The New Ivernia

Annual Report 2003

Management's Discussion and Analysis

Financial Statements

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Set out below is a review of the activities, results of operations and financial condition of Ivernia West Inc. (the "Company") and its subsidiaries for its 2003 and 2002 financial years, together with certain trends and factors that are expected to impact its 2004 financial year. This information is presented as of April 30, 2004. The discussion below should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2003 and 2002 and the notes thereto. The Company's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles.

Capitalized terms used and not defined below have the meanings given to them in the consolidated financial statements and the notes thereto. References below to "$" or "US dollars" refer to United States dollars. The Company uses the US dollar as its reporting currency. Certain financial information relating to Ivernia set out below originated in Canadian dollars ("C$"), the Euro or Australian dollars ("A$") and has been translated into US dollars based on prevailing exchange rates and in accordance with note 2 to the consolidated financial statements.

Additional information relating to the Company, including the Company's most recent annual information form, is available on SEDAR at www.sedar.com.

Overview of Operations

The Company (collectively with its subsidiaries, "Ivernia") is an international base metals mining and exploration company. As at April 30, 2004 Ivernia's principal asset is its 51% equity interest (December 31, 2003 - 60%) in the Magellan lead project (the "Magellan Project") in Western Australia. The other 49% equity interest in the Magellan Project is held by Sentient Global Resources Fund (together with its affiliates, "Sentient"), Ivernia's joint venture partner in developing the Magellan Project. On an ongoing basis, 51% of the joint venture partner funding for the Magellan Project will be provided by Ivernia, with 49% to be funded by Sentient.

The development plan for the Magellan Project contemplates two phases. Phase 1 will involve the production and sale of lead concentrate. Construction of a mine consisting of two open pits, a processing plant, a tailings dam and other facilities, is currently scheduled to commence during the second quarter of 2004 at an estimated capital cost of A$30.0 million ($21.6million), of which A$4.1 million ($3.0 million) has already been spent. Mining operations are projected to commence in early 2005. Phase 2, currently scheduled for 2005 and 2006, calls for the construction, to be financed in part from mine cash flow, of a refinery to produce lead metal for direct sale.

Prior to September 29, 2003 Ivernia's other principal asset was a 50% interest in a joint venture (the "Lisheen Joint Venture") which owned and operated the Lisheen zinc/lead mine in the Republic of Ireland (the "Lisheen Mine"). On September 29, 2003 the Company sold all of the shares of its subsidiary Ivernia West Limited and certain other subsidiaries holding the Company's interest in the Lisheen Mine to its joint venture partner in the mine, Anglo American plc ("Anglo").

The Company is active in only one operating segment, namely the acquisition, exploration, development and mining of mineral properties.

Magellan Joint Venture

The Magellan Project is 100% owned by Magellan Metals Pty Ltd ("Magellan Metals"). As at January 1, 2003 the Company held a 95.8% interest in Magellan Metals (January 1, 2002 - 91.6% interest). Of this interest, 15.7% was held through Ivernia's wholly-owned subsidiary Ivernia Australian Holdings Limited ("IAHL") and a further 80.1% was held through Ivernia Australia Pty Ltd. ("IAPL", formerly Polymetals Pty Ltd.), which was at such time owned as to 95% by IAHL.

In February 2003, IAHL entered into a loan agreement with Sentient for a $2.10 million twelve month interest free secured loan to IAHL (the "First Sentient Loan"). Of this amount, $2.08 million was applied in March 2003 to settle in full Ivernia's obligations in the amount of $2.85 million under the Company's standby facility with an Irish financial institution (the "Standby Facility"). Pursuant to a March 2003 amendment to the loan agreement, Sentient advanced by way of secured loan an additional $2.50 million (the "Second Sentient Loan") to IAHL from March through June 2003. Proceeds from the Second Sentient Loan were used to fund the final feasibility study and detailed engineering work on the Magellan Project, and were also applied in May 2003 by Magellan Metals to terminate an existing royalty on the project held by an Australian mining company.

On June 19, 2003 Ivernia signed definitive agreements with Sentient for a joint venture to develop the Magellan Project (the "Magellan Joint Venture"). Pursuant to these definitive agreements, Sentient agreed to provide $4.60 million in initial financing to Magellan Metals. This amount was advanced by way of a $1.70 million subscription for 40% of the shares of Magellan Metals (the "Magellan Subscription"), $2.40 million in secured loans (the "Magellan First Ranking A Loan" and, together with the Magellan First Ranking B Loan (as defined below), the "Magellan Loans") and $0.50 million in notes (the "Magellan Notes") which were convertible into shares of Magellan Metals. The total amount provided by Sentient under these arrangements was used to extinguish the First Sentient Loan and Second Sentient Loan. As a result of the Magellan Subscription, Ivernia's interest in Magellan Metals decreased to 57.47%. See note 3 to the consolidated financial statements.

Prior to these definitive agreements being executed, on June 19, 2003 the Company completed a reorganization of its subsidiaries with the result that the Company's interest in the Magellan Project is now held through IAHL.

Under a project funding agreement between Ivernia, Sentient and Magellan Metals, to the extent financing is not obtained from a bank or other lender, the ongoing development of the Magellan Project will be financed by periodic loans ("Progress Loans") from Ivernia and Sentient in proportion to their equity interests in Magellan Metals. The Progress Loans bear interest at the rate of 15% per annum and are repayable from Magellan Project cash flow on or before June 19, 2012 or such earlier date on which Sentient ceases to be a shareholder of Magellan Metals. Under the joint venture agreements, arrangements were put in place whereby, in the event that Ivernia was unable to fund its share of Progress Loans, Sentient was required to make contributions on Ivernia's behalf under an interim funding arrangement (the "Cash Flow Note"), to be repaid out of Magellan Project cash flow with interest at a rate that would provide Sentient with a 30% internal rate of return.

The obligations of Magellan Metals under the Magellan Loans, the Magellan Notes, the Progress Loans and the Cash Flow Note were secured by charges over the assets of Magellan Metals. In addition, IAHL and IAPL guaranteed Magellan Metals' obligations under all of these facilities except for the Progress Loans. These guarantees were secured by equitable mortgages by IAHL and IAPL over their shares of Magellan Metals.

Reported earnings of $4.88 million in 2003 after realising a net gain of $7.97 million on the sale of Lisheen

On August 25, 2003 IAHL paid A$2.00 million ($1.30 million) in settlement of an option exercised in January 2002 to increase its ownership of IAPL from 95% to 100% by purchasing the remaining 5% of the shares of IAPL not held by it pursuant to a previously granted call option, which additional IAPL shares represented a 2.53% interest in the Magellan Project. Following that transaction the Company held a 60% interest in Magellan Metals. The payment under the option was funded from a drawdown on the Magellan Loans (the "Magellan First Ranking B Loan"). See note 6*(f)* to the consolidated financial statements.

On March 31, 2004 all of the Magellan Notes were converted into Magellan Metals shares or replaced with Magellan Loans with the result that Sentient increased its equity interest in Magellan Metals from 40% to 49%. Ivernia holds the remaining 51% equity of Magellan Metals and remains the operator of the project. Ivernia and Sentient also agreed that all obligations of Ivernia under the Cash Flow Note will be repaid by Ivernia and the Cash Flow Note terminated with effect from March 31, 2004. Ivernia has deposited with Sentient the $4.1 million outstanding on the Cash Flow Note as of March 31, 2004. The parties have committed to enter into definitive documentation providing for the repayment of the Cash Flow Note and amending the remaining joint venture agreements accordingly. This documentation is to be entered into not later than June 30, 2004, failing which all of Sentient's rights under the Cash Flow Note will be extinguished in any event on such date in consideration of the release of the $4.1 million deposit to Sentient. The definitive documentation will also terminate the equitable mortgages granted to Sentient by IAHL and IAPL over their shares of Magellan Metals, provided that these equitable mortgages will terminate with effect from March 31, 2004 in any event if such documentation is not entered into by June 30, 2004.

Lisheen Sale

On July 18, 2003 the Company signed a definitive agreement with joint venture partner Anglo American plc for the purchase by Anglo of the Company's 50% participating interest in the Lisheen Mine (the "Lisheen Sale"). The consideration consisted of a cash purchase price of $1.80 million and the assumption by Anglo of all the Company's existing debt and other obligations relating to the Lisheen Mine, including outstanding loans from the project's lenders to a subsidiary of the Company of $73.19 million (the "Lisheen Project Loan"). Of the $1.80 million purchase price, $0.50 million had been previously advanced by Anglo in May 2003 and the balance was received on completion. The Company's interest in the Lisheen Mine was sold because of its increasing debt burden and the lack of foreseeable cash flow to Ivernia from the operation. The sale was approved by the Company's shareholders on August 28, 2003 and closed on September 29, 2003. Following the completion of this transaction, Ivernia closed its office in Limerick, Ireland.

Results of Private Placements

From January through June 2003, the Company received advance subscription proceeds of $1.55 million relating to a private placement (the "2003 Private Placement") of 10% convertible notes (the "Convertible Notes") and common share purchase warrants (the "2003 Warrants"). Taken together with advance proceeds received to December 31, 2002 this brought to $1.95 million the total amount of advance proceeds received under the private placement, which was approved by the Company's shareholders in October 2002. Upon the closing of the 2003 Private Placement on August 29, 2003 the Company issued $1.95 million aggregate principal amount of Convertible Notes and 30 million 2003 Warrants to the purchasers. The 2003 Warrants, together with 9,134,017 common share purchase warrants issued by the Company from January to April 2002 (the "2002 Warrants"), brought the number of total outstanding common share purchase warrants of the Company to 39,134,017. The 2002 Warrants were issued in connection with a private placement of common shares for aggregate net proceeds of $2.34 million.

In December 2003, all of the 2002 Warrants and 14,615,385 of the 2003 Warrants were exercised for aggregate proceeds to the Company of $1.54 million.

In January and February 2004, the remaining 15,384,615 of the 2003 Warrants were exercised and the Company received proceeds of $1.00 million. Also in February 2004, four major security holders who collectively held the $1.95 million outstanding principal amount of Convertible Notes converted all their notes into 30 million common shares of the Company.

On March 25, 2004 the Company completed a private placement of 80 million units at a price of C$0.25 per unit for gross proceeds of C$20 million (the "2004 Private Placement"). Each unit consisted of one common share and one-half of one common share purchase warrant (the "2004 Warrants"). The net proceeds from the 2004 Private Placement will be used to fund Ivernia's equity share of the construction and development program on the Magellan Project and for general working capital purposes.

Results of Operations

After realising a net gain of $7.97 million on the Lisheen Sale (see note 4 to the consolidated financial statements) the Company reported earnings of $4.88 million in 2003 ($0.033 per common share, or $0.028 per common share on a diluted basis), compared to a loss of $22.75 million in 2002 ($0.16 per common share basic and diluted). The loss in 2002 was after taking a writedown of $16.99 million on the Company's investment in the Lisheen Joint Venture.

In 2003, interest expense of $2.14 million decreased from $4.40 million in 2002 principally due to lower interest rates and reduced debt, particularly for the period after September 29, 2003 as a result of the assumption by Anglo of the Lisheen Project Loan and certain of Ivernia's other debt obligations pursuant to the Lisheen Sale. The interest expense during 2003 represented interest incurred on the Lisheen Project Loan, the Standby Facility and the Convertible Notes. The interest expense during 2002 represented interest incurred on the Lisheen Project Loan and the Standby Facility. See notes 6*(a)*, *(b)* and *(c)* to the Company's consolidated financial statements for further details regarding these facilities.

General and administrative costs in 2003 decreased to $1.01 million from $1.25 million due mainly to the closure of Ivernia's Irish office subsequent to the Lisheen Sale.

During 2003, a gain of $768,000 on a loan settlement was realised by Ivernia on the settlement of its Standby Facility with an Irish financial institution. See note 6*(b)* to the consolidated financial statements.

Stock option costs in 2003 decreased to $82,000 from $97,000 in 2002, due principally to fewer options vesting in 2003.

In 2003, interest income of $82,000 decreased from $103,000 in 2002 as average cash balances were maintained at lower levels than 2002 for the greater part of the year until the Lisheen Sale proceeds were received in September 2003. See note 4 to the consolidated financial statements.

During 2003 group restructuring costs of $646,000 related to the cost of closure of the Company's office in Limerick, Ireland, including employee severance costs, and legal and consulting fees principally associated with the restructuring of the Company's subsidiaries prior to the entering into of the Magellan Joint Venture and the Lisheen Sale.

Exploration costs in 2003 were nil compared to $47,000 in 2002 following the curtailment of all exploration in Ireland and the United States during 2002. Costs associated with the Magellan Project drilling program were capitalised as part of the development costs in 2002 and 2003.

ADDITIONS TO THE MAGELLAN PROJECT'S PROPERTY, PLANT AND EQUIPMENT IN 2003 TOTALLED $5.98 MILLION, INCLUDING COMPLETION OF THE FEASIBILITY STUDY

Liquidity & Cash Flow

Investing Activities

During 2003, cash utilised in investing activities was $3.23 million, compared to $9.95 million being generated in 2002.

Additions to property, plant and equipment in 2003 of $5.98 million were all incurred on the Magellan Project, consisting of $1.30 million (A$2.00 million) for the purchase by IAHL of the remaining 5% of the shares of IAPL and $4.68 million in respect of the Company's share of Magellan Project final feasibility study costs, engineering, drilling, equipment purchases, and the buyout of a third party farm-in and royalty agreement on the Magellan property. Additions to property, plant and equipment in 2002 of $1.47 million was also all incurred on the Magellan Project principally on feasibility study costs, equipment purchases and drilling. These additions to property, plant and equipment include capitalised interest costs of $0.52 million in 2003 (2002 - nil).

The net proceeds on the Lisheen Sale in 2003 of $1.45 million related to the receipt of gross proceeds of $1.80 million less legal and other expenses of $354,000 (2002 - nil).

The decrease in equity investments in 2003 of $1.30 million related to shareholder and partner loans repaid to Ivernia by the Lisheen Joint Venture under the terms of certain arrangements with Anglo to provide for the funding of certain cost overrun contributions for the Lisheen Mine (the "Anglo Funding Agreement"). These repayments enabled Ivernia to fund the Lisheen Project Loan interest payments and to place funds with a financial institution which issued certain planning and other project bonds (the "Project Bonds"). The corresponding decrease in equity investments in 2002 of $10.61 million related to shareholder and partner loans repaid to Ivernia by the Lisheen Joint Venture under the terms of the Anglo Funding Agreement to enable Ivernia to fund a repayment of $6.65 million and interest payments on the Lisheen Project Loan, and to place funds with the Project Bond issuing financial institution.

Financing Activities

In 2003, Ivernia generated net cash of $10.12 million from financing activities compared to net cash utilised of $5.00 million in 2002. The main components in 2003 were a $6.93 million net increase in long-term debt (excluding the assumption by Anglo of the $73.19 million Lisheen Project Loan), $1.54 million proceeds on the issue of common shares of the Company from the exercise of the 2002 Warrants and certain of the 2003 Warrants, and a $1.70 million contribution from Sentient on the subscription by Sentient for 40% of the shares of Magellen Metals.

The main components of the $6.93 million net increase in long-term debt in 2003 were (i) $1.55 million in proceeds against the issue of Convertible Notes and 2003 Warrants of the Company, (ii) the First Sentient Loan and Second Sentient Loan advances for an aggregate of $4.60 million, (iii) a $1.40 million Magellan First Ranking B loan, and (iv) the Company's $3.10 million share of the Magellan Progress Loans (such share being entirely funded by Sentient under the terms of the Cash Flow Note), less (a) a $2.08 million settlement of the Standby Facility from the proceeds of the First Sentient Loan, and (b) the $1.70 million of the First Sentient Loan and Second Sentient Loan advances which were converted to a $1.70 million subscription for 40% of the shares of Magellan Metals. The remaining $2.90 million of the First Sentient Loan and Second Sentient Loan advances were converted pursuant to the Magellan Joint Venture agreements into the $2.40 million Magellan First Ranking A Loan and the $0.50 million aggregate principal amount of Magellan Notes.

In 2002, the main components of net cash utilised were $6.65 million of Lisheen Project Loan repayments, less $0.40 million of advance proceeds against the issue of Convertible Notes and 2003 Warrants of the Company, less $1.26 million representing the net proceeds from the issue of common shares of the Company.

Contractual and Other Obligations

The following table summarizes the Company's contractual and other obligations including principal payments and interest, as at December 31, 2003.

		Payments due by Period			
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
			(thousands of US dollars)		
Convertible Notes [1]	**1,950**	–	1,950	–	–
Other long-term debt	**6,243**	–	–	–	6,243
Rental agreements and operating leases	**25**	23	2	–	–
Environment and reclamation obligations [2]	**10**	10	–	–	–
Exploration licences [3]	**77**	77	–	–	–
Mining leases [3]&[4]	**84**	84	–	–	–
Total	**8,389**	194	1,952	–	6,243

Notes:

(1) The obligation above in respect of the Convertible Notes includes both the long-term liability component and the equity component. See note 6 to the consolidated financial statements. During February 2004, the holders of all the Convertible Notes effected an early conversion of the Convertible Notes into 30 million common shares of the Company.

(2) Environmental and reclamation obligations in respect of the Magellan Project are supported by an unconditional performance bond with an Australian financial institution. The Company is in discussions with the Australian regulatory authorities concerning environmental and reclamation obligations over the anticipated life of the Magellan Project. It is currently anticipated that the Australian authorities will require Magellan Metals to progressively put in place unconditional performance bonds for those obligations, the Company's 51% share of which are currently estimated to be approximately A$1.5 million over the currently expected mine life.

(3) Under the terms of its exploration licences and mining leases, Magellan Metals is required to meet certain minimum expenditure requirements for a 12 month period commencing on the date of issue or renewal of the licence or lease. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2003 are dependent upon whether Magellan chooses to retain its current tenements.

(4) Once the Magellan Project is in production, Magellan Metals is obliged to make royalty payments of 5% of net realisable value of lead concentrates produced or 2.5% of net realisable value of lead metal produced and a payment of A$0.08 per tonne of ore mined under the Heritage Agreement dated September 25, 1998 between Magellan Metals Pty Ltd and the Milangka Group and the Land Use Agreement dated December 16, 1998 between Magellan Metals Pty Ltd and the Wanmulla Group.

Working Capital, Capital Resources & Funding Arrangements

The Company significantly improved its financial position during the course of 2003. Its working capital position improved by a net $27.99 million to a surplus of $3.25 million as at December 31, 2003 compared to a $24.74 million deficiency as at December 31, 2002.

As at December 31, 2003 Ivernia had cash and cash equivalents of $3.81 million compared to $0.19 million at December 31, 2002.

Magellan's Phase 1 capital costs are estimated at $21.6 million and Phase 2 at $17.1 million

Ivernia West Inc.

The Company completed during 2003 and to date in 2004 several transactions at the parent company level which have impacted positively on Ivernia's capital resources.

On August 29, 2003 the Company completed the 2003 Private Placement involving the issuance of $1.95 million aggregate principal amount of Convertible Notes and the 2003 Warrants, of which amount $1.55 million represented advance proceeds received during 2003. In December 2003, 14,615,385 of the 2003 Warrants and all of the 2002 Warrants were exercised for aggregate proceeds to the Company of $1.54 million. The remaining 15,384,615 of the 2003 Warrants were exercised in January and February 2004 for proceeds of $1.00 million, during which period all of the Convertible Notes were also converted into 30 million common shares of the Company.

On September 29, 2003 the Company completed the Lisheen Sale. Of the $1.80 million purchase price, $0.50 million had been previously advanced by Anglo in May 2003 and the balance was received on completion. Anglo also assumed $73.19 million of Lisheen Project Loans.

On March 25, 2004 the Company completed the 2004 Private Placement, involving the issuance of 80 million common shares and 40 million 2004 Warrants for gross proceeds of C$20.00 million ($14.71 million). The 2004 Warrants are exercisable until March 25, 2006 for further aggregate proceeds to the Company of C$10.01 million ($7.36 million) if fully exercised. The net proceeds from the 2004 Private Placement will be used to fund Ivernia's equity share of the construction and development program on the Magellan Project and for general working capital purposes.

Ivernia's material assets and mining operations are held and operated through its subsidiaries IAHL, IAPL and Magellan Metals. The Company's ongoing cash requirements at the parent company level are expected to be limited to corporate general and administrative costs.

Magellan Project

Pursuant to the Magellan Joint Venture agreements, Sentient provided $4.60 million in initial financing to Magellan Metals. As a result of the conversion or transfer of the Magellan Notes on March 31, 2004, Sentient increased its equity interest in Magellan Metals to 49%. On an ongoing basis, 49% of the funding for the Magellan Project will be provided by Sentient, with 51% to be funded by or on behalf of Ivernia. Details of the current funding arrangements are set out under "Overview of Operations - Magellan Joint Venture".

Phase 1 capital costs for the Magellan Project, including the construction of the mine, plant and related infrastructure, are estimated at A$30.0 million ($21.6 million), which includes A$4.1 million ($3.0 million) spent during 2003. Ivernia's share of these capital costs is 51%. Ivernia and Sentient propose to fund all Phase 1 costs with a combination of shareholder loans and trade financing.
The cost of Phase 2 is estimated at A$23.8 million ($17.1 million) and is expected to be funded from a combination of shareholder loans, debt and operating cash flow from the project.

Outstanding Share Data

As at April 30, 2004 the Company had 298,994,195 common shares and no preference shares issued and outstanding. In connection with the issuance of 80 million common shares under the 2004 Private Placement, the Company also issued 40 million 2004 Warrants on March 25, 2004. The 2004 Warrants are exercisable at a price of C$0.25 per share (or C$0.265 per share for insiders of Ivernia for securities regulatory purposes) until March 25, 2006. In addition, as part of their compensation, Haywood Securities Inc., Canaccord Capital Corporation and Paradigm Capital Inc., the Company's agents in connection with the private placement, were issued compensation warrants giving them the right to purchase 4.68 million units at a price of C$0.25 per unit, each unit consisting of (i) one common share in the Company and (ii) one-half of one warrant, each whole warrant having an exercise price of C$0.25 per share and being in all other respects identical to the 2004 Warrants issued to the private placement purchasers. The compensation warrants are exercisable at any time until September 25, 2005. All of the 2004 Warrants and compensation warrants remain outstanding as at April 30, 2004.

Transactions with Related Parties

Sentient is considered to be a related party by virtue of the size of its shareholding in the Company (8% on a dilutive basis) and its participation in the Magellan Project. As at December 31, 2003 Sentient held a 40% equity interest in the Magellan Project and had provided loans and convertible notes to Magellan Metals amounting to $9.40 million (of which the Company's share was $6.24 million) in connection with the development of the Magellan Project. See note 3 to the consolidated financial statements and "Overview of Operations - Magellan Joint Venture" above.

Off-Balance Sheet Arrangements and Financial Instruments

In the normal course of its operations, the Company is exposed to credit, currency, interest and commodity price risks. In order to manage these risks, the Company may enter into transactions which may use off-balance sheet financial instruments. The Company does not acquire, hold or issue these instruments for trading purposes. There were no such off-balance sheet financial instruments in place as at December 31, 2003 nor as at April 30, 2004. The Company may consider entering into lead metal price hedge contracts during the course of the next 12 months as the Magellan Project goes into production.

Critical Accounting Estimates

Management is required to make estimates in preparing its financial statements in conformity with generally accepted accounting principles. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The critical accounting estimates made by the Company are used in the determination of asset lives to compute depreciation, impairment of assets, the cost of stock options, reclamation and environmental obligations, the determination of mineral reserves, the determination of the cost of taxes, and allowances for unrecoverable receivables.

NO LEAD PRICE HEDGES
HAVE BEEN PUT IN PLACE

Changes in Accounting Policies

There were no changes to accounting policies initially adopted during the year ended December 31, 2003 and no changes to accounting policies have been adopted since December 31, 2003.

Risks and Uncertainties

Ivernia is subject to the normal operating and geological risks associated with mining activities; its ability to maintain its interest in the Magellan Project and attain and sustain positive operating cash flow once commercial production at the Magellan Project is achieved; and certain other risks set out in this and other documents filed by the Company with securities regulators. In addition to these risks, Ivernia's profitability will largely be dependent on lead metal prices, foreign exchange rates and interest rates.

Lead Metal Prices

Upon the commencement of production at the Magellan Project, cash flows to Ivernia from the project will depend upon lead metal sales prices for the Magellan Project production. Such sales prices will be determined by prevailing market conditions. No lead metal price hedges have been put in place.

Foreign Exchange Rates

Substantially all operating costs to be incurred by Magellan metals in connection with the Magellan Project will be denominated in Australian dollars while its revenues will be earned in US dollars. Accordingly, changes in exchange rates between the Australian dollar and the US dollar will affect the Company's operating income. In order to reduce its exposure to currency fluctuations, Magellan Metals may hedge a portion of its Australian dollar exposure against currency fluctuations. No currency hedges have been put in place.

Interest Rates

The Company does not currently have debt subject to variable interest rates. The Magellan Metals Progress Loans and First Ranking Loans bear interest at a rate of 15% per annum for the life of the loans. The Convertible Notes did bear interest at the rate of 10% per annum until converted in February 2004.

Other Risks

The Company continually monitors and assesses the risks it faces. It reduces both the likelihood and potential severity of these risks through its high operational standards, various programs and employee training. The Company also maintains adequate insurance at all times to cover normal operating activities. The Company operates in an international environment and, therefore, is subject to government regulations and is exposed to adverse changes in these regulations within each jurisdiction in which it operates.

Selected Annual Information

The following table sets out selected consolidated financial information for the Company for its three most recently completed financial years. The following selected financial information has been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements for the periods and as at the dates indicated, including the notes thereto and the auditors' report thereon, as filed with Canadian securities regulators.

	For the 12 months ended December 31		
	2003	2002	2001
	(thousands of US dollars, except per share data [1])		
Statement of Operations:			
Net revenue	**82**	103	12,981
Net income (loss)	**4,876**	(22,747)	(15,454)
Basic net income (loss) per share	**0.033**	(0.16)	(0.13)
Diluted net income (loss) per share	**0.028**	(0.16)	(0.13)
Dividends per share	**Nil**	Nil	Nil
Balance Sheet:			
Cash and cash equivalents	**3,809**	191	630
Working capital	**3,246**	(24,742)	(13,640)
Total assets	**15,528**	85,173	110,373
Total long-term financial liabilities	**8,004**	53,631	68,884

[1] Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant fiscal year.

The comparability of the selected consolidated financial information set out above is affected by the following material factors:

(a) Magellan Joint Venture

Since June 19, 2003 when the joint venture agreements with Sentient were entered into, the Company accounts for the Magellan Joint Venture by the proportional consolidation method. Under this method the Company has included in its balance sheet at December 31, 2003 its then 60% share of the Magellan Metals assets and liabilities. Until the formation of the joint venture, the Company consolidated its 95.8% interest in Magellan Metals, with the remaining 4.2% attributed to minority interest in the consolidated balance sheet. The minority interest had no share in the results of the Company as the Magellan Project is a development property and all costs are capitalized. See notes 3 and 5 to the consolidated financial statements. The minority interest was bought out on August 25, 2003.

(b) Lisheen Sale and Accounting for the Lisheen Joint Venture

The Company considered that with effect from July 1, 2001 it no longer exercised joint control over the Lisheen Joint Venture. Consequently, with effect from July 1, 2001 the Company accounted for its interest in the Lisheen Joint Venture as an investment by the equity method. Prior to that date the Company accounted for its 50% interest in the Lisheen Joint Venture by the proportional consolidation method.

PARTNER PAID $1.8 MILLION FOR THE LISHEEN MINE AND ASSUMED DEBT OF $73.2 MILLION

During September 2002 the Company reviewed the recoverability of the carrying value of the net investment in the Lisheen Joint Venture. As a result of that review, a writedown of $16.99 million was made and, recognising its loss of significant influence over the operations, the Company adopted cost as its basis of accounting for its interest in the Lisheen Joint Venture.

On July 18, 2003 the Company signed a definitive agreement with Anglo for the purchase by Anglo of the Company's 50% participating interest in the Lisheen Mine. The Lisheen Sale was completed on September 29, 2003 having received all necessary shareholder and regulatory approvals. Pursuant to the Lisheen Sale, Anglo purchased all of the shares of the Company's subsidiary Ivernia West Limited and its other subsidiaries holding the Company's interest in the Lisheen Mine for consideration consisting of an aggregate cash purchase price of $1.8 million and the assumption by Anglo of all the Company's existing debt and other obligations relating to the Lisheen Mine, including outstanding loans from the project's lenders to Ivernia in the amount of $73.2 million. See note 4 to the consolidated financial statements.

Selected Quarterly Information

The following table sets out selected unaudited consolidated financial information for the Company for the eight fiscal quarters ending December 31, 2003.

	3 months ended							
	Dec. 31 2003	**Sept. 30 2003**	**June 30 2003**	**Mar. 31 2003**	Dec. 31 2002	Sept. 30 2002 *(restated)*	June 30 2002	Mar. 31 2002
	(thousands of US dollars, except per share data [1])							
Net revenues	**4**	**25**	**30**	**23**	28	33	26	16
Net income (loss)	**($848)**	**$7,527**	**($1,243)**	**($560)**	($1,492)	($18,659)	($1,188)	($1,408)
Basic net income (loss) per share	**($0.01)**	**$0.05**	**($0.01)**	**($0.00)**	($0.01)	($0.13)	($0.01)	($0.01)
Diluted net income (loss) per share	**($0.01)**	**$0.04**	**($0.01)**	**($0.00)**	($0.01)	($0.13)	($0.01)	($0.01)

[1] Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant period.

The comparability of the selected consolidated financial information set out above is affected by the same material factors as set out under "Selected Annual Information" above.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in the Company's annual information form and in other documents filed from time to time by the Company with Canadian securities regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Ivernia. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

April 30, 2004

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Ivernia West Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors is assisted in these responsibilities by its Audit Committee, whose members are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Alan M. De'ath
President and Chief Executive Officer
April 2, 2004

Kenneth J. Sangster
Executive Vice-Chairman

Auditors' Report

To the Shareholders of Ivernia West Inc.

We have audited the consolidated balance sheets of Ivernia West Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating to overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Toronto, Ontario
April 2, 2004

Ivernia West Inc.

Consolidated Statements of Operations

For the years ended December 31, 2003 and 2002
(in thousands of United States dollars, except per share amounts)

	2003 $	2002 $
Revenue		
Interest income	**82**	103
Expenses (income)		
General and administrative	**1,007**	1,250
Stock option costs *(note 7(d))*	**82**	97
Group restructuring costs	**646**	–
Foreign exchange loss (gain)	**59**	(165)
Exploration	**–**	47
Interest expense	**2,144**	4,402
Writedown of investments	**–**	16,992
Property, plant and equipment writedown	**–**	175
Gain on loan settlement *(note 6(b))*	**(768)**	–
Gain on Lisheen sale *(note 4)*	**(7,971)**	–
Other expenses net	**7**	52
	(4,794)	22,850
Earnings (loss) for the year	**4,876**	(22,747)
Deficit - beginning of year	**(80,772)**	(58,025)
Deficit - end of year	**(75,896)**	(80,772)
Basic earnings (loss) per share *(note 7(f))*	**0.033**	(0.160)
Diluted earnings per share *(note 7(f))*	**0.028**	(0.160)

The accompanying notes are an integral part of these consolidated financial statements.

Ivernia West Inc.

Consolidated Balance Sheets

as at December 31, 2003 and 2002

(in thousands of United States dollars)

	2003 $	2002 $
Assets		
Current assets		
Cash and cash equivalents	**3,809**	191
Accounts receivable and other current assests	**210**	65
	4,019	256
Investment in Lisheen joint venture *(note 4)*	**–**	73,192
Other investments	**16**	16
Property, plant and equipment *(note 5)*	**11,407**	8,184
Restricted cash and cash equivalents	**–**	3,474
Deferred charges	**86**	51
	15,528	85,173
Liabilities		
Current liabilities		
Current portion of long-term debt *(note 6)*	**–**	22,723
Accounts payable and accrued liabilities	**773**	2,275
	773	24,998
Long-term debt *(note 6)*	**8,004**	53,631
Minority interest *(note 3)*	**–**	52
	8,777	78,681
Shareholders' Equity		
Share capital *(note 7(b))*	**82,256**	80,359
Equity component of debt *(note 6(c))*	**206**	–
Contributed surplus *(note 7(e))*	**185**	97
Deficit	**(75,896)**	(80,772)
Cumulative translation adjustments *(note 4)*	**–**	6,808
	6,751	6,492
	15,528	85,173

Commitments and contingencies *(notes 3, 6, 10 and 12)*

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

J. Trevor Eyton
Director

Alan M. De'ath
Director

Ivernia West Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2003 and 2002
(in thousands of United States dollars)

	2003 $	2002 $
Cash provided by (used in)		
Operating activities		
Earnings (loss) for the year	**4,876**	(22,747)
Non-cash items:		
Stock option costs *(note 7(d))*	**82**	97
Writedown of investments	**–**	16,992
Property, plant and equipment writedown	**–**	175
Gain on Lisheen Sale *(note 4)*	**(7,971)**	–
Gain on loan settlement *(note 6(b))*	**(768)**	–
Shares issued for non-cash consideration *(note 7(b))*	**353**	–
Other	**(3)**	490
Changes in non-cash working capital:		
Accounts receivable and other current assets	**(145)**	263
Accounts payable and accrued liabilities	**1,268**	1,030
Change in restricted cash and cash equivalents	**(824)**	(1,125)
	(3,132)	(4,825)
Investing activities		
Additions to property, plant and equipment	**(5,975)**	(1,465)
Proceeds on sale of short-term investment	**–**	797
Net proceeds on Lisheen Sale *(note 4)*	**1,446**	–
Decrease in equity investment	**1,303**	10,614
	(3,226)	9,946
Financing activities		
Net cash proceeds on issue of shares	**1,544**	1,257
Increase (decrease) in long-term debt, net	**6,927**	(6,654)
Contribution from joint venture partner *(note 3)*	**1,700**	–
Advance proceeds against Convertible Notes	**–**	400
Increase in deferred charges	**(50)**	–
	10,121	(4,997)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	**(145)**	(563)
Net increase (decrease) in cash and cash equivalents	**3,618**	(439)
Cash and cash equivalents - Beginning of year	**191**	630
Cash and cash equivalents - End of year	**3,809**	191

Supplementary information:		
Interest paid	**1,026**	3,063

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

1. Nature of operations

Ivernia West Inc. ("Ivernia Inc.") and its subsidiaries (collectively, the "Company") is active in one operating segment, namely the acquisition, exploration, development and mining of mineral properties. As at December 31, 2003 its principal project was a 60% (December 31, 2002 - 95.8%) direct and indirect equity interest in Magellan Metals Pty. Limited ("Magellan Metals") in Australia. Subsequent to December 31, 2003 the Company's interest in Magellan Metals reduced to 51% *(note 3 and 12(c))*.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain comparative amounts have been reclassified to conform to the current year's presentation. Summarized below are the significant accounting policies used in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company. Interests in joint ventures where the Company has joint control are accounted for by the proportionate consolidation method. Under this method, the Company includes in its accounts its proportionate share of the assets, liabilities, revenues, expenses and cash flows. Interests in investments, including joint ventures, where the Company exercises significant influence are accounted for by the equity method. Investments in which the Company does not exercise significant influence are accounted for using the cost method under which investments are accounted for at the lower of cost and estimated net realisable value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Actual results may differ from those estimates.

Reporting currency

Management has determined that the United States dollar ("US$" or "US dollar") is the principal currency of the Company's business. Accordingly, the Company uses the US dollar as its reporting currency. The Company also carries out transactions in Canadian dollars ("C$"), Australian dollars ("A$") and the Euro ("Euro").

Foreign currency translation

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income. Realized exchange gains and losses and currency translation adjustments are included in income.

Exploration and development costs

Expenditures during the initial exploration stage of projects are expensed as incurred. Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as property, plant and equipment. Upon reaching commercial production deferred costs on the consolidated balance sheets are amortised into operations using the unit-of-production method over the estimated useful life of the estimated related ore reserves. The carrying values of property, plant and equipment represent costs incurred to date and do not necessarily reflect present or future values.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

In the event that the long-term expectation is that the net carrying amount of these deferred exploration and development costs will not be recovered, such as would be indicated where:

Exploration properties:

- Exploration activities have ceased;
- Exploration results are not promising such that exploration will not be planned for the foreseeable future;
- Lease ownership rights expire or are allowed to lapse; or
- Insufficient funding is available to complete the exploration program;

Development properties:

- The carrying amounts of the capitalised and deferred costs exceed the forecast related undiscounted net cash flows of ore reserves;

then the carrying amount is written down accordingly and the writedown amount is charged to income.

Capitalization of interest

Interest on borrowings directly related to the financing of major capital projects under construction is capitalized during the construction phase as part of the cost of the project.

Cash and cash equivalents

Cash and cash equivalents are comprised of highly liquid investments with a maturity of three months or less at the date of the original issue.

Income taxes

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using substantially enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded against future tax assets to the extent that the Company determines that the asset is not more likely than not to be realised.

Hedging transactions

In order to hedge its exposure to foreign exchange and interest rate risks, the Company may enter into forward and swap contracts. Gains and losses on these contracts are recognized as a component of the related transactions. Gains and losses arising from the early termination of hedging arrangements are deferred and recognized into income when the original transactions to which they relate have been recorded.

Net income or expense associated with interest rate swap agreements is recognized on the accrual basis over the life of the swap agreements as a component of interest.

Stock options

The Company has a stock option plan that is described in *note 7(d)*. In 2002 the Company adopted prospectively the requirements of the CICA Handbook Section 3870, “Stock-Based Compensation and Other Stock Based Payments.” As encouraged by section 3870, the Company has adopted the fair value based method to account for stock-based transactions with directors, and eligible employees for options granted in 2002 and 2003. The value is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus will be credited to Share Capital. For options granted prior to January 1, 2002 the Company continues to follow the accounting policy under which no expense is recognized for these stock options. When those options are exercised, the proceeds received by the Company will be recorded as Share Capital.

Earnings (loss) per share

Basic earnings or loss per share is computed by dividing the earnings or loss for the year by the weighted monthly average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share are calculated in a manner similar to basic earnings per share, except that the weighted average shares outstanding are increased to include potential common shares from the assumed exercise of convertible securities, options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the as if converted method for convertible securities.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

3. Magellan project

As at December 31, 2003 the Company held a 60% direct interest in Magellan Metals (December 31, 2002 - 15.7% direct interest and a 80.1% indirect interest for a total interest of 95.8%).

On June 19, 2003 the Company signed definitive agreements with Sentient Global Resources Fund (together with its affiliates, "Sentient") for a joint venture to develop the Magellan Project (the "Magellan Transaction"). Pursuant to the Magellan Transaction, Sentient agreed to provide $4.60 million in financing to the Company's subsidiary Magellan Metals. This amount was advanced by way of a $1.70 million subscription for 40% of the shares of Magellan Metals, $2.40 million in secured loans (the "Magellan First Ranking A Loans" *(note 6(e))*, and $0.50 million in notes (the "Magellan Notes") which are convertible into shares of Magellan Metals *(note 6(d))*.

As at December 31, 2003 the agreements relating to the Magellan Transaction provided for 40% of the funding for the Magellan Project to be provided by Sentient, with 60% to be funded by or on behalf of the Company *(note 6(g))*. In the event that the Company is unable to fund its share of contributions to the Magellan Project, Sentient will make contributions on the Company's behalf under an interim funding arrangement (the "Cash Flow Note"). Such contributions will be repaid by Magellan Metals to Sentient out of Ivernia's share of project cash flow with interest at a rate that provides Sentient with a 30% internal rate of return. Refer to *note 12(c)*.

On the acquisition by Sentient of additional Magellan Metals shares upon the conversion of Magellan Notes (as described in *note 6(d))*, Sentient's share of the funding requirement will be increased, with retroactive effect from June 19, 2003 to the extent of its percentage share ownership following such conversion. Refer to *note 12(c)*.

On March 31, 2004 Sentient increased its equity interest in Magellan Metals to 49% by converting $0.4 million of the Magellan Notes into an additional 9% of its shares, thereby reducing the Company's interest to 51%. On the same day Sentient and the Company agreed that the Cash Flow Note would be terminated with effect from March 31, 2004 and the Company deposited with Sentient $4.1 million representing the aggregate amount outstanding on the Cash Flow Note as of March 31, 2004 after giving retroactive effect to the increase in Sentient's equity interest in Magellan Metals *(note 12(c))*.

The obligations of Magellan Metals under the Magellan First Ranking Loans *(notes 6(e) and (f))*, the Magellan Notes, the Magellan Progress Loans and the Cash Flow Note are secured by a charge over the assets of Magellan Metals. In addition, Ivernia Australian Holdings Limited ("IAHL") and Ivernia Australia Pty Limited ("IAPL", formerly Polymetals Pty Ltd) have guaranteed Magellan Metals' obligations under these facilities. The guarantees are secured by equitable mortgages over the Company's shares of Magellan Metals and IAPL *(see note 12(c))*. As a result of arrangements entered into subsequent to December 31, 2003 certain of the securities noted above will terminate on or before June 30, 2004 *(note 12(c))*.

As at December 31, 2002 the Company's 80.1% indirect interest was through the Company's holding of 95% of the issued and outstanding shares of IAPL, an Australian investment holding company. On August 25, 2003, the Company paid A$2.00 million in settlement of an option exercised in January 2002 to purchase the remaining 5% of IAPL it did not hold. The payment was funded from a drawdown on the Magellan First Ranking Loans (the "Magellan First Ranking B Loan") *(note 6(f))*. Following that transaction the Company's 60% interest in Magellan Metals was all directly held.

Following the Magellan Transaction, the Company accounts for the Magellan joint venture by the proportional consolidation method. Under this method the Company has included in its balance sheet at December 31, 2003 its 60% share of the Magellan assets and liabilities. Until the date of the Magellan Transaction, the Company consolidated its 95.8% interest in Magellan Metals, with the remaining 4.2% attributed to minority interest in the consolidated balance sheet. The minority interest had no share in the results of the Company as Magellan Metals is a development property and all costs are capitalized *(note 5)*. The minority interest was bought out on August 25, 2003.

4. Lisheen sale

On July 18, 2003 the Company signed a definitive agreement with Anglo American plc ("Anglo") for the purchase by Anglo of the Company's 50% participating interest in the Lisheen Mine (the "Lisheen Sale"). The Lisheen Sale was completed on September 29, 2003 having received all necessary shareholder and regulatory approvals.

Pursuant to the Lisheen Sale, Anglo purchased all of the shares of the Company's subsidiary Ivernia West Limited ("IWL") and its other subsidiaries holding the Company's interest in the Lisheen Mine for consideration consisting of an aggregate cash purchase price of $1.8 million and the assumption by Anglo of all the Company's existing debt and other obligations relating to the Lisheen Mine, including outstanding loans from the project's lenders to IWL's subsidiary Ivernia Lisheen Finance Limited in the amount of $73.19 million.

The gain on the Lisheen Sale comprised of the following:

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

	$
Purchase price	**1,800**
Legal and other expenses	**(354)**
Carrying value of investment assumed in sale	**(71,889)**
Release of Project Loan assumed by Anglo	**73,192**
Accrued interest on Project Loan assumed by Anglo	**2,770**
Write-off of restricted cash assumed by Anglo	**(4,298)**
Release of cumulative translation adjustment	**6,750**
Net gain	**7,971**

In order to facilitate the Lisheen Sale, prior to closing the Company completed a reorganization of certain of its non-operating subsidiaries with the result that its only subsidiaries which were acquired by Anglo upon closing of the Lisheen Sale were those which were connected with the Lisheen joint venture.

Following the completion of the Lisheen Sale the Company closed its office in Limerick, Ireland.

5. Property, plant and equipment

	2003 $	2002 $
Magellan project *(Note 3)*:		
Acquisition costs	**5,991**	4,691
Capitalised costs	**5,406**	3,473
	11,397	8,164
Corporate	**10**	20
	11,407	8,184

During 2003 interest capitalised in relation to the Magellan Priority Loans and Magellan Progress Loans/Cash Flow Note *(note 6(g))* amounted to $520,000 (2002 - $ nil).

6. Long-term debt

	2003 $	2002 $
Project Loan *(note 6(a))*	**–**	73,192
Standby Facility *(note 6(b))*	**–**	2,762
Advance proceeds against Convertible Notes *(note 6(c))*	**–**	400
Convertible Notes *(note 6(c))*	**1,761**	–
Magellan Notes *(note 6(d))*	**300**	–
Magellan First Ranking A Loans *(note 6(e))*	**1,440**	–
Magellan First Ranking B Loan *(note 6(f))*	**1,401**	–
Magellan Progress Loans/Cash Flow Note *(note 6(g))*	**3,102**	–
	8,004	76,354
Less current portion:		
Project Loan	**–**	19,961
Standby Facility	**–**	2,762
	8,004	53,631

(a) Non-recourse project loan within Lisheen joint venture

On September 29, 2003, the Project Loan amounting to $73.19 million was assumed by Anglo on the completion of the Lisheen Sale *(note 4)*.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

(b) Standby facility

In February 2003 the Company entered into a settlement agreement with an Irish financial institution for the early repayment of a Euro 2.64 million ($2.85 million; December 31, 2002 - $2.76 million) Standby Facility which would have matured on June 30, 2003. The Standby Facility was settled on payment of Euro 1.92 million ($2.08 million) in March 2003 giving rise to a $0.77 million gain on settlement.

(c) Private placement of convertible notes

On August 29, 2003 the Company issued $1.95 million of convertible notes (the "Convertible Notes") to the purchasers. The Convertible Notes will pay interest at 10% per annum payable semi-annually in March and September and will mature on August 29, 2006. The Convertible Notes are convertible into common shares of the Company at a conversion price of $0.065 per share at any time on or prior to August 29, 2006. Subsequent to December 31, 2003 all of the purchasers converted the Convertible Notes into common shares in first quarter 2004 *(note 12(a))*.

Each $0.065 principal amount of the Convertible Notes also carries one warrant for one common share exercisable at $0.065 at any time on or prior to August 29, 2005. Up to 30 million common shares are issuable on conversion of all the Convertible Notes and up to 30 million common shares are issuable on exercise of all the warrants. 14,615,000 of the warrants were converted to common shares in December 2003 with the remaining warrants converted during January and February 2004 *(notes 7(c) and 12(a))*.

The Convertible Notes are accounted for in accordance with CICA Handbook Section 3860 whereby debt securities which have interest payable in cash and give the holder the right to convert the principal amount into common shares are split into a liability and an equity component on the date of issuance. The debt component at inception, and interest payments over the expected life of the Convertible Notes, representing the present value allocated to the liability at inception, discounted at 15% per annum, is recorded as a long-term liability of $1,761,000. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "equity component of convertible notes" amounting to $206,000. Over the term of the Convertible Notes, the debt component will be accreted to the face value of the Convertible Notes by the recording of additional interest expense. Additional interest in the amount of $17,000 was charged during the year and accreted to the debt component of the liability.

(d) Magellan notes

Pursuant to the Magellan Transaction *(note 3)*, Magellan Metals issued $0.50 million of Magellan Notes to Sentient, which are non-interest bearing and which are convertible into shares of Magellan Metals. Of the $0.50 million principal amount of the Magellan Notes, $0.40 million is convertible at Sentient's option into an additional 9% of the shares of Magellan Metals. If certain default events occur, then the final $0.10 million of Magellan Notes will become convertible into a further 2% of the shares of Magellan Metals. As at December 31, 2003 the Company's 60% proportional share of the Magellan Notes was $0.30 million.

Subsequent to December 31, 2003 Sentient exercised the option to convert $0.40 million of the Magellan Notes into an additional 9% of the shares of Magellan Metals. As part of the same transaction the convertible rights which Sentient had over the remaining $0.10 million of Magellan Notes were terminated and such amount was transferred to the First Ranking Loan *(note 12(c))*.

(e) Magellan first ranking A loans

Pursuant to the Magellan Transaction *(note 3)*, Magellan Metals has received $2.40 million of Magellan First Ranking A Loans from Sentient. The Magellan First Ranking A Loans bear interest at the rate of 15% per annum and are repayable from Magellan cash flow and must be repaid by June 19, 2012 or such earlier date on which Sentient ceases to be a shareholder. As at December 31, 2003 the Company's 60% proportional share of the Magellan Loans was $1.44 million.

(f) Magellan first ranking B loan

On August 25, 2003 the Company borrowed indirectly from Sentient a A$2.00 million ($1.4 million) First Ranking B loan in order to fund the acquisition of the remaining 5% of IAPL which it did not hold *(note 3)*. The Magellan First Ranking B Loan was drawndown under the same terms and conditions as the Magellan First Ranking A Loan *(note 6(e))*. The full value of the Magellan First Ranking B loan is consolidated by the Company.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

(g) Magellan progress loans/cash flow note

Pursuant to the Magellan Transaction *(note 3)*, Magellan Metals has received $5.17 million of Magellan Progress Loans including $3.10 million of contributions by Sentient on behalf of the Company under the terms of the Cash Flow Note. The Magellan Progress Loans bear interest at the rate of 15% per annum and are repayable from Magellan cash flow and must be repaid by June 19, 2012 or such earlier date on which Sentient ceases to be a shareholder. Contributions by Sentient on behalf of the Company under the terms of the Cash Flow Note will be repaid by Magellan Metals to Sentient out of Ivernia's share of project cash flow with interest at a rate that provides Sentient with a 30% internal rate of return. As at December 31, 2003 the Company's 60% proportional share of the Magellan Progress Loans and Cash Flow Note contributions was $3.10 million.

On March 31, 2004 Sentient and the Company agreed that the Cash Flow Note would be terminated with effect from March 31, 2004 and the Company deposited with Sentient the outstanding balance due on the Cash Flow Note with the effect that the Company had repaid as of March 31, 2004 all contributions made by Sentient on behalf of the Company *(note 12(c))*.

7. Share capital

(a) Authorized share capital

Authorized share capital of the Company is comprised of an unlimited number of common shares and an unlimited number of preference shares issuable in one or more series.

(b) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

		Number of common shares (000)	Amount $
Outstanding as at December 31, 2001		**117,466**	78,019
Issued in connection with private placement	*(i)*	**27,402**	2,340
Outstanding as at December 31, 2002		**144,868**	80,359
Issued in connection with private placement	*(ii)*	**4,992**	353
	(iii) & (iv)	**23,749**	1,544
Outstanding as at December 31, 2003		**173,609**	82,256

(i) During January, February and April 2002, the Company completed a private placement of 27,402,053 units, each consisting of one common share and one-third of a common share purchase warrant for an aggregate purchase price of C$3.84 million ($2.34 million net of issue costs).

(ii) In September and October 2003, the Company issued 4,000,000 shares to the Company's financial adviser in payment for services provided in connection with the Sentient negotiations and the Lisheen sale, and a further 1,000,000 shares to David Hough, the company's former President and Chief Executive, in lieu of a cash amount under the terms of his Severance Agreement.

All the above shares were issued at C$0.10 per share.

On October 25, 2003 8,000 common shares were redeemed from a dissenting shareholder relating to the Lisheen Sale *(note 4)*.

(iii) In December 2003, 9,134,017 share purchase warrants which were issued in connection with the 2002 private placement of shares were converted into an equivalent number of common shares at an exercise price of $0.065 per share.

(iv) Also in December 2003, 14,615,385 share purchase warrants which were issued in connection with the Convertible Notes were converted into an equivalent number of common shares at the exercised price of $0.065 per share *(note 6(c))*.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

(c) Share warrants

	2003 (000)	2002 (000)
Outstanding at January 1	**9,134**	–
Issued during the year:		
In connection with private placement of shares	**–**	9,134
In connection with Convertible Notes	**30,000**	–
Exercised during year:		
Private placement warrants	**(9,134)**	–
Convertible Note warrants	**(14,615)**	–
Outstanding at December 31	**15,385**	9,134

(d) Employee stock options

The Company has in place a Stock Option Plan (the "Plan") under which certain directors, officers, employees and consultants may be granted options to purchase up to 14,400,000 common shares. As at December 31, 2003 options to purchase 195,000 (December 31, 2002 - 5,050,000) common shares remain available for grant. The exercise price of each option may not be less than the market price of the common shares at the time the option is granted. An option may be for a term up to ten years and may not be assigned. Unless the directors of the Company determine otherwise, one quarter of the options granted become exercisable from the date of granting such options, one quarter at any time after the first anniversary date, one quarter at any time after the second anniversary date and the balance at any time after the third anniversary date.

A summary of the status of the Company's Plan as at December 31, 2003 and December 31, 2002 and changes during the periods ending on those dates is presented below:

	2003		2002	
	Shares (000)	**Weighted average exercise price C$**	Shares (000)	Weighted average exercise price C$
Outstanding - Beginning of period	**9,350**	**0.44**	7,700	0.69
Granted	**5,380**	**0.10**	4,000	0.10
Expired	**(525)**	**(0.46)**	(2,350)	(0.68)
Outstanding - End of period	**14,205**	**0.31**	9,350	0.44
Exercisable - End of period	**9,728**	**0.38**	7,263	0.43

The following table summarizes information about stock options outstanding as at December 31, 2003:

	Options outstanding			Options exercisable		
Range of exercise prices C$	**Number outstanding at December 31, 2003 (000)**	**Weighted average remaining contractual life**	**Weighted average exercise price C$**	**Number exercisable at December 31, 2003 (000)**	**Weighted average remaining contractual life**	**Weighted average exercise price C$**
0.10-0.29	9,380	3.73	0.10	5,428	2.99	0.10
0.30-0.50	3,375	1.60	0.50	2,850	1.52	0.50
0.51-1.00	550	2.47	0.82	550	2.47	0.82
1.01-1.68	900	2.79	1.46	900	2.79	1.46
0.10-1.68	14,205	3.12	0.31	9,728	2.51	0.38

In 2002, the Company adopted prospectively CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-Based Payments". The compensation expense associated with this stock option series has been calculated using the Black-Scholes option-pricing model and $82,000 has been expensed in 2003 (2002 - $97,000). The pricing model assumes a 5-year term, expected Common Stock price volatility of 114% (2002 - 65%) and a weighted average life of 5 years and a weighted average risk-free interest rate of 4% and an assumption that dividends are reinvested in the company. The options granted during the year have a five-year term, with vesting periods ranging from immediate to three years from the grant date.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

(e) Contributed surplus

Additions to contributed surplus in 2003 were $88,000 (2002 - $97,000), $82,000 of which was amortized on stock options issued in 2003, which are described above.

(f) Earnings (loss) per share

Earnings (loss) per share has been calculated using the weighted average number of shares outstanding during the year of 146,437,407 shares (2002 - 142,548,085 shares).

The calculation of basic and dilutive earnings per share is detailed in the following table:

	2003			2002
	Income $000	Weighted Average # of Shares 000	Per Share Amount $	Per Share Amount $
Basic earnings per share				
Net income	**4,876**	**146,437**	**0.033**	(0.160)
Effect of dilutive convertible notes	**82**	**30,000**	**0.003**	–
	4,958	**176,437**	**0.028**	(0.160)

In 2003, options to purchase 9,728,000 common shares and warrants to purchase 15,384,000 common shares were excluded from the computation of diluted earnings per share because the exercise price of the options and warrants were greater than the average market price of $0.059 (C$0.079) per share. There was no dilution in 2002 due to there being a loss.

8. Income taxes

As at December 31, 2003, the Company has estimated tax losses and allowances of approximately A$12 million (2002 - A$8 million) which may be available to reduce future Australian taxable income. These losses and allowances have not yet been agreed with the Australian Taxation Office. These losses and allowances have no expiry date.

In addition, the Company has estimated tax losses and allowances of approximately C$2 million which may be available to reduce future Canadian taxable income. These losses and allowances expire from 2007 through 2010.

A full valuation allowance has been recorded against the potential income tax benefits of these carry forward losses and deductible temporary differences, as the realization thereof cannot at this time be considered more likely than not.

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

9. Risk management and financial and commodity instruments

(a) Risk management

In the normal course of its operations, the Company is exposed to credit, currency, interest and commodity price risks. In order to manage these risks, the Company may enter into transactions which make use of off-balance sheet financial instruments. The Company does not acquire, hold or issue these instruments for trading purposes.

(i) Concentration of credit risk
The Company selects creditworthy counterparties with which to conduct their hedging transactions. They regularly monitor the credit exposure to any one counterparty to ensure that it remains within reasonable limits. Credit risk associated with foreign exchange contracts and interest rate swaps is limited to the amount of unrealized gains at any point in time.

(ii) Commodity price, foreign currency and interest rate risk
The Company currently does not hedge its exposure to fluctuating metal prices, foreign currencies and interest rates.

(b) Fair value

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities in the consolidated balance sheets approximate fair values due to the short-term maturities of these instruments.

The carrying amount of investments approximates fair value as at December 31, 2003.

The carrying amount of long-term debt approximates fair value as the interest charged is based on market-based rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

10. Commitments and contingent liabilities

(a) Environmental

The Company's mining development and exploration activities are subject to various governmental laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Exploration licenses and mining leases

The Company holds a number of exploration licenses and mining leases in Western Australia. The Company does not consider that it has any material outstanding commitments in respect of these licenses or leases until such time as mining activities commence at Magellan.

11. Related party transactions

(tabular amounts in thousands of United States dollars, except number of shares and per share amount)

Sentient Global Resources Fund

Sentient Global Resources Fund (together with its affiliates, "Sentient") is considered to be a related party by virtue of the size of its shareholding in the Company (8% on a dilutive basis) and its participation in the Magellan Project. As at December 31, 2003 Sentient held a 40% equity interest in the Magellan Project and had as at December 31, 2003 provided loans and convertible notes to Magellan Metals amounting to $9.40 million (the Company's share - $6.24 million) in connection with the development of the Magellan Project *(notes 3, 6 and 12(c))*.

12. Subsequent events

(a) Conversion of convertible notes and exercise of share purchase warrants

During February 2004 the securityholders of all the Convertible Notes ($1.95 million) which were issued on August 29, 2003 with a maturity date of August 29, 2006 made early conversion of the Convertible Notes into 30 million common shares in the Company at a conversion price of $0.065 per share.

During January and February 2004, the remaining 15,384,615 share purchase warrants which were issued in connection with the Convertible Notes were converted into an equivalent number of common shares in the Company for gross proceeds of $1.00 million.

(b) Private placement

On March 25, 2004 the Company issued 80 million units for gross proceeds of C$20.0 million.

Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of C$0.25 until March 25, 2006 (or C$0.265 per share for insiders of Ivernia for securities regulatory purposes).

In addition, as part of their compensation, Haywood Securities Inc., Canaccord Capital Corporation and Paradigm Capital Inc. (collectively the "Agents") were issued with 4.68 million broker warrants giving them the right to purchase 4.68 million common shares in the Company at a price of C$0.25 at anytime until September 25, 2005 and warrants to purchase up to 2.34 million common shares in the Company at a price of C$0.25 until March 25, 2006.

(c) Magellan joint venture restructuring

On March 31, 2004, Sentient increased its equity interest in the Magellan Project from 40% to 49% by converting $0.40 million of its aggregate principal amount of convertible notes of Magellan Metals into an additional 9% of Magellan Metals shares. The remaining $0.10 million of its aggregate principal amount of convertible notes held by Sentient which were convertible under certain circumstances into an additional 2% of the shares of Magellan Metals have been cancelled and replaced with an equivalent amount of Sentient First Ranking A Loan.

The Company and Sentient have also agreed that all obligations of the Company under the Cash Flow Note *(note 6(g))* pursuant to which Sentient had advanced certain funds to Magellan Metals on the Company's behalf to finance the development of the Magellan Project, will be repaid by Ivernia and the Cash Flow Note terminated with effect from March 31, 2004. Ivernia has deposited with Sentient $4.1 million, representing the aggregate amount outstanding on the Cash Flow Note as of this date after giving retroactive effect to the increase in Sentient's equity interest in the Magellan Project. The parties have committed to enter into definitive documentation providing for the repayment of the Cash Flow Note and amending the remaining agreements between Ivernia and Sentient accordingly. This documentation is to be entered into not later than June 30, 2004 failing which all of Sentient's rights arising out of the Cash Flow Note will be extinguished in any event on such date in consideration of the release of the $4.1 million deposit to Sentient. The definitive documentation will also terminate certain equitable mortgages held by Sentient over Ivernia's 51% equity interest in Magellan Metals, provided that these equitable mortgages will terminate with effect from March 31, 2004 in any event if such documentation is not entered into by June 30, 2004.

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