

Sherritt International Corporation
Second Quarter Consolidated
Financial Statements
June 30, 2006

Sherritt International Corporation
Second Quarter Report

Interim Consolidated Financial Statements	
Consolidated Balance Sheets	1
Consolidated Statements of Operations	2
Consolidated Statements of Retained Earnings	2
Consolidated Statements of Cash Flow	3
Notes to Interim Consolidated Financial Statements	4
Supplementary Financial Information	
Schedule of Selected Current Assets and Accounts Payable by Operating Segment	16

Consolidated Balance Sheets

	June 30 2006 (unaudited)	December 31 2005 (audited)
[millions of Canadian dollars]		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 356.4	\$ 437.6
Restricted cash	11.1	5.9
Short-term investments	-	41.7
Advances and loans receivable	33.4	34.4
Accounts receivable	293.2	278.2
Inventories	104.2	110.0
Overburden removal costs	1.1	2.4
Prepaid expenses	14.6	9.9
Future income taxes	10.2	10.9
	824.2	931.0
Capital assets	1,006.8	1,648.8
Investments (note 4)	369.4	21.4
Future income taxes	58.2	85.2
Other assets	95.7	104.1
	\$ 2,354.3	\$ 2,790.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	\$ 52.7	\$ 84.3
Accounts payable and accrued liabilities	167.1	174.3
Long-term debt and other long-term liabilities (note 6)	9.1	28.2
Asset retirement obligations (note 7)	2.5	8.8
	231.4	295.6
Long-term debt and other long-term liabilities (note 6)	510.8	620.8
Asset retirement obligations (note 7)	51.9	72.8
Future income taxes	66.0	231.2
Non-controlling interests	197.7	211.8
	1,057.8	1,432.2
Shareholders' equity		
Convertible debentures	8.1	12.6
Capital stock (note 8)	781.7	781.7
Contributed surplus (note 10)	191.9	192.3
Cumulative translation account (note 16)	(70.2)	-
Retained earnings	385.0	371.7
	1,296.5	1,358.3
	\$ 2,354.3	\$ 2,790.5

Consolidated Statements of Operations
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
[millions of Canadian dollars except per share amounts]	(restated-note 2)		(restated-note 2)	
Revenue	\$ 296.9	\$ 322.5	\$ 556.5	\$ 579.6
Operating, selling, general and administrative	172.1	176.5	319.5	310.5
Earnings before undernoted items	124.8	146.0	237.0	269.1
Depletion, amortization and accretion	48.4	46.7	95.9	91.4
Net financing expense (note 11)	11.5	13.8	19.8	28.9
Gain on disposition of investments (note 3)	(5.0)	-	(5.0)	-
Share of earnings of equity accounted investments	(0.3)	-	(0.9)	(0.5)
Earnings before income taxes and non-controlling interests	70.2	85.5	127.2	149.3
Income taxes (note 12)	8.0	25.8	26.0	45.4
Non-controlling interests	5.0	6.0	8.3	14.8
Net earnings	\$ 57.2	\$ 53.7	\$ 92.9	\$ 89.1
Earnings per share (note 8)				
Basic	\$ 0.38	\$ 0.35	\$ 0.61	\$ 0.60
Diluted	0.36	0.29	0.58	0.50
Weighted average number of shares (millions of shares)				
Basic	151.3	154.2	151.2	146.8
Diluted	179.4	198.7	179.3	198.7

Consolidated Statements of Retained Earnings
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
[millions of Canadian dollars]	(restated-note 2)		(restated-note 2)	
Beginning of period, as previously reported	\$ 402.8	\$ 356.3	\$ 371.7	\$ 320.8
Change in accounting policies (note 2)	-	(40.4)	-	(40.3)
Beginning of period, as restated	402.8	315.9	371.7	280.5
Net earnings	57.2	53.7	92.9	89.1
Excess of cost of repurchase of common shares over stated value	-	-	(0.8)	-
Purchase of convertible debentures (note 6)	(71.2)	-	(71.2)	-
Dividends on common shares	(3.8)	(7.8)	(7.6)	(7.8)
End of period	\$ 385.0	\$ 361.8	\$ 385.0	\$ 361.8

Consolidated Statements of Cash Flow (unaudited)

(millions of Canadian dollars)	Three months ended June 30		Six months ended June 30	
	2006	2005 (restated – note 2)	2006 (restated – note 2)	2005 (restated – note 2)
Operating activities				
Net earnings	\$ 57.2	\$ 53.7	\$ 92.9	\$ 89.1
Add (deduct)				
Non-controlling interests	5.0	6.0	8.3	14.8
Accretion of convertible debentures	0.2	0.1	0.3	0.5
Depletion, amortization and accretion	48.4	46.7	95.9	91.4
Amortization of financing costs	0.3	0.1	0.9	0.4
Loss on debt settlement	3.1	-	3.1	-
Share of earnings of equity accounted investments	(0.3)	-	(0.9)	(0.5)
Gain on disposition of investments	(5.0)	-	(5.0)	-
Future income taxes	(21.0)	1.3	(24.7)	(5.4)
Foreign exchange loss	0.5	3.5	0.9	7.6
Asset retirement obligations	(2.0)	(1.3)	(3.5)	(2.3)
Other items	1.7	(1.0)	1.7	(0.5)
	88.1	109.1	169.9	195.1
Decrease (increase) in non-cash working capital				
Accounts receivable	(5.7)	(10.7)	(39.8)	(17.8)
Inventories	(2.0)	23.1	(16.1)	4.4
Overburden removal costs	(1.4)	(1.0)	(0.9)	(1.5)
Prepaid expenses	(7.4)	1.7	(6.4)	(1.4)
Accounts payable and accrued liabilities	15.2	(38.1)	19.2	(23.3)
	(1.3)	(25.0)	(44.0)	(39.6)
Cash provided by operating activities	86.8	84.1	125.9	155.5
Investing activities				
Capital expenditures	(58.8)	(79.1)	(109.4)	(136.8)
Short-term investments	94.1	(0.5)	41.9	5.3
Net proceeds from sale of capital assets	0.2	0.7	0.4	1.6
Restricted cash	(4.4)	0.3	(5.2)	11.0
Other assets	(6.2)	(6.4)	(18.0)	(14.0)
Distribution from investment	117.2	-	117.2	-
Cash provided by (used for) investing activities	142.1	(85.0)	26.9	(132.9)
Financing activities				
Increase (decrease) in short-term debt	(2.4)	19.7	(10.1)	38.0
Increase (decrease) in long-term debt	1.7	(1.5)	(11.0)	(2.6)
Purchase of convertible debentures	(181.6)	-	(181.6)	-
Issuance of common shares	-	3.3	1.0	5.8
Repurchase of common shares	-	-	(2.1)	(5.4)
Dividends paid to non-controlling interests	(22.3)	-	(22.3)	-
Dividends paid	(3.8)	(3.9)	(7.6)	(3.9)
Cash provided by (used for) financing activities	(208.4)	17.6	(233.7)	31.9
Effect of exchange rate changes on cash and cash equivalents	(0.5)	0.4	(0.3)	0.7
Increase (decrease) in cash and cash equivalents	20.0	17.1	(81.2)	55.2
Cash and cash equivalents at beginning of period	336.4	457.7	437.6	419.6
Cash and cash equivalents at end of period	356.4	474.8	356.4	474.8
Supplementary Cash Flow Information				
Cash received for interest	\$ 6.0	\$ 6.4	\$ 9.6	\$ 11.8
Cash paid for interest on debt	12.6	20.3	14.5	26.9
Cash paid for income taxes	7.1	19.3	22.7	34.0
Cash and cash equivalents consist of:				
Cash on hand	\$ 69.3	\$ 83.9	\$ 69.3	\$ 83.9
Cash equivalents	\$ <u>287.1</u>	\$ <u>390.9</u>	\$ <u>287.1</u>	\$ <u>390.9</u>
	<u>356.4</u>	<u>474.8</u>	<u>356.4</u>	<u>474.8</u>

Notes To Interim Consolidated Financial Statements (Unaudited)

(All tabular dollar amounts expressed in millions of Canadian dollars, except per share amounts)

1. Summary of accounting policies

These interim consolidated financial statements have been prepared on a basis consistent with those followed in the consolidated financial statements for the year ended December 31, 2005, with the exception of the change in the foreign currency translation method as detailed in note 2(a) below. 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, 2005.

2. Accounting changes

(a) Translation of foreign currencies

The method of translation of foreign operations depends on whether the foreign operations are integrated or self-sustaining. Prior to January 1, 2006, all of the Corporation's foreign operations were considered integrated and translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities and average rates of exchange for revenues and expenses, except depletion and amortization which were translated at the rates of exchange applicable to the related assets. Gains and losses resulting from these translation adjustments were included in income.

The ongoing review of the economic factors to be considered in determining whether foreign operations are integrated or self-sustaining has resulted in the determination that the Metals foreign operations and the Oil and Gas foreign operations in Cuba and Spain have changed to self-sustaining. This change was made as a result of the increasing proportion of operating, financing and investing transactions of these foreign operations that are denominated in currencies other than the Canadian dollar. This change in method was effective at January 1, 2006 and was applied prospectively. The self-sustaining operations are translated into Canadian dollars using the current rate method, whereby assets and liabilities are translated at period-end exchange rates while revenues and expenses are converted using average rates for the period. Gains and losses on translation to Canadian dollars relating to self-sustaining operations are deferred and included in a separate component of shareholders' equity described as cumulative translation account.

2. Accounting changes (continued)

(b) Future income taxes

On October 1, 2005, the Corporation changed its methodology of accounting for income taxes in its Cuban oil and gas operations to provide a clearer presentation of income taxes in that operation. Prior to this change in accounting policy, the Corporation recorded tax on the Cuban oil and gas operations on the basis that cost recovery revenue and expenses were not subject to or deductible under the Cuban tax regime resulting in no temporary differences between the book value and the tax value of the relevant assets and liabilities. This methodology resulted in significant fluctuations in the effective tax rate for the Oil and Gas operations between reporting periods when the relative percentage of cost recovery revenue changed compared to total oil revenue.

Under the adopted accounting policy, temporary differences are recognized for the respective assets and liabilities at the effective Cuban tax rate of approximately 30%. This results in a clearer presentation of the effective tax rate in the Cuban oil operations over the life of the operating oil fields. The Corporation has implemented this change on a retroactive basis with restatement of prior periods. The cumulative effect of the change in policy on retained earnings at January 1, 2005 was \$40.3 million. The accounting change resulted in a decrease in net earnings of \$2.3 million (decrease in EPS – basic \$0.01, diluted \$0.01) in the second quarter of 2005 and a decrease in net earnings of \$2.4 million (decrease in EPS – basic \$0.02, diluted \$0.01) in the six months ended June 30, 2005.

The Corporation also changed the methodology of accounting for income taxes paid on its behalf by an agency of the government of Cuba for the enhanced oil recovery blocks, to reflect these income taxes on a gross basis. As a result, current income tax expense and revenue have increased. This change was applied on a retroactive basis and resulted in an increase in revenue and current income tax expense of \$0.8 million and \$1.5 million for the three months and six months ended June 30, 2005, respectively.

(c) Comparative amounts

Certain comparative amounts have been restated to correct their classification, with no impact on net earnings, to conform to the presentation in the current period.

In the Metals business (“Metals”), certain selling expenses which were previously netted against revenue, have been reclassified to operating, selling, general and administrative expenses, resulting in an increase in revenue of \$1.6 million with a corresponding increase in operating, selling, general and administrative expenses for the three months ended June 30, 2005. For the six months ended June 30, 2005, the reclassification resulted in an increase of \$2.7 million in revenue and an increase of \$2.7 million in operating, selling, general and administration expenses.

Capital expenditures on the Consolidated Statements of Cash Flow in 2005 have been adjusted to exclude non-cash capital additions of \$5.8 million for the three months period ended June 30, 2005 and \$7.5 million for the six-month period ended June 30, 2005.

3. Significant Transaction

On June 27, 2006, Royal Utilities Income Fund (“Royal Utilities”), a trust in which the Corporation held a 50% indirect interest through its partnership in the Coal business (“Coal”), successfully completed an initial public offering of units (“IPO”).

Prior to the IPO, Royal Utilities transferred to certain affiliates of the Coal partnership certain non-core mining assets comprised of the Coal Valley export thermal-coal mine, other non-producing coal mines, certain coal and potash resources and other non-mining assets (the “Transferred Assets”). These transfers were recorded at their carrying value.

Following the IPO and the exercise of the over-allotment by the underwriters, the Corporation owned 41.2% of the outstanding units of Royal Utilities as at June 30, 2006. For accounting purposes, the Corporation’s dilution of its interest in Royal Utilities resulted in a gain of \$4.7 million.

The results for Coal reflected the Corporation’s 50% proportionate interest in Royal Utilities up to June 27, 2006. Subsequent to June 27, 2006, the Corporation prospectively changed its accounting for Royal Utilities to the equity method of accounting. The Corporation continues to proportionately consolidate its 50% interest in the Transferred Assets.

The gain on disposition of investments also includes a \$0.3 million gain on sale of short-term investments.

4. Investments

	June 30, 2006	December 31, 2005
Royal Utilities ^(a)	\$ 347.2	\$ -
Tourism ^(b)	21.8	21.0
Other	0.4	0.4
	<u>\$ 369.4</u>	<u>\$ 21.4</u>

(a) The Corporation has a 41.2% direct interest in Royal Utilities (note 3).

(b) The Corporation has a 25% indirect interest in a hotel complex in Varadero, Cuba, and a 12.5% indirect interest in a hotel complex in Havana, Cuba.

These investments are accounted for as long-term investments using the equity method of accounting.

5. Post-retirement benefits

The Corporation's pension expense for the second quarter of 2006 was \$4.2 million (2005 - \$2.2 million). For the six months ended June 30, 2006, pension expense was \$7.1 million (2005 - \$4.4 million).

6. Long-term debt and other long-term liabilities

	June 30, 2006	December 31, 2005
7% convertible unsecured debentures due 2013	\$ 189.0	\$ 293.6
7.875% senior unsecured debentures due 2012	273.6	273.6
9.875% senior unsecured debentures due 2010	-	14.4
Loan from financial institution	22.5	25.0
Other long-term debt	18.5	5.7
	503.6	612.3
Capital lease obligations	15.1	28.5
Other long-term liabilities	1.2	8.2
	519.9	649.0
Current portion of long-term debt and other long-term liabilities	(9.1)	(28.2)
	\$ 510.8	\$ 620.8

In the second quarter of 2006, the Corporation completed two offers to purchase portions of the principal amount of its outstanding 7% convertible unsecured subordinated debentures due December 15, 2013. On the first offer, which expired in April 2006, the Corporation purchased \$7.1 million principal amount of the debentures for a total consideration of \$11.7 million, including accrued interest. On the second offer, which expired in June 26, 2006, the Corporation purchased \$100 million principal amount of the debentures for a total consideration of \$170.3 million, including accrued interest. These transactions resulted in \$3.1 million being charged to income and \$71.2 million being charged to retained earnings.

On January 16, 2006, the \$14.4 million of 9.875% debentures were redeemed for cash.

Other long-term debt reflects proportionally consolidated loans to joint ventures.

Interest and accretion on long-term debt for the second quarter of 2006 was \$12.3 million (2005 - \$12.3 million). For the six months ended June 30, 2006, interest and accretion on long-term debt was \$24.5 (2005 - \$26.6 million).

7. Asset retirement obligations

Asset retirement obligations have been recognized in respect of the mining operations of Coal and Metals, including associated infrastructure and buildings. Obligations have also been recorded for nickel and cobalt refining facilities, fertilizers and utilities facilities and oil and gas production facilities. Reclamation of coal mining operations is typically carried out on a continuous basis over the life of each mine and is dependent on the rate that mining progresses over the area to be mined. Retirement of refinery, fertilizer and utility facilities, oil and gas production facilities, infrastructure and buildings normally takes place at the end of the assets' useful life.

The following is a reconciliation of the opening and closing asset retirement obligation balances.

	Six months ended June 30, 2006	Year ended December 31, 2005
Balance, beginning of period	\$ 81.6	\$ 77.2
Additions to liabilities	2.6	7.6
Liabilities settled	(4.1)	(7.3)
Accretion expense	2.8	5.8
Change in foreign exchange rates	(1.3)	(1.7)
Liabilities disposed (note 3)	(27.2)	-
Balance, end of period	54.4	81.6
Current portion	(2.5)	(8.8)
	\$ 51.9	\$ 72.8

The Corporation has estimated the undiscounted cash flow required to settle the asset retirement obligation at approximately \$170.6 million. Expenditures will be made on an ongoing basis over several decades and are expected to be funded by cash generated from operations. Credit adjusted discount rates from 3% to 9% were applied to expected future cash flows to determine the carrying value of the asset retirement obligation.

In view of uncertainties concerning asset retirement obligations, the ultimate costs could be materially different from the amounts estimated. The estimate of the future asset retirement liabilities is subject to change based on amendments to applicable laws and legislation. Future changes in asset retirement liabilities, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

8. Capital stock

The Corporation's authorized share capital consists of an unlimited number of common shares.

The changes in the Corporation's outstanding common shares were as follows:

	Number		Stated Capital	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
Balance, beginning of year	151,333,889	131,381,776	\$ 781.7	\$ 582.4
Changes during the period:				
Share purchase plan	-	123,200	-	0.5
Repurchase of shares	(200,000)	(5,085,432)	(1.0)	(26.3)
Stock options exercised	180,000	2,164,000	1.0	13.9
6% convertible debenture conversion	-	21,923,924	-	202.4
6% convertible debenture redemption	-	811,137	-	8.7
7% convertible debenture conversion	713	15,284	-	0.1
Balance, end of period	151,314,602	151,333,889	\$ 781.7	\$ 781.7

If all of the 7% convertible debentures are converted into shares at the option of the holders, up to 27,535,575 additional common shares may be issued on or before December 14, 2013.

The following table presents the calculation of basic and diluted earnings per common share:

	Three months ended June 30		Six months ended June 30	
	2006	2005 (restated-note 2)	2006	2005 (restated-note 2)
Net earnings	\$ 57.2	\$ 53.7	\$ 92.9	\$ 89.1
Loss on redemption of convertible debentures included in contributed surplus	-	-	-	(0.5)
Net earnings – basic	57.2	53.7	92.9	88.6
Loss on purchase of convertible debentures	3.1	-	3.1	0.9
Interest and accretion on convertible debentures	3.6	3.7	7.2	8.9
Net earnings – diluted	\$ 63.9	\$ 57.4	\$ 103.2	\$ 98.4
Weighted average number of shares – basic	151.3	154.2	151.2	146.8
Weighted average effect of dilutive securities:				
Employee stock options	0.5	1.6	0.5	1.7
Convertible debentures	27.6	42.9	27.6	50.2
Weighted average number of shares - diluted	179.4	198.7	179.3	198.7
Earnings per share				
Basic	\$ 0.38	\$ 0.35	\$ 0.61	\$ 0.60
Diluted	0.36	0.29	0.58	0.50

9. Stock compensation plans

The following is a summary of stock option activity during the three months and six months ended June 30, 2006.

	Three months ended June 30, 2006		Three months ended June 30, 2005	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of period	2,970,000	\$ 9.01	5,630,000	\$ 6.66
Granted	105,000	11.69	-	-
Exercised	-	-	(500,000)	6.57
Outstanding at end of period	3,075,000	\$ 9.10	5,130,000	\$ 6.66
Options exercisable, end of period	850,000	\$ 5.71	5,130,000	\$ 6.66

	Six months ended June 30, 2006		Six months ended June 30, 2005	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of period	2,005,000	\$ 7.97	6,040,000	\$ 6.62
Granted	1,250,000	10.43	-	-
Exercised	(180,000)	5.74	(910,000)	6.38
Outstanding at end of period	3,075,000	\$ 9.10	5,130,000	\$ 6.66
Options exercisable, end of period	850,000	\$ 5.71	5,130,000	\$ 6.66

As at June 30, 2006, 2,225,000 options with a share appreciation right attachment remained outstanding for which the Corporation has recognized a compensation expense of \$0.4 million and \$0.5 million for the three and six months ended June 30, 2006, respectively (three and six months ended June 2005 - \$nil).

The Corporation has recorded a compensation expense of \$1.5 million and \$2.9 million for the three and six months ended June 30, 2006, respectively (\$1.3 million recovery and \$0.3 million recovery for the three and six months ended June 30, 2005, respectively).

10. Contributed surplus

	Six months ended June 30, 2006		Year ended December 31, 2005	
Balance, beginning of period	\$	192.3	\$	199.2
Redemption of convertible debentures		-		(0.5)
Repurchase of common shares		(0.4)		(6.4)
Balance, end of period	\$	191.9	\$	192.3

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 common shares.

Contributed surplus was reduced by \$0.4 million for the six month ended June 30, 2006 reflecting the loss on repurchase of shares during the first quarter.

11. Net financing expense

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	(restated-note 2)		(restated-note 2)	
Interest income on cash, cash equivalents, short-term investments and loans receivable	\$ (4.3)	\$ (3.7)	\$ (8.2)	\$ (8.3)
Interest expense on debt	12.3	14.1	24.5	28.4
Foreign exchange losses	0.5	3.5	0.9	7.6
Other	3.0	(0.1)	2.6	1.2
	\$ 11.5	\$ 13.8	\$ 19.8	\$ 28.9

12. Income taxes

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	(restated-note 2)		(restated-note 2)	
Current	\$ 29.0	\$ 24.5	\$ 50.7	\$ 50.8
Future	(21.0)	1.3	(24.7)	(5.4)
	\$ 8.0	\$ 25.8	\$ 26.0	\$ 45.4

13. Commitments

As at June 30, 2006, the Corporation was committed to purchase equipment and services in the amount of \$59.0 million.

14. Segment information

Reference should be made to Sherritt's annual audited consolidated financial statements for a full description of operating segments.

Three months ended June 30, 2006

(millions of Canadian dollars)	Coal ⁽²⁾	Metals	Oil and Gas	Power	Other ⁽¹⁾	Corporate	Consolidated
Revenue	\$ 73.2	\$ 110.6	\$ 69.6	\$ 28.4	\$ 15.1	\$ -	\$ 296.9
Operating, selling, general and administrative	59.9	64.3	14.9	7.7	13.9	11.4	172.1
Earnings (loss) before undernoted items	13.3	46.3	54.7	20.7	1.2	(11.4)	124.8
Depletion, amortization and accretion	13.6	5.0	21.3	6.7	0.6	1.2	48.4
Operating earnings (loss)	(0.3)	41.3	33.4	14.0	0.6	(12.6)	76.4
Share of earnings of equity accounted investments							0.3
Net financing expense							(11.5)
Income taxes							(8.0)
Non-controlling interests							(5.0)
Gain on disposition of investments							5.0
Net earnings							57.2
Capital expenditures	5.9	12.9	33.0	6.6	0.4	-	58.8
Assets	\$ 99.4	\$ 418.4	\$ 630.7	\$ 536.7	\$ 84.9	\$ 584.2	\$ 2,354.3

Three months ended June 30, 2005 (restated-note 2)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other ⁽¹⁾	Corporate	Consolidated
Revenue	\$ 65.3	\$ 143.3	\$ 67.7	\$ 26.6	\$ 19.6	\$ -	\$ 322.5
Operating, selling, general and administrative	51.3	81.0	10.3	11.6	17.8	4.5	176.5
Earnings (loss) before undernoted items	14.0	62.3	57.4	15.0	1.8	(4.5)	146.0
Depletion, amortization and accretion	14.3	5.2	20.1	5.4	0.7	1.0	46.7
Operating earnings (loss)	(0.3)	57.1	37.3	9.6	1.1	(5.5)	99.3
Share of earnings of equity accounted investments							-
Net financing expense							(13.8)
Income taxes							(25.8)
Non-controlling interests							(6.0)
Net earnings							53.7
Capital expenditures	5.8	5.4	36.8	30.9	0.1	0.1	79.1
Assets	\$ 752.8	\$ 425.5	\$ 585.4	\$ 522.3	\$ 89.5	\$ 360.8	\$ 2,736.3

¹⁾ Other represents the results of the soybean-based food processing business.

²⁾ Coal results include Royal Utilities on proportionate consolidation basis up to June 27, 2006.

Six months ended June 30, 2006

(millions of Canadian dollars)	Coal ⁽²⁾	Metals	Oil and Gas	Power	Other ⁽¹⁾	Corporate	Consolidated
Revenue	\$ 147.0	\$ 191.7	\$ 138.3	\$ 50.6	\$ 28.9	\$ -	\$ 556.5
Operating, selling, general and administrative	114.9	115.3	27.4	14.8	26.5	20.6	319.5
Earnings (loss) before undernoted items	32.1	76.4	110.9	35.8	2.4	(20.6)	237.0
Depletion, amortization and accretion	27.6	9.6	41.9	13.0	1.4	2.4	95.9
Operating earnings (loss)	4.5	66.8	69.0	22.8	1.0	(23.0)	141.1
Share of earnings of equity accounted investments							0.9
Net financing expense							(19.8)
Income taxes							(26.0)
Non-controlling interests							(8.3)
Gain on disposition of investments							5.0
Net earnings							92.9
Capital expenditures	9.0	28.0	56.7	14.7	0.9	0.1	109.4
Assets	\$ 99.4	\$ 418.4	\$ 630.7	\$ 536.7	\$ 84.9	\$ 584.2	\$ 2,354.3

Six months ended June 30, 2005 (restated-note 2)

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other ⁽¹⁾	Corporate	Consolidated
Revenue	\$ 128.2	\$ 244.2	\$ 118.1	\$ 52.3	\$ 36.8	\$ -	\$ 579.6
Operating, selling, general and administrative	93.2	132.6	20.0	17.7	32.3	14.7	310.5
Earnings (loss) before undernoted items	35.0	111.6	98.1	34.6	4.5	(14.7)	269.1
Depletion, amortization and accretion	28.1	10.2	39.0	10.6	1.4	2.1	91.4
Operating earnings (loss)	6.9	101.4	59.1	24.0	3.1	(16.8)	177.7
Share of earnings of equity accounted investments							0.5
Net financing expense							(28.9)
Income taxes							(45.4)
Non-controlling interests							(14.8)
Net earnings							89.1
Capital expenditures	7.1	13.6	65.3	49.1	0.2	1.5	136.8
Assets	\$ 752.8	\$ 425.5	\$ 585.4	\$ 522.3	\$ 89.5	\$ 360.8	\$ 2,736.3

1) Other represents the results of the soybean-based food processing business.

2) Coal results include Royal Utilities on proportionate consolidation basis up to June 27, 2006.

	Three months ended June 30		2006		2005 (restated-note 2)			
	Revenue		Capital Assets	Revenue		Capital Assets		
Canada	\$	86.8	\$	202.4	\$	92.7	\$	779.0
Cuba		110.0		795.8		110.0		786.5
Europe		59.9		1.3		74.4		2.7
Asia		29.2		7.3		41.3		7.1
Other foreign countries		11.0		-		4.1		-
	\$	296.9	\$	1,006.8	\$	322.5	\$	1,575.3

	Six months ended June 30		2006		2005 (restated-note 2)			
	Revenue		Capital Assets	Revenue		Capital Assets		
Canada	\$	156.9	\$	202.4	\$	160.8	\$	779.0
Cuba		211.8		795.8		200.0		786.5
Europe		114.7		1.3		136.8		2.7
Asia		56.6		7.3		71.6		7.1
Other foreign countries		16.5		-		10.4		-
	\$	556.5	\$	1,006.8	\$	579.6	\$	1,575.3

15. Financial instruments

Unutilized lines of credit as at June 30, 2006 were \$48.7 million.

16. Cumulative translation account

Exchange gains and losses arising from the translation of the financial statements of the Corporation's self-sustaining foreign operations are deferred and included in the cumulative translation account (see note 2 (a)). When there is a reduction in the Corporation's net investment in a self-sustaining foreign operation, a proportionate amount of the cumulative translation account is included in the determination of consolidated net earnings. Significant changes in the cumulative translation account are as follows:

	Six months ended June 30, 2006	Year ended December 31, 2005
Balance, beginning of period	\$ -	\$ -
Effect of change on opening balances	(47.7)	-
Effect of exchange rate changes during the period	(22.5)	-
Balance, end of period	\$ (70.2)	\$ -

Schedule of Selected Current Assets and Accounts Payable by Operating Segment

June 30, 2006

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	\$ 2.1	\$ 56.4	\$ 175.3	\$ 25.8	\$ 12.5	\$ 21.1	\$ 293.2
Inventories	16.6	67.8	-	13.8	6.0	-	104.2
Overburden removal costs	1.1	-	-	-	-	-	1.1
Prepaid expenses	1.4	2.8	2.4	1.8	1.4	4.8	14.6
Future income taxes	1.3	8.9	-	-	-	-	10.2
	<u>\$ 22.5</u>	<u>\$ 135.9</u>	<u>\$ 177.7</u>	<u>\$ 41.4</u>	<u>\$ 19.9</u>	<u>\$ 25.9</u>	<u>\$ 423.3</u>
Accounts payable and accrued liabilities	\$ 12.1	\$ 61.8	\$ 38.6	\$ 11.6	\$ 10.7	\$ 32.3	\$ 167.1

March 31, 2006

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	\$ 26.2	\$ 42.5	\$ 197.9	\$ 23.0	\$ 10.1	\$ 12.4	\$ 312.1
Inventories	33.0	69.5	-	13.1	7.1	-	122.7
Overburden removal costs	1.9	-	-	-	-	-	1.9
Prepaid expenses	1.7	3.9	0.2	0.1	1.6	1.2	8.7
Future income taxes	5.4	5.0	-	-	-	-	10.4
	<u>\$ 68.2</u>	<u>\$ 120.9</u>	<u>\$ 198.1</u>	<u>\$ 36.2</u>	<u>\$ 18.8</u>	<u>\$ 13.6</u>	<u>\$ 455.8</u>
Accounts payable and accrued liabilities	\$ 26.5	\$ 50.9	\$ 36.0	\$ 11.5	\$ 11.8	\$ 40.8	\$ 177.5

December 31, 2005

(millions of Canadian dollars)	Coal	Metals	Oil and Gas	Power	Other	Corporate	Consolidated
Accounts receivable	\$ 30.5	\$ 46.8	\$ 161.2	\$ 20.2	\$ 9.4	\$ 10.1	\$ 278.2
Inventories	28.8	64.6	-	13.0	3.6	-	110.0
Overburden removal costs	2.4	-	-	-	-	-	2.4
Prepaid expenses	1.8	4.0	0.9	0.4	1.4	1.4	9.9
Future income taxes	4.2	6.7	-	-	-	-	10.9
	<u>\$ 67.7</u>	<u>\$ 122.1</u>	<u>\$ 162.1</u>	<u>\$ 33.6</u>	<u>\$ 14.4</u>	<u>\$ 11.5</u>	<u>\$ 411.4</u>
Accounts payable and accrued liabilities	\$ 30.1	\$ 54.9	\$ 33.1	\$ 12.2	\$ 7.7	\$ 36.3	\$ 174.3