the closing of the Fording Arrangement. The indemnities extend for an unlimited period of time and the maximum potential liability cannot be determined at this time. No amounts have been accrued with respect to these indemnities.

In respect of other divestitures, various environmental and tax indemnities have been provided to the purchaser. The indemnities extend for an unlimited period of time and the maximum potential liability cannot be determined at this time. No amounts have been accrued with respect to these indemnities.

The Corporation has provided a guarantee in respect of a $15 million working capital facility in a company jointly-owned by subsidiaries of Sherritt and Teachers'. The amount drawn on this facility as at December 31, 2003 was $12 million, of which the Corporation has recorded $6 million. Subsequent to December 31, 2003, this facility has been paid out and retired.

In connection with a borrowing facility, Luscar Coal Ltd. has provided an indemnity in respect of transactions related to the extension of credit and environmental indemnities in respect of its properties to the lender. The indemnities extend for an unlimited period of time and the maximum potential liability cannot be determined at this time. No amounts have been accrued with respect to these indemnities.

A $50 million unsecured facility due October 10, 2004 has been extended jointly and severally by the Corporation and Teachers', in support of certain reclamation obligations and letters of credit required by Luscar Coal Ltd. No amounts have been drawn under this facility.

In respect of a supply agreement, certain jointly-owned entities in the Metals Enterprise have provided guarantees of the obligations of another jointly-owned entity within the Metals Enterprise. The guarantee expires upon repayment of the obligations to the third party for which the Corporation's share of the maximum liability is U.S. $3 million. No amounts have been accrued with respect to this guarantee.

In connection with the issuance of restricted voting shares, indemnities have been given to the underwriters. Also, indemnities have been given to financial advisors in connection with transactions undertaken by the Corporation. The indemnities extend for an unlimited period of time and the maximum potential liability cannot be determined at this time. No amounts have been accrued with respect to these indemnities.

Commitments

The Corporation is committed to annual payments under operating leases as follows: 2004 - $1.2 million; 2005 - $0.9 million; 2006 - $0.9 million; 2007 - $0.7 million; and 2008 - $0.2 million.

The Corporation had other outstanding commitments aggregating $1.2 million at December 31, 2003 (2002 - $0.7 million) which comprise electricity purchase commitments.

The Metals Enterprise intends to continue investing in capital projects over the year to ensure that the Moa, Cuba operations meet applicable national and international environmental standards. It is anticipated that the Metals Enterprise will generate sufficient funds from internal sources to finance these expenditures.

The agreements establishing the Metals Enterprise require the unanimous consent of its shareholders to pay dividends. It is not expected that this restriction will have a material impact on the ability of the Corporation to meet its obligations.

Contingencies

A number of the Corporation's subsidiaries and affiliates have operations located in Cuba. The Corporation will continue to be affected by the difficult political relationship between the United States and Cuba. The Corporation does not, directly or indirectly, hold any assets in the United States. The Corporation has received letters from U.S. citizens claiming ownership of certain Cuban properties or rights in which the Corporation has an indirect interest, and explicitly or implicitly threatening litigation. Having regard to legal and other developments in the United States, and remedies available in Canada and in Europe, the Corporation believes that the impact of any claims against it will not be material.

In October 2001, the Corporation received a statement of claim setting out a claim against it and Dynatec Corporation, brought in the Supreme Court of Victoria, Australia, by Fluor Australia Pty Ltd ("Fluor"). The claim related to alleged deficiencies in the facilities of Minara Resources' (formerly Anaconda Nickel Limited) Murrin Murrin mine development in Australia. The alleged deficiencies are also the subject of an ongoing arbitration commenced by Minara Resources against Fluor, which was retained by Minara Resources to provide engineering, procurement and construction services. Minara Resources alleges that Fluor breached the services contract between them. Phase 1 of the arbitration proceedings has been completed and an award was handed down in September 2002. On December 20, 2002, Fluor formally discontinued its proceeding against the Corporation and Dynatec, but reserved its rights to recommence proceedings against them at a later date, and noted that Phase 2 of the arbitration had been scheduled to commence in September 2003. The Corporation believes Fluor's claims against it are without merit and will vigorously defend any further claim Fluor may bring.

On January 13, 2003, Luscar Energy agreed to transfer substantially all of its metallurgical coal assets to Fording Canadian Coal Trust effective February 28, 2003. Certain steps of the agreement have not been finalized due to differences in interpretation between certain parties to the transaction. Outstanding issues include working capital adjustments, federal Goods and Services Taxes on certain payments made under the agreement, and obligations for reclamation activities.

In addition to the above matters, the Corporation and its subsidiaries are also subject to routine legal proceedings. The Corporation believes that the ultimate resolution of these items will not have a material adverse effect on consolidated earnings, its cash flow or financial position.

13. Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

14. Subsequent event

Effective February 4, 2004, Luscar Energy and Luscar Coal Ltd. signed a senior credit agreement with a syndicate of Canadian chartered banks consisting of a revolving 364 day operating credit facility that permits maximum aggregate borrowings of $115 million, subject to a borrowing base, which includes accounts receivable, coal inventory, a $25 million charge on a dragline and a general assignment of Luscar Coal Ltd.'s assets. Up to $65 million of reclamation letters of credit can be issued under the reclamation component of the facility. Under the working capital component, up to $50.0 million in advances may be made, including up to $25.0 million in letters of credit. Interest rates payable or advances under the facility are based on prime lending rates plus interest rate margins ranging from 0.25% to 1.25% depending on Luscar Energy's ratio of debt to operating earnings before interest, depreciation and amortization. This facility replaces Luscar Energy's and Luscar Coal Ltd.'s $100 million senior credit agreement and SCAI's $15 million credit facility that were due to expire on February 29, 2004.

Canadian GAAP Reconciliation

EBITDA has been disclosed in order to provide an indication of revenue less cash operating expenses. Operating earnings is a measure used by Sherritt to evaluate operating performance of its operating businesses as it eliminates interest charges, which are a function of the particular financing structure for the business, and certain other charges as presented in the following table. Net earnings excluding certain items presents net earnings, as reported, adjusted for the above mentioned items as well as certain other items that are not indicative of ongoing operations.

EBITDA, operating earnings, net earnings excluding certain items and cash from operations do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and are therefore unlikely to be comparable with similar measures presented by other issuers. Previously, the Corporation included severance costs, inventory write-downs, write-off of feasibility studies and other items when calculating EBITDA. Until December 31, 2002, the Corporation included provision for site restoration and abandonment and share of loss of equity investments as deductions when calculating EBITDA. Prior period figures have been restated to conform to the new definition.

The Financial Results by Segment presented previously in this document reconcile EBITDA and operating earnings to earnings from continuing operations before taxes. The following Canadian GAAP Reconciliation Table reconciles earnings from continuing operations, excluding certain items to Canadian GAAP earnings from continuing operations, as reported.

Canadian GAAP Reconciliation Table

	Three months ended December 31		Year ended December 31	
(millions of Canadian dollars)	2003	2002	2003	2002
Canadian GAAP earnings from continuing operations, as reported	$ 26.9	$ 14.5	$ 108.5	$ 59.2
Income on redemption of promissory note	-	-	(10.7)	-

Gain on sale of Fording Trust units(1)	(4.5)	-	(3.7)	-
Settlement of legal claim	-	(5.1)	-	(5.1)
Coal severance costs	-	-	7.5	-
Coal inventory write-downs	1.0	-	5.2	-
Other Coal adjustments and write-downs	0.6	-	1.3	-
Write-down of Minara Resources investment (formerly Anaconda)	-	-	4.0	37.0
Metals feasibility studies write-off	-	-	3.6	-
Metals provision for bad debt	-	-	-	4.1
Oil and Gas severance costs	-	-	1.0	-
Power acquisition transaction costs	1.3	-	1.3	-
Currency translation adjustments	3.2	0.2	2.2	(4.9)
Income tax impact of above items and tax rate changes	1.4	2.0	(11.2)	(5.0)
Earnings from continuing operations, excluding certain items	$ 29.9	$ 11.6	$ 109.0	$ 85.3
Earnings from continuing operations per share, excluding certain items(2)				
Basic	$ 0.19	$ 0.06	$ 0.68	$ 0.63
Diluted	0.15	0.06	0.58	0.51

(1) Prior periods in 2003 have been revised to reflect amounts not previously included in the Canadian GAAP reconciliation.
(2) The determination of earnings from continuing operations per share excluding certain items excludes the loss on debenture settlement of $8.2 million (note 4(b)).

Schedule of Selected Current Assets and Accounts Payable by Operating Segment

December 31, 2003

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power(2)	Other(3)	Corporate	Consol-idated
Accounts receivable	$ 31.4	$ 48.8	$ 163.3	$ 24.0	$ -	$ 14.0	$ 281.5
Inventories	21.9	67.8	-	2.9	-	-	92.6
Overburden removal costs	2.1	-	-	-	-	-	2.1
Prepaid expenses	1.0	4.2	0.6	-	1.2	0.7	7.7
Future income taxes	-	11.6	5.1	-	-	-	16.7
	$ 56.4	$ 132.4	$ 169.0	$ 26.9	$ 1.2	$ 14.7	$ 400.6
Accounts payable							

	Coal	Metals	Oil and Gas	Power(2)	Other(3)	Corporate	Consolidated
and accrued liabilities	$ 39.2	$ 56.2	$ 39.0	$ 3.7	$ -	$ 27.7	$ 165.8

December 31, 2002

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power(2)	Other(3)	Corporate	Consolidated
Accounts receivable	$ 31.9	$ 31.8	$ 172.3	$ -	$ 4.5	$ 10.9	$ 251.4
Inventories	43.1	65.9	-	-	4.0	-	113.0
Overburden removal costs	14.7	-	-	-	-	-	14.7
Prepaid expenses	2.2	2.2	0.4	-	3.2	(0.1)	7.9
Future income taxes	-	4.7	-	-	-	-	4.7
	$ 91.9	$ 104.6	$ 172.7	$ -	$ 11.7	$ 10.8	$ 391.7
Accounts payable and accrued liabilities	$ 28.1	$ 41.8	$ 40.8	$ -	$ 11.5	$ 8.7	$ 130.9

(1) Selected current assets and accounts payable for Coal as at December 31, 2002, included amounts relating to discontinued operations.
(2) Prior to March 28, 2003, Power was equity-accounted.
(3) Prior to July 1, 2003, the soybean-based food processing and the telecommunications businesses were proportionately consolidated.
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