



IVERNIA INC.

RENEWAL ANNUAL INFORMATION FORM

March 29, 2005

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PRELIMINARY NOTES

The information contained in this Annual Information Form (“AIF”) is presented as at March 29, 2005 except where otherwise indicated. Certain terms used in this AIF are defined in the Technical Glossary set out at the end of this AIF. Except as otherwise noted or unless the context otherwise requires, (i) the “Company” refers to Ivernia Inc., (ii) “Ivernia” refers to the Company together with its subsidiaries, (iii) “US\$” or “US dollars” refers to United States dollars and (iv) “Common Shares” refers to common shares in the capital of the Company. References in this AIF to “2002”, “2003” or “2004” mean the 12 months ended December 31, 2002, 2003 or 2004, respectively. The Company completed a five-to-one consolidation of its Common Shares on June 30, 2004. References in this AIF to Common Shares issued prior to June 30, 2004 set out the number of Common Shares on both a pre-consolidation and post-consolidation basis.

EXCHANGE RATE DATA

Unless otherwise specified, the financial information relating to the Company contained in this AIF is expressed in US dollars. Certain financial information relating to the Company contained in this AIF originated in Canadian dollars (“C\$”), Euro (“€”) or Australian dollars (“A\$”) and has been converted into US dollars based on prevailing exchange rates if such information relates to prior periods, or otherwise at the rate on December 31, 2004.

The following table sets out the rates of exchange for Canadian dollars and Australian dollars per US dollar in effect at the end of the periods indicated and the average rates of exchange during such periods based on the noon spot rate quoted by the Bank of Canada and the noon buying rate for cable transfers by the Federal Reserve Bank of New York, respectively:

	12 months ended December 31,		
	2004	2003	2002
Canadian Dollar:			
Rate at end of period (C\$/US\$)	1.2036	1.2924	1.5796
Average rate for period (C\$/US\$)	1.3015	1.4010	1.5703
Australian Dollar:			
Rate at end of period (A\$/US\$)	1.2812	1.3298	1.7778
Average rate for period (A\$/US\$)	1.3578	1.5337	1.8392

MEASUREMENT EQUIVALENTS

The rates for converting imperial measurements to metric equivalents and vice versa are as follows:

<u>Imperial Measurement</u>	=	<u>Metric Equivalent</u>	=	<u>Metric Measurement</u>	=	<u>Imperial Equivalent</u>
2.4711 acres	=	1 hectare	=	0.4047 hectares	=	1 acre
3.2808 feet	=	1 metre	=	0.3048 metres	=	1 foot
0.6214 miles	=	1 kilometre	=	1.6093 kilometres	=	1 mile
1.1023 tons (US)	=	1 tonne	=	0.9072 tonnes	=	1 ton (US)
2.2046 pounds	=	1 kilogram	=	0.4536 kilograms	=	1 pound
0.0394 inches	=	1 millimetre	=	25.4 millimetres	=	1 inch

FORWARD-LOOKING STATEMENTS

This AIF contains certain “forward-looking statements”. All statements included in this AIF (other than statements of historical facts) which address activities, events or developments that management anticipates will or may occur in the future are forward-looking statements, including statements as to the following: future targets and estimates for production, capital expenditures, operating costs, mineral resources and ore reserves, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals, expansion and growth of the business and operations; plans and references to Ivernia’s future successes; and other such matters. 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 under “Description of the Business of Ivernia – Doing Business in Australia”, “Description of the Business of Ivernia – Risk Factors” and elsewhere in this AIF 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 in this AIF are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

CORPORATE STRUCTURE

Incorporation

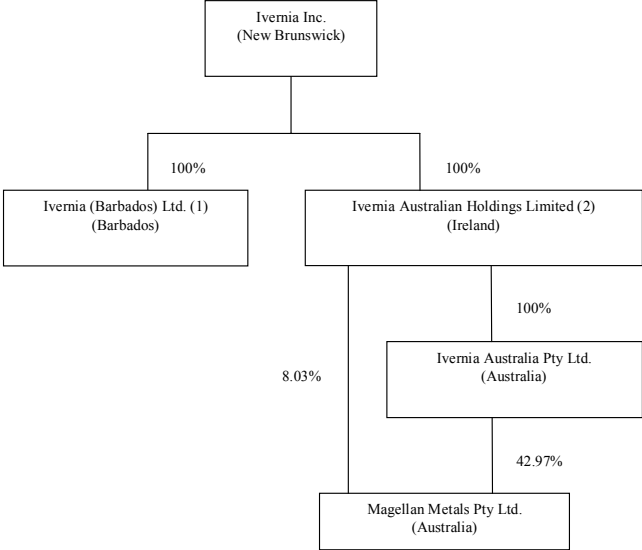
The Company was incorporated as “Ivernia West Inc.” on June 16, 2000 under the *Business Corporations Act* (New Brunswick) (the “NBBCA”). The articles of the Company were amended on October 17, 2000 to provide that if at any time cumulative voting for directors ceases to be required for companies incorporated under the NBBCA, each shareholder entitled to vote for the election of directors will have the right to cast, in respect of the election of directors, only the number of votes attached to the shares of the Company held by such shareholder, instead of, as is currently required, such number of votes multiplied by the number of directors to be elected. The articles of the Company were further amended on June 30, 2004 to change the Company’s name to “Ivernia Inc.” and to consolidate its outstanding Common Shares on the basis of one consolidated Common Share for each five pre-consolidation common shares.

The registered office of the Company is at Brunswick House, 44 Chipman Hill, Saint John, New Brunswick, Canada E2L 4S6. The head office of the Company is at 44 Victoria Street, Suite 400, Toronto, Ontario, Canada M5C 1Y2.

The Company was originally established for the purpose of becoming the Canadian holding company of Ivernia West plc, an Irish company, pursuant to a court-approved scheme of arrangement under Irish law (the “Reorganization”) which became effective on December 15, 2000. Prior to the Reorganization, the ordinary shares of Ivernia West plc were listed on the Exploration Securities Market (the “ESM”) of the Irish Stock Exchange (the “ISE”) and traded on the London Stock Exchange. Upon the Reorganization becoming effective, (i) Ivernia West plc became a wholly owned subsidiary of the Company, (ii) the ordinary shares of Ivernia West plc were delisted from the ESM of the ISE and (iii) the shareholders of Ivernia West plc received one Common Share in the Company in exchange for each ordinary share in Ivernia West plc held immediately before the Reorganization and (iv) the Common Shares were listed on the Toronto Stock Exchange (the “TSX”). The Company sold all of its interest in Ivernia West plc (subsequently re-registered as a private limited company, Ivernia West Limited) on September 29, 2003.

Principal Subsidiaries

The diagram below illustrates the intercorporate relationships between the Company and its material subsidiaries, their jurisdictions of incorporation and the percentage of voting securities owned directly or indirectly by the Company as at the date of this AIF.



(1) Ivernia (Barbados) Ltd. was incorporated in August 2004.
 (2) Ivernia Australian Holdings Limited has been resident in The Netherlands since June 10, 2004.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview of Ivernia

Ivernia is an international base metals mining and exploration company. Its principal asset is a 51% equity interest in Magellan Metals Pty Ltd. (“Magellan Metals”), which has a 100% interest in the Magellan lead mine (the “Magellan Mine”) in Western Australia. Magellan Metals also holds 100% interests in a number of exploration properties in the vicinity of the Magellan Mine.

Ivernia has entered into a joint venture with Sentient Global Resources Fund I, LP (together with its affiliates, associates and nominees, “Sentient”) to develop the Magellan Mine (the “Magellan Joint Venture”) pursuant to definitive agreements entered into between Ivernia and Sentient on June 19, 2003. Currently, 51% of the joint venture partner funding for the Magellan Mine is required to be provided by or on behalf of Ivernia, with 49% being funded by Sentient.

Two principal deposits, Magellan and Cano, have been identified to date at the Magellan Mine. The Magellan Mine has proven and probable reserves to support a mine life of 12 years, as described in the 2004 Technical Report. The ore will be mined by open pit methods and concentrate will be produced for sale to third party smelters. Ivernia plans to construct a refinery, which is anticipated to be operational in late 2006, which will refine most of the concentrate on site and produce lead metal for direct sale. The refinery is expected to be funded from a combination of operating cash flow from the operation, shareholder loans and debt.

The constant 1.4 million tonne per annum throughput, as described in the 2004 Technical Report, results in declining concentrate production in later years of the mine life. A constant production level of concentrate can be achieved by increasing mill throughput to counter the fall in grade in the later years. Following the conclusion of the current exploration program with a view of upgrading the inferred resources, a new mineral resource and reserve estimate will be made. While an increase in throughput nominally decreases the mine life any expansion in reserves from the current exploration program would mitigate and may actually extend the mine life. It is anticipated that the new reserve estimate and mine schedule will be completed in mid 2005.

Prior to September 29, 2003, Ivernia’s other principal asset was a 50% interest in a 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, Anglo American plc (“Anglo”).

Three-Year History

The following is a summary of certain major developments in the business of Ivernia since January 1, 2002.

In January 2002, the listing of the ordinary shares of Ivernia West plc on the ESM of the ISE was cancelled at the Company’s request. The Common Shares continue to be listed on the TSX.

From January to April 2002, the Company issued an aggregate of 27,402,053 (5,480,410 post-consolidation) Common Shares and 9,134,017 (1,826,803 post-consolidation) common share purchase warrants pursuant to private placements to a number of purchasers for aggregate cash and share consideration of US\$2.34 million net of issue costs.

In March 2002, the Company announced the discovery of significant mineral resources at the Cano deposit adjacent to the Magellan deposit.

In September 2002, completion at the Lisheen Mine occurred for purposes of a completion agreement with the mine’s syndicate of project lenders. As of such completion, a guarantee by the Company’s subsidiary Ivernia West Limited of the portion of the project loans incurred by its subsidiaries was terminated, with the result that the project loans became secured only on the assets of the Lisheen Mine and repayment of these loans became wholly dependent on cash flows deriving from the Lisheen Mine. The Company’s 2002 annual consolidated financial statements reflected a reduction in the carrying value of its investment in the Lisheen Mine and certain related assets by US\$16.99 million,

with the result that the Company's investment in the Lisheen Mine was written down to the amount of its subsidiaries' portion of the related project debt.

On May 20, 2003, the Company announced that it was delaying the filing of its 2002 audited annual consolidated financial statements and certain other disclosure documents as a result of continuing negotiations with Sentient to obtain financing for Ivernia, the outcome of which would impact the presentation of the Company's financial statements. As a result of this announcement by the Company, on May 21, 2003 the TSX announced that it was reviewing the eligibility of the Company for continued listing on the TSX. This review was successfully concluded on October 1, 2003.

On June 19, 2003, Ivernia entered into definitive agreements with Sentient to form the Magellan Joint Venture. See "Description of the Business of Ivernia – Magellan Mine – Joint Venture Agreements". Pursuant to these definitive agreements, among other things, Sentient provided US\$4.60 million in initial financing to Magellan Metals. This amount was advanced by way of a US\$1.70 million subscription for 40% of the shares of Magellan Metals, US\$2.40 million in first ranking secured loans (the "First Ranking Loans") and US\$0.50 million in notes (the "Magellan Notes") which were convertible into shares of Magellan Metals. The execution of these definitive agreements and the receipt by the Company of US\$0.90 million advance proceeds for the purchase by Sentient of convertible notes and warrants of the Company enabled the Company to finalize and file its 2002 audited annual consolidated financial statements and all other disclosure documents which had been delayed pending the completion of the negotiations with Sentient. Prior to entering into these agreements with Sentient, the Company completed a reorganization of its subsidiaries with the result that the Company's interests in the Magellan Mine were held through Ivernia Australian Holdings Limited ("IAHL") and its interests in the Lisheen Mine were held separately through Ivernia West Limited.

On July 18, 2003, the Company signed a definitive agreement (the "Lisheen Sale Agreement") with joint venture partner Anglo American plc for the purchase by Anglo of Ivernia's 50% participating interest in the Lisheen Mine. At the time the Lisheen Sale Agreement was entered into, Anglo beneficially owned, through its subsidiary Linden Investments Limited, approximately 18.71% of the Common Shares of the Company. Under the Lisheen Sale Agreement, Anglo agreed to purchase all of the shares of Ivernia West Limited and its other subsidiaries holding Ivernia's interest in the Lisheen Mine for consideration consisting of an aggregate cash purchase price of US\$1.8 million and the assumption by Anglo of all Ivernia's existing debt obligations relating to the Lisheen Mine, including outstanding project loans in the amount of US\$73.19 million. The sale was approved by the Company's shareholders at an annual and special meeting held on August 28, 2003, and was completed on September 29, 2003. Following the completion of this transaction, Ivernia closed its office in Limerick, Ireland.

On August 29, 2003, the Company issued US\$1.95 million aggregate principal amount of 10% convertible notes and 30 million (6 million post-consolidation) common share purchase warrants to certain purchasers, including Sentient, in a private placement. All of the proceeds for the sale of these convertible notes and warrants had been advanced by the purchasers prior to the date of issuance of these securities, including US\$0.90 advanced by Sentient upon the entering into of the Magellan Joint Venture.

On November 14, 2003, the Company announced the completion of a final feasibility study (the "Final Feasibility Study") for the Magellan Mine. The Final Feasibility Study contemplated, among other things, a two stage approach to development of the Magellan Mine whereby, in the first stage commencing in the first quarter of 2005, lead concentrate would be produced and sold, and in the second stage, a refinery would be constructed at or near the mine to enable the refining and sale of lead metal.

On January 5, 2004, the Company announced that the holders of all of its 39,134,017 (7,826,803 post-consolidation) outstanding common share purchase warrants had exercised or given notice of exercise of their warrants for total proceeds of US\$2.54 million. By the end of February 2004, the holders of the Company's US\$1.95 million aggregate principal amount of convertible notes also converted all their notes into 30 million (6,000,000 post-consolidation) Common Shares.

On March 25, 2004, the Company issued units consisting of, in aggregate, 80 million Common Shares and warrants to purchase an additional 40 million Common Shares (the "March Private Placement") for gross proceeds of C\$20.00 million (US\$15.04 million) before cash issue costs of C\$1.58 million (US\$1.19 million). These 80 million

Common Shares became 16 million Common Shares upon the share consolidation becoming effective. Post-consolidation, the warrants collectively entitle the holders to purchase an aggregate of 8 million Common Shares at a price of C\$1.25 (C\$1.325 for insiders of the Company for securities regulatory purposes) per Common Share until March 25, 2006. As part of their compensation for the March Private Placement, the agents were issued 4.68 million broker warrants (the "March Broker Warrants") which, post-consolidation, give them the right to purchase an aggregate of 936,000 units (each unit consisting of one Common Share and one-half common share purchase warrant) for a price of C\$1.25 per unit at any time until September 25, 2005. Each whole common share purchase warrant issuable upon the exercise of the March Broker Warrants is exercisable at a price of C\$1.25 per Common Share until March 25, 2006.

On March 31, 2004, in connection with a restructuring of the Magellan Joint Venture funding arrangements, all of the Magellan Notes were converted or cancelled and Sentient increased its equity interest in Magellan Metals from 40% to 49%. Ivernia and Sentient also agreed that all obligations of Ivernia under a Cash Flow Note (as defined below), pursuant to which Sentient had advanced certain funds to Magellan Metals on Ivernia's behalf to finance the development of the Magellan Mine, would be repaid by Ivernia out of the proceeds of the Company's private placement that closed on March 25, 2004 and that the Cash Flow Note would be terminated with effect from March 31, 2004. Ivernia and Sentient also agreed to terminate the equitable mortgages granted by IAHL and Ivernia Australia Pty Ltd. ("IAPL") over their shares of Magellan Metals.

On May 5, 2004, the Company announced that the Magellan Joint Venture had formally determined to proceed with the development of mining operations and construction of the processing plant. Ivernia and Sentient committed to fund up to an additional US\$26.6 million in capital expenditures and startup costs beyond the US\$7.2 million previously funded by them. The construction contract was awarded to Roche Mining (JR) Pty Ltd. ("Roche Mining JR") and construction on the facilities commenced in mid-May 2004.

At the annual and special meeting of shareholders of the Company on June 30, 2004 certain resolutions were approved, including an amendment to the Company's articles of incorporation to change the name of the Company to "Ivernia Inc." and to consolidate the issued and outstanding Common Shares by consolidating every issued and outstanding five pre-consolidation Common Shares into one post-consolidation Common Share.

On July 12, 2004, the Company announced the results of its resource and reserve update following its drilling program in the first quarter of 2004. Total contained lead metal in the reserves is 1.00 million tonnes, comprised of proven mineral reserves of 0.73 million tonnes and probable mineral reserves of 0.27 million tonnes. The drilling program also identified inferred resources containing 0.57 million tonnes of lead metal.

On November 18, 2004, the Company completed a private placement of 8 million units (the "November Private Placement"), each consisting of one Common Share and one-half of one common share purchase warrant at a price of C\$1.25 per unit for gross proceeds of C\$10.00 million (US\$8.28 million) before cash issue costs of C\$840,000 (US\$696,000). Each whole warrant entitles the holder to purchase an additional Common Share at a price of C\$1.40 per share until November 18, 2009. As part of their compensation for the November Private Placement, the underwriters were issued broker warrants (the "November Broker Warrants") which give them the right to purchase an aggregate of 480,000 units (each consisting of one Common Share and one-half common share purchase warrant) for a price of C\$1.25 per unit at any time until May 18, 2006. Each whole common share purchase warrant issuable upon the exercise of the November Broker Warrants is exercisable at a price of C\$1.40 per Common Share until November 18, 2009.

On November 24, 2004 the Company announced that it had reached an agreement with Metal Reclamation (Industries) Sdn. Bhd. of Malaysia ("MRI") to supply up to a total of 100,000 tonnes of lead concentrates from the Magellan Mine during 2005 and 2006. This represents approximately 45% of the lead concentrates to be produced during the first two years of production at the Magellan Mine.

In December 2004, construction of the processing plant was substantially completed and commissioning began in January 2005. Commercial production of lead concentrate is expected to be achieved by mid 2005. On January 20, 2005, the Company announced an accelerated pre-stripping program at the Magellan deposit to bring forward the ore production from the Magellan pit to 2006. The Company also announced a planned exploration program with the intention of upgrading the inferred resources at the Pinzon and Magellan deposits to indicated resources.

In January 2005, the Company announced plans to revise the production schedules to produce a constant level of lead in concentrate, currently anticipated at 100,000 tonnes per annum. Magellan Metals commenced a drilling program in February 2005 within the area in which the inferred resources occur at Magellan South, Gama and Pinzon (which are located in close proximity to the Magellan Mine) with a view to potentially upgrading the inferred resources to indicated resources. Regional exploration is also proceeding on the Drake, Pizarro and Cortez prospects to the south and west, all of which are within a 15 kilometre trucking distance of the site of the Magellan Mine plant site.

On March 24, 2005, the Company entered into a definitive agreement (the “Acquisition Agreement”) with Sentient to acquire its 49% interest in Magellan Metals. Pursuant to the Acquisition Agreement, the Company has agreed to purchase all of the outstanding shares of Resources Holdings Limited (“Resources Holdings”), a company incorporated in the Cayman Islands that at the time of completion of the purchase will hold Sentient’s 49% in Magellan Metals, together with certain loans, for consideration consisting of (i) C\$55 million in cash, (ii) the issuance of 16,625,000 Common Shares to Sentient and (iii) at the Company’s option, either an additional C\$12.5 million in cash or 6,875,000 additional Common Shares, or any proportionate combination thereof. Upon the completion of the Magellan Acquisition, 100% ownership of the Magellan Mine will be consolidated in the Company and all debt of Magellan Metals, other than approximately US\$1.1 million of third party lease liabilities, will be consolidated as inter-company debt.

DESCRIPTION OF THE BUSINESS OF IVERNIA

Magellan Mine

Overview

The Magellan Mine is situated in the East Murchison Mineral Field in Western Australia, approximately 30 kilometres west of Wiluna and 900 kilometres by road north-east of Perth. The plant site is approximately 2 kilometres north of the Wiluna-Meekatharra section of the Goldfields highway and is accessed from the highway by an all-weather road. The Magellan deposit is adjacent to the plant site, and the smaller Cano deposit is located 1.5 kilometres to the northwest. Apart from the presence of two pastoralists, the Magellan Mine area is uninhabited.

The Magellan Mine area can be divided into four main land types consisting of thickly wooded drainages, extensive strike ridges, small isolated mesas and sparsely vegetated flats. The area of the Magellan and Cano deposits outcrops as a mesa of approximately 5 kilometres by 2.5 kilometres, which is raised above the surrounding alluvial plain by approximately 25 to 50 metres to an elevation of from 550 to 570 metres above sea level. The climate is semi-arid, with dry periods of up to nine months expected in most years. Droughts have lasted for up to five years. Temperatures vary from very hot in summer to cool during winter. The region can be affected by high intensity summer storms, usually accompanied by widespread heavy rain. Average annual rainfall in the region is 250 millimetres.

The Magellan Mine currently comprises four mining leases expiring in 2020 (M53/501 to 504, referred to as the “Renison Leases”) and one mining lease (M53/1002) expiring in 2025. In addition, there are two exploration licenses (E53/695 and E53/644) expiring in May 2006 and June 2005, respectively; a further exploration license expiring in 2009 (E51/980); and three miscellaneous licenses required for site infrastructure expiring in 2020 (L53/106, 107 & 108). These tenements are referred to collectively in this AIF as the “Magellan Properties” and cover an aggregate area of approximately 26,052 hectares. One mining lease application (MA53/1003) and one exploration license application (EA69/1510) are pending. All of the tenements for which leases or licenses have been granted are held by Magellan Metals or IAPL for the benefit of Magellan Metals. Legal title to the area of the Magellan Mine is held by the Crown (State of Western Australia) (the “Crown”). Magellan Metals has been granted all approvals for the development and operation of the Magellan Mine.

History and Ownership

The Magellan deposit was discovered in 1991 by Renison Limited (“Renison”), which was acquired in 1998 by Westralian Sands Ltd., subsequently renamed Iluka Resources Limited (“Iluka”). Pursuant to a farm-in agreement dated January 23, 1997 between Renison and Magellan Metals, Magellan Metals had the right to acquire a 100% interest in the Renison Leases and certain other tenements (collectively, the “Renison Properties”), subject to payment to Renison of certain royalties including a lead ore process royalty for all lead ore extracted by Magellan Metals from the Renison

Properties (the “Renison Royalties”). It was agreed that the acquisition by Magellan Metals of a 100% interest was conditional upon Magellan Metals completing a bankable feasibility study for the Magellan Mine by January 2002 and committing to develop a mine and plant with a design capacity of not less than 300,000 tonnes of ore per annum. In September 2001, following the completion of such a feasibility study, Magellan Metals committed to develop a mine and plant with the required capacity, and thereby secured its rights to a 100% interest in the Magellan Mine. The Renison Properties were transferred to Magellan Metals during 2002. In May 2003, Ivernia entered into a termination agreement with Iluka pursuant to which all of Iluka’s remaining rights under the 1997 farm-in agreement, including the Renison Royalties, were terminated in consideration of a one-time payment to Iluka of A\$2.1 million.

The Company’s wholly owned subsidiary IAHL owns 51% of the outstanding shares of Magellan Metals. Of these, 8.03% are held directly, with the remaining 42.97% being held through IAHL’s wholly owned subsidiary IAPL. IAHL and IAPL are currently collectively referred to in this AIF as the “Ivernia Shareholders”. The remaining 49% of the shares of Magellan Metals are collectively held by Resources Holdings and Sentient (Aust) Pty Limited, as trustee of the Sentient Global Resources Trust No. 1 (“Sentient Trust”), which each form part of the Sentient group of entities (collectively, the “Sentient Shareholders”).

Joint Venture Agreements

On June 19, 2003, Ivernia signed definitive agreements (the “Joint Venture Agreements”) with Sentient to form the Magellan Joint Venture. The Joint Venture Agreements provided for initial and ongoing funding for the Magellan Mine and for the respective rights of the Ivernia Shareholders and Sentient Shareholders in relation to Magellan Metals.

Funding Arrangements

Pursuant to the Joint Venture Agreements, Sentient agreed to provide US\$4.60 million in initial financing to Magellan Metals. This amount was advanced by way of a US\$1.70 million subscription by the Sentient Shareholders for 40% of the shares of Magellan Metals, US\$2.40 million in First Ranking Loans and US\$0.50 million in Magellan Notes. The total amount provided by Sentient under these arrangements was used to extinguish certain interest-free secured loans in the aggregate amount of US\$4.60 million made by Sentient to IAHL during the first half of 2003. An additional A\$2 million in First Ranking Loans was advanced in August 2003 and was utilized to enable IAHL 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.

The First Ranking Loans bear interest at the rate of 15% per annum and are repayable from Magellan Mine cash flow on or before June 19, 2012 or such earlier date on which the Sentient Shareholders cease to be shareholders. Of the US\$0.50 million principal amount of the Magellan Notes, US\$0.40 million was convertible at Sentient’s option into an additional 9% of the shares of Magellan Metals. If certain default events were to occur, then the final US\$0.10 million of Magellan Notes would become convertible into a further 2% of the shares of Magellan Metals, which would result in Sentient owning 51% of Magellan Metals. As described below, all of the Magellan Notes have subsequently been converted or cancelled.

Ongoing funding of Magellan Metals is currently provided by the Company, the Ivernia Shareholders and the Sentient Shareholders pursuant to the terms of a project funding agreement (the “Magellan Funding Agreement”). Under this agreement, to the extent financing was not obtained from a bank or other lender, the development of the Magellan Mine would be financed by periodic loans (“Progress Loans”) from the Ivernia Shareholders and the Sentient Shareholders 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 Mine cash flow on or before June 19, 2012 or such earlier date on which the Sentient Shareholders cease to be shareholders. In the event that Ivernia would have been unable to fund its share of Progress Loans, Sentient would have been required to make contributions on Ivernia’s behalf under an interim funding arrangement (the “Cash Flow Note”), to be repaid out of Magellan Mine cash flow. As described below, the Cash Flow Note was repaid and terminated with effect from March 31, 2004.

The obligations of Magellan Metals under the First Ranking 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.

The occurrence of, among other things, a material breach of any of the Joint Venture Agreements, an insolvency event relating to a shareholder, or a Change of Control (as defined below) in relation to Ivernia, constitutes an event of default. If an event of default occurs and is continuing, no distributions will be made to the defaulting shareholder, the repayment of certain indebtedness may be accelerated and the non-defaulting shareholder is entitled to exercise its security.

On March 31, 2004, all of the Magellan Notes were converted or cancelled with the result that Sentient increased its equity interest in Magellan Metals from 40% to 49%. Ivernia and Sentient also agreed that all obligations of Ivernia under the Cash Flow Note would be repaid by Ivernia and the Cash Flow Note terminated with effect from March 31, 2004. On March 31, 2004, Ivernia deposited with Sentient the US\$4.13 million outstanding on the Cash Flow Note as of that date and entered into an agreement with Sentient providing for the repayment of the Cash Flow Note and amending the remaining Joint Venture Agreements accordingly. This agreement also terminated the equitable mortgages granted by IAHL and IAPL over their shares of Magellan Metals.

On May 4, 2004, Ivernia and Sentient amended the Magellan Funding Agreement to increase their Progress Loan commitments from an aggregate of US\$10 million to US\$33.7 million (inclusive of US\$7.2 million previously funded prior to March 31, 2004 by the joint venture partners), in proportion to their respective joint venture interests. They also created a contingency facility under which, if Ivernia is for any reason unable to fund its share of Progress Loans beyond US\$14.7 million (inclusive of US\$3.7 million previously funded prior to March 31, 2004 by Ivernia), then at Ivernia's request Sentient will provide up to an additional US\$5 million in First Ranking Loans to Magellan Metals to cover Ivernia's and Sentient's respective portions of the required Progress Loans (the "Contingency Facility"). These additional First Ranking Loans are convertible into Progress Loans upon the Ivernia Shareholders paying to Magellan Metals the amount advanced on their behalf by the Sentient Shareholders. These arrangements are intended to provide for adequate financing for Phase 1 capital expenditures and start-up costs.

Magellan Shareholders Agreement

On June 19, 2003, the Company, the Ivernia Shareholders, the Sentient Shareholders, Sentient Executive GP 1, Limited and Magellan Metals entered into a shareholders agreement (the "Magellan Shareholders Agreement") in relation to Magellan Metals. The following is a summary of the key terms of the Magellan Shareholders Agreement:

- Governance and Control. Each of Ivernia and Sentient may appoint up to three directors of Magellan Metals who have between them one vote at board meetings. While either Ivernia or Sentient holds more than 50% of the equity of Magellan Metals, it is entitled to nominate the chairperson of the board, who will have a casting vote. Most material matters requiring the approval of the board or the shareholders, as the case may be, are required to be approved unanimously, with other matters being approved by majority vote. However, in the event that (i) Sentient acquires 50% or more of the equity of Magellan Metals, (ii) the Magellan Mine is materially failing to meet the benchmarks agreed upon by the shareholders (other than due to fluctuations in commodity prices or exchange rates), or (iii) Ivernia is unable to fund its share of funding to meet a cost overrun and the Sentient Shareholders agree to contribute the Ivernia Shareholders' share (other than by means of a drawdown under the Contingency Facility), then Sentient has the right to assume unilateral control of Magellan Metals, although in the case of (iii), only until such time as the amount of the cost overrun and accrued interest on the amount advanced by Sentient sufficient to provide Sentient with a 30% internal rate of return has been repaid in full. Neither event in (i) or (iii) can occur without further agreement being entered into as Sentient can no longer automatically increase its equity to 50% or more, nor can it provide funding (except under the Contingency Facility, which does not provide Sentient with any rights of control of Magellan Metals). In addition, if an event of default occurs and is continuing under any of the Joint Venture Agreements, the defaulting shareholder loses its right to vote at board meetings of Magellan Metals.
- Exit by Sentient Shareholders. At any time following the earlier of (i) an insolvency event relating to the Company or the Ivernia Shareholders, (ii) the date of actual "financial completion", as defined in any agreement with a bank or other project lender relating to the development of the Magellan Mine, and (iii) subject to the approval of such bank or other project lender, the date scheduled for financial

completion (each, an “Exit Event”), Sentient will be entitled to exit the Magellan Joint Venture as follows:

- (a) Sentient may exercise a put option (the “Sentient Put Option”) to sell to the Ivernia Shareholders all, but not less than all, of its interest in Magellan Metals at a price determined by agreement or by referral to a third party valuer (which price will be payable in cash and/or Common Shares of the Company); or
- (b) Sentient may sell all, but not less than all, of its interest in Magellan Metals to a third party which agrees to be bound by the Magellan Shareholders Agreement, subject to (A) a right of first refusal in favour of the Ivernia Shareholders and, in the event the Ivernia Shareholders decline to exercise their right of first refusal, (B) drag-along rights under which Sentient can require the Ivernia Shareholders to sell all of their interests in Magellan Metals to the same third party on terms no less favourable than those applicable to Sentient and (C) tag-along rights under which the Ivernia Shareholders can require the third party to purchase all of their interests on terms identical to those applicable to Sentient.

In addition, in the event of a change of ownership of more than 50% of the issued capital of the Company, IAHL or IAPL, a change in the majority of any of their directors, or the transfer of a majority or substantial part of the assets of IAHL or IAPL (each, a “Change of Control”), Sentient is entitled to exercise the Sentient Put Option.

- Exit by Ivernia Shareholders. At any time following an Exit Event, the Ivernia Shareholders may sell all, but not less than all, of their interests in Magellan Metals to a third party which agrees to be bound by the Magellan Shareholders Agreement, subject to (i) a right of first refusal in favour of the Sentient Shareholders and, in the event the Sentient Shareholders decline to exercise their right of first refusal, (ii) approval by the Sentient Shareholders of the third party and the assumption by such third party or repayment of all obligations of the Ivernia Shareholders incurred under the Joint Venture Agreements and (iii) tag-along rights under which the Sentient Shareholders can require the third party to purchase all of their interests on terms identical to those applicable to the Ivernia Shareholders.
- Support by the Company. In accordance with the Magellan Shareholders Agreement, the Company provides management support and assistance (including, substantially on a full time basis, the efforts of Kenneth Sangster, the Company’s Executive Vice-Chairman and Kevin Ross, its Chief Operating Officer) to Magellan Metals in order to develop the Magellan Mine, in consideration of a management fee of US\$250,000 paid in 2003 and US\$425,000 in 2004. Management fees are charged based on time spent on the Magellan Mine.

Magellan Acquisition

The Company has entered into the Acquisition Agreement dated March 24, 2005 with Sentient to acquire its 49% interest in Magellan Metals (the “Magellan Acquisition”). Pursuant to the Acquisition Agreement, the Company has agreed to purchase all of the outstanding shares of Resources Holdings, a company incorporated in the Cayman Islands that at the time of the completion of the Magellan Acquisition will hold Sentient’s 49% interest in Magellan Metals together with certain loans described below, for consideration consisting of (i) C\$55 million in cash, (ii) the issuance of 16,625,000 Common Shares to Sentient and (iii) at the Company’s option, either an additional C\$12.5 million in cash or 6,875,000 additional Common Shares, or any proportionate combination thereof (collectively, the “Purchase Price”). Sentient is not an insider, affiliate or associate of the Company.

The Magellan Acquisition must be completed not later than April 29, 2005 unless the Company and Sentient otherwise agree or the Acquisition Agreement is terminated.

At the time of the completion of the Magellan Acquisition, Sentient Trust will have transferred and assigned to Resources Holdings all of its shares of Magellan Metals and its portion of the First Ranking Loans and Progress Loans made by Sentient (collectively, the “Pre-Completion Transactions”). Resources Holdings has no subsidiaries and, pursuant to the Acquisition Agreement, will have no material assets upon completion of the Magellan Acquisition other

than its interest in Magellan Metals and its rights as a lender under the First Ranking Loans and any Progress Loans and no material liabilities whether actual or contingent.

The Company will purchase all of the outstanding shares of Resources Holdings as of the time of completion, free of any liens, charges, encumbrances or any other rights of others, for the Purchase Price, provided that the maximum number of Common Shares to be issued to Sentient as part of the Purchase Price will not exceed 19.9% of the total issued and outstanding Common Shares after giving effect to the Magellan Acquisition and certain related transactions.

In addition to customary conditions precedent, the completion of the Magellan Acquisition will be conditional upon (i) the completion of the Pre-Completion Transactions, (ii) the Company having received the conditional approval of the TSX for the listing of the Common Share portion of the Purchase Price, (iii) the parties having received written notice from the Australian Treasurer pursuant to the *Foreign Acquisitions & Takeovers Act 1975* (Australia) that the Australian government does not object to the Magellan Acquisition, either unconditionally or on terms acceptable to the parties, acting reasonably, and (iv) certain other conditions being met.

Sentient will reimburse the Company for the reasonably expected expenses associated with the Magellan Acquisition.

Geology, Ore Reserves and Mineral Resources

The Magellan Mine is situated in the south-eastern corner of the Proterozoic Yerrida Basin, at the northern end of the Archaean Yilgarn Craton. The basin comprises shelf, margin and basinal sediments of the Yerrida Group and remnant outliers of the Yelma Formation of the Earraheedy Group. The Yerrida Group is divided into two units, the lowermost Juderina Formation (comprising Finlayson Member sediments) and the unconformably overlying Maraloou Formation (carbonaceous shale). Yelma Formation sandstone and carbonate unconformably overlie the Yerrida Group in the Magellan Mine area and are the host rocks to the lead carbonate mineralization.

At Magellan, the Yelma Formation is up to 55 metres thick and comprises a basal fining-upwards clastic sequence of quartz sandstone and siltstone (approximately 30 metres thick) that is overlain by a coarsening-upwards, poorly lithified and variably silcretized, solution collapse breccia (approximately 30 metres thick) thought to be of carbonate and evaporite origin. The solution collapse breccia contains fragments of silicified carbonate, siltstone, chert and euhedral and colloform quartz in a clay and silt matrix (quartz-clay breccia).

The Magellan and Cano deposits are thought to represent ancient carbonate-hosted, base-metal deposits. They have become enriched in secondary lead minerals through prolonged and extensive weathering causing dissolution and volume reduction of the precursor carbonate rocks and oxidation of primary base-metal sulphide minerals. The mineralization occurs as relatively flat lying zones of lead enrichment within the Yelma Formation at depths of from 0 to 50 metres from the surface. Mineralization at the Magellan deposit extends for approximately 1,200 metres in a northerly direction with an average width of approximately 650 metres and an average vertical thickness of approximately 12 metres. At the Cano deposit, the ore body lies along a generally northwest axis, extending for approximately 800 metres with an average width of 400 metres and an average vertical thickness of approximately 7 metres. Continuity of both deposits is generally consistent within these parameters. The mineralization consists primarily of oxidised lead minerals, mainly as cerussite (lead carbonate), with lesser occurrences of anglesite (lead sulphate) and minor pyromorphite (lead phosphate). Minor amounts of pyrite, galena and trace sphalerite occur in the underlying Maraloou Formation, however no sulphides have been recorded within the Yelma Formation host rocks.

The main style of mineralization is pervasive/disseminated (supergene-enrichment), with high-grade zones interpreted to surround relict primary mineralised structures. Some vertical ore mineral zonation occurs with anglesite more prevalent in the upper parts of the deposits above the cerussite-rich bulk of the resource.

The following tables set forth Ivernia's estimates of the mineral resources (which include ore reserves) and ore reserves of the Magellan, Cano and Pinzon deposits as at July 9, 2004. These estimates are reflected in the 2004 Technical Report prepared by Franciscus Sibbel, of F&A Sibbel Mining Consultants Pty Ltd., who is a qualified person for purposes of National Instrument 43-101.

Mineral Resources (@ 3% lead cut-off) (1)(2)(3)(4)

	<u>Magellan deposit</u>		<u>Cano deposit</u>		<u>Pinzon deposit</u>	
	<u>Tonnes (millions)</u>	<u>Lead (%)</u>	<u>Tonnes (millions)</u>	<u>Lead (%)</u>	<u>Tonnes (millions)</u>	<u>Lead (%)</u>
Measured.....	6.7	7.9	3.9	5.6	---	---
Indicated	<u>7.6</u>	<u>4.5</u>	<u>0.4</u>	<u>4.0</u>	---	---
Total Measured and Indicated.....	<u>14.3</u>	<u>6.1</u>	<u>4.3</u>	<u>5.5</u>	---	---
Inferred	6.0	4.2	0.1	4.4	6.9	4.4

Ore Reserves (@ 3% lead cut-off) (1)(2)(3)(4)

	<u>Magellan deposit</u>		<u>Cano deposit</u>	
	<u>Tonnes (millions)</u>	<u>Lead (%)</u>	<u>Tonnes (millions)</u>	<u>Lead (%)</u>
Proven	6.4	8.0	3.9	5.6
Probable	<u>5.6</u>	<u>4.6</u>	<u>0.4</u>	<u>4.0</u>
Total Proven and Probable.....	<u>12.0</u>	<u>6.4</u>	<u>4.2</u>	<u>5.5</u>

- (1) Mineral resources and ore reserves have been reported based on a cut-off grade of 3.0% lead, an exchange rate of US\$0.70/A\$1.00, a lead price of US\$700 per tonne (A\$1,000 per tonne) and estimated operating costs. Mineral resources are based upon studies prepared by CSA Australia Pty Ltd ("CSA") under the supervision of Jeffrey Elliot of CSA with some assistance and limited review by Snowden Mining Industry Consultants Pty Ltd ("Snowden") under the supervision of Vivienne Snowden of Snowden. Reserves are based upon studies prepared by Snowden under the supervision of Allan Blair.
- (2) All reserves and resources are reported in accordance with the 1999 update of the JORC Code. Qualified persons for purposes of National Instrument 43-101 have verified the above mineral resource and reserve figures and the underlying sampling and analytical data. Jeffrey Elliot of CSA and Allan Blair of Snowden are the qualified persons for the purpose of National Instrument 43-101.
- (3) The mineral resources at the Magellan and Cano deposits include ore reserves.
- (4) Table entries (other than totals) are rounded to two significant figures.

Mine Development Plan

On May 5, 2004, the Company announced that the Magellan Joint Venture had formally determined to proceed with the development of operations at the Magellan Mine.

Following a tendering process in which three Australian contractors submitted bids for the contract, Magellan Metals selected Roche Mining JR to be the primary contractor for the construction of the processing and ancillary facilities. Construction of the mining, plant and related infrastructure began in May 2004 and was substantially completed in December 2004. Commissioning of the processing plant commenced in January 2005 and commercial production is expected to be achieved by mid 2005.

The ore will be mined by open pit methods starting in the Cano deposit, as the ore is closer to the surface. The Company estimates that the first shipments of concentrate will take place in the second quarter of 2005. Initially all concentrate will be sold to third party smelters. Once fully commissioned, approximately 1.4 million tonnes of ore, initially from the Cano deposit, will be processed to yield on average approximately 60,000 tonnes of lead in concentrate in 2005 and 100,000 tonnes in 2006. It is estimated that lead recoveries will average 80.5% and the concentrate will have an average grade of approximately 67% lead. Lead concentrate will be exported to smelters until the refinery is

constructed. Following construction and commissioning of the Phase 2 refinery, which is expected to have a capacity of up to 100,000 tonnes of soft lead metal annually, the majority of concentrates will be treated on-site. The metal is expected to be at least 99.95% pure and it is anticipated that it will fetch a premium over the London Metal Exchange (“LME”) market price. The Phase 2 refinery is expected to be funded from a combination of operating cash flow from the operation, shareholder loans and debt.

The Magellan Mine has proven and probable reserves to support a mine life of 12 years, as described in the 2004 Technical Report. The constant 1.4 million tonne per annum throughput, as described in the 2004 Technical Report, results in declining concentrate production in later years of the mine life. A constant production level of concentrate can be achieved by increasing mill throughput to counter the fall in grade in the later years. Following the conclusion of the current exploration program with a view of upgrading the inferred resources, a new mineral resource and reserve estimate will be made. While an increase in throughput nominally decreases the mine life any expansion in reserves from the current exploration program would mitigate and may actually extend the mine life. It is anticipated that the new reserve estimate and mine schedule will be completed in mid 2005.

Mining

Mining and Civil Australia has been awarded a five year contract to carry out the mining and supply of ore to the concentrator. The ore will be extracted via open pit operations over the life of the mine. The pits are shallow at 50m deep and excavators will be used to dig and load waste and ore into 85 tonne haulage trucks. Qualified personnel employed or contracted directly by Magellan Metals will carry out mine planning and grade control.

Apart from some blasting required for removal of silcretised overburden, it is expected that very little of the ore will require drilling and blasting; rather most is expected to be free digging. The ore will be mined concurrently from a number of faces to provide an homogeneous blend to the concentrator. It will then be stockpiled on the ROM pad.

Waste rock has been used for construction of the first cell of the tailings storage facility, with excess being stockpiled into two categories based on lead content: (i) “barren” material, containing not more than 500 ppm of lead, and (ii) material which is above 500 ppm but is less than the cut-off grade. The second cell of the tailings storage facility will be constructed in mid 2005 and the cells will be raised annually over the life of the mine. The barren material will be used for the final capping of tailings and to cover the sub-economic waste rock.

Processing

Ore is processed on-site through a process of conventional crushing, milling and flotation concentration.

Crushing and Milling

Ore is delivered to the ROM pad by haul trucks from the mine and blended as required. Stockpiled ore is fed into the ROM bin through a 60mm wide static grizzly. A single stage primary crushing circuit is utilized which has a capacity in excess of 300 tph. Dust control is effected by water sprays over the ROM bin, ducting and covers over the conveyor.

Crushed ore is conveyed directly to the mill feed chute at a nominal throughput of 175 dry tph and milled in a Morgardshammer 4.2m x 5.2m grate discharge semi-autogenous grinding (SAG) mill. The mill is rubber lined and operates in closed circuit with a cluster of five Krebs 10” cyclones with cyclone underflow reporting to the mill feed chute. The mill discharge hopper is fitted with two centrifugal pumps which transfer slurry to the cyclone distributor. The overflow product discharges directly into a surge tank having a live volume of 500 cubic metres.

Flotation, Dewatering and Agglomeration

Concentration of lead bearing minerals is carried out by sulphidised froth flotation. The flotation circuit consists of two parallel roughing stages, and three cleaning stages. Slurry is pumped from the surge tank to two conditioning tanks in series where sulphidizing agent (sodium hydrosulphide), frother (Interfroth 53) and collector (sodium isobutyl xanthate) are added. Slurry in the conditioning tanks gravitates to the first stage of roughing flotation, utilizing two parallel 3-cell banks of Outokumpu OK-38 cells. These six cell banks provide roughing and scavenging

requirements and operate in open circuit with all product gravitating to the head of the primary cleaner cells. The primary cleaning circuit also consists of six OK-38 cells, with the secondary and tertiary cleaning circuits comprising six and four Denver DR-300 flotation cells, respectively. Final concentrate is expected to average approximately 67% lead.

Flotation concentrate is thickened with the thickener overflow gravitating to the process water dam. Underflow is pumped to a concentrate storage tank and the slurry is pumped to two Metso belt press filters. The filter press product is agglomerated with the aid of a binding additive and allowed to dry prior to shipment. This agglomeration process will reduce dust emissions and facilitate handling at both the Magellan site and at the export/import ports.

Tailings Disposal

Flotation (scavenger) tailings are thickened before being pumped to the tailings dam. The tailings storage facility, consisting of two cells, is of conventional paddock impoundment design, with multi point spigotting and a surface area of 72.8 hectares. Each cell has a central decant collection point located at the end of a causeway. Submersible pumps return decant water from the collection points to the process water dam in a single stage.

Other Facilities

Personnel may be sourced from the surrounding communities, however given the relatively small number of inhabitants within daily commuting distance to the operation, mine personnel are currently being sourced from Perth working on a fly-in-fly-out rotation basis. Accommodation is provided in a village which has been established approximately three kilometres to the east of the plant facility.

Power is generated on-site from a diesel-fired power station (approximately 5.5 megawatts) provided on a build-own-operate basis. The Goldfields Gas Pipeline passes some 37km east of the mine. The power station engines can be converted to run on a combined diesel and natural gas mixture at any time in the future should oil prices remain high. Magellan Metals expects to submit a planning application in mid 2005 to construct a lateral gas pipeline to allow delivery of gas to site. It is anticipated that the capital cost will be approximately A\$5.5 million.

An extensive water exploration programme has defined sufficient water resources for the life of the operation. Water production boreholes have been established and provide water to satisfy ongoing operational needs.

Phase 2 contemplates that construction of the refinery will take place on-site during 2006, with commissioning to occur in late 2006. Thereafter the majority of the concentrate is expected to be refined on site to produce lead metal.

Capital and Start-up Costs

The Phase 1 construction costs for the Magellan Mine processing facilities were A\$24.6 million in 2004, with an estimated balance of A\$3.2 million to be spent in 2005.

In 2004, A\$6.3 million was spent on mine development costs, which included mining contractor mobilisation, power generation, consultants, first fill reagents, commissioning spares, management fees, grade control drilling and overheads, with an estimated A\$0.2 million to be spent in 2005. In 2004 A\$0.4 million was spent on Magellan pre-stripping and an estimated A\$9.1 million will be spent in 2005. The construction of the first cell of the tailings storage facility cost A\$0.9 million in 2004 and an estimated A\$0.7 million will be spent on the second cell in 2005. In addition, start-up costs net of receipts, including initial mining, project commissioning and production build-up, are estimated at A\$7.9 million in 2005 until commercial production is declared.

Based on the current levels of ownership of Magellan Metals by Ivernia and Sentient, Ivernia's share of these capital and start-up costs is 51%. It is proposed that all remaining Phase 1 costs will be funded with a combination of shareholder loans and inventory/trade financing from Ocean Partners U.S.A. Inc. ("Ocean Partners"), the sales agent for Magellan Metals (see "— Marketing and Sales"). The cost of Phase 2 is estimated at between A\$25 million and A\$40 million depending on the final scale of operations and the choice of purchased and contracted facilities. Phase 2 is expected to be funded from a combination of operating cash flow from the operation, shareholder loans and debt.

Permits

The tenements comprising the Magellan Properties provide sufficient surface and mining rights to operate over the projected exploitation period for the Magellan and Cano deposits. (See “–Magellan Mine – Overview”).

The Western Australian Environmental Protection Authority (the “EPA”) conditionally approved the Magellan Mine in November 2000 subject to Magellan Metals preparing a series of environmental management documents including:

- Health, Hygiene and Environmental Management Plan
- Decommissioning and Rehabilitation Plan
- Subterranean Fauna Sampling Plan
- Environmental Management System
- Surface Water Drainage Plan
- Waste Rock and Tailings Storage Facility Contour Plan
- Waste and Recycling Program
- Tailings Storage Facility Operating Manual

The Department of the Environment (the “DOE”) has confirmed, on behalf of the EPA, that conditions relating to the above documents have been fulfilled as appropriate to the construction and early operational phases of the Project. While no further EPA approval is necessary regarding the fulfillment of these conditions, there are ongoing requirements for reporting and progressive updating of the above documents throughout the life of the Magellan Project.

Magellan Metals’ Subterranean Fauna Sampling Plan required the completion of a sampling program of all aquifers in the borefield to establish whether any stygofauna were present. The initial sampling program showed that stygofauna were present in the aquifers and that there is one unidentified stygofauna strain in one bore, out of a five bore field. Magellan has stopped abstraction from this particular bore until the stygofauna strain is identified, which may take some months to complete. Following the identification of the stygofauna strain the abstraction plan will be reviewed in conjunction with the DOE. The temporary pumping restriction is not anticipated to have any impact on the water supply required by the processing plant due to the excess capacity of the other bores in the field.

Magellan Metals was required by the Western Australian Department of Industry and Resources (the “DOIR”) to post with the DOIR two unconditional performance bonds guaranteed by a financial institution for the restoration of the Magellan Mine site to acceptable environmental standards in the event Magellan Metals cannot fulfil its rehabilitation commitments. Following the posting of the first bond of approximately A\$0.1 million in May 2004 and a determination by the State Mining Engineer that all other mandatory permits and documentation were satisfactory, written approvals for mining and plant construction were received in May 2004. A second performance bond of approximately A\$1.1 million was posted with the DOIR in August 2004 in respect of the construction of Phase 1 of the tailings storage facility.

While no further EPA approval is necessary regarding the fulfillment of these conditions, there are ongoing requirements for reporting and progressive updating of the above documents throughout the life of the Magellan Mine. The DOE granted the operating licence in February 2005.

Magellan Metals will need to undertake a similar process and obtain a works approval from the DOE and the DOIR for the Phase 2 construction of the refinery.

Environmental, Health and Safety

Lead, particularly in its oxidized form, is a toxic substance which can become trapped in the food chain and affect human and animal development. As part of the Australian Environmental Protection Authority approval of the Magellan Mine in 2000, Magellan Metals prepared a Health, Hygiene and Environmental Management Plan (the “HHEMP”). The HHEMP is designed to be the formal documentation of site operating procedures. The HHEMP includes all the safety procedures designed to manage and control human exposure to lead in the work area to minimize employee blood lead levels by preventing lead ingestion by members of the workforce. The procedures set out ongoing

education and strict adherence by individual employees to those procedures is required to protect individual health. Ongoing monitoring of blood lead levels is conducted by independent medical personnel and using accredited medical laboratories for analyses.

The site has been designed to minimize personal exposure to lead. On a macro scale, the site is divided into two areas, operational and public, to denote the different levels of disciplines required to prevent lead ingestion. Areas designated as operational require compliance with Occupational Health and Safety procedures, whereas the public areas require adherence to basic hygiene procedures because of the minimal chance of contamination from leaded materials.

Plans for both personal and atmospheric monitoring of dust emissions have been established and incorporate best practices.

Storage facilities for other potentially hazardous materials, including blasting agents, diesel fuel and chemicals used in processing and maintenance comply with Australian standards.

A comprehensive Closure and Rehabilitation Plan has been developed and submitted to the DOIR. The plan has been prepared based on the known and current rehabilitation requirements imposed by statutory authorities and best practice undertaken by the mining industry. The plan assumes that progressive rehabilitation will be undertaken during the life of the mine to minimize the impact on the environment during operations as well as reduce the final closure restoration of the site. As the operation develops the plan will be revised to take account of any changes to operating strategies or statutory requirements.

Royalties

There are two royalty payments applicable to the Magellan Mine. Under the *Mining Regulations* 1981 (Western Australia), Magellan Metals will be required to pay a royalty to the state government at the prescribed rate of 5.0% of net realized value for lead concentrate and 2.5% for lead metal. Additionally, under agreements with two native title claimant groups, Magellan Metals will pay to the claimants aggregate compensation of A\$0.08 per tonne of ore mined in the area covered by each respective agreement, which amount is divided equally between the two native title claimant groups. See “Doing Business in Australia – Mining Regulation” and “Doing Business in Australia – Native Title”.

Marketing and Sales

In April 2004, Magellan Metals entered into a sales representation agreement with Pechiney World Trade (U.S.A.) Inc. The sales representation agreement was assumed by Ocean Partners in September 2004. Under this agreement, Ocean Partners will act as exclusive sales agent for Magellan Metals’ lead concentrate sales and will provide marketing services for Magellan Metals. Ocean Partners will also provide to Magellan Metals a US\$10 million inventory and trade financing facility to substantially finance lead concentrates in inventory and in transit to smelters.

In November 2004, the Company reached an agreement with MRI to supply up to a total of 100,000 tonnes of lead concentrates from the Magellan Mine during 2005 and 2006. Lead concentrates to be supplied represent approximately 45% of the lead concentrates to be produced during the first two years of production at the Magellan Mine.

Exploration

Magellan Metals has identified additional exploration potential at the Magellan Mine and in the surrounding area. Near the mine site, Magellan Metals has conducted drilling on the Gama prospect, located adjacent to the Magellan deposit to the east, and on the Pinzon prospect one kilometre south of the Magellan deposit. Regional exploration is also proceeding on the Drake, Pizarro and Cortez prospects to the south and west, all of which are within a 15 kilometre trucking distance of the site of the Magellan plant site.

Magellan Metals has been granted a 21.5 square kilometre exploration license (E51/980) for the Yandil area, 20 kilometres to the northwest of Magellan. The area covers a significant mesa outcrop of the Yelma Formation. Non-intrusive testing commenced in 2005. Required approvals and agreements are in place.

In 2004, Magellan Metals incurred costs of A\$0.8 million for exploration programs. Exploration costs of A\$1.2 million are forecast to be spent in 2005. In January 2005, the Company announced plans to revise the production schedules to produce a constant level of lead in concentrate, currently anticipated at 100,000 tonnes per annum. Magellan Metals commenced a drilling program in February 2005 within the area in which the inferred resources occur at Magellan South, Gama and Pinzon (which are located in close proximity to the Magellan Mine) with a view to potentially upgrading the inferred resources to indicated resources. Regional exploration is also proceeding on the Drake, Pizarro and Cortez prospects to the south and west, all of which are within a 15 kilometre trucking distance of the site of the Magellan Mine plant site.

Employees

As at December 31, 2004, 21 employees were employed by Magellan at its Perth office and onsite, with a further 21 contractors employed onsite. In addition, as at December 31, 2004, the Company employed 5 persons from its Toronto corporate offices.

In 2005, it is estimated that 40 employees will be working full time for Magellan based in the Perth office and onsite. In addition, the Company estimates that 47 personnel will be employed as mining contractors and 11 personnel will be employed as catering contractors. The staff employed by mining contractors will be reduced to 36 following the completion of the Magellan pre-stripping operation.

Doing Business in Australia

Political and Economic Climate

Australia offers a stable political and economic climate. Australia is a modern, urban society with a population of approximately 20 million, a skilled workforce and established high quality infrastructure.

The minerals industry is considered to be one of the most important industries in Australia, with exports of Australian mineral resources accounting for about 35% of the country's annual export income. Western Australia accounts for the largest share (in the order of 40%) of total mineral production in Australia.

Mining Regulation

Mining in Western Australia is regulated by the *Mining Act 1978* (the "Mining Act"). The Crown owns all minerals beneath the surface of the land, except for certain limited categories of mineral. As the owner of the minerals, the Crown is entitled to grant mining tenements which confer rights to explore and mine for minerals. There are various mining tenements available under the Mining Act, including exploration licences, mining leases and miscellaneous licences.

The grant of a mining tenement is generally at the discretion of the state or territory regulatory authority. The grant of a mining tenement does not in itself confer authority to commence development. Generally, further approvals need to be obtained in respect of environmental impact, aboriginal heritage, use of groundwater and other matters. The regulatory authorities have wide discretion to set the conditions on which development and mining are permitted.

All significant development and mining is carried out under the authority of long-term mining leases. Generally, mining leases are granted for terms of 21 years with a right of renewal for a further 21 years. Magellan Metals holds 21 year mining leases for the area of the Magellan and Cano deposits.

Exploration licences are normally a precursor to mining leases, and the terms of these licences include a right to convert title to a mining lease subject to approvals in respect of, among other things, native title and environmental issues. The term of an exploration licence is five years, which may be extended by the Minister of Mines in certain circumstances. At the end of both the third and fourth year of its term, the licensee is required to surrender 50% of the lands then covered by the licence.

Exploration licences and mining leases are subject to a prescribed minimum annual expenditure commitment. If a licensee/lessee cannot fulfil the expenditure obligations, it may apply for exemption from all or part of the

commitment. To date all expenditure requirements on the Magellan Properties have been met or appropriate exemptions have been obtained to keep the tenements in good standing with the relevant regulatory authorities.

All mining tenements issued under the Mining Act are subject to certain obligations, principally the obligation to pay annual rent to the Crown and the obligation to carry out certain minimum mining work or expenditure upon the tenement. As the minerals are owned by the Crown, a royalty is payable to the Crown in respect of all minerals recovered under a mining tenement. A different rate of royalty is prescribed for each state and for each mineral. The Mining Act and regulations thereunder automatically apply certain other covenants and conditions to mining tenements, depending on the type of tenement held. Breach of any of the terms and conditions in respect of a particular tenement renders the tenement liable to forfeiture, either at the instigation of the applicable government department or as a result of an application for forfeiture by a third party.

Magellan Metals must pay to the Western Australian Government prescribed production royalties in respect of the Magellan Properties, currently 5.0% of net realized value for lead concentrate and 2.5% for lead metal. Annual rent and rates of approximately A\$55,000 are payable to the Shire of Wiluna.

Environmental and Safety Regulations

Operators of mines are obliged to comply with Australian mining safety laws. In addition, Australian national standards and codes of practice control the use of inorganic lead. A Consultative Environmental Review and the application for works approval prepared in connection with the Magellan Mine have incorporated such safety laws, national standards and codes of practice as part of the proposed standards for carrying out work on the project.

As required by the EPA, Ivernia has completed the preparation of a health, hygiene and environmental management plan and a mine closure and rehabilitation plan. A groundwater monitoring program and a baseline sampling program was completed in May 2004. No further EPA approval is necessary regarding the fulfillment of these conditions. In addition, Magellan Metals was required by the DOIR to post with the DOIR two unconditional performance bonds guaranteed by a financial institution for the restoration of the Magellan Mine site to acceptable environmental standards in the event Magellan Metals cannot fulfil its rehabilitation commitments. The first of these bonds in the amount of A\$0.1 million was posted in May 2004 and the second bond of approximately A\$1.1 million, in respect of the tailings storage facility, was posted with the DOIR in August 2004. See “– Magellan Mine – Permits”.

Native Title

The laws of Australia recognize a form of native title held by its Aboriginal inhabitants. The nature of the native title rights held by various Aboriginal people may vary but might include rights such as the right to use and occupy, to hunt and gather, traverse, camp, conduct ceremonies and exclude non-native title holders.

Native title interests are recognized and protected under the *Native Title Act 1993* (Commonwealth) (the “Native Title Act”) which came into force on January 1, 1994. The grant, renewal or extension of certain mining titles in each state and territory which affect native title rights are subject to the provisions of the Native Title Act, and any such grant, renewal or extension of mining titles on or after January 1, 1994 may be invalid if not done in compliance with the procedures under the Native Title Act. The National Native Title Tribunal (the “Tribunal”), which is a Commonwealth Government administrative body, was established under this Act to deal with native title applications. The Tribunal provides for native title claims to be filed in the Federal Court of Australia and, if a claim satisfies certain threshold requirements, to be registered by the Tribunal pending the ultimate determination of the claim by the Federal Court. There is considerable complexity and uncertainty concerning the operation of native title laws in Australia.

Certain of the Magellan Properties, including the tenements comprising the Magellan and Cano deposits, are affected by a claim on behalf of the Wanmulla peoples lodged on December 18, 1995 (registered) and a claim on behalf of the Milangka peoples lodged on April 28, 1997 (unregistered). The existence or otherwise of these claims does not prove the existence of native title. However, the existence of these claims means that the parties to the claims must be consulted as part of the negotiation process to be followed under the Native Title Act before any act may be taken that could affect native title rights.

Prior to the granting of the Renison Leases, (i) a heritage agreement was signed between Magellan Metals, Renison and representatives of the Milangka peoples on September 25, 1998 which covers the Renison Leases (the “Heritage Agreement”) and (ii) a land use agreement was signed between Magellan Metals, Renison and representatives of the Wanmulla peoples on December 16, 1998, also covering the Renison Leases (the “Land Use Agreement”). Neither party has been able to satisfy the federal requirements for claiming tenure. Subsequently the Milangka peoples became part of the larger Wiluna peoples claim registered in 1999. The Wiluna claim is expected to be heard by the Federal Court in 2006.

Under the Heritage Agreement, Magellan Metals will pay compensation for ore removed for treatment and processing from the area covered by each respective agreement. . It has been agreed with the Wiluna claimants that terms of the Milangka Heritage Agreement will apply and that the total compensation payable to all claimants will be \$0.08/t.

The agreements also provide for, among other things, the protection of the environment and Aboriginal heritage sites, and due regard for employing qualified local Aboriginals at the Project. The Heritage Agreement also provides for compensation payments equal to 10% of the annual rental payable to the Western Australian Government for any other tenement which lies within the claimed area.

In the event that Magellan Metals exceed the scope of the Agreement ,the native title claimants may seek additional compensation from the Tribunal or a court in respect of their claims,. In addition, persons found to be native title holders in the future may be entitled to compensation. Any such future claims will not affect the validity of tenements granted in accordance with the procedures established under the Native Title Act.

Taxation

The taxes applying to Australian companies include Goods & Services Tax, Income Tax, Withholding Tax and other indirect taxes. A general summary of the major aspects of the Australian tax system is provided below.

Goods and Services Tax

A goods and services tax of 10% is imposed on the supply of most goods and services consumed in Australia.

Income Tax

A company resident in Australia is subject to income tax on its non-exempt worldwide taxable income at a flat rate of 30%. Taxable income equals assessable income less allowable deductions.

With reference to mining operations, the cost of depreciating assets (including plant and equipment) may be deducted over the asset’s effective life. Other capital expenditure incurred in carrying on mining operations is deductible over the life of the mining project concerned, and exploration expenditure is deductible in the year in which it was incurred.

Income tax losses incurred by Australian companies can be carried forward and utilized in future years subject to the satisfaction of specific statutory tests.

Withholding Tax

A withholding tax of 30% (generally reduced to 15% if the shareholder is resident in a country with which Australia has a tax treaty) is payable on non-franked dividends distributed to non-resident shareholders. A non-resident pays no Australian tax when receiving a fully franked dividend from an Australian company. Dividends may be fully franked, partially franked or unfranked. A fully franked dividend is basically a distribution of company profits that have been subject to tax at the company rate.

Withholding tax is also applied to payments of interest and royalties to non-residents.

Other Taxes

Other taxes applicable in Australia include fringe benefits tax on certain benefits provided to employees, payroll taxes, customs duty and stamp duty.

Lead Markets

Lead is an internationally traded commodity. It is a ductile, non-corrosive metal used primarily in manufacturing lead-acid batteries for providing power in various situations, including starting motor vehicles, powering electric or hybrid vehicles, and providing backup power when main electricity supplies fail. Lead is also used for radiation shielding and in a number of industrial and chemical products.

World demand for lead has increased steadily over the past 40 years, increasing on average approximately 2.5% annually. Over the last 10 years, the use of lead in batteries has increased at an average rate of approximately 4% per annum and the use of lead-acid batteries as backup power in telecommunications and IT networks has expanded. Lead supply has been generally tight since 2000 with a significant decline in LME-held lead metal stocks since the end of 2002. New lead mine production arises principally as a co-product of zinc or silver mining. However, new mine supply accounts for just over 40% of total refined lead production, with the balance obtained mainly from recycling used batteries.

Historically, the price of lead metal has been volatile, affected by international economic and political conditions, levels of supply and demand, producer and other inventory levels, inventory carrying costs and currency exchange rates. Additionally lead metal demand stagnated over a 20 year period (1975-95) as a consequence of the then relatively large market for lead in gasoline and paints being almost completely removed. During this period demand was almost flat with the growth in battery use balancing the lost market segments. During this period large excess stocks were accumulated which have only been recently exhausted.

The following table sets forth the average daily settlement price for lead metal on the LME for the periods indicated. In 2004, the LME lead cash settlement price increased from US\$751/tonne at the beginning of the year to a price of US\$1,056/tonne at year-end.

<u>Year</u>	<u>Price (US\$/lb)</u>	<u>Price (US\$/tonne)</u>
2000	0.21	454
2001	0.22	476
2002	0.21	453
2003	0.23	516
2004	0.40	888

Competition

Once the Magellan Mine is brought into commercial production, the Company's competitive position will be determined largely by its costs compared to those of other lead producers throughout the world. Ongoing operating costs at the Magellan Mine will be determined principally by the location, grade and nature of ore bodies and mineral deposits, the efficiency of processing and refining operations, and operating management and skill. Ivernia believes that the project's open pit mining plan and the relatively shallow depth and high grade of the mineralization, among other factors, will result in the Magellan Mine having relatively low production costs of lead concentrate and lead metal production compared to other lead producers. The Company's competitive position will also be affected by its ability to maintain its financial integrity through lead price and currency fluctuations.

Given the size of the world market for lead relative to individual producers of lead, Ivernia believes that no single company has sufficient market influence to significantly affect the price or supply of lead on the world market.

Over the longer term, the Company will compete with other mining and exploration companies in connection with the location, acquisition and development of mineral projects.

Risk Factors

The business of Ivernia is subject to a variety of risks, including those described below. Ivernia is also subject to the risks and uncertainties described in the Management's Discussion and Analysis of Financial Condition and Results of Operations relating to the Company's audited consolidated financial statements for the year ended December 31, 2004, to be filed with Canadian securities regulators.

Resources and Reserves

Ivernia believes that the reserve and resource figures calculated for Magellan have been conducted using appropriate methodology and provide a reasonable estimate based on the available data. The inherent imprecision of all such estimates is also recognised and the Company accepts that they are only estimates. Changes to the proposed mining plans that are used to generate the estimates is almost inevitable as more information becomes available and as economic parameter assumptions, such as metal prices and exchange rates, change with time. Consequently, no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated levels of metal recovery will be realized. Metal price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such ore reserves. Moreover, short-term operating factors relating to ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Metal Price Volatility

Ivernia's future operating revenues will be derived from the sale of lead concentrates and lead metal. Accordingly, the Company's earnings will be directly related to the price of lead. Lead prices have fluctuated over time and are affected by numerous factors beyond Ivernia's control. The effects of these factors are impossible for Ivernia to predict. If the market price for lead falls below Ivernia's total cash costs and remains at such levels for a sustained period, Ivernia may, if it is not appropriately hedged, incur losses and may determine to discontinue mining operations. Currently, no lead price hedges have been put in place by the Company.

Exchange Rates

Substantially all of the revenues and debt of the Magellan Mine and Ivernia are (or are expected to be) denominated in US dollars, whereas a significant portion of its operating costs relating to the Magellan Mine are denominated in Australian dollars. Fluctuations in the Australian/US dollar exchange rate may significantly impact the earnings and cash flows of the Magellan Mine and Ivernia. In order to reduce its exposure to currency fluctuations, Magellan Metals may hedge a portion of its Australian dollar exposure.

Single Mineral Property

Ivernia's only mineral property is the Magellan Mine. Any adverse development affecting the mine could have a material and adverse effect on the Company and could materially and adversely affect its lead production, profitability, financial performance and results of operations.

Metallurgy

The company is aware of the inherent risk of mineralogical changes in the planned treatment of the Magellan ore bodies. Particle liberation and the effectiveness of selective chemical collection are the key variables in any flotation-based process and these have been assessed on the sample suites available for testwork, which has been limited to a relatively small weight percent of the planned mining operation. While every reasonable step has been taken to ensure that the metallurgical process is suited to the task, including third party reference advice, comparisons with similar operations both past and present and extensive testwork on actual material, no assurance can be given that modifications will not be required or that the predicted performance will be achieved.

Environmental

Certain environmental issues could potentially affect the operation of the Magellan Mine. Although potential issues such as storm events, tailings storage seepage, pit wall failure, dust and noise emissions have all been assessed and appropriate strategies based on practices at other lead mining and processing operations have been adopted, there can be no assurance that an unforeseen event will not occur which could have an impact on the viability of the operation.

Mining Risks

The mining operations of Ivernia are subject to risks normally encountered in the mining business. Such risks include environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological formations or pressures, and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to or destruction of mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Insurance

Although Ivernia and Magellan Metals maintains insurance within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will continue to be available at economically feasible premiums. To the extent that Ivernia is subject to certain environmental or other liabilities for which it is not insured, the payment of such liabilities would reduce the funds available to Ivernia. If Magellan Metals is unable to fund fully the cost of remedying an environmental problem, Magellan Metals might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Labour and Employment Regulations.

Although Ivernia has good relations with its employees, production at its mining operation is dependant upon the efforts of Ivernia's employees and contractors. In addition, relations between Ivernia and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdiction Ivernia carries on business. Changes in such legislation or in the relationship between Ivernia and its employees may have a material adverse effect on Ivernia's business, results of operations and financial condition.

Joint Venture Arrangements

Ivernia's interest in the Magellan Mine is currently held through a joint venture with Sentient. Any failure on the part of Sentient to meet its obligations to Ivernia or to third parties could have a material adverse effect on the Magellan Mine. Under the Magellan Shareholders Agreement, Sentient may exercise a put option to sell all of its interest in Magellan Metals to the Ivernia Shareholders. Alternatively, Sentient is entitled to sell all of its interest in Magellan Metals to a third party, subject to a right of first refusal held by the Ivernia Shareholders. See "Magellan Mine – Joint Venture Agreements – Magellan Shareholders Agreement." There can be no assurance that the Ivernia Shareholders would have access to adequate cash or other consideration acceptable to Sentient to exercise their right of first refusal or to satisfy the Ivernia Shareholders' obligations in the event that Sentient elected to exercise its put option. If Sentient sells its interest to a third party and the Ivernia Shareholders do not exercise their right of first refusal, Sentient may require the Ivernia shareholders to sell their interests in the Magellan Metals to the same third party. Sentient also has the right, under the Magellan Shareholders Agreement, to assume unilateral control of Magellan Metals if the Magellan Mine is materially failing to meet the benchmarks agreed upon by the shareholders (other than due to fluctuations in commodity prices of exchange rates). The Ivernia Shareholders could, therefore, lose control of Magellan Metals or lose their interest entirely, which could have a material effect on Ivernia's business and its results of operations and financial condition.

If the Magellan Acquisition is completed, the joint venture will cease to be in effect.

Health and Safety

Lead is a toxic substance that can become trapped in the food chain and affect human and animal development. Although Ivernia has implemented procedures that are designed to protect the health and safety of employees and others,

such procedures require strict adherence by individual employees and no assurance can be given that employees or others will not be exposed to toxic materials, which may attract liability to Ivernia. Mining and processing operations also involve a variety of other hazardous materials such as fuel, blasting agents and dangerous chemicals that could cause damage or harm to the Magellan Mine's operating facilities or employees. A risk to the operation of the Magellan Mine is that employees may not adhere to standard operating procedures that will be in place. The company is aware that both careful monitoring and effective control are paramount but there is still a risk that incidents will occur which will require remedial action and may result in curtailment of operations.

In the event that control measures are not completely successful, employees could absorb enough lead to raise their blood lead levels above permissible levels and require their removal from the site. Temporary workers would need to be employed to maintain operational continuity, which would result in additional labour costs.

Government Regulation

Ivernia's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of Ivernia's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, Ivernia must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. While it is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that Ivernia will not proceed with the development or operation of a mine, Ivernia is not aware of any material environmental constraint affecting its existing mining or development properties that would preclude the economic development or operation of any specific mine or property.

All phases of Ivernia's operations, particularly its mining and processing operations, are subject to extensive government regulations relating to the protection of the environment, including those relating to air and water quality, solid and hazardous waste handling and disposal and mine reclamation and closure. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments on proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect Ivernia's operations.

Dependence on Key Personnel

Ivernia's success depends to a significant extent on the continued services of certain key personnel. The failure to retain certain personnel and to attract qualified management in the future could adversely affect our ability to manage our operations.

Constraints on Cash Flow from the Magellan Mine

The Magellan Mine is currently undergoing commissioning and commercial production is not expected to begin until mid 2005. Upon the commencement of commercial production, any cash flow generated from the mine will be subject to constraints before it can be distributed by Magellan Metals to its shareholders. These constraints include ongoing operating costs for the mine, construction of the refinery on-site during 2006, payments of principal and interest on the Progress Loans and First Ranking Loans, and royalty payments to native title claimants under the Heritage Agreement and the Land Use Agreement. Moreover, any cash from the Magellan Mine which becomes available for distribution by Magellan Metals to its shareholders may only be distributed to the Ivernia Shareholders to the extent of their interest, which is currently 51% in the aggregate. Accordingly, there can be no guarantee that such distributions, if any, will be sufficient to fund any other activities which the Company may wish to undertake, or to fund the payment of dividends on the Common Shares.

Nature of Mineral Exploration and Development

The exploration for and development of mineral properties includes significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Considerable expenditure is required to assess mineralised occurrences and the progression of such discoveries to potential ore-bodies is a high risk process which requires constant review. While the discovery of an ore deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. To determine the commercial viability of a mineral deposit such as the Magellan Mine is an extremely complex process which includes the consideration of technical, economic and political factors such as the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, land tenure, taxes, royalties, land use, importing and exporting of minerals and environmental protection. Accordingly there can be no assurance that Ivernia's current business plan will result in profitable commercial mining operations. While contingency levels deemed appropriate for this type of operation have been included, no assurances of achieving the targets can be given as many outside factors can interfere, such as actual availability of equipment and services at the appropriate time or unusual climatic events.

Forward-Looking Statements

The forward-looking statements made in this AIF are based on assumptions and judgements of management regarding future events and results. These assumptions and judgements may prove to be inaccurate as a result of a number of factors, many of which are beyond the control of Ivernia, and Ivernia's actual results may differ materially from the results contemplated in such forward-looking statements. The principal factors that may negatively impact the accuracy of these statements are discussed above.

Determination of Mineral Resources and Ore Reserves

The estimates of measured, indicated and inferred mineral resources and proven and probable ore reserves in relation to the Magellan Mine set out in this AIF are based upon information prepared by or under the supervision of one or more qualified persons, as that term is defined in National Instrument 43-101 and are reflected in the 2004 Technical Report.

Ivernia's mineral resources and ore reserves are reported in accordance with the 1999 update of the JORC Code. The qualified persons named in this AIF in respect of the Magellan Mine are of the view that the estimates of measured and indicated mineral resources and proven and probable ore reserves set out in this AIF would not be materially different if they were reported in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000.

Although the Company believes that the estimates of mineral resources and ore reserves set out in this AIF have been carefully prepared and that the methods of estimating these are reliable, no assurance can be given that the stated mineral resources and ore reserves are present in the quantities stated, or that metal or concentrate will be produced in the quantities expected. Only ore reserves have demonstrated technical and economic viability. Mineral resources, ore reserves and metal production will be affected by a number of factors including the following:

- unforeseen geological variations which may render portions of the estimated ore reserves unmineable;
- metal price fluctuations may render ore reserves containing relatively lower grades uneconomic;
- changes to the life-of-mine plan, including the mining method;
- short-term operating factors such as the need to develop ore bodies in an orderly manner or the processing of different grades;
- changes in laws and regulations relating to mining activities, including environmental laws and regulations, may render certain ore reserves uneconomic; and
- political and other factors.

DIVIDEND POLICY

The Company has not paid dividends on the Common Shares since its incorporation and does not intend to pay dividends on the Common Shares during fiscal 2005. Any decision to pay dividends on the Common Shares in the future will be made by the board of directors of the Company on the basis of cash flow, earnings, financial position and financing requirements of the Company, and other relevant factors.

CAPITAL STRUCTURE

The Company is authorised to issue an unlimited number of common shares and an unlimited number of preference shares. As at the date hereof there are 69,268,310 Common Shares and no preference shares outstanding. On June 30, 2004, the Company completed a five-to-one Common Share consolidation.

The holders of Common Shares are entitled to receive, as and when declared by the board of directors, dividends in such amounts and in such form as may be determined from time to time. Holders are entitled to receive notice of and to attend all shareholders meetings except for meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The NBBCA provides for cumulative voting for the election of directors so that each shareholder entitled to vote for the election of directors has the right to cast a number of votes equal to the number of votes attached to the Common Shares held by such shareholder multiplied by the number of directors to be elected, and may cast all such votes in favour of one nominee or distribute them among the nominees in any manner. Holders of the Common Shares are otherwise entitled to one vote for each Common Share held.

Subject to any priority of the preference shares as have been designated on their issuance, holders of the Common Shares are entitled to receive the remaining property of the company on a pro rata basis in the event of liquidation, dissolution or winding-up.

The Board of Directors may issue preference shares from time to time in one or more series, each series having such number of shares and such designation, rights, privileges, restrictions and conditions as the board of directors may determine, including voting rights, redemption provisions, dividend rights, dividend rates, liquidation preferences and conversion rights. Unless otherwise provide by the rights, privileges, restrictions and conditions attaching to a series of preference shares or as required by law, holders of the preference shares are not entitled to receive notice of or attend at or vote at a meeting of shareholders. Similarly, depending on the rights attaching to any preference shares, same may rank prior to common shares with respect to dividends and with respect to distribution of assets in the event of a liquidation, dissolution or winding-up of the Company.

The table below summarizes the number of Common Shares issuable upon the full exercise of the common share purchase warrants and broker warrants issued pursuant to the March Private Placement and the November Private Placement.

Common Shares Issued or Issuable Upon Exercise of Warrants (1)
As at March 29, 2005

	Common Shares Issuable if All Warrants Fully Exercised	Common Shares Issued Pursuant to Warrants Exercised to Date	Common Shares Issuable upon Exercise of Remaining Warrants
March Private Placement:			
Common share purchase warrants	8,000,000	352,000	7,648,000
March Broker Warrants	936,000	422,430	513,570
Common share purchase warrants issuable upon exercise of March Broker Warrants	<u>468,000</u>	<u>70,200</u>	<u>397,800</u>
Subtotal	<u>9,404,000</u>	<u>844,630</u>	<u>8,559,370</u>
November Private Placement:			
Common share purchase warrants	4,000,000	-	4,000,000
November Broker Warrants	480,000	216,900	263,100
Common share purchase warrants issuable upon exercise of November Broker Warrants	<u>240,000</u>	<u>108,000</u>	<u>132,000</u>
Subtotal	<u>4,720,000</u>	<u>324,900</u>	<u>4,395,100</u>
Total	<u>14,124,000</u>	<u>1,169,530</u>	<u>12,954,470</u>

(1) The Common Share numbers set out in this table reflect the five-to-one Common Share consolidation that took place on June 30, 2004.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “TVW”. The following provides details of the price ranges and volume traded for the fiscal year ended December 31, 2004. The price ranges and volume set out below for the period January 2004 to and including July 7, 2004, the last day the Common Shares traded on the TSX on a pre-consolidation basis, have been adjusted to reflect the share consolidation approved at the meeting of shareholders held on June 30, 2004. See “Capital Structure”.

<u>2004</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
January	1.42	0.95	1,618,455
February	1.50	0.925	3,217,911
March.....	1.35	1.075	1,362,072
April.....	1.30	0.65	1,475,931
May.....	1.20	0.75	649,318
June.....	1.25	1.00	1,043,154
July.....	1.18	1.05	3,572,952
August.....	1.02	0.79	1,378,054
September	1.03	0.88	737,073
October	1.40	0.90	5,333,196
November	1.48	1.14	10,820,768
December.....	1.42	1.21	1,541,804

PRIOR SALES

On March 25, 2004, the Company issued, pursuant to the March Private Placement, 80 million (16 million post-consolidation) Common Shares and 40 million common share purchase warrants for gross proceeds of C\$20.00 million (US\$15.04 million). Post-consolidation, these warrants collectively entitle the holders to purchase an aggregate of 8 million Common Shares at a price of C\$1.25 (C\$1.325 for insiders of the Company for securities regulatory purposes) per Common Share until March 25, 2006. As part of their compensation for the March Private Placement, the agents were issued the March Broker Warrants.

On November 18, 2004, the Company completed the November Private Placement of 8 million Common Shares and 4 million common share purchase warrants for gross proceeds of C\$10 million (US\$8.28 million). Each such warrant entitles the holder to purchase an additional Common Share at a price of C\$1.40 per share until November 18, 2009. As part of their compensation for the November Private Placement, the underwriters were issued the November Broker Warrants.

See “General Development of the Business – Three Year History.”

DIRECTORS AND OFFICERS

Set out below is the name, municipality of residence, office within the Company and principal occupation of each director and executive officer of the Company, together with his period of service as a director. Each director holds office until the next annual meeting of shareholders of the Company or until his successor is appointed.

Name and Municipality of Residence	Office	Principal Occupation	Period(s) of Service as a Director
J. Trevor Eyton Toronto, Ontario	Chairman and Director (1)(2)(3)(4)	Member of the Senate of Canada and Company Director	2000 – present
Alan De'ath Oakville, Ontario	Director, President and Chief Executive Officer (5)	Officer of the Company	2000 – 2002 2003 – present
Kenneth Sangster Bristol, England	Director and Executive Vice- Chairman (5)(6)	Officer of the Company	2000 – 2002 2003 – present
David Armstrong Toronto, Ontario	Director (1)(2)(3)	Partner, McCarthy Tétrault LLP (Law firm)	2000 – present
Walter Murray Toronto, Ontario	Director (1)(2)(3)	Vice-Chairman, RBC Capital Markets Inc. (Investment banking firm)	2000 – present
Kevin Ross Cornwall, England	Senior Vice-President and Chief Operating Officer	Officer of the Company	N/A
Brendan McMorrow Limerick, Ireland	Chief Financial Officer (6)	Officer of the Company	N/A

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee.

(4) Includes time served as a director of Ivernia West plc prior to the Reorganization.

(5) Each of Mr. De'ath and Mr. Sangster resigned as directors in 2002 in connection with a reduction in the size of the Board at that time.

(6) Mr. McMorrow was appointed Chief Financial Officer of the Company effective March 29, 2005.

During the past five years, each of the foregoing directors and executive officers has been engaged in the principal occupation shown opposite his name or in another position with the same or an affiliated company, except for Kevin Ross who was Chief Executive Officer of TVX Hellas, a subsidiary of TVX Gold in 2000 and January 2001, and Chief Executive Officer of ARCON International Resources plc from February 2001 to August 2004.

McCarthy Tétrault LLP, the law firm of which David Armstrong is a partner, is the Company's principal Canadian legal counsel.

To the best knowledge of the Company, an aggregate of 523,938 Common Shares are beneficially owned, directly or indirectly, or control or direction over such Common Shares is exercised, by the directors and executive officers of the Company as a group, representing approximately 0.75% of the total issued and outstanding Common Shares.

As a result of a delay in filing its 2002 audited annual consolidated financial statements and certain other disclosure documents within the periods required by Canadian securities regulators, each of the Company's directors and officers voluntarily consented to the issuance by the Ontario Securities Commission on May 22, 2003 of a "management and insider cease trade order". The order prohibited trading by them and certain other insiders in securities of the Company until the Company completed all its required disclosure filings, which were delayed as a result of continuing negotiations with Sentient concerning the Magellan Joint Venture and the obtaining of financing for Ivernia, the outcome of which would impact the presentation of the Company's financial statements. Following the entering into of the Joint Venture Agreements, all outstanding disclosure filings were completed and the temporary cease trade order was allowed to lapse on July 23, 2003.

EXPERTS

PricewaterhouseCoopers LLP, Chartered Accountants, the Company's external auditors, have prepared the audit report on the Company's audited consolidated financial statements for its most recently completed financial year.

Each of Jeffrey Elliot of CSA and Vivienne Snowden and Allan Blair of Snowden are named in this AIF as having supervised the preparation of, or reviewed, studies relating to mineral resources and ore reserves for the Magellan Mine. In addition, Franciscus Sibbel is named in this AIF as the author of the 2004 Technical Report. Each of these individuals is independent of the Company. Based on information provided to the Company by these individuals, these individuals as a group do not beneficially own, directly or indirectly, any Common Shares.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year but that is still material and still in effect, is the Acquisition Agreement, a copy of which has been filed on SEDAR at www.sedar.com.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent is Computershare Trust Company of Canada 100 University Avenue, 9th Floor Toronto, Ontario M5J 2Y1.

ADDITIONAL INFORMATION

Additional financial information for the Company is available in the Company's audited financial statements for the year ended December 31, 2004 and the related management's discussion and analysis of financial condition and results of operations, which will be filed with Canadian securities regulators and will be available under the Company's profile at www.sedar.com.

Upon request made to the Secretary of the Company at 44 Victoria Street, Suite 400, Toronto, Ontario, Canada M5C 1Y2, the Company will provide any person or company with a copy of:

- (a) the Company's AIF together with any document, or the pertinent pages of any document, incorporated by reference in the AIF;
- (b) the Company's comparative financial statements for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor, and the Company's most recent interim financial statements that have been filed, if any, for any period after the end of its most recently completed financial year;
- (c) the Company's Management Information Circular in respect of its most recent annual meeting of shareholders involving the election of directors; and
- (d) when any securities of the Company are in the course of a distribution pursuant to a preliminary short form prospectus or a short form prospectus, any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus.

A copy of any of these documents may be obtained without charge at any time when any securities of the Company are in the course of a distribution pursuant to a preliminary short form prospectus or a short form prospectus. At any other time, any document referred to in (a), (b) or (c) above may be obtained by security holders of the Company without charge and by any other person or company upon payment of a reasonable charge.

TECHNICAL GLOSSARY

2004 Technical Report: the technical report dated September 30, 2004 prepared by Franciscus Sibbel, of F&A Sibbel Mining Consultants Pty Ltd. relating to the Magellan Mine.

assay: the result of chemical testing of rock samples to determine the mineral or metal content.

breccia: a rock type made up of angular fragments of rock usually held together by mineral cement such as calcium carbonate or silica.

capacity: the design number of units which can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.

colloform: mineral texture that is finely-banded and kidney-like in shape.

concentrate: a metal-rich product resulting from a mineral separation process such as flotation, from which most of the waste material in the ore has been separated.

cut-off grade: the lowest grade of mineralization, based on economic factors, which is planned to be mined and processed.

dilution: the waste which is unavoidably included with ore in the mining process.

ehedral: describing mineral grains that exhibit well-developed crystal faces.

exploration: the activity of searching for potentially economic mineralization.

flotation: a process by which some mineral particles are induced to become attached to air bubbles so that the valuable minerals are separated from the worthless waste.

galena: lead sulphide, the most common ore mineral of lead.

g/t: grams per tonne, used to express the precious metal content of rock or other material.

grade: the amount of valuable metal in ore, expressed as a percentage by weight for lead and other base metals, and g/t for precious metals.

grizzly: a coarse screen for ROM ore.

JORC Code: the Australasian Code for Reporting of Mineral Resources and Ore Reserves published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and the Minerals Council of Australia.

milling: the process of crushing and grinding rock preparatory to extracting the economically valuable components using a method such as flotation; also used to describe the whole process of crushing, grinding and extraction.

mineralization: rock containing an undetermined amount of minerals or metals.

mineral resource⁽¹⁾: a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted based on specific geological information gathered from detailed and reliable exploration, sampling and testing of outcrops, trenches, pits, workings and drill holes. Mineral resources are sub-divided, in order of decreasing geological confidence, into the following categories:

measured resource: that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. The locations of information points are spaced closely enough to confirm geological and/or grade continuity.

indicated resource: that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. The locations of information points are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

inferred resource: that part of a mineral resource for which tonnage, grade, and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed, but not verified, geological and/or grade continuity.

mtonne: a million tonnes.

ore: a natural occurrence of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

ore body: an aggregate of ore sufficiently large to be mined economically.

ore reserve⁽¹⁾: the economically mineable portion of a measured or indicated mineral resource. It includes allowances for losses and dilution of materials which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of decreasing confidence into the following categories:

proven reserve: the economically mineable part of a measured mineral resource.

probable reserve : the economical mineable part of an indicated, and in some circumstances measured, mineral resource.

payable: that portion of metal in concentrate for which the producer is paid, usually by a smelter.

reclamation or rehabilitation: the process of restoring an impacted area such as a mine site or tailings facility to an acceptable end use.

ROM: run of mine.

semi-autogenous grinding (SAG): the process of grinding rock to the required size, in which the grinding medium is comprised of coarsely crushed ore and steel balls.

sphalerite: zinc-iron sulphide, the most common ore mineral of zinc.

tailings: the waste material that remains after the mineral separation process.

tph: tonnes per hour.

(1) *Ivernia's mineral resources and ore reserves are reported in accordance with the 1999 update of the JORC Code.*