

IVERNIA WEST PLC
INTERIM REPORT 2000

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present the Interim Report for Ivernia West plc for the half-year ended 30 June 2000.

During the period, considerable progress has been made in bringing the Lisheen Mine into production. Exploration programmes have been carried out on all Ivernia's prospecting licence areas in Ireland, Australia and the USA. Progress can also be reported in the process of establishing Ivernia West Inc as the new Canadian-incorporated holding company for the Ivernia Group and applying for a primary listing for this Company on the Toronto Stock Exchange and a secondary listing on the Exploration and Securities Market of the Irish Stock Exchange.

THE LISHEEN MINE

The Lisheen Mine, in which Ivernia has a 50 per cent interest, made its first shipments of concentrates last December. During the first half of this year, 58,200 dry tonnes of zinc concentrates and 19,500 dry tonnes of lead concentrates were shipped. Mine development and construction work continued in tandem with the production start up.

During the period 420,000 tonnes of ore were mined, 386,200 tonnes of ore grading 11.11 per cent zinc and 4.26 per cent lead were processed, and 59,700 dry tonnes of zinc concentrates and 18,800 dry tonnes of lead concentrates were produced. Zinc recoveries were 76 per cent and lead recoveries 75 per cent. Zinc concentrates contained an average of 54 per cent zinc while lead concentrates contained on average of 65 per cent lead. Additional development work and delays in the commissioning of new underground plant resulted in production levels being lower than scheduled.

Ore production took place in both the Main and Derryville zones. The Lisheen Mine crew took over responsibility for all ore production on 8 May from the combined Lisheen and contractor teams. At the same time additional development work was initiated to open up new areas of the mine and make more faces of the deposit available for mining.

A scheduled surface infill drilling programme was accelerated during August to facilitate detailed mine planning for the next five years of production. Seven drilling rigs are currently in use on this programme.

The outlook for zinc remains positive with demand for zinc metal rising and LME stocks continuing to decline.

Commercial production levels and sustained positive monthly cash flows before depreciation and interest have not yet been achieved. The net cost of operations continues to be capitalised as development expenditure, until commercial production levels are reached. Full production is scheduled for the first half of 2001 at which time the mine is expected to produce at a rate of 300,000 tonnes of zinc concentrates and 40,000 tonnes of lead concentrates per annum.

During the period the mine had an exemplary safety record with no lost time injuries. The environmental monitoring programmes continued in accordance with the requirements of the Integrated Pollution Control Licence. Over 50,000 continuous environmental readings are taken per month to determine compliance with planning conditions. An active community relations programme is also in operation.

The Lisheen Mine was formally opened by An Taoiseach, Mr Bertie Ahern, T.D., on 22 June.

MAGELLAN PROJECT

Work continued throughout the period on the preparation of a bankable feasibility study for the Magellan project. The discovery of ore grade mineralisation close to the original pit resulted in additional drilling being required and a recalculation of the ore resources is currently being undertaken.

In May and June negotiations between Polymetals Pty, our partners in Magellan, and Ivernia resulted in Polymetals offering to sell its interest in Magellan to Ivernia for AUS\$8 million. The initial AUS\$4 million was satisfied by the issue of new ordinary shares in Ivernia West Plc to Polymetals Pty shareholders at a price of Stg.0.49p per share. The balance is scheduled to be paid in cash in 2002 in two tranches of AUS\$2 million each. This transaction closed on the 11 September when the new ordinary shares were admitted to the Exploration Securities Market of the Irish Stock Exchange.

Ivernia has already acquired part of the equipment needed at Magellan, including the mine camp, crushing, grinding and flotation circuits. The bankable feasibility study is due to be completed by year end and discussions are underway for the financing of the development of the project. The Company has been encouraged by the recent rise in lead prices and by reports of an increasing demand for lead metal for non-automotive battery power uses.

EXPLORATION PROJECTS

Ireland

Drilling was carried out on the Rathdowney North and South licence blocks with our Joint Venture partner Anglo American plc. Encouraging results were achieved near Ballacolla, Co. Laois where good grade intersections were drilled. The Bog Zone on Rathdowney South was also drilled and gave good results. Drilling is ongoing in both areas.

Results of a substantial drilling programme on the Rio Algom joint venture licences were disappointing. The drilling programme is ongoing as Rio Algom increases its earn-in in these licence blocks from 50% to 70%.

An exploration programme was carried out on the Ballinalack licence block to test for both the Navan Bed and base of reef mineralisation but no significant mineralisation was encountered. These licences are currently being renewed.

Australia-Northern Territory

A total of 55 holes were drilled for 3498 metres in the L5 south, L5 and L1 prospects at the Woodcutters Mine site. Three of the six geochemical targets of the Woodcutters open pit over a strike length of 4.5 kilometres have now been partially drill tested. Preliminary interpretation of these results show that the tonnage and grade is not economic at this stage.

A site review was completed for the Evelyn and Moline mines about 160 kilometres south of the Woodcutters Mine in the Pine Creek district. Rock chip samples from both mines historic workings were sent for multi element analysis and the results returned were very encouraging for lead, zinc and silver. A follow-up programme is planned for both areas.

U.S.A.-Kentucky Zinc Project

During the first four months of the period, activity concentrated on land acquisition. By the end of the period approximately 9,000 acres were leased. During May and June four holes totalling 2,682 feet were drilled in the vicinity of a former fluorspar mine. One of these holes intersected 21 feet of high sphalerite mineralisation below the fluorspar deposit. Follow up drilling will take place here and on a second area later this year.

FINANCE

The Group Operating Statement for the half-year to 30 June 2000 shows total development expenditures of IR£14.55 million, which represent Ivernia's 50% share of the development expenditure and the operating costs net of smelter revenues, as well as interest and depreciation at the Lisheen Mine amounting to IR£13.93 million together with Ivernia's investment amounting to IR£0.62 million in the Magellan Project.

The Group Profit & Loss Statement for the half - year shows a net loss of IR£2.09 million after charging exploration costs of IR£0.49 million, administration costs of IR£0.63 million, redomiciling and listing costs of IR£0.88 million associated with the TSE listing, a currency loss of IR£0.28 million and after crediting a profit on sale of shares of IR£0.08 million and interest received of IR£0.11 million during the period.

The Group Balance Sheet at 30 June 2000 shows fixed assets of IR£123.23 million and net current assets of IR£6.75 million which were funded by shareholders' funds of IR£58.70 million and bank borrowings of IR£71.28 million.

Ivernia's project loan facility of US\$86.5 million has now been drawdown in full. Ivernia's equity contributions to the Lisheen Mine during the period were US\$6 million (IR£4.2 million).

A private placement of 10.38 million ordinary shares at a price of Stg£0.49 (US\$0.78) was made on 2 May which, after placing fees and stamp duty, raised net proceeds of IR£6.4 million.

TORONTO STOCK EXCHANGE

Progress has been made during the period on the decision to establish Ivernia West Inc as the new Canadian-incorporated holding company for the Ivernia Group and to apply for a concurrent primary listing on the Toronto Stock Exchange (TSE) and a secondary listing on the Exploration and Securities Market of the Irish Stock Exchange (ESM).

A Circular and ESM Listing Particulars were sent to shareholders in August and 99.96% of the 65.9 million votes cast at the EGM on 27 September were in favour of the proposal.

It is expected that, subject to regulatory approval, including satisfying all the listing requirements of the TSE and ESM, the shares of Ivernia West Inc will be listed on the TSE and the ESM before the end of the year.

Conclusion

Despite the difficulties, which arose at the Lisheen Mine during the review period, action plans are being implemented to increase production rates. The Company expects that full production will be achieved during the first half of 2001.

The Company is also keen to complete the Magellan bankable feasibility study and finance the development of the project with a view to commencing construction in the first half of next year.

I look forward to the continuing growth of Ivernia West through further investments and acquisitions in the base metal sector.

**Clayton Love Jnr.,
Chairman**

ENDS

25th October 2000

For reference:

Murray Consultants:

Joe Murray

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This report is available in full on the Company's website at www.ivernia.com.

Ivernia West plc
Group Operating Statement
for the six months ended 30 June 2000

	Notes	Half-Year Ended 30/6/2000 (Unaudited) IR£'000	Half-Year Ended 30/6/1999 (Unaudited) (as restated) IR£'000	Year To 31/12/1999 (Audited) IR£'000
Development expenditure	2	9,291	24,943	43,464
Depreciation	3	2,772	-	-
Interest expense	4	2,486	1,262	3,284
		----- 14,549 =====	----- 26,205 =====	----- 46,748 =====
Transferred to:				
Investment in joint venture	5(a)	13,932	25,153	45,400
Development expenditure	5(b)	617	1,052	1,348
		----- 14,549 =====	----- 26,205 =====	----- 46,748 =====

Group Profit & Loss Account
For the six months ended 30 June 2000

	Notes	Half-Year Ended 30/6/2000 (Unaudited) IR£'000	Half-Year Ended 30/6/1999 (Unaudited) (as restated) IR£'000	Year To 31/12/1999 (Audited) IR£'000
Operating results		-	-	-
Exploration expenditure written-off		(494)	(180)	(543)
Administration expenses		(635)	(384)	(935)
Re-domiciling/listing expenses	6	(875)	-	-
Currency loss	7	(281)	-	-
Profit on sale of shares	8	76	-	-
Interest income		114	295	462
		-----	-----	-----
(Loss) for period		(2,095)	(269)	(1,016)
Opening balance		(9,728)	(8,712)	(8,712)
Closing balance		----- (11,823) =====	----- (8,981) =====	----- (9,728) =====
(Loss) per share – pence		(1.96p)	(0.26p)	(0.98p)

Ivernia West plc
Summarised Group Balance Sheet
at 30 June 2000

	Notes	30/6/2000 (Unaudited) IR£'000	30/6/1999 (Unaudited) (as restated) IR£'000	31/12/1999 (Audited) IR£'000
Fixed Assets				
Investment in joint venture	5(a)			
- share of gross assets		127,104	82,872	114,684
- share of gross liabilities		(6,986)	(5,639)	(6,597)
		-----	-----	-----
		120,118	77,233	108,087
Development expenditure	5(b)	2,970	2,057	2,353
Other fixed assets		146	148	135
		-----	-----	-----
		123,234	79,438	110,575
		-----	-----	-----
Current Assets	9	9,800	16,285	9,271
Current Liabilities		(3,053)	(1,392)	(2,270)
		-----	-----	-----
Net Current Assets		6,747	14,893	7,001
		-----	-----	-----
Creditors (amounts falling due after more than one year)	10	(71,276)	(49,606)	(64,896)
		-----	-----	-----
Net Assets		58,705	44,725	52,680
		=====	=====	=====
Equity Shareholders' Funds	11	58,705	44,725	52,680
		=====	=====	=====

Ivernia West plc
Interim Report 2000
Supplementary Information

1. Basis of Preparation of Interim Financial Statements

- (a) The interim financial statements have been prepared in accordance with the accounting policies set out on pages 25 to 29 of the annual report for the year ended 31 December 1999.
- (b) The financial statements for the six months ended 30 June 2000 and 1999 have been reviewed by PricewaterhouseCoopers. Their review report appears after the supplementary information notes. The financial statements for the year ended 31 December 1999 are an abbreviated version of the full unqualified audited financial statements which have been filed with the Irish Registrar of Companies.
- (c) The financial statements for the six months ended 30 June 1999 have been restated to reflect changes in accounting policies adopted in the financial statements for the year ended 31 December 1999.

2. Development Expenditure

Development expenditure of IR£9.29 million comprises Ivernia's share of development expenditure amounting to IR£7.12 million and its share of operating costs amounting to IR£8.99 million less its share of net smelter revenues amounting to IR£7.44 million in the Lisheen Mine together with its share of development expenditure in the Magellan project amounting to IR£0.62 million.

3. Depreciation

Depreciation and amortisation are Ivernia's share of the depreciation and amortisation charges in the Lisheen Mine which have been capitalised and included in investment in joint venture.

4. Interest Expense

Interest of IR£2.49 million was incurred during the period on loan drawdowns and letters of credit relating to the funding of the Lisheen Mine. This interest has been capitalised and is included in investment in joint venture.

5. Investment in Joint Venture and Development Expenditure

	30/6/2000 IR£'000	30/6/1999 IR£'000 (as restated)	31/12/1999 IR£'000
(a) Investment in joint venture			
(i) Movement in investment in joint venture			
Opening balance	108,087	51,341	51,341
Movements during period			
Transfer from operating statement	13,932	25,153	45,400
Change in stocks	463	-	1,446
Change in cash	(2,990)	1,586	1,899
Change in debtors / creditors	(1,001)	(441)	13
Change in provision for liabilities & charges	(86)	(406)	(487)
Investment in joint venture	<u>10,318</u>	<u>25,892</u>	<u>48,271</u>
Foreign currency translation movement	1,713	-	8,475
Closing balance	<u>120,118</u> =====	<u>77,233</u> =====	<u>108,087</u> =====
(ii) Analysis of investment in joint venture			
- Mine development, property, plant & equipment	113,514	79,335	99,583
- Intangible assets	-	-	-
- Stocks	1,909	-	1,446
- Debtors	916	282	1,613
- Cash at bank	577	3,255	3,567
- Creditors	(5,676)	(4,496)	(5,373)
- Provision for liabilities & charges	(1,310)	(1,143)	(1,224)
	<u>109,930</u>	<u>77,233</u>	<u>99,612</u>
Foreign currency translation	10,188	-	8,475
Total investment in joint venture	<u>120,118</u> =====	<u>77,233</u> =====	<u>108,087</u> =====
(b) Development expenditure			
Opening balance	2,353	1,005	1,005
Transfer from operating statement	617	1,052	1,348
Closing balance	<u>2,970</u> =====	<u>2,057</u> =====	<u>2,353</u> =====

The transfer from the Group operating statement includes the Group's investment in the Magellan Project in Western Australia amounting to IR£0.62 m.

The amounts for investment in joint venture and development expenditure relate principally to the Group's 50% interest in the Lisheen Mine.

6. Re-domiciling / listing expenses

Costs amounting to IR£0.88 million were incurred in the re-domiciling and listing process for the Toronto Stock Exchange and the Exploration Securities Market of the Irish Stock Exchange.

7. Currency loss

A currency loss of IR£0.28 million arose on the placing proceeds held on deposit due to the weakening of the US\$ and Stg£ against the IR£ between the date of completion of the private placing and 30 June 2000.

8. Profit on sale of shares

A profit of IR£0.08 million arose on the sale by the Group of 126,594 ordinary shares of Ivernia West in May 2000

9. Current Assets – cash at bank

At 30 June 2000 the Group had cash balances of IR£9.6 million, which included the sum of IR£1.62 million, which is charged for the payment, performance and discharge of Ivernia's secured obligations for the Lisheen Mine, and a cash collateral deposit of IR£1.4 million in respect of the Planning Bond (Mine Closure and Rehabilitation). Interest income of IR£0.11million was generated by the Group's cash balances during the reporting period.

10. Creditors – amounts falling due after more than one year

At 30 June 2000 the Group had fully utilised the Lisheen Project loan and letter of credit facility of US\$86.5 million.

11. Movements in Equity Shareholders' Funds

	30/6/2000 IR£'000	30/6/1999 IR£'000 (as restated)	31/12/1999 IR£'000
Opening balance	52,680	44,994	44,994
Loss for period	(2,095)	(269)	(1,016)
New share capital issued	6,400	-	200
Foreign currency translation	1,720	-	8,502
Closing balance	<u>58,705</u> =====	<u>44,725</u> =====	<u>52,680</u> =====

In May 2000 a private placing of 10,380,780 ordinary shares at Stg£0.49 (US\$0.78) per share raised net proceeds of IR£6.40 million.

12. Financial Instruments

At 30 June 2000 forward sales contracts of US\$35.75 million were in place to hedge in € part of the future operating costs of the Lisheen Mine of which US\$12.25 million was for 2000, US\$11.5 million for 2001, US\$6 million for 2002 and US\$6 million for 2003 at average forward rates of US\$1.076/ € \$1.103/ € \$1.036/ € and \$0.982/ € respectively.

At 30 June 2000 forward sales contracts of US\$4.75 million were in place to hedge project development costs at an average forward rate of US\$1.395/IR£.

At 30 June 2000 forward purchase contracts for US\$2.1 million were in place to hedge in US dollars Ivernia's contributions to the Lisheen Mine at an average rate of \$1.30/IR£.

Independent Review Report to Ivernia West plc

Introduction

We have been instructed by the company to review the financial information set out on pages 5 to 10 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Irish Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements, except where any changes and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

PricewaterhouseCoopers
Chartered Accountants
Limerick

25 October 2000