sherritt

FOR IMMEDIATE RELEASE

Sherritt International earns $24.6 million or $0.19 per share for the second quarter of 2002, $0.36 per share for the first six months of 2002

Toronto, Ontario. July 30, 2002. Sherritt International Corporation today announced net earnings of $24.6 million or $0.19 per restricted voting share (share) for the second quarter of 2002, compared with net earnings of $15.0 million or $0.11 per share for the second quarter of 2001. Higher Metals and Oil and Gas earnings contributed to the increase in earnings for the quarter.

Net earnings for the first six months of 2002 were $47.0 million or $0.36 per share compared with $37.4 million or $0.34 per share for the first six months of 2001. The increase in earnings for the six-month period resulted from higher Metals and Oil and Gas earnings and the inclusion of results from the Coal business for the full six months in 2002.

	Three months ended June 30		Six months ended June 30	
(thousands of dollars, except per share amounts)	**2002**	2001	**2002**	2001
Revenue	**$ 217,561**	$ 161,732	**$ 401,798**	$ 260,885
Operating earnings	**33,608**	22,570	**64,748**	37,716
Net earnings	**24,555**	15,026	**46,954**	37,360
Earnings per share				
Basic	**0.19**	0.11	**0.36**	0.34
Diluted	**0.15**	0.10	**0.28**	0.25
Weighted average number of shares (thousands)	**97,712**	85,559	**97,712**	78,954

Results for the second quarter of 2002 compared with the second quarter of 2001

Consolidated revenue for the second quarter of 2002 was $217.6 million compared with $161.7 million for the same period in 2001. Revenue from the Coal business of $73.4 million for the quarter was $30.2 million higher than the second quarter of 2001, reflecting the acquisition of the Coal business on May 11, 2001. The remaining increase in revenue resulted from higher Metals and Oil and Gas revenue, primarily due to higher nickel and cobalt sales volumes and higher realized nickel and oil prices.

Operating, selling, general and administrative costs of $146.3 million for the quarter were $36.7 million above the same period last year, primarily reflecting the inclusion of costs from the Coal business for the full quarter and the inclusion of a $4.1 million bad debt provision for nickel sales to a customer that is currently under compulsory liquidation in Europe.

Depletion and amortization expense was $35.3 million for the second quarter of 2002 compared with $27.6 million for the same period in 2001. Approximately $4.6 million of the increase arose from the full quarter inclusion of the Coal business, with a further $2.1 million of the increase due to higher depletion rates in the Oil and Gas operations.

Net financing expense comprises interest income, interest expense and foreign exchange gains and losses. A net financing expense of $1.8 million was recorded for the second quarter compared with $4.2 million for the prior year period. Interest expense was higher in the quarter due to the inclusion of Luscar Coal's indebtedness. The higher interest expense for the quarter was, however, offset by a foreign exchange gain of $3.6 million for the quarter compared with a foreign exchange loss of $4.7 million in the prior year period. The gain in the second quarter included a $9.3 million exchange gain in the Coal business, primarily on its U.S. dollar denominated debt.

Sherritt's effective tax rate was 20% for the quarter compared with 14% for the prior year period. The increase in the effective tax rate primarily resulted from higher earnings in the Metals and Coal businesses, both of which are taxed at rates higher than the Oil and Gas business.

Cash and short-term investments totaled $219.4 million at June 30, 2002, an increase of $8.2 million during the quarter. Cash from operating activities before working capital changes for the quarter was $49.6 million, $5.9 million higher than for the prior year period. Net non-cash working capital was essentially unchanged during the quarter, as lower receivables and inventory were offset by the payment of accrued interest payments. Significant cash usages during the quarter comprised capital expenditures ($27.6 million), convertible debenture interest payments ($18.0 million) and reductions in debt ($7.0 million).

Results for the six months ended June 30, 2002 compared with the six months ended June 30, 2001

Consolidated revenue for the six months ended June 30, 2002 was $401.8 million, a $140.9 million or 54% increase from the $260.9 million achieved for the same period in 2001. The Coal business acquired in May 2001 contributed approximately $106.1 million of this additional revenue. The remaining increase in revenue primarily resulted from higher Metals and Oil and Gas revenue, reflecting higher realized nickel and oil prices and increased sales volumes.

Operating, selling, general and administrative costs were $263.3 million for the first six months of the year compared with $172.7 million for the first six months of 2001, primarily due to the inclusion of costs from the Coal business for the full six months in 2002.

Depletion and amortization expense was $68.9 million for the six months compared with $47.5 million for the same period in 2001, due to inclusion of results from the Coal business for the full six months and higher depletion and amortization in the Oil and Gas business.

A net financing expense of $6.0 million was incurred for the six-month period compared with net financing income of $7.1 million for the first half of 2001. Higher interest expense from the inclusion of Luscar Coal's indebtedness for the full six months and lower interest income, due to lower average cash balances and lower interest rates, were offset by higher foreign exchange gains.

For the six months ended June 30, 2002, cash from operating activities before working capital changes for the quarter was $101.5 million, $13.8 million higher than the prior year period. Non-cash working capital changes contributed $39.5 million during the six-month period, primarily reflecting the collection of oil receivables. Significant cash usages during the six-month period comprised capital expenditures ($55.7 million), convertible debenture interest payments ($18.0 million) and reductions in debt ($9.7 million).

Outlook

Maintenance shutdowns at power plants supplied by Luscar were completed in the first half of the year. These stations are expected to operate at higher utilization rates for the remainder of the year. Luscar's export coal volumes are expected to benefit in the second half from increased production at Line Creek mine and from increased deliveries of metallurgical coal now that most contracts have been set. Uncertainties remain in thermal coal export markets, which will be cleared up once contracts are settled. Capital expenditure expectations for the Coal business remain at approximately $25 million for the year. Production of refined nickel and cobalt by the Metals division is expected to remain at similar levels as the first half of 2002. Annual capital expenditures by the Metals division are forecast to be approximately $15 million and will focus on operational efficiencies, sustaining expenditures and environmental initiatives. Sherritt's net oil production is expected to remain relatively steady for the remainder of the year. Oil and Gas capital expenditures of approximately $95 million for the year will be mainly focused on continued development of Cuban properties and facilities. The increased spending of approximately $15 million will be focused on additional development wells in the latter part of the year, which is expected to impact next year's production.

OPERATING HIGHLIGHTS

COAL

	Three months ended June 30, 2002	May 12 to June 30, 2001[(5)]	Six months ended June 30, 2002
Financial (thousands of dollars) [(1)]			
Revenue	**$ 73,443**	$ 43,205	**$ 149,299**
Operating, selling, general and administrative	**59,297**	33,477	**114,609**
	14,146	9,728	**34,690**
Depletion and amortization	**10,774**	6,176	**21,368**
Provision for site restoration and abandonment	**1,662**	934	**3,511**
Operating earnings	**$ 1,710**	$ 2,618	**$ 9,811**
Capital Expenditures [(1)]	**$ 5,456**	$ 2,415	**$ 10,277**
Sales Volumes (thousands of tonnes) [(1)]			
Domestic coal [(2)]	**3,823**	2,168	**7,892**
Export coal	**564**	337	**1,090**
	4,387	2,505	**8,982**
Realized Prices (per tonne)			
Domestic coal	**$ 11.60**	$ 11.34	**$ 11.32**
Export coal	**51.61**	55.28	**54.99**
Export Reference Prices (U.S. per tonne) [(3)]			
Japanese metallurgical coal [(4)]	**$ 46.10**	$ 42.15	**$ 42.15**

(1) Represents the Corporation's 50% share of Luscar Energy Partnership.

(2) Primarily comprises sale of thermal coal to domestic power-generating utilities and contract mining operations.

(3) Recent changes to Japanese utility coal buying practices have led to the loss of a meaningful export thermal coal reference price. Contract settlements for the year beginning April 1, 2002 are generally not in place or not publicly available. Trade publications indicate that initial settlements for Australian coal in Japan were in the region of U.S.$29 per tonne compared with U.S.$34.50 last year. Recently, Japanese thermal coal market pricing has softened further, with spot market prices approximating U.S.$22 per tonne.

(4) Reference price for Canadian hard coking coal sold to Japanese steel mills, free on board vessel at the Port of Vancouver. Prices are derived from data published by The Tex Report Ltd. for the coal contract year beginning April 1, 2002.

(5) Luscar Energy Partnership was formed on February 20, 2001 and acquired Luscar Coal Income Fund and related companies on May 11, 2001.

Operating earnings were $1.7 million on revenues of $73.4 million for the three months ended June 30, 2002 and $9.8 million on revenues of $149.3 million for the first half of the year.

Domestic revenue for the three months ended June 30, 2002 was $44.3 million, a significant part of which was derived from the supply of thermal coal to major Canadian electric utilities by mine-mouth operations located at or near power generating facilities in Alberta and Saskatchewan. Sales to these utilities for the second quarter were lower than for the same period last year due to the earlier timing of annual maintenance shutdowns at these generating stations. Other domestic revenue was also derived from short-term contracts for the sale of coal to industrial customers, other electric utilities and contract mining at the Highvale mine. For the three months ended June 30, 2002 domestic operating margins (excluding selling and administrative costs) were $12.1 million or $3.17 per tonne compared with $15.2 million or $3.73 per tonne in the first quarter of 2002. The decrease in margin largely resulted from the increased proportion of lower-margin contract mine sales in the second quarter.

Export revenue for the three months ended June 30, 2002 was $29.1 million and was derived from the sale of metallurgical and thermal coal sold to customers outside of Canada. Export operating margins (excluding selling and administrative costs) were $2.1 million or $3.71 per tonne for the second quarter, down from the prior quarter when the average margin was $8.48 per tonne. The decrease in margin was largely due to an increased proportion of thermal coal sold during the quarter coupled with weaker thermal coal prices. Oversupply in the export thermal market has resulted in intense competition for sales amongst world suppliers and significant price declines. Metallurgical coal markets, however, remain strong. Average realized prices in the export market for the second quarter were $51.61 per tonne down from $58.62 per tonne in the first quarter of 2002.

Capital expenditures amounted to $5.5 million for the quarter compared with $4.8 million in the first quarter of 2002. Expenditures were largely used to maintain and upgrade mine operations.

METALS

	Three months ended June 30 **2002**	2001	Six months ended June 30 **2002**	2001
Financial (thousands of dollars)				
Revenue	**$ 84,750**	$ 71,927	**$ 141,364**	$ 128,981
Operating, selling, general and administrative	**67,604**	58,457	**107,965**	108,433
	17,146	13,470	**33,399**	20,548
Depletion and amortization	**5,546**	4,349	**10,339**	8,842
Provision for site restoration and abandonment	**260**	606	**523**	1,169
Operating earnings	**$ 11,340**	$ 8,515	**$ 22,537**	$ 10,537
Capital Expenditures	**$ 1,184**	$ 4,436	**$ 2,603**	$ 7,615
Sales Volumes				
Nickel (thousands of pounds) [(1)]	**9,173**	7,104	**18,286**	15,353
Cobalt (thousands of pounds) [(1)]	**876**	778	**1,736**	1,593
Fertilizers (tonnes)	**141,594**	111,981	**161,337**	141,124
Production Volumes (tonnes)				
Mixed sulphides containing nickel and cobalt [(1)]	**4,236**	4,181	**8,435**	8,066
Nickel [(1)]	**4,140**	3,242	**8,201**	6,647
Cobalt [(1)]	**376**	337	**768**	693
Realized Prices (per pound)				
Nickel	**$ 4.88**	$ 4.72	**$ 4.72**	$ 4.50
Cobalt	**11.58**	16.62	**11.59**	17.09
Average Reference Prices (U.S. per pound)				
Nickel	**$ 3.15**	$ 3.03	**$ 2.98**	$ 3.00
Cobalt	**7.64**	10.47	**7.30**	10.87

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

Continued strength in nickel prices contributed to operating earnings of $11.3 million on revenue of $84.8 million during the second quarter of 2002, compared with operating earnings of $8.5 million on revenue of $71.9 million for the same period last year. Operating earnings for the first six months of the year were $22.5 million on revenue of $141.4 million compared with operating earnings of $10.5 million on revenue of $129.0 million during the first six months of 2001. The higher operating earnings resulted from higher nickel prices, increased nickel and cobalt sales volumes and lower unit operating costs, partially offset by lower cobalt prices. In addition, the Metals Enterprise is likely to suffer its first material bad debt with the recent collapse of a customer that is currently under compulsory liquidation in Europe. The customer is alleged to have been engaged in a complex fraud involving receivables and inventory, which could result in significant losses by several major international banks and corporations. A full receivable provision of $4.1 million was made by the Corporation during the quarter.

The London Metal Exchange ("LME") cash price for nickel averaged U.S.$3.15 per pound in the second quarter of 2002, up from U.S.$3.03 per pound in the second quarter of 2001. Encouraging market fundamentals and a more optimistic global economic outlook supported nickel prices in the second quarter of 2002. The Metal Bulletin 99.3% free market cobalt price averaged U.S.$7.64 per pound for the second quarter in 2002, down from U.S.$10.47 per pound during the second quarter of last year. The lower cobalt price reflected declining consumption of cobalt-bearing end products and higher supply compared with the same period last year.

The Moa mining and processing facilities produced a total 8,473 tonnes of nickel plus cobalt contained in mixed sulphides in the second quarter 2002, compared with total production of 8,362 tonnes during the second quarter of 2001. Total production of mixed sulphides for the first six months was 16,870 tonnes, up 739 tonnes from 16,131 tonnes produced during the same period in 2001.

The Fort Saskatchewan refinery established a quarterly record for total finished nickel production by producing 8,282 tonnes in the second quarter of 2002, compared with total production of 6,485 tonnes in the same period last year. Total finished cobalt production for the second quarter of 2002 was 754 tonnes compared with 674 tonnes during the same period last year. The record nickel and higher cobalt production during the quarter reflected strong performance by the refinery, allowing record quantities of Moa sulphides to be processed. Total finished nickel of 16,403 tonnes and total finished cobalt production of 1,537 tonnes for the first six months of 2002 were 23% and 11% higher, respectively, than the same period last year.

Operating earnings of $3.5 million were generated from the sale of fertilizer products during the second quarter 2002 compared with earnings of $0.4 million during the same period in the previous year. The improved operating earnings were due largely to higher ammonium sulphate sales volumes and prices and lower energy costs compared with the same period last year, partially offset by lower anhydrous ammonia sales due to the extended dry weather conditions in Western Canada.

Capital expenditures of $1.2 million in the second quarter of 2002 were primarily directed towards maintaining and upgrading plant operations and efficiency improvements.

OIL & GAS

	Three months ended June 30		Six months ended June 30	
	2002	2001	**2002**	2001
Financial (thousands of dollars)				
Revenue	**$ 51,251**	$ 41,411	**$ 93,972**	$ 79,034
Operating, selling, general and administrative	**10,233**	9,069	**19,116**	18,575
	41,018	32,342	**74,856**	60,459
Depletion and amortization	**16,384**	14,252	**31,718**	27,089
Provision for site restoration and abandonment	**396**	411	**826**	881
Operating earnings	**$ 24,238**	$ 17,679	**$ 42,312**	32,489
Capital Expenditures	**$ 20,302**	$ 23,654	**$ 42,039**	$ 42,528
Gross Working Interest Production (thousands of barrels)				
Cuba [(1)]	**3,050**	2,515	**6,037**	4,849
Spain	**54**	67	**112**	143
	3,104	2,582	**6,149**	4,992
Net Sales Volume (thousands of barrels)				
Cuba [(2)]	**1,769**	1,761	**3,593**	3,146
Spain	**54**	67	**112**	143
	1,823	1,828	**3,705**	3,289
Realized Prices (per barrel)				
Cuba	**$ 27.64**	$ 20.58	**$ 24.31**	$ 22.28
Spain	**39.46**	40.57	**36.67**	38.06
Average Reference Prices (U.S. per barrel)				
U.S. Gulf Coast Fuel Oil No. 6	**$ 21.65**	$ 16.21	**$ 18.84**	$ 17.63

(1) In the first quarter of 2002, the Corporation changed its presentation of Cuban oil production from gross operated production to gross working interest production. Gross operated production represented oil production before allocation to joint venture partners and agencies of the Cuban Government. Gross working interest production refers to oil production after allocation to joint venture partners but before allocation to agencies of the Cuban Government. Prior period production numbers have been restated to conform to this new disclosure methodology.

(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 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 allocation of produced oil to the Corporation. Production allocated to agencies of the Cuban Government is considered to be a royalty interest.

The Oil & Gas business generated second quarter operating earnings of $24.2 million compared with $17.7 million for the same period last year. Higher realized prices were primarily responsible for the increase in operating earnings. Revenue for the second quarter was $51.3 million, 24% higher than the same period last year. For the six-month period, operating earnings of $42.3 million were generated on revenue of $94.0 million compared with operating earnings of $32.5 million on revenue of $79.0 million for the same period in 2001. Higher realized prices, higher sales volumes in Cuba and lower unit operating costs contributed to the increase in operating earnings for the six-month period. Depletion and amortization expense, based on the Corporation's share of oil produced for the second quarter of 2002 was $8.99 per barrel compared with $7.80 per barrel for the second quarter of 2001. For the six-month period, depletion and amortization expense was $8.56 per barrel in 2002 compared with $8.24 per barrel in 2001. The increase in the expense per barrel primarily reflected capital expenditures and reserve adjustments during the period.

Gross working interest oil production for the quarter was 34,113 barrels per day, 20% higher than the production for the same period last year. For the six-month period, gross working interest production was 33,972 barrels per day compared with 27,582 barrels per day for the same period in 2001. The increased production came from new wells in the Yumuri, Varadero and Canasi oil fields in Cuba. Natural declines contributed to Spain's 22% decrease in production over last year. The Corporation's net working interest in oil production from Cuba during the quarter under the production sharing agreements was 19,435 barrels per day compared with 19,352 barrels per day for the same period last year. Year to date, the Corporation's share of production was 19,850 barrels per day, a 14% increase from the same period in 2001. The Corporation's net working interest in oil production for the second quarter declined slightly from the first quarter of 2002 as the Corporation's share of production from two production-sharing arrangement areas decreased following the recovery of investment in these blocks.

The average realized oil price increased from $21.31 per barrel in the second quarter of 2001 to $28.00 per barrel in the second quarter of 2002. The U.S. Gulf Coast Fuel Oil No. 6 average reference price was U.S.$21.65 per barrel for the second quarter of 2002 compared with U.S.$16.21 per barrel for the same period in 2001.

The Corporation participated in seven development wells and one exploration well in Cuba during the second quarter of 2002. Three development wells at Yumuri, Canasi and Varadero that started in late March were completed. Initial production rates from these wells are approximately 1,500 barrels per day, net to Sherritt after payout, which occurs shortly after the wells begin production. In the Seboruco field, one well was re-entered and drilled higher in the reservoir to exploit additional reserves. Results for this well are not yet available. Also at Yumuri, one existing well was partially re-drilled due to mechanical problems at the well bore, yielding an initial production rate, net to Sherritt, of approximately 1,300 barrels per day. Two development wells at Canasi and Puerto Escondido were started in June and are still in progress. In the Majaguillar East area of Block 9, the Majaguillar East 1 exploration well was completed but produced at uneconomic rates. In addition to the development wells underway, the Corporation anticipates drilling five wells during the third quarter of 2002.

OTHER BUSINESSES

	Three months ended June 30 **2002**	2001	Six months ended June 30 **2002**	2001
Financial (thousands of dollars)				
Revenue	**$ 8,117**	$ 5,189	**$ 17,163**	$ 9,665
Operating, selling, general and administrative	**6,193**	3,123	**13,500**	5,098
	1,924	2,066	**3,663**	4,567
Depletion and amortization	**1,837**	1,752	**3,674**	3,245
Operating earnings (loss)	**$ 87**	$ 314	**$ (11)**	$ 1,322
Share of Earnings (Loss) of Equity Investments	**$ (968)**	$ (228)	**$ (1,199)**	$ 208
Capital Expenditures	**433**	2,870	**529**	4,038

Second quarter operating earnings from Other Businesses were $0.1 million compared with earnings of $0.3 million in the second quarter of 2001. For the six-month period, operating earnings were breakeven in 2002 compared with operating earnings of $1.3 million for the same period in 2001. The reduction in earnings largely resulted from losses of the soybean-based food processing business, which commenced operations during the second quarter of 2001. Increases in Sherritt's share of losses from equity investments resulted from lower income from hotel operations, primarily due to reduced occupancy and increased losses from the Sherritt Power investment, largely due to increased financing costs, as construction of the final phase at the Varadero facility nears completion.

During 2001, the Corporation wrote-down its investment in Anaconda Nickel Limited by $23.4 million ($18.8 million after tax). This investment had a book value of $43.2 million and a market value of approximately $8.0 million as at June 30, 2002. Under Canadian generally accepted accounting principles, this investment is valued at cost less any write-down for estimated non-temporary impairment in value. The Corporation continues to review the long-term net carrying value of this investment on a quarterly basis. The carrying value reflects a number of key assumptions, including the Corporation's assessment of Anaconda's ability to generate net cash flows from operating activities, its capital obligations, its short and long-term cash requirements, potential settlement of certain arbitration proceedings and its ability to raise additional financing, if necessary, to effect a reorganization of its capital structure. The outcome of these factors is difficult to predict; accordingly inherent in the valuation are significant risks and uncertainties. The Corporation will continue to monitor the progress of Anaconda in the near future, including announcements with respect to any potential reorganization plans involving its stakeholders. Unless such reorganization plans or other factors provide an avenue for the Corporation to recover its investment, the carrying value of the investment will be reduced in accordance with Canadian generally accepted accounting principles. The ultimate outcome of these and other factors may require the Corporation to book a further reduction in the carrying value of this investment.

This news release 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 risks, uncertainties and other factors that are more fully discussed in our continuous disclosure documents such as our annual report, annual information form and management information circular. These risks, uncertainties and other factors could cause our actual results to differ materially from the future results expressed or implied by the forward-looking statements.

Sherritt International Corporation is a widely held Canadian public company with 97.7 million shares and $600 million of convertible debentures, which trade on The Toronto Stock Exchange under the symbols S and S.DB, respectively.

For further information, please contact:
Ernie Lalonde, Vice-President, Investor Relations and Corporate Affairs
Sherritt International Corporation
(416) 924-4551
www.sherritt.com

CONSOLIDATED BALANCE SHEETS

[THOUSANDS OF CANADIAN DOLLARS]	JUNE 30 2002 (unaudited)	DECEMBER 31 2001 (audited)
ASSETS		
Current assets		
Cash and short-term investments (note 5)	**$ 219,435**	$ 147,907
Advances and loans receivable	**42,256**	42,181
Accounts receivable	**221,103**	257,614
Inventories	**110,102**	111,430
Overburden removal costs	**15,676**	14,113
Prepaid expenses	**9,828**	9,402
Future income taxes	**4,469**	1,954
	622,869	584,601
Capital assets	**1,122,066**	1,139,007
Investments (note 5)	**137,796**	143,407
Future income taxes	**25,478**	27,736
Other assets	**98,894**	103,663
	$ 2,007,103	$ 1,998,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	**$ 28,273**	$ 36,027
Accounts payable and accrued liabilities	**106,780**	103,097
Current portion of long-term debt	**1,683**	1,607
Site restoration and abandonment	**10,501**	10,501
Future income taxes	**1,400**	1,400
Swaps and forward contracts	**1,528**	2,162
	150,165	154,794
Long-term debt	**247,011**	259,254
Site restoration and abandonment	**44,195**	44,325
Future income taxes	**208,423**	217,783
Swaps and forward contracts	**569**	1,411
Minority interest	**4,464**	3,989
	654,827	681,556
Shareholders' equity (note 2)		
Convertible debentures	**587,314**	587,314
Capital stock	**450,716**	450,716
Contributed surplus	**199,787**	199,787
Retained earnings	**114,459**	79,041
	1,352,276	1,316,858
	$ 2,007,103	$ 1,998,414

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

[THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE AMOUNTS]	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	**2002**	2001
Revenue	**$ 217,561**	$ 161,732	**$ 401,798**	$ 260,885
Operating, selling, general and administrative	**146,302**	109,618	**263,290**	172,696
Earnings before undernoted items	**71,259**	52,114	**138,508**	88,189
Depletion and amortization	**35,333**	27,593	**68,900**	47,489
Amortization of goodwill	**-**	338	**-**	676
Provision for site restoration and abandonment	**2,318**	1,951	**4,860**	2,984
Share of loss (earnings) of equity investments	**968**	228	**1,199**	(208)
Financing expense (income)	**1,751**	4,228	**5,984**	(7,112)
Minority interest	**243**	251	**475**	560
Earnings before taxes	**30,646**	17,525	**57,090**	43,800
Income taxes				
Current	**5,209**	4,318	**10,739**	6,015
Future	**882**	(1,819)	**(603)**	425
	6,091	2,499	**10,136**	6,440
Net earnings	**$ 24,555**	$ 15,026	**$ 46,954**	$ 37,360
Earnings per restricted voting share (note 3)				
Basic	**$ 0.19**	$ 0.11	**$ 0.36**	$ 0.34
Diluted	**0.15**	0.10	**0.28**	0.25

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

[THOUSANDS OF CANADIAN DOLLARS]	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	**2002**	2001
Beginning of period	**$ 96,030**	$ 80,831	**$ 79,041**	$ 71,168
Net earnings	**24,555**	15,026	**46,954**	37,360
Interest on convertible debentures (note 2)	**(6,126)**	(5,469)	**(11,536)**	(10,879)
Dividends on restricted voting shares	**-**	(9,637)	**-**	(16,898)
End of period	**$ 114,459**	$ 80,751	**$114,459**	$ 80,751

CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

[THOUSANDS OF CANADIAN DOLLARS]	THREE MONTHS ENDED JUNE 30 **2002**	2001	SIX MONTHS ENDED JUNE 30 **2002**	2001
Operating activities				
Net earnings	**$ 24,555**	$ 15,026	**$ 46,954**	$ 37,360
Items not affecting cash				
Depletion and amortization	**35,333**	27,593	**68,900**	47,489
Amortization of goodwill	**-**	338	**-**	676
Provision for site restoration and abandonment	**(433)**	(627)	**(130)**	406
Future income taxes	**882**	(1,819)	**(603)**	425
Foreign exchange losses (gains)	**(3,574)**	4,693	**(4,696)**	(1,112)
Other items	**(7,135)**	(1,474)	**(8,955)**	2,382
Cash provided before working capital changes	**49,628**	43,730	**101,470**	87,626
Decrease (increase) in non-cash working capital				
Accounts receivable	**4,557**	2,919	**36,511**	(1,055)
Inventories	**8,584**	(3,142)	**1,328**	(6,914)
Overburden removal costs	**(1,128)**	(159)	**(1,563)**	(159)
Prepaid expenses	**4,383**	3,314	**(426)**	4,357
Accounts payable and accrued liabilities	**(16,271)**	(23,265)	**3,683**	(5,315)
	125	(20,333)	**39,533**	(9,086)
Cash provided from operating activities	**49,753**	23,397	**141,003**	78,540
Investing activities				
Capital expenditures	**(27,602)**	(33,382)	**(55,749)**	(56,711)
Net proceeds from sale of capital assets	**7,287**	-	**7,510**	7,848
Acquisition of business	**-**	(125,710)	**-**	(136,039)
Investments	**1,031**	14,193	**4,043**	17,914
Other assets	**2,676**	(18,067)	**2,426**	(13,685)
Cash used for investing activities	**(16,608)**	(162,966)	**(41,770)**	(180,673)
Financing activities				
Short-term debt	**(5,872)**	12,650	**(7,754)**	20,689
Long-term debt	**(1,105)**	(143)	**(1,951)**	(143)
Convertible debenture interest payments	**(18,000)**	(18,000)	**(18,000)**	(18,000)
Dividends on restricted voting shares	**-**	(9,637)	**-**	(16,898)
Issue of restricted voting shares	**-**	80	**-**	532
Cash used for financing activities	**(24,977)**	(15,050)	**(27,705)**	(13,820)
Increase (decrease) in net cash	**8,168**	(154,619)	**71,528**	(115,953)
Net cash at beginning of period	**211,267**	300,009	**147,907**	261,343
Net cash at end of period	**$219,435**	$145,390	**$219,435**	$145,390

Net cash consists of cash and short-term investments.

For the three-month period, the Corporation received interest of $5.0 million (2001 - $7.7 million), paid interest on debt of $15.6 million and paid taxes of $0.6 million (2001 - $2.8 million). For the six-month period, the Corporation received interest of $5.9 million (2001 - $12.0 million), paid interest on debt of $17.0 million and paid taxes of $1.2 million (2001 - $4.3 million).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(All tabular dollar amounts expressed in thousands 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, 2001. 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, 2001.

During the first quarter of 2002, the Corporation adopted new recommendations of the Canadian Institute of Chartered Accountants ("CICA") on accounting for stock-based compensation and goodwill and intangible assets.

The Corporation's stock-based compensation plans are described in note 13 of its 2001 consolidated financial statements. Under the new accounting policy, grants of participation units under the stock-linked compensation plan are accounted for in accordance with the fair-value based methodology, whereby the difference between the market price and the exercise price is included in compensation expense over the period in which the participation units vest. No compensation expense is recognized when stock options are issued under the Employee and Director Stock Option Plan or stock issued under the Employee Share Purchase Plan. Any consideration paid by employees on the exercise of stock options or the purchase of stock is credited to capital stock. No adjustments were required to opening retained earnings as a result of the adoption of this new accounting policy.

Under the new accounting policy for goodwill and intangible assets, the Corporation ceased amortization of goodwill on January 1, 2002 and now tests for impairment on an annual basis. This change in policy has been applied prospectively. The Corporation has completed the first of the required transitional impairment tests during the second quarter of 2002 and concluded that there was no impairment of goodwill.

2. Shareholders' equity

Convertible debentures comprise $600 million (December 31, 2001 - $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 six-month period is stated net of tax relief of $7.3 million (2001- $8.1 million).

Issued capital stock comprises 97,711,764 (December 31, 2001 – 97,711,764) restricted voting shares and 100 (December 31, 2001 – 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.

On May 25, 2000, the shareholders approved the elimination of the Corporation's December 31, 1999 accumulated deficit of $6.9 million and the creation of a contributed surplus in the amount of $193 million by way of a $200 million reduction in the stated value of the Corporation's restricted voting shares. This contributed surplus may be utilized to eliminate or reduce any deficit, which may arise as a result of the future payment or distribution of dividends or other distributions from time to time to holders of the restricted voting shares. Contributed surplus also includes $6.7 million arising from the repurchase of convertible debentures in 2000, representing difference between the cost and carrying amount of the debentures repurchased, net of related future taxes and deferred debenture interest.

The Corporation has an agreement with a third party, which provides the Corporation with the right, at any time prior to April 30, 2003, to sell special warrants to the third party for cash by way of private placement, subject to regulatory approval. Each special warrant would be exercisable by the holder to acquire one restricted voting share of the Corporation for no additional consideration. The maximum number of special warrants issuable under the option agreement is the lesser of $30 million divided by the purchase price and 5% of the aggregate number of restricted voting shares that would be outstanding after giving effect to the exercise of the special warrants. Upon exercise of the option, the Corporation is obliged to, among other things, file a prospectus qualifying the issuance of restricted voting shares upon exercise of the special warrants. The special warrants would be automatically exercised upon receipt of regulatory approval of this prospectus.

3. Earnings per restricted voting share

The following table presents the calculation of basic and diluted earnings per restricted voting share.

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	**2002**	2001
Net earnings	**$ 24,555**	$ 15,026	**$ 46,954**	$ 37,360
Interest on convertible debentures	**(6,126)**	(5,469)	**(11,536)**	(10,879)
Net earnings applicable to shareholders	**18,429**	9,557	**35,418**	26,481
Interest on convertible debentures	**6,126**	5,469	**11,536**	10,879
Net earnings applicable to shareholders plus assumed conversion	**$ 24,555**	$ 15,026	**$ 46,954**	$ 37,360
Weighted average number of shares – basic	**97,712**	85,559	**97,712**	78,954
Weighted average effect of dilutive securities:				
Employee stock options	**279**	258	**246**	244
Convertible debentures	**68,376**	68,376	**68,376**	68,376
Weighted average number of shares for dilution calculation	**166,367**	154,193	**166,334**	147,574
Earnings per restricted voting share				
Basic	**$ 0.19**	$ 0.11	**$ 0.36**	$ 0.34
Fully diluted	**0.15**	0.10	**0.28**	0.25

4. Segmented information

Business Segments

Reference should be made to note 19 of the Corporation's consolidated financial statements for the year ended December 31, 2001 for a full description of the Corporation's operating segments.

Three months ended June 30, 2002

	COAL	METALS	OIL AND GAS	OTHER	CORPORATE	CONSOLIDATED
Revenue from external customers	$73,443	$84,750	$51,251	$8,117	-	$217,561
Intersegment revenues	-	-	-	280	-	280
Depletion and amortization	10,774	5,546	16,384	1,837	792	35,333
Provision for site restoration and abandonment	1,662	260	396	-	-	2,318
Operating earnings (loss)	1,710	11,340	24,238	87	(3,767)	33,608
Share of loss of equity investments	-	-	-	(968)	-	(968)
Financing income (expense)	441	226	(5,394)	1,715	1,261	(1,751)
Minority interest	-	-	-	(243)	-	(243)
Earnings (loss) before taxes	2,151	11,566	18,844	591	(2,506)	30,646
Capital expenditures	5,456	1,184	20,302	433	227	27,602

Three months ended June 30, 2001

	COAL	METALS	OIL AND GAS	OTHER	CORPORATE	CONSOLIDATED
Revenue from external customers	$ 43,205	$ 71,927	$ 41,411	$ 5,189	$ -	$ 161,732
Intersegment revenues	-	-	-	278	-	278
Depletion and amortization	6,176	4,349	14,252	1,752	1,064	27,593
Provision for site restoration and abandonment	934	606	411	-	-	1,951
Operating earnings (loss)	2,618	8,515	17,679	314	(6,556)	22,570
Goodwill amortization	-	-	-	(338)	-	(338)
Share of loss of equity investments	-	-	-	(228)	-	(228)
Financing income (expense)	(2,887)	(1,752)	(4,376)	(1,139)	5,926	(4,228)
Minority interest	-	-	-	(251)	-	(251)
Earnings (loss) before taxes	(269)	6,763	13,303	(1,642)	(630)	17,525
Capital expenditures	2,415	4,436	23,654	2,870	7	33,382

Six months ended June 30, 2002

	COAL	METALS	OIL AND GAS	OTHER	CORPORATE	CONSOLIDATED
Revenue from external customers	$149,299	$141,364	$93,972	$17,163	-	$401,798
Intersegment revenues	-	-	-	568	-	568
Depletion and amortization	21,368	10,339	31,718	3,674	1,801	68,900
Provision for site restoration and abandonment	3,511	523	826	-	-	4,860
Operating earnings (loss)	9,811	22,537	42,312	(11)	(9,901)	64,748
Share of loss of equity investments	-	-	-	(1,199)	-	(1,199)
Financing income (expense)	(4,194)	(3)	(5,834)	4,952	(905)	(5,984)
Minority interest	-	-	-	(475)	-	(475)
Earnings (loss) before taxes	5,617	22,534	36,478	3,267	(10,806)	57,090
Capital expenditures	10,277	2,603	42,039	529	301	55,749
Assets	759,088	337,099	510,561	220,242	180,113	2,007,103

Six months ended June 30, 2001

	COAL	METALS	OIL AND GAS	OTHER	CORPORATE	CONSOLIDATED
Revenue from external customers	$ 43,205	$ 128,981	$ 79,034	$ 9,665	$ -	$ 260,885
Intersegment revenues	-	-	-	554	-	554
Depletion and amortization	6,176	8,842	27,089	3,245	2,137	47,489
Provision for site restoration and abandonment	934	1,169	881	-	-	2,984
Operating earnings (loss)	2,618	10,537	32,489	1,322	(9,250)	37,716
Goodwill amortization	-	-	-	(676)	-	(676)
Share of earnings of equity investments	-	-	-	208	-	208
Financing income (expense)	(2,887)	(2,020)	2,514	(2,222)	11,727	7,112
Minority interest	-	-	-	(560)	-	(560)
Earnings (loss) before taxes	(269)	8,517	35,003	(1,928)	2,477	43,800
Capital expenditures	2,415	7,615	42,528	4,038	115	56,711
Assets	752,165	308,404	426,954	226,492	275,316	1,989,331

Geographic Segments

Three months ended June 30

	2002		2001	
	REVENUE	CAPITAL ASSETS AND GOODWILL	REVENUE	CAPITAL ASSETS AND GOODWILL
Canada	$ 98,148	$ 737,445	$ 60,373	$ 785,258
Cuba	57,583	384,717	44,227	374,802
Europe	30,844	8,396	36,299	18,306
Asia	17,576	6,604	14,910	6,494
Other foreign countries	13,410	2	5,923	6
	$ 217,561	$ 1,137,164	$ 161,732	$ 1,184,866

Six months ended June 30

	2002		2001	
	REVENUE	CAPITAL ASSETS AND GOODWILL	REVENUE	CAPITAL ASSETS AND GOODWILL
Canada	$ 171,729	$ 737,445	$ 70,626	$ 785,258
Cuba	107,581	384,717	83,913	374,802
Europe	59,493	8,396	75,697	18,306
Asia	38,473	6,604	24,622	6,494
Other foreign countries	24,522	2	6,027	6
	$ 401,798	$ 1,137,164	$ 260,885	$ 1,184,866

5. Financial instruments

Unutilized lines of credit as at June 30, 2002 were $47.4 million. Cash and short-term investments include cash subject to restrictions on use of $15.7 million.

During 2001, the Corporation wrote-down its investment in Anaconda Nickel Limited by $23.4 million ($18.8 million after tax). This investment had a book value of $43.2 million and a market value of approximately $8.0 million as at June 30, 2002. Under Canadian generally accepted accounting principles, this investment is valued at cost less any write-down for estimated non-temporary impairment in value. The Corporation continues to review the long-term net carrying value of this investment on a quarterly basis. The carrying value reflects a number of key assumptions, including the Corporation's assessment of Anaconda's ability to generate net cash flows from operating activities, its capital obligations, its short and long-term cash requirements, potential settlement of certain arbitration proceedings and its ability to raise additional financing, if necessary, to effect a reorganization of its capital structure. The outcome of these factors is difficult to predict; accordingly inherent in the valuation are significant risks and uncertainties. The Corporation will continue to monitor the progress of Anaconda in the near future, including announcements with respect to any potential reorganization plans involving its stakeholders. Unless such reorganization plans or other factors provide an avenue for the Corporation to recover its investment, the carrying value of the investment will be reduced in accordance with Canadian generally accepted accounting principles. The ultimate outcome of these and other factors may require the Corporation to book a further reduction in the carrying value of this investment.

6. Stock compensation plans

For the six months ended June 30, 2002, no options were issued under the Employee and Director Stock Option Plan, no shares were issued under the Employee Share Purchase Plan and no participation units were issued under the stock-linked compensation plan.

7. Goodwill transitional disclosure

The earnings and earnings per share impact of adopting the new CICA recommendation on goodwill and intangible assets are as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2002	2001	2002	2001
Net earnings, as reported	$ 24,555	$ 15,026	$ 46,954	$ 37,360
Add back: goodwill amortization	-	338	-	676
Adjusted net earnings	$ 24,555	$ 15,364	$ 46,954	$ 38,036
Basic earnings per restricted voting share				
Reported net earnings	$ 0.19	$ 0.11	$ 0.36	$ 0.34
Goodwill amortization	-	0.01	-	-
Adjusted net earnings	$ 0.19	$ 0.12	$ 0.36	$ 0.34
Fully diluted earnings per restricted voting share				
Reported net earnings	$ 0.15	$ 0.10	$ 0.28	$ 0.25
Goodwill amortization	-	-	-	0.01
Adjusted net earnings	$ 0.15	$ 0.10	$ 0.28	$ 0.26

8. Comparative amounts

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