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SHERRITT INTERNATIONAL CORPORATION
First Quarter Report, March 31, 2001

CORPORATE PROFILE

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

Sherritt International Corporation's restricted voting shares and convertible debentures trade under the symbols S and S.DB, respectively on The Toronto Stock Exchange.

Sherritt International Corporation realized net earnings of $22.3 million or $0.23 per restricted voting share (share) for the first three months of 2001. Consolidated revenue for the first quarter of 2001 was $99.2 million compared with $111.9 million for the same period in 2000. The reduction in the Corporation's earnings from the record achieved in the prior year period largely reflects the lower contribution from the Metals business, as a result of lower nickel prices and higher energy costs, mitigated in part by higher financing income.

Cash and short-term investments totalled $300.0 million at March 31, 2001 compared with $261.3 million at the end of 2000. Cash generated from operating activities for the three months of $55.1 million was $14.7 million higher than the prior year period and was partly offset by investing activities of $17.7 million and dividends of $7.3 million. External working capital facilities increased by $8.0 million during the quarter.

Three months ended March 31 (thousands of dollars, except per share amounts)	**2001**	2000
Revenue	**$ 99,153**	$ 111,868
Operating earnings	**13,072**	39,169
Net earnings	**22,334**	34,714
Earnings per share		
Basic	**0.23**	0.40
Diluted	**0.16**	0.23

Financing income of $11.3 million for the first quarter of 2001 was $4.4 million higher than the prior year period due to exchange gains from a stronger U.S. dollar. The decrease in the Corporation's effective tax rate for the first quarter from 24% in 2000 to 15% in 2001 reflected the higher proportion of net earnings generated by the Oil business, which is taxed at a low effective rate.

The Corporation owns $75 million of the Senior Unsecured Amortizing Notes of Sherritt Power Corporation. On March 21, 2001, the Noteholders approved an Extraordinary Resolution to amend the trust indenture governing these Notes. As a result of this amendment, the Corporation received approximately $20.3 million from Sherritt Power on April 2, 2001. The Corporation also advanced Sherritt Power $19.6 million on April 2, 2001 under the terms of the Cash Flow Assurances Agreement dated March 1998 for the purposes of funding the accelerated amortization.

On April 24, 2001, Sherritt Coal Partnership (Sherritt Coal), a partnership between the Corporation and a subsidiary of Ontario Teachers' Pension Plan Board, announced that it reached agreement with Luscar Coal Income Fund (the Fund), whereby the Fund's Trustees will unanimously recommend acceptance of an amended offer by Sherritt Coal to purchase all of the outstanding trust units and convertible debentures of the Fund.

Under the terms of the revised offer, Unitholders may choose to receive either cash of $4.00 per Unit or one Sherritt International share for each Unit, provided that the aggregate number of the Corporation's shares issuable will be limited to 25 million shares. To the extent that the Unitholders elect to receive more than an aggregate of 25 million Sherritt shares, each Unitholder will receive a pro rata allocation of such shares, together with a cash payment, based on the cash price of $4.00 per Unit. The offer for the Fund's $100 million principal amount of 10% Convertible Unsecured Senior Subordinated Debentures remains at $1,050 cash per $1,000 principal amount of Debentures plus accrued interest. The Corporation has sufficient resources available on hand to finance its commitments associated with this acquisition and, combined with external working capital facilities, its ongoing future operations.

OPERATING HIGHLIGHTS

During the first quarter of 2001, the Corporation changed its presentation of operating segments to include results from its Fertilizer operations as part of the Metals business. This reclassification aligns reportable segments with the Corporation's operational management structure and reflects the inter-dependence of the Metals and Fertilizer operations.

METALS

Three months ended March 31	**2001**	2000
Financial (thousands of dollars)		
Revenue	**$ 57,054**	$ 68,824
Operating earnings	**2,022**	23,096
Capital expenditures	**3,188**	3,504
Sales volumes		
Nickel (thousands of pounds) (1)	**8,249**	7,780
Cobalt (thousands of pounds) (1)	**815**	793
Fertilizers (tonnes)	**29,143**	29,596
Production volumes (tonnes)		
Mixed sulphide containing nickel and cobalt (1)	**3,885**	3,596
Nickel (1)	**3,405**	3,404
Cobalt (1)	**356**	366
Fertilizers (2)	**53,463**	100,068
Realized prices		
Nickel	**$ 4.31**	$ 6.15
Cobalt	**17.54**	19.24

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

(2) Before consumption in the production of metals, urea and 19-2-0.

The Metals business generated operating earnings of $2.0 million during the first quarter of 2001 on revenue of $57.1 million, compared with operating earnings of $23.1 million on revenue of $68.8 million for the same period last year. The reduction in operating earnings reflected lower nickel and cobalt prices and higher energy costs during the quarter.

The London Metals Exchange average settlement price for nickel averaged U.S.$2.97 per pound in the first quarter of 2001, down 30% from U.S.$4.27 per pound for the same period last year. Reduced stainless steel demand caused by a worldwide economic slowdown contributed to the reduced nickel price. The Metal Bulletin average free market price for 99.3% cobalt was U.S.$11.27 per pound for the first quarter of 2001, down 16% from U.S.$13.45 per pound for the same period last year.

During the first quarter of 2001, a new production record was established for the sixth consecutive quarter at the mining and processing facilities. Total production of 7,769 tonnes of nickel and cobalt contained in mixed sulphides was up 8% from the 7,193 tonnes produced during the same period last year. Total finished nickel production of 6,809 tonnes for the first quarter of 2001 was similar to the 6,807 tonnes produced during the first quarter of 2000. Total finished cobalt production was 712 tonnes compared with 731 tonnes produced during the same period in 2000.

During the quarter, the Fertilizer operations built inventories in preparation for peak sales during the spring agricultural season. Fertilizer sales volumes during the quarter of 29,143 tonnes were similar to the 29,596 tonnes sold during the first quarter of 2000. Fertilizer production in the first quarter of 2001 was down from the same period in 2000 due primarily to the temporary suspension of production at Sherritt's urea facility in October 2000.

Deregulation of Alberta’s electricity markets commenced on January 1, 2001. Average reference prices for delivered electricity increased by approximately 270% during the quarter compared with the same period in 2000. The cost of natural gas in the Fort Saskatchewan operations, used primarily to produce ammonia and generate steam, remained high with reference prices up approximately 170% over the same period in 2000.

In April 2001, the Corporation concluded a three-year collective agreement with the union representing workers at the Fort Saskatchewan site, Local 530A of the Communications Energy and Paperworkers Union. The new agreement will expire at the end of the first quarter of 2004.

OIL & GAS

Three months ended March 31	**2001**	2000
Financial (thousands of dollars)		
Revenue	**$ 37,623**	$ 39,212
Operating earnings	**14,810**	20,147
Capital expenditures	**18,874**	10,104
Sales volumes (thousands of barrels)		
Cuba	**1,385**	1,529
Spain	**76**	82
	1,461	1,611
Production volumes (thousands of barrels)		
Cuba [(1)]	**2,487**	2,520
Spain	**76**	82
	2,563	2,602
Realized prices (per barrel)		
Cuba	**$ 24.44**	$ 23.09
Spain	**35.85**	38.68

(1) Oil production in Cuba is allocated to the Corporation and agencies of the Cuban Government in accordance with production-sharing arrangements. The Corporation's share of 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 development and operating costs). Development and operating costs, upon certification by agencies of the Cuban Government, are accumulated in cost recovery pools by each production-sharing arrangement and reduced by an allocation of produced oil to the Corporation.

The Oil and Gas business generated operating earnings of $14.8 million during the first quarter of 2001 compared with operating earnings of $20.1 million for the same period last year. Revenue for the quarter of $37.6 million was $1.6 million lower than the same period last year due to lower oil sales volumes, offset in part by higher realized oil prices. Operating expenses increased compared with the prior year quarter due to higher depletion and amortization charges, reflecting the impact of changes in reserve estimates at year end.

Total oil production of 28,476 barrels per day was essentially unchanged from the same period last year and was 3% lower than the 29,471 barrels per day produced in the fourth quarter of 2000. Natural declines in wells resulted in the slight decrease in total production compared with the previous quarter. The Corporation's net share of total oil production from Cuba during the quarter under the production-sharing arrangements was 15,384 barrels per day compared with 16,798 barrels for the same period last year. A slight delay in the start of the 2001 development program contributed to the decline.

The U.S. Gulf Coast No. 6 fuel oil average reference price was U.S.$19.05 per barrel for the first three months of 2001, compared with U.S.$20.55 per barrel for the same period in 2000.

The Corporation participated in four wells in Cuba during the first quarter of 2001, comprising three development wells and one exploratory well. In each of the Yumuri and the Canasi fields, a successful stepout oil well was drilled and brought into production subsequent to the end of the quarter. The Felipe 1-X exploration well was suspended without testing at the end of March awaiting further technical evaluation.

OTHER

Three months ended March 31	**2001**	2000
Financial (thousands of dollars)		
Revenue	**$ 4,476**	$ 3,832
Operating earnings	**1,008**	975
Share of earnings of equity investments	**436**	437
Capital expenditures	**1,159**	2,631

First quarter operating earnings from other operations of $1.0 million were consistent with the first quarter of 2000. Equity earnings for the quarter from the power-generation and tourism investments were $0.4 million, also consistent with the first quarter of 2000. Commissioning of the soybean plant commenced in March 2001.

April 30, 2001

CONSOLIDATED BALANCE SHEETS

[THOUSANDS OF CANADIAN DOLLARS]	**March 31 2001 (unaudited)**	December 31 2000 (audited)
ASSETS		
Current assets		
Cash and short-term investments	**$ 300,009**	$ 261,343
Advance and loans receivable (note 7)	**20,134**	5,027
Accounts receivable	**180,576**	176,602
Inventories	**80,531**	76,759
Prepaid expenses	**8,016**	9,059
Future income taxes	**4,813**	5,938
	594,079	534,728
Capital assets	**506,090**	507,406
Investments	**170,600**	178,407
Future income taxes	**22,539**	19,896
Other assets	**95,693**	101,213
	$ 1,389,001	$ 1,341,650
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term indebtedness	**$ 16,039**	$ 8,000
Accounts payable and accrued liabilities	**104,230**	77,419
	120,269	85,419
Site restoration and abandonment	**27,667**	26,649
Future income taxes	**19,667**	18,608
Minority interest	**3,174**	2,865
	170,777	133,541
Shareholders' equity		
Convertible debentures (note 2)	**587,314**	587,314
Capital stock (note 3)	**350,292**	349,840
Contributed surplus	**199,787**	199,787
Retained earnings	**80,831**	71,168
	1,218,224	1,208,109
	$ 1,389,001	$ 1,341,650

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31 (unaudited)

[THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS]	**2001**	2000
Revenue	**$ 99,153**	$ 111,868
Expenses and other income		
Operating, selling, general and administrative	**63,078**	54,928
Depletion and amortization	**19,896**	17,234
Amortization of goodwill	**338**	312
Provision for site restoration and abandonment	**1,033**	537
Share of earnings of equity investments	**(436)**	(437)
Financing income, net	**(11,340)**	(6,922)
Minority interest	**309**	330
Earnings before taxes	**26,275**	45,886
Current	**1,697**	9,794
Future	**2,244**	1,378
Net earnings	**22,334**	34,714
Earnings per restricted voting share (note 4)		
Basic	**$ 0.23**	$ 0.40
Diluted	**0.16**	0.23

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

Three months ended March 31 (unaudited)

[THOUSANDS OF CANADIAN DOLLARS]	**2001**	2000
Beginning of period	**$ 71,168**	$ (6,899)
Net earnings	**22,334**	34,714
Interest on convertible debentures (note 2)	**(5,410)**	(5,823)
Dividend on restricted voting shares	**(7,261)**	-
End of period	**$ 80,831**	$ 21,992

CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 (unaudited)

[THOUSANDS OF CANADIAN DOLLARS]	**2001**	2000
Operating activities		
Net earnings	**$ 22,334**	$ 34,714
Items not affecting cash		
Depletion and amortization	**19,896**	17,234
Amortization of goodwill	**338**	312
Provision for site restoration and abandonment	**1,033**	537
Future income taxes	**(2,634)**	(1,974)
Other items	**2,929**	4,019
Cash provided before working capital changes	**43,896**	54,842
Decrease (increase) in non-cash working capital		
Accounts receivable	**(3,974)**	(17,193)
Inventories	**(3,772)**	(4,352)
Prepaid expenses	**1,043**	2,507
Accounts payable and accrued liabilities	**17,950**	4,628
	11,247	(14,410)
Cash provided from operating activities	**55,143**	40,432
Investing activities		
Capital expenditures	**(23,329)**	(16,257)
Net proceeds from sale of capital asset	**7,848**	-
Site restoration payments	**-**	(7,554)
Investments	**(6,608)**	-
Other assets	**4,382**	(5,224)
Cash used for investing activities	**(17,707)**	(29,035)
Financing activities		
Short-term indebtedness	**8,039**	(858)
Dividends on restricted voting shares	**(7,261)**	-
Issue of restricted voting shares	**452**	308
Cash provided from (used for) financing activities	**1,230**	(550)
Increase in net cash	**38,666**	10,847
Net cash at beginning of period	**261,343**	386,018
Net cash at end of period	**$ 300,009**	$ 396,865

Net cash consists of cash and short term investments.

For the three month period, the Corporation received interest of $4.3 million (2000 - $3.6 million), paid interest on short-term indebtedness of $0.2 million (2000 - $0.1 million) and paid taxes of $1.5 million (2000 - $4.6 million).

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, 2000. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2000.

In the fourth quarter of 2000, the Corporation retroactively adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants on earnings per share. Under the new standard, the diluted earnings per share calculation uses the treasury stock method to account for stock options instead of the imputed earnings approach. A detailed calculation of earnings per share is included in note 4.

2. Convertible debentures

Convertible debentures comprise $600 million (December 31, 2000 - $600 million) principal amount of 6% convertible unsecured subordinated debentures issued in November 1996. The debentures have a maturity date of December 15, 2006.

Interest on the convertible debentures for the three month period is stated net of tax relief of $3.9 million (2000 - $4.7 million).

3. Capital stock

Issued capital stock comprises 72,608,945 (December 31, 2000 – 72,496,436) restricted voting shares and 100 (December 31, 2000 – 100) multiple voting shares. The multiple voting shares are convertible into restricted voting shares on a share-per-share basis upon the occurrence of certain events. If all of the convertible debentures were converted into shares at the option of the holders, up to 68,376,068 additional restricted voting shares may be issued on or before December 14, 2006.

4. Earnings per restricted voting share

The following table presents the calculation of basic and diluted earnings per restricted voting share for the three-month period:

	2001	2000
Net earnings	**$ 22,334**	$ 34,714
Interest on convertible debentures	**(5,410)**	(5,823)
Net earnings applicable to shareholders	**16,924**	28,891
Interest on convertible debentures	**5,410**	5,823
Net earnings applicable to shareholders plus assumed conversions	**$ 22,334**	$ 34,714
Weighted average number of shares – basic	**72,554**	72,351
Weighted average effect of dilutive securities:		
Employee stock options	**229**	112
Convertible debentures	**68,376**	76,923
Weighted average number of shares for diluted calculation	**141,159**	149,386
Earnings per restricted voting share		
Basic	**$ 0.23**	$ 0.40
Diluted	**0.16**	0.23

5. Segmented information

Business Segments

Reference should be made to note 17 of the Corporation's consolidated financial statements for the year ended December 31, 2000, for a full description of the Corporation's operating segments. During the first quarter of 2001, the Corporation changed its internal reporting of operating segments to include results from its Fertilizer operations as part of the Metals business. Segmented results for the three months ended March 31, 2000 have been restated to conform with this new presentation.

Three months ended March 31, 2001	**METALS**	**OIL AND GAS**	**OTHER**	**CORPORATE**	**CONSOLIDATED**
Revenue from external customers	$ 57,054	$ 37,623	$ 4,476	$ -	$ 99,153
Intersegment revenues	-	-	276	-	276
Depletion and amortization	4,561	12,837	1,425	1,073	19,896
Provision for site restoration and abandonment	563	470	-	-	1,033
Operating earnings (loss)	2,022	14,810	1,008	(4,768)	13,072
Goodwill amortization	-	-	(338)	-	(338)
Gain on sale of asset	-	-	-	2,074	2,074
Share of earnings of equity investments	-	-	436	-	436
Financing income (expense)	(268)	6,890	(1,083)	5,801	11,340
Minority interest	-	-	(309)	-	(309)
Earnings (loss) before taxes	1,754	21,700	(286)	3,107	26,275
Capital expenditures	3,188	18,874	1,159	108	23,329
Assets	323,802	413,612	234,620	416,967	1,389,001

Three months ended March 31, 2000	**METALS**	**OIL AND GAS**	**OTHER**	**CORPORATE**	**CONSOLIDATE D**
Revenue from external customers	$ 68,824	$ 39,212	$ 3,832	$ -	$ 111,868
Intersegment revenues	-	-	262	-	262
Depletion and amortization	3,757	11,350	907	1,220	17,234
Provision for site restoration and abandonment	503	34	-	-	537
Operating earnings (loss)	23,096	20,147	975	(5,049)	39,169
Goodwill amortization	-	-	(312)	-	(312)
Share of earnings of equity investments	-	-	437	-	437
Financing income (expense)	(838)	(501)	(859)	9,120	6,922
Minority interest	-	-	(330)	-	(330)
Earnings (loss) before taxes	22,258	19,646	(89)	4,071	45,886
Capital expenditures	3,504	10,104	2,631	18	16,257
Assets	323,487	341,026	183,780	539,120	1,387,413

Geographic Segments

Three months ended March 31, 2001	REVENUE	CAPITAL ASSETS AND GOODWILL
Canada	$ 10,253	$ 133,080
Cuba	39,686	361,799
Europe	39,398	20,834
Asia	9,712	6,474
Other foreign countries	104	10
	$ 99,153	$ 522,197

Three months ended March 31, 2000	REVENUE	CAPITAL ASSETS AND GOODWILL
Canada	$ 10,995	$ 125,939
Cuba	39,629	324,078
Europe	44,839	20,537
Asia	16,355	6,040
Other foreign countries	50	29
	$ 111,868	$ 476,623

6. Financial instruments

Unutilized lines of credit as at March 31, 2001 were $63.6 million. Cash and short-term investments includes cash subject to restrictions on use of $26.2 million.

7. Subsequent events

On March 21, 2001, Sherritt Power Corporation's Noteholders approved an Extraordinary Resolution to amend the trust indenture governing its $225 million of Senior Unsecured Amortizing Notes. The amendment resulted in:

1. an acceleration of the first amortization of $198 per $1,000 principal amount to March 31, 2001 from March 31, 2002;

2. a revision to the remaining amortization schedule such that $200 per $1,000 principal amount is amortized on March 31 in each of 2003, 2004 and 2005 and $101 per $1,000 principal amount is amortized on each of March 31, 2006 and 2007. The original remaining amortization was $401 per $1,000 principal amount on each of March 31, 2003 and 2004;

3. an increase in the interest rate from 11.50% to 12.125% effective April 1, 2001; and

4. the payment of a consent premium of $15 per $1,000 principal amount of the Notes.

As a result of this amendment, the Corporation received approximately $20.3 million from Sherritt Power on April 2, 2001 representing the payment of the first amortization, the consent premium and accrued interest. The Corporation also advanced Sherritt Power $19.6 million on April 2, 2001 under the Cash Flow Assurances Agreement dated March 1998 for the purposes of funding the accelerated amortization. This advance bears interest at LIBOR plus 6%. Short-term advance and loans receivable at March 31, 2001 included approximately $14.9 million representing the first amortization of the Corporation's $75 million principal amount of Sherritt Power Notes, which was received on April 2, 2001.

On April 24, 2001, Sherritt Coal Partnership (Sherritt Coal), a partnership between the Corporation and a subsidiary of Ontario Teachers' Pension Plan Board, announced that it reached agreement with Luscar Coal Income Fund (the Fund), whereby the Fund's Trustees will unanimously recommend acceptance of an amended offer by Sherritt Coal to purchase all of the outstanding trust units and convertible debentures of the Fund. Under the terms of the revised offer, Unitholders may choose to receive either cash of $4.00 per Unit or one Sherritt International share for each Unit, provided that the aggregate number of the Corporation's shares issuable will be limited to 25 million shares. To the extent that the Unitholders elect to receive more than an aggregate of 25 million Sherritt shares, each Unitholder will receive a pro rata allocation of such shares, together with a cash payment, based on the cash price of $4.00 per Unit. The offer for the Fund's $100 million principal amount of 10% Convertible Unsecured Senior Subordinated Debentures remains at $1,050 cash per $1,000 principal amount of Debentures plus accrued interest.

8. Comparative amounts

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

sherritt

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