



Ivernia Inc.
44 Victoria Street, Suite 300
Toronto, Ontario, Canada M5C 1Y2

Letter to Shareholders from the Chairman and CEO

(Note: all dollar amounts are in U.S. dollars unless otherwise indicated)

May 14, 2007

Dear Fellow Shareholders,

Our decision to provide this letter as an attachment to the annual report was based on the desire to present the most up-to-date information, specifically with regard to lead concentrate shipments and the financial position of the Company. What we hope would not get lost in this report are the several benchmarks established by both Ivernia and the lead industry over the course of the past year since our last annual meeting.

Particularly, Ivernia and its new senior operations management team successfully overcame some operational challenges with a well-defined and executed action plan. As a result, over the last nine months of operations to March 31, 2007, Magellan delivered a solid performance, set new company records for production and sales and positioned itself on the last step towards achieving its target production level.

GOOD OPERATIONAL PERFORMANCE AND STRONG FINANCIAL RESULTS

The fundamental step-change to our production capacity in the most recent nine months of operations came from the completion of two important optimization projects during 2006.

The most significant was the secondary ball mill, which increased the throughput rate by roughly 50% and added flexibility in the blend of ore types and volume of material that Magellan can now process.

The over 50% increase in our sales schedule in the fourth quarter was achieved through improvements in the logistics of the concentrate drying and the movement of material to our customers. The 21,300 tonnes of lead in concentrate shipped during the fourth quarter of 2006 was our highest for the year and was done during the best lead pricing quarter of 2006.

This good operational performance resulted in stronger financial results. Altogether, in 2006 we reported revenues of \$82.9 million, on shipments of 63,000 tonnes of lead in concentrate, which produced operating income of \$16.9 million, net income of \$4.8 million or \$0.04 per common share and cash from operations of \$19.7 million.

And while this was going on, we managed our balance sheet in a relatively conservative manner to protect and improve the Company's financial flexibility. During 2006, the cash balance increased from \$7.0 million to finish the year at \$17.1 million.

LEAD'S STRONG FUNDAMENTALS

Since mid-2006, the strength of lead's long-term fundamentals has become more evident. Its market price has set increasingly higher record levels, making it one of the best performers in the base metals industry. Additionally, the metal recorded its fourth consecutive year of market deficit despite the previous unanimous forecast for a surplus by lead market analysts.

In our view, these analyst forecasts continue to underestimate the strength of demand for lead from Asia (especially China) and overestimate the supply. This is especially sensitive as there are a few significant lead producers that dominate the supply side so that any supply shortfall at one or more of the major mines has the potential for a significant direct effect on the market balance.

For some lead market analysts however, the outlook for 2007 marks a departure from previous years with an early call for a fifth consecutive year of market deficit.

At Ivernia, we think this is a likely outcome as lead consumption and consumption growth rates, currently at an all-time high, show every indication of further growth.

IMPROVEMENTS TO OUR GOVERNANCE

At the Board level, we have an ongoing process of implementing best practices in governance – a matter which is of primary importance to the Company. We would like to highlight two developments over the past year that we feel are particularly important. The first is our new Whistleblower Policy, which gives all directors and employees an anonymous process for disclosing complaints or concerns regarding financial and other matters, including violations of the Company's Code of Business Conduct and Ethics. The second is a formal director evaluation process consisting of an annual self assessment and Board effectiveness survey. This process will help ensure the full participation by each director in Board activities and decision making. It also provides a tool to detect and remedy deficiencies that may exist in communications between management and Board members.

STRENGTHENING THE BOARD OF DIRECTORS

In February 2007, the composition of our Board was enhanced with the addition of David Murray, O.B.E., as a non-executive member. David Murray's extensive operational experience provides a senior advisory resource for our management, and complements the existing skill-set of our Board which encompasses exploration, project development, operations, financial management and legal counsel. We believe this strengthened Board of Directors and management team has the vision, dedication and skills to take the Company successfully through 2007 and beyond.

Additionally, we have nominated two well-qualified professionals for election as directors to an expanded Board. Patrick Scott, Ivernia's Chief Operating Officer, has been a member of the Company's executive management since June 2006 during which he has managed the turnaround of the Magellan operations. He is a Mining Engineer with almost 30 years of international experience in all aspects of the mining industry.

Jay Kellerman, Partner with the Canadian law firm Stikeman Elliott LLP, has been a corporate lawyer for 15 years and has advised numerous Canadian and foreign companies involved in the mining sector on a wide range of matters, including public offerings and mergers and acquisitions.

We believe both nominees will make good experienced additions to the Ivernia Board.

It is with much gratitude we acknowledge the contributions of Kenneth Sangster who will not be standing for re-election in 2007 in keeping with his retirement plans, and David Armstrong who retired from the Board in February 2007. Ivernia's growth from a development company into a full-scale operator benefited greatly from their experience and advice. Happily, the Company will continue to have Kenneth Sangster's advice and counsel under a consulting agreement which runs until 2009.

MAGELLAN LEAD CONCENTRATE SHIPMENTS

On March 12, 2007, shipments of Magellan lead concentrate through the Port of Esperance were suspended by the port pending an investigation into the cause and extent of contamination in the community of Esperance.

Every member of our Company was affected by the news that lead concentrate dust had escaped into the environment of Esperance. We believe the safeguards we have put in place and the way we handle our environmental and health responsibilities at our site are appropriate given the nature of our product. We can assure you that our regard for the health of our workforce and the protection of our environment is our first consideration. In fact, the standards we have set at Magellan are stricter than the minimum standards required by the governing legislative bodies.

While normal mine operations were maintained for some three weeks following the shipping suspension, it became apparent this was not sustainable given our difficulty in determining timing for the resumption of operations. Consequently, the tough decision to place the mine under care and maintenance was taken. As a result, approximately three-quarters of the Company's workforce were laid off and force majeure notices were delivered to Magellan's customers, suppliers and contractors. A core team of 30 employees was retained to carry out care and maintenance of the facility until the resumption of operations.

In the meantime, we are advancing the regulatory and consultative processes for approvals to bag and ship the lead concentrate stockpile at the Esperance Port Authority storage shed (with a current market value of approximately \$10 million) and to start containerized lead concentrate shipments through an alternate port.

As part of the process to obtain regulatory approval to bag and ship our concentrate which is currently in the storage shed at the Esperance Port Authority, we have been conducting a number of community consultative meetings in Esperance. During these meetings, we have outlined our detailed proposal to bag the lead concentrate in ISO-approved enclosed and double-lined one-tonne bulka bags prior to shipment to our customers in China. The reception has been positive – and over the next few weeks we will continue to move this proposal through the regulatory process.

In parallel, we are developing a comprehensive proposal for future lead concentrate shipments to be in lined ocean containers through an alternate port. These containers will be lined, loaded, inspected and sealed on mine site.

After we have completed the proposal, the next steps will involve consultations with communities and port – followed by application to and review by the appropriate regulatory departments. We have been advised that a timeframe of approximately four months, after we complete our proposal, is a good estimate for the approval process to run its course.

Our proposals incorporate avoidance, mitigation and management measures specifically designed to minimize the potential for lead concentrate dust to escape into the environment and to permit us to have absolute confidence in the safe handling of our product from the time it leaves our control until delivery at our customers by removing our reliance on third parties to physically handle our concentrate. We further believe that the work that is being done by our management team, supported by an experienced team of environmental consultants at ENESAR, to develop these proposals will lead to stronger systems for handling the transportation and shipment of lead concentrates going forward.

NEW FINANCING FACILITY

The realization our Company suddenly needed to secure additional financing was difficult to accept. Especially when just a few weeks earlier, it boasted a strong balance sheet and substantial positive cash flows.

However, without the ability to ship our product and convert it to cash, we needed to secure financing to first repay the maturing BNP Paribas credit facility and then to ensure financial stability and flexibility during the period of the shipment suspension.

We pursued several options and each was thoroughly evaluated by management, the Board and the Company's advisors in terms of cost, potential to reach a mutually-agreeable and workable arrangement and the likely timing we had to reach an agreement. As you can appreciate, these options were limited due to the lack of clarity on when shipments would resume. In this process we received the support of two of the Company's major shareholding groups – The Sentient Group and clients of investment advisor Ingalls and Snyder – in providing a Secured Facility ("Facility") that:

- first, had a reasonable cost considering the prevailing situation and the level of risk they are undertaking,
- second, did not place significant covenants or conditions on the Company, and
- third, allowed a quick closing and immediate access to the finances.

These attributes were critical and most welcomed.

We hope shareholders appreciate the value this Facility provided to Ivernia, for without this timely infusion of cash, the Company would have been placed in a dire financial situation.

The \$50 million Facility has a one-year term and bears an interest rate of 9.25%. Drawdowns entitle the lenders to conversion rights, providing for conversion of principal into Ivernia common shares at a price of C\$1.20 per share (based on exchange rates in effect on April 26, 2007, equating to a US\$1.08 share price).

These terms are subject to shareholder approval at the Company's Annual and Special General Meeting to be held on Thursday, June 28, 2007 at 10:00 a.m. (Toronto time) at The TSX Gallery, the Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

Our Board of Directors is unanimously of the opinion that the terms and grant of the attendant Conversion Rights were and are in the best interest of the Company and its shareholders. We hope our shareholders appreciate how important and necessary their approval of these conversion rights is.

In particular, if the shareholder approval is not received, the Facility will not be convertible into equity, its term will be extended until April 27, 2009 and it will bear interest equal to 35% per annum.

POTENTIAL TO BE FULFILLED

Once we recommence shipping and operations – we believe Ivernia is at the cusp of fulfilling its objective of achieving steady-state operations at the Magellan operation – as demonstrated in the operations results of the first quarter of 2007.

We thank our employees, both past and present, customers, suppliers and contractors for their support, dedication and hard work. We were presented with several challenges mid-2006 and together we turned the operation around to deliver production performances that exceeded expectations. We hope this period of operations suspension will not be an extended one and we can soon work together again.

Our team has proven it has the experience and dedication to make Magellan a noteworthy presence in the base metals industry. We hope we can count on our shareholders' support in approving the conversion rights included in the Facility that is providing the needed financial resources during this interim period until the Company can resume shipping and normal operations.

Sincerely,

The Honourable J. Trevor Eytton
Chairman

Alan M. De'ath
President and Chief Executive Officer

May 14, 2007