MinMet

Interim Report 2002

CHAIRMAN'S REPORT

FOR SIX MONTHS ENDED 30 JUNE 2002

The six months under review have proved to be very challenging. In spite of good progress being made on projects including Sungem and El Aguila, we have unfortunately been forced into making a number of tough decisions. Due to operational difficulties, the Board has decided to close our Brazilian trial mining operation for gold at Cuiabá with immediate effect. This was a hard but necessary decision as regrettably we felt the project was not likely to provide the returns needed to create shareholder value. Consequently, we have made a provision of €9,093k reducing the carrying value of our Cuiabá project to €2,345k.

Furthermore, we have decided to provide in full for the expenditure incurred on our project at Crediton Trough, UK and on our joint venture with Barrick Mineração Limitada at Mara Rosa, Brazil as both projects fail to achieve our criteria for advancement. The above decisions follow the ruling of the Supreme Administrative Court in Portugal, received in July, upholding the decision of the Portuguese Authorities to rescind our mining licence at Castromil; and recent unfavourable treatment of other foreign mining companies by the Portuguese authorities. These events have led us to review our continued presence in Portugal, and the Board deem it prudent to provide in full for the carrying value of the Portuguese operations in our profit and loss account.

On the positive side, our projects at Coromandel - Brazil, which include our zinc discovery ("Sungem") and diamond bulk sampling plant, at El Aguila - Peru, at Minas de Oro - Honduras and the projects in the Dominican Republic have all progressed with encouraging results. Teck Cominco has joined us as a joint venture partner in Honduras. Although we are continuing to advance the Sungem zinc project ourselves, we are inviting five major companies to review our work and submit proposals as to their possible involvement with the project.

Despite the setbacks we have a strong cash position which will be utilised to build shareholder value from our portfolio.

Results

As a result of the write-downs of our intangible assets, the loss on ordinary activities before tax for the period amounts to €18,594k (2001:Loss €112k). Administrative costs for the current period include a foreign currency translation loss of €539k (2001: Gain €141k) on our Sterling and Dollar deposit holdings against a strengthening Euro during the six months under review.

Deposit interest of €171k (2001: €326k) reflects the lower interest rates available in the money markets in 2002 as against 2001, allied to a fall in our overall cash holdings.

A gain of €427k (2001: nil) has been realised on the sale of our investment in Tiger Resource Finance plc.

Our cash position at 30 June 2002 totalled €10,878k (2001: €16,518k).

Discontinued Projects

Brazil - Cuiabá

As detailed above we have decided to close the trial mining activities at the Cotia plant. It was planned to use this plant as a large-scale trial mining operation to assist with the proving up of a mineral resource on part of our land package in the Cuiabá Basin.

Over the last two months the Board has undertaken a detailed review of all aspects of the trial processing plant and the parallel mining operation. Two main areas were identified as limiting the development of the project. Firstly, where ore grade material was identified near the Cotia plant, the stripping ratio of ore to waste varied between 1:4 and 1:7 against a projected ratio of 1:1. This added significantly to our planned mining costs as additional earth moving machinery and trucks had to be employed to recover ore grade material for the plant.

Secondly, the process plant as designed and operated fell short of the 70% recovery rate target which we believed to be attainable, and which was a key assumption in the scoping study undertaken, justifying the construction of the plant. Although in recent weeks steps to raise the plant throughput and recovery rate have been implemented, the economics of mining at the less favourable stripping ratios referred to above rendered the project uneconomic, on the scale designed and implemented by us. The Board has therefore come to the conclusion that it is in the Company's best interests to close this operation. However, the Company has full title to in excess of 230,000 hectares in the Cuiabá Basin and the Company will maintain these licences in good standing with a view to procuring joint venture partners.

Brazil - Mara Rosa

In July 2001, we commenced our exploration work on the Mara Rosa concessions owned by Barrick Mineração Limitada with a commitment to undertake an airborne survey, a 1,000 metre drilling programme and other exploration activities in order to earn into a 51% participation in Barrick's licences. All commitments on the earn-in and joint venture agreement were fulfilled by June 2002.

Although visible gold was panned from soil over the main Eagle Eye anomaly, and rock samples returned up to 4.2 g/t – gold, 704ppm- lead and 123ppm - copper, our 1,000m drilling programme on Eagle Eye failed to return economic mineral intersections.

The final exploration report has been prepared and sent to Barrick with all the data and conclusions reached by our team. We have come to a decision that the results from Mara Rosa do not meet our criteria for additional investment.

United Kingdom - Crediton Minerals

Limited exploration work has been conducted on this target over the past two years. A programme of stream sediment sampling was completed in 2002. Although further gold occurrences were confirmed by the exploration team, they were not of sufficient significance to warrant further exploration by the Company. In view of the other higher priority projects in the MinMet portfolio, no further funds will be allocated to the Crediton project and in these circumstances it is prudent to make provision for our investment in this project.

Portugal

The lengthy legal process we have been involved in with the Portuguese authorities over the Castromil mining licence came to a conclusion in July with the appeal ruling from Portugal's Supreme Administrative Court that upheld the decision of the Portuguese Government to rescind the Company's licence in May 2000. In July 2001, the Court had decided in favour of MinMet.

Following the ruling by the Portuguese courts we have met with Portugal's new Secretary of State for Economy to elicit the government's on-going support for our remaining activities in Portugal. In spite of receiving a sympathetic hearing from the new Secretary of State, the recent negative experience of two foreign mining companies surrounding the transaction involving the Neves Corvo copper mine in Portugal has led the Board to conduct a review on the possible sale or joint venture of its remaining Portuguese properties at Valongo Gondomar.

In these circumstances, we have decided to make full provision for the costs incurred in relation to the Company's Portuguese interests from 1994 to date. We have also written off the costs and fees involved in the acquisition of the minority stake in Connary Minerals plc in 1998. The total amount provided is €7,923k.

Continuing Exploration Projects

Brazil - Coromandel (Diamonds)

On August 1, 2002 we inaugurated our diamond bulk sampling operation at Coromandel. This is a substantial plant designed to test for the presence of diamonds in the surrounding alluvial gravels. The plant's capacity is designed to process approximately 60 cubic meters of gravels an hour. Subject to satisfactory results from the bulk sampling project, the company will make an application to the Brazilian authorities for a full-scale diamond mining licence.

Brazil - Coromandel (Zinc)

Our Sungem zinc discovery near Coromandel continues to progress. We have been engaged in a systematic exploration programme that has now seen the original soil geochemical anomaly extended for some 4.7km, coincident with mapped gossans. These prospects have the same geological setting as the operating mines, Vazante (18.5 Mt grading 18.3% Zn) and Morro Agudo (9.7Mt grading 6.5%Zn and 2.8% Pb) located 70km and 100km to the north of Sungem. MinMet's exploration work has included core drilling and an extension of the soil-sampling grid based on prospecting.

The best soil anomaly has been defined some 2 km north east of the discovery area. The soil anomaly (called "Violet Ear") is defined by values in excess of 100ppm Pb and co-extensive zinc over an area of roughly 500 by 150 metres, with a central zone of 1000ppm lead and 2000ppm zinc (maximum 4000ppm zinc). The anomaly is once again coincident with well-developed gossans on the surface. Our earlier plans to establish an inferred mineral resource at the Sungem discovery zone have been deferred owing to the soil sampling programme which has greatly increased the size of the target. This work will now form part of the 2003-exploration programme, which may include the participation of a joint venture partner. We are currently evaluating all the data from the project to date to define the controls on the mineralization including the relationship to structure and stratigraphy. Detailed mapping will start shortly on the Violet Ear zone to be followed by trenching, and will be combined with the above work to define further drill sites.

El Aguila - Peru (Silver-Lead-Zinc)

Our joint venture with Apex Silver Ltd ("ASC") was finally ratified in July of this year and a drilling programme designed to test this silver, zinc, lead deposit will commence in September. The deal is structured such that MinMet has a commitment to spend US$175,000 including 1,000 metres of drilling for a 70% earn-in, at which point ASC has an option to buy back 25% (MinMet dilutes to 45%) for a cash payment of US$1m. ASC has an additional option to earn-back 25% (MinMet dilutes to 20% maximum) after 12 months by agreeing to fund all expenditures to achieve a bankable feasibility study.

Work completed over the past six months included detailed field mapping and sampling undertaken in May, which identified the Zona Norte as the priority area for immediate drill testing. Sampling was undertaken with a view to identifying mineralization away from the main controlling structures. A total of 79 channel samples were taken with all assays undertaken at the ALS Chemex laboratories in Lima. The average grade of all the samples is: 158.6 g/t Ag (5.1 oz/t), 3.93% Pb, 2.08% Zn and 0.17% Cu.

Drilling is scheduled to commence in September 2002 to test these targets at Zona Norte.

Minas de Oro - Honduras (Copper-Gold)

Our joint venture announced last March with Teck Cominco to explore the Minas de Oro copper gold project in Honduras is progressing according to plan with a number of targets now nearly ready for drilling. Work completed to date includes compilation and re-evaluation of the previous extensive exploration programmes. The joint venture team, which includes a senior structural geologist from Teck Cominco, has confirmed previously reported economic grades of copper and gold both in trenches and in drill holes. A technical review meeting in September with Teck Cominco will define the work programme necessary to confirm tonnage and grade potential on prioritised targets with a view to meeting Teck Cominco's corporate requirements.

Dominican Republic (Copper-Gold)

In the Dominican Republic ("DR") MinMet has options over 27,709 hectares of ground from IMPACT Minerals International Inc. ("IMPACT") and Energold Mining Ltd ("Energold"), and holds in its own right 23,650 hectares of exploration ground.

The main focus of work in the period has been on the El Brujo concession, under option from IMPACT. As previously announced, the trench over the *Dos Brazos Zone I* Au-Cu-Mo soil anomaly exposed porphyry-style mineralisation. Further sampling has returned MinMet's highest recorded gold value in the programme at 44.3 g/t Au with 509 g/t Ag. The values are related to a well-defined quartz vein that has been traced for 580 metres along strike with widths up to 4 metres.

MinMet is continuing its exploration of the numerous other targets generated by the regional stream sediment survey and these will be reported on in due course.

The strategic land package assembled by MinMet in DR is in a belt that hosts the Pueblo Viejo gold-silver deposit (past production 5.4 Moz Au and 24.6 Moz Ag and sulphide resource of 29 Moz Au), the second largest deposit of its type after Yanacocha in northern Peru (2002 reserves of 36 Moz Au). The DR government recently granted the mining concession on Pueblo Viejo to Placer Dome for development. In addition, the government has awarded the exploration rights to the Fiscal Reserve adjacent to the mine to M.I.M. Holdings of Australia.

Thiourea Process

Our thiourea gold leaching process, which has remained dormant for the last 18 months or so, is being revitalised. We have reached agreement with Knight Piesold, who will be leading an application for EU funding to enable a full-scale process plant to be constructed and tested at the Non-Ferrous Metals Institute of Technology in Poland.

Conclusion

We will now focus our activities on the following key projects:

- Bulk sampling of diamonds at Coromandel
- Sungem zinc project at Coromandel
- The El Aguila silver-lead-zinc project in Peru
- Continued exploration on our portfolio in Central America

Despite the setbacks, MinMet has a strong portfolio of projects backed up by cash resources to advance further exploration. In the resource sector value is added through the discovery of an orebody. We are aware of the needs of the major mining companies to continually replenish their mineral reserves, and we will remain focused on generating quality projects that will attract them as partners, as with Teck Cominco in Honduras.

MinMet is an innovative exploration company, which will constantly prioritise and evaluate its projects, ensuring that resources are advanced to the most prospective target. This process will ensure that we rapidly advance our best projects to the discovery stage and discontinue those we feel are outside our scope, uneconomical or marginal. It is by doing this that we aim to expand our business and create shareholder value.

Jeremy Metcalfe
Chairman

29 August 2002

Consolidated Profit and Loss Account

For the six months ended 30 June 2002

	Unaudited 6 months to 30 June 2002 €'000	Unaudited 6 months to 30 June 2001 €'000	Audited Year ended 31 December 2001 €'000
Administrative expenses	(1,255)	(438)	(1,131)
Amounts written off intangible fixed assets	(17,937)		
Profit on disposal of investment	427	-	-
Operating loss	(18,765)	(438)	(1,131)
Interest receivable and similar income	171	326	693
Loss on ordinary activities before taxation	(18,594)	(112)	(438)
Tax on loss on ordinary activities	-	-	-
Loss on ordinary activities after taxation	(18,594)	(112)	(438)

Consolidated Balance Sheet

As at 30 June 2002

	Unaudited 30 June 2002 €'000	Unaudited 30 June 2001 €'000	Audited 31 December 2001 €'000
FIXED ASSETS			
Intangible assets	5,609	18,692	21,149
Tangible assets	683	492	476
Financial assets	8	1,236	8
	6,300	20,420	21,633
CURRENT ASSETS			
Debtors	74	277	121
Investments	-	-	812
Cash at bank and in hand	10,878	16,518	14,063
	10,952	16,795	14,996
CREDITORS: amounts falling due within one year	(384)	(769)	(615)
NET CURRENT ASSETS	10,568	16,026	14,381
TOTAL ASSETS LESS CURRENT LIABILITIES	16,868	36,446	36,014
CAPITAL AND RESERVES			
Called-up share capital	6,218	6,281	6,303
Share premium account	33,512	33,348	33,361
Capital conversion reserve fund	98	-	-
Profit and loss account	(22,960)	(3,183)	(4,097)
Revaluation reserve account	-	-	447
SHAREHOLDERS' FUNDS – ALL EQUITY	16,868	36,446	36,014