



## NEWS RELEASE

All Dollar Amounts are in U.S. Dollars Unless Otherwise Noted

### IVERNIA INC. REPORTS THIRD QUARTER 2006 FINANCIAL RESULTS

Higher Lead Prices, Production and Sales Improve Earnings and Operating Cash Flow;  
Optimization Projects Delivering on Expectations

**TORONTO, ONTARIO – November 14, 2006** – Ivernia Inc. (“Ivernia” or the “Company”) (TSX:IVW) today reported net income of \$1.2 million, or \$0.01 per common share, for the third quarter of 2006. The Company generated \$4.6 million of operating income and \$4.4 million of cash from operating activities, before changes in working capital. Results for the quarter benefited from higher lead prices, production and sales of lead concentrate compared to the preceding second quarter.

#### THIRD QUARTER HIGHLIGHTS

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- Recorded revenue of \$20.0 million from the sale of 14,000 tonnes of lead metal in concentrate
  - Completed the commissioning and started regular operations of the secondary ball mill which is delivering on design expectations
  - Produced 17,200 tonnes of lead metal in concentrate; the highest quarterly production to date and over 30% ahead of the second quarter reflecting the positive impact of the secondary ball mill on operations
  - Began construction and installation of the gas pipeline; scheduled for completion in the first quarter of 2007
  - Completed preliminary design work for installation of the Metso pressure filter; project on schedule for installation in the second quarter of 2007
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#### Commentary

“This was an important quarter for Ivernia and I am pleased with the production and operating results,” commented Alan De’ath, President and CEO.

“The operation of the new ball mill has, as planned, provided a major step change in our milling capacity which has resulted in the Company’s highest quarterly production to date. We have continued to build on this transition to a higher operating platform in October and November. The production performance in those six weeks, of 8,500 tonnes of lead metal in concentrate, indicates we are on track for another strong quarterly production performance in our ramp-up, despite a 7-day maintenance shutdown in October.”

“I fully expect the benefit of our higher production levels now being achieved to start to flow through to stronger financial results over the next three quarters as our shipping and sales schedule increases and we begin to monetize our currently high lead concentrate inventories. As a first step, we have currently scheduled fourth quarter sales of approximately 20,000 tonnes of lead metal in concentrate as we start to run down those inventories.”

“The positive developments in the lead industry were also very reassuring with lead prices increasing throughout the quarter triggered by strong demand, inventory draw-downs and the Chinese government’s removal of the tax rebate on lead exports. Furthermore, consumption, especially in China, continues to grow at a very strong pace to support the increase in vehicle production and infrastructure development. So far during the fourth quarter, lead prices have surged forward to new record highs in the \$0.70 to \$0.80 per pound range.”

“We believe, as we did earlier in the year when lead was trading at low levels, that lead’s strong near-term fundamentals will come to the fore allowing it to participate more fully in the base metals rally. Our team sees the unprecedented growth in China and the developing world continuing for some time yet driving and supporting demand above historical levels. We will continue our work to ensure that Ivernica is well positioned to capitalize and benefit from these strong fundamentals.”

### Financial and Operating Summary

	Three months ended September 30, 2006	Nine months ended September 30, 2006
<i>(\$ thousands, except earnings per share)</i>		
	Unaudited	
Revenue	20,018	50,129
Operating income	4,593	6,734
Net income/(loss)	1,214	(973)
Basic earnings/(loss) per share	\$0.01	\$(0.01)
Cash flow from operating activities before changes in working capital	4,393	6,714
Changes in working capital	(3,865)	(3,792)
<i>(thousands of tonnes, except percentages)</i>		
Ore mined	297	796
Ore milled	302	739
Average head grade	7.6%	8.0%
Recovery	74.9%	75.9%
Concentrate produced	27.1	70.1
Lead metal in concentrate produced	17.2	44.7
Lead metal in concentrate sold	14.0	41.2

Revenue for the quarter benefited from the strengthening lead price, increasing over 54% from the preceding second quarter. The Company realized an average price of \$0.68 per pound on the sale of 14,000 tonnes of lead metal in concentrate. The comparable average realized price in the second quarter was \$0.46 per pound.

Production of 17,200 tonnes of lead metal in concentrate was the Company’s highest quarterly production since the start-up of its wholly-owned Magellan lead mine in the fourth quarter of 2005. The performance also exceeded our forecast by almost 15%.

During the quarter, the Company’s second key optimization project, the secondary ball mill, was successfully commissioned and brought into operation. In the 43-day period following commissioning to September 30, mill throughput averaged 182 tonnes per operating hour and provided an early indication of Magellan’s new operational capability. This step change in performance is a 52% improvement when compared to the average January to July performance that preceded the start of commissioning of the secondary ball mill. The target steady-state throughput rate has been set at approximately 180 tonnes per operating hour. The new mill capacity is expected to complement the expanded filtering capacity, which will be provided by the new Metso pressure filter project currently underway and due to be commissioned in the second quarter of 2007.

## **Optimization Projects Update**

Construction of the 35-kilometre gas pipeline was started towards the end of the quarter. The project is on track to be operational in the first quarter of 2007. Conversion from diesel to natural gas will reduce Ivernia's operating cost and exposure to the volatile oil markets and minimize the potential for energy-supply disruptions. The estimated capital investment for the project is approximately \$7 million.

Preliminary design work for the installation of the new Metso pressure filter has been completed. The filter is on schedule for delivery in the first quarter of 2007 and completion of installation and commissioning in the following quarter. The new filter will increase filtering capacity to a maximum of 125,000 tonnes per annum of lead metal in concentrate, which is comfortably beyond current planned production levels. It should also enable the operation to consistently achieve transportable moisture levels while maintaining the current non-dusting nature of the concentrate, eliminate the use of the temporary solar drying pad and reduce operating costs and working capital requirements. The estimated capital investment for this project is approximately \$5 million.

## **Exploration Program**

Ivernia's 2006 exploration program is focused on tenements both in areas adjacent to the Magellan mine and in the surrounding regions. The current year's objective is to rationalize the existing licenses and pursue new exploration or acquisition opportunities.

Drilling to date has met the program's objectives and yielded a mixture of results that are summarized below:

The program consisted of 299 drill holes for 9,841 metres with approximately 50% on mature prospects, 20% on near-mine areas and the remaining 30% on scout drilling.

The Pizarro prospect returned some encouraging results with intersections of shallow, high-grade mineralization. Further closely-spaced rotary collar drilling is planned to better define the core zones and outer limits of the main mineralization to enable the completion of a reliable resource estimate.

At the Magellan East prospect, follow-up infill drilling is planned for a limited number of targets.

Regional drilling at the Yandil tenement led to a downgrade of the prospect after no significant results were returned.

In 2007, the program will be focused on further defining resources and areas of mineralization in areas adjacent to the Magellan mine and existing tenements, expanding and exploring regional ground holdings and expanding the program to include suitable opportunities in Australia and overseas.

## **2006 Outlook**

The fourth quarter and full year 2006 results are expected to be positively impacted by several fundamental changes to the Company's operating platform. Production is expected to be favorably impacted by higher mill output provided by the secondary ball mill, improved performance from the belt filters and more efficient solar drying due to the onset of warmer weather in Western Australia. Higher sales volumes and revenue are also expected compared to the third quarter as a result of a planned increase in the Company's sales and shipping schedule and higher lead prices achieved during the fourth quarter to date.

## **Conference Call and Webcast**

Ivernia invites you to join its third quarter conference call on Tuesday, November 14, 2006 at 10:00 am. Eastern time. The call is open to all investors and the media. Toronto area and overseas participants may access the call at (416) 695-7848. Other North American participants should dial the toll-free number (1-877) 323-2091. The call will also be broadcast live on the internet at [www.ivernia.com](http://www.ivernia.com).

If you are unable to participate during the live webcast, the call will be archived on Ivernia's website at [www.ivernia.com](http://www.ivernia.com) and will also be available via telephone until midnight on Tuesday, November 28, by calling (416) 695-5275 or (1-888) 509-0081 and using the passcode 632373.

## **Management's Discussion and Analysis and Consolidated Financial Statements**

Ivernia's consolidated financial statements and Management's Discussion and Analysis for the third quarter and nine months ended September 30, 2006 are available on the Company's website [www.ivernia.com](http://www.ivernia.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).

## **About Ivernia**

Ivernia is an international base metals, operating, development and exploration company. The Company is the sole owner and operator of the Magellan lead mine in Western Australia. When in full production, Magellan is expected to be one of the top five lead-producing mines in the world producing close to 3% of total world lead mine production.

Ivernia trades under the symbol "IVW" on the Toronto Stock Exchange. Additional information on Ivernia is available on the Company's web site at [www.ivernia.com](http://www.ivernia.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).

## **Forward-Looking Statements**

*This document may contain forward-looking statements within the meaning of Canadian securities law. These forward-looking statements reflect the current internal projections, expectations or beliefs of Ivernia based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by Ivernia with securities regulatory authorities, that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. The reader should not place undue reliance on them. Some factors that could cause actual results to differ materially from those set forth in the forward-looking statements include: resources and reserves, metal price volatility, exchange rates, single mineral property, metallurgy, environmental factors, mining risks, insurance, labour and employment regulations, health and safety, and government regulations, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. Other risks and factors that could cause actual results to differ are described in Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2005 under the heading "Risks and Uncertainties". Our MD&A and additional information on Ivernia are available on the Company's web site at [www.ivernia.com](http://www.ivernia.com) and on Ivernia's SEDAR profile at [www.sedar.com](http://www.sedar.com). All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. Ivernia undertakes no obligation to publicly update or revise any forward-looking statements or information whether as a result of new information, future events or otherwise.*

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**IVERNIA INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(in thousands of United States dollars, except per share amounts)  
(unaudited)

	<b>Three month period ended September 30</b>		<b>Nine month period ended September 30</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	20,018	-	50,129	-
Treatment charges and freight	3,031	-	9,420	-
Mining and processing costs	10,083	-	28,119	-
Amortization	2,311	-	5,856	-
<b>Operating income</b>	<u>4,593</u>	<u>-</u>	<u>6,734</u>	<u>-</u>
<b>Expenses</b>				
General and administrative	1,662	623	4,303	1,597
Stock option costs (note 8(b))	145	157	443	704
Foreign exchange loss/(gain)	48	(105)	481	(1,046)
Net interest expense	816	284	1,885	431
Other	281	-	937	-
	<u>2,952</u>	<u>959</u>	<u>8,049</u>	<u>1,686</u>
<b>Income/(loss) before income taxes</b>	1,641	(959)	(1,315)	(1,686)
Income tax expense/(recovery)	427	-	(342)	-
Net income/(loss) for the period	<u>1,214</u>	<u>(959)</u>	<u>(973)</u>	<u>(1,686)</u>
<b>Deficit – Beginning of period</b>	<u>(81,498)</u>	<u>(79,392)</u>	<u>(79,311)</u>	<u>(78,665)</u>
<b>Deficit – End of period</b>	<u>(80,284)</u>	<u>(80,351)</u>	<u>(80,284)</u>	<u>(80,351)</u>
<b>Basic earnings/(loss) per share</b>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
<b>Diluted earnings/(loss) per share</b>	<u>0.01</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding (000's)	<u>134,077</u>	<u>124,621</u>	<u>131,609</u>	<u>99,784</u>

**IVERNIA INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of United States dollars)  
(unaudited)

	<u>September 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,458	7,020
Accounts receivable and other current assets	5,795	4,541
Inventory (note 2)	10,271	6,867
	<u>25,524</u>	<u>18,428</u>
<b>Property, plant and equipment</b> (note 3)	142,818	136,119
<b>Restricted cash and cash equivalents</b> (note 4)	146	1,175
<b>Deferred charges and other assets</b>	840	135
	<u>169,328</u>	<u>155,857</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and other current liabilities	17,246	17,653
Credit facility (note 5(a))	5,000	-
Short-term note payable (note 5(b))	18,076	17,978
	<u>40,322</u>	<u>35,631</u>
<b>Long-term debt</b> (note 6)	2,825	3,312
<b>Reclamation provision</b> (note 7)	1,831	1,695
<b>Future income tax</b>	18,853	19,195
	<u>63,831</u>	<u>59,833</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 8(a))	181,870	168,730
<b>Share warrants</b> (note 8(c))	1,647	4,713
<b>Contributed surplus</b>	2,264	1,892
<b>Deficit</b>	(80,284)	(79,311)
	<u>105,497</u>	<u>96,024</u>
	<u>169,328</u>	<u>155,857</u>

**IVERNIA INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands of United States dollars)  
(unaudited)

	Three month period ended September 30		Nine month period ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Cash (used in)/provided by</b>				
<b>Operating activities</b>				
Net income/(loss) for the period	1,214	(959)	(973)	(1,686)
Non-cash items:				
Stock option costs	145	157	443	704
Amortization	2,311	-	5,856	-
Future income tax	427	-	(342)	-
Other	296	13	1,730	11
Changes in non-cash working capital:				
Accounts receivable and other current assets	(368)	60	(1,254)	(1,078)
Inventory	(1,893)	-	(2,939)	-
Accounts payable and other current liabilities	(2,625)	1,846	(650)	5,327
Change in restricted cash and cash equivalents	1,021	(187)	1,051	(153)
	<u>528</u>	<u>930</u>	<u>2,922</u>	<u>3,125</u>
<b>Investing activities</b>				
Additions to property, plant and equipment	(3,078)	(7,784)	(13,382)	(25,233)
Magellan acquisition	-	-	-	(40,013)
Sale of investments	-	-	106	-
	<u>(3,078)</u>	<u>(7,784)</u>	<u>(13,276)</u>	<u>(65,246)</u>
<b>Financing activities</b>				
Net cash proceeds on issue of shares and warrants	40	652	8,784	37,715
Increase in financing (note 5(a))	4,934	901	4,565	17,124
(Decrease)/increase in debt, net (note 6)	(170)	(124)	(487)	2,689
	<u>4,804</u>	<u>1,429</u>	<u>12,862</u>	<u>57,528</u>
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	<u>(49)</u>	<u>68</u>	<u>(70)</u>	<u>8</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,205	(5,357)	2,438	(4,585)
<b>Cash and cash equivalents – Beginning of period</b>	<u>7,253</u>	<u>11,148</u>	<u>7,020</u>	<u>10,376</u>
<b>Cash and cash equivalents – End of period</b>	<u>9,458</u>	<u>5,791</u>	<u>9,458</u>	<u>5,791</u>

**IVERNIA INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and nine month periods ended September 30, 2006 and 2005

(all dollar amounts are in United States dollars unless otherwise stated)  
(unaudited)

**1. Significant accounting policies**

The interim consolidated financial statements of Ivernia Inc. ("Ivernia") and its subsidiaries (collectively, the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and basis as those disclosed in note 1 (Nature of operations) and note 2 (Summary of significant accounting policies) to the Company's audited consolidated financial statements for the year ended December 31, 2005.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2005. Capitalized terms used in these notes to the interim consolidated financial statements and not otherwise defined herein have the meanings given to them in the Company's audited consolidated financial statements for the year ended December 31, 2005.

Certain comparative figures have been reclassified to conform to the presentation adopted in 2006.

**2. Inventory**

Refer to note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2005.

	<b>September 30, 2006</b>	December 31, 2005
	( <b>\$000's</b> )	( <b>\$000's</b> )
Concentrate	6,978	4,605
Ore stockpiles	1,485	1,141
Consumables and other	1,808	1,121
	<b>10,271</b>	<b>6,867</b>

**3. Property, plant and equipment**

	<b>September 30, 2006</b>			December 31, 2005
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	Net Book Value
	( <b>\$000's</b> )			( <b>\$000's</b> )
Plant and equipment	28,475	(2,974)	25,501	26,617
Leasehold improvements	74	(24)	50	60
Office equipment	464	(205)	259	253
Leased assets	4,156	(498)	3,658	3,905
Development costs and other	117,827	(4,477)	113,350	105,284
	<b>150,996</b>	<b>(8,178)</b>	<b>142,818</b>	<b>136,119</b>

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**4. Restricted cash**

As at September 30, 2006 Magellan Metals had restricted cash deposited with a financial institution of \$146,000. These deposits principally relate to unconditional performance bonds in favour of the State of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases. During the period, \$1.02 million was refunded to Magellan. These bonds are now secured by part of the credit facility with BNP Paribas. See notes 5 and 7.

**5. Current liabilities**

**(a) Inventory and credit facilities**

In July 2006, the Magellan operation completed the loan documentation to finalize a \$10 million credit facility, which can be drawn in either US dollars or equivalent Australian dollars, and a \$15 million inventory and export finance facility (collectively, the "Facilities"). The Facilities have been arranged with BNP Paribas of Australia.

The \$15 million inventory and export finance facility replaced the Company's \$15 million inventory and export finance facility with Ocean Partners (USA) Inc., the Company's sales representative for Magellan lead concentrates. The Facilities are secured by the Magellan assets located in Australia.

The credit facility bears interest at a rate of the Australian Bank Bill Rate ("BBSY") + 1% per annum if drawn in Australian dollars or LIBOR + 1% if drawn in US dollars. The inventory facility bears interest at a rate of LIBOR + 1.25% per annum.

The interest rate was 6.56% for the third quarter.

As at September 30, 2006 \$5 million of the credit facility and \$4 million of the inventory facility had been drawn down.

**(b) Short-term note payable**

On April 29, 2005 the Company issued a C\$20 million (\$17.12 million) secured promissory note to Sentient (the "Sentient Note"). The Sentient Note is secured by a charge over the RHL shares and a charge over the benefit of the Magellan Metals Progress Loans held by RHL at the time of completion. See note 6(b) to the audited consolidated financial statements for the year ended December 31, 2005. The Sentient Note accrued interest at 8% per annum for the first year.

On December 28, 2005 the Company announced that it had successfully negotiated an agreement with Sentient that grants Ivernia an irrevocable option (the "Extension Option") to extend the maturity date of the Sentient Note by one year from April 29, 2006 to April 29, 2007. The Company issued 450,000 common shares in January 2006 as consideration for the Extension Option.

The Company exercised the Extension Option of the Sentient Note on April 27, 2006.

**IVERNIA INC.**  
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During May 2006, the Company paid to Sentient C\$2 million in cash, consisting of accrued interest of approximately C\$1.6 million and C\$400,000 of principal repayment. The Company had committed to repay a further C\$2 million of the principal of the Sentient Note in August 2006.

Subsequent to discussions during the third quarter between the Company and Sentient, the C\$2 million principal repayment has been deferred until December 31, 2006. The Company and Sentient have also agreed that the original extension fee of 400,000 common shares of Ivernia will be satisfied by the following schedule of payments:

- (i) An initial payment of 195,883 shares on the exercise of the option.
- (ii) Equal monthly payments of 16,323 shares from May 2006 to July 2006 inclusive.
- (iii) Equal monthly payments of 14,345 shares from August 2006 to April 2007 inclusive.

The total maximum number of shares that will be issued under this schedule is approximately 374,000 shares. The amount of the monthly share payments will be reduced pro-rata by any further partial or a full cash repayment of the Sentient Note.

A total of 45,013 shares were issued to Sentient during the third quarter.

With the exercise of the Extension Option, interest on the Sentient Note will accrue at a rate of 9.25% per annum payable on the maturity date of April 29, 2007. The security for the Sentient Note remains unchanged. Ivernia may prepay the principal amount of the Sentient Note and any interest, in whole or in part, at any time prior to maturity without premium or penalty.

The payment of the extension fee will not materially increase Sentient's equity interest in Ivernia, which currently stands at approximately 18% of shares outstanding.

**6. Long-term debt**

	<u>September 30, 2006</u> (\$000's)	<u>December 31, 2005</u> (\$000's)
Lease liabilities	3,520	3,873
Less current portion:	695	561
	<u>2,825</u>	<u>3,312</u>

Magellan Metals has entered into a five-year power supply contract and has various equipment and vehicle leases in place as at September 30, 2006. The equipment and vehicle leases range in length from three to five years.

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**7. Reclamation provision**

As at September 30, 2006 the reclamation provision relating to Magellan Metals asset retirement obligations was \$1.83 million (December 31, 2005 - \$1.70 million).

The following assumptions were used to estimate the fair values of the obligations as at September 30, 2006:

Total undiscounted amount of estimated cash flows	<b>\$2,845,000</b>
Expected year of payment of cash flows	<b>2016</b>
Discount rate	<b>7.5%</b>

The estimate of the total liability for future asset retirement obligations is subject to change based on amendments to laws and regulations and as new information concerning the Company's operations become available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable.

**8. Share capital**

Refer to note 9 to the Company's audited consolidated financial statements for the year ended December 31, 2005.

**(a) Issued and outstanding shares**

Details of issued and outstanding shares are as follows:

	<b>Number of common shares</b>	<b>Amount</b>
	<b>(000's)</b>	<b>(\$000's)</b>
Outstanding as at December 31, 2005	125,085	168,730
Issued in connection with exercise of warrants	8,031	8,655
Issued in connection with exercise of options	101	51
Issued in connection with short-term debt (note 5(b))	450	719
Amount attributed to fair value of warrants	-	3,044
Outstanding as at March 31, 2006	<u>133,667</u>	<u>181,199</u>
Issued in connection with exercise of warrants	80	89
Issued in connection with short-term debt (note 5(b))	229	450
Amount attributed to fair value of warrants	-	22
Outstanding as at June 30, 2006	<u>133,976</u>	<u>181,760</u>
Issued in connection with short-term debt (note 5(b))	45	50
Issued in connection with exercise of options	88	60
Outstanding as at September 30, 2006	<u><u>134,109</u></u>	<u><u>181,870</u></u>

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**(b) Employee stock options**

At September 30, 2006 there were outstanding options to purchase 5,356,250 common shares of the Company, of which 3,549,583 were exercisable at that date. During the quarter 25,000 options expired, no new options were granted and 87,500 options were exercised.

The stock option expense for the third quarter was \$145,000. As at September 30, 2006 the aggregate unexpensed fair value of unvested stock options granted amounted to \$425,000.

The compensation expense has been calculated using the Black-Scholes option-pricing model. A total of \$145,000 has been expensed in the quarter in respect of both new stock options for the portion vesting in 2006 and stock options which were granted in 2003, 2004 and 2005 but for which a portion vests in 2006 (third quarter 2005 – \$157,000). The pricing assumes a five-year term, expected common stock price volatility of 45% (2005 – 45%), a weighted average risk-free interest rate of 4% and an assumption that dividends are reinvested in the Company.

**(c) Share warrants**

As at September 30, 2006 the Company has outstanding instruments, comprising common share purchase warrants and broker warrants, which are ultimately exercisable in one or more steps for 4,070,000 common shares of the Company (December 31, 2005 – 12,181,000).

	<b>Outstanding Warrants</b>	<b>Applicable Shares</b>	<b>Fair Value of Warrants</b>
	<b>(000's)</b>	<b>(000's)</b>	<b>(\$000's)</b>
Outstanding at January 1, 2006	43,248	12,181	4,713
March Warrants exercised (i)	(38,230)	(7,646)	(2,866)
March Broker Warrants exercised (ii)	(761)	(152)	(80)
November Broker Warrants exercised (iii)	(147)	(233)	(98)
Outstanding at March 31, 2006	4,110	4,150	1,669
November Broker Warrants exercised (iii)	(40)	(80)	(22)
Outstanding at June 30 and September 30, 2006	4,070	4,070	1,647

The fair value of the warrants was calculated using the Black-Scholes option-pricing model. The pricing model assumed a common stock price volatility of 67% – 114%, a weighted average risk-free interest rate of 4%, and used the expiry dates of the warrants for the term.

- (i) On March 25, 2004 the Company issued 80 million units (the “March Private Placement”) for gross proceeds of C\$20 million. Each unit consisted of one common share and one-half of one common share purchase warrant (the “March Warrants”). Post consolidation, the March Warrants collectively entitled the holders to purchase an aggregate of 8 million common shares for the effective exercise price of C\$1.25 (or C\$1.325 for insiders of Ivernia for security regulatory purposes) per common share until March 25, 2006. See notes 9(a) and 9(b) to the Company’s audited consolidated financial statements for the year ended December 31, 2005. All of the warrants were exercised prior to their expiry.

**IVERNIA INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine month periods ended September 30, 2006 and 2005

(all dollar amounts are in United States dollars unless otherwise stated)  
(unaudited)

- (ii) As part of their compensation for the March Private Placement on March 25, 2004 (note 8(c)(i)), the agents were issued an aggregate of 4.68 million broker warrants (the "March Broker Warrants") which post consolidation gave them the right to purchase, at any time until September 25, 2005 for proceeds of C\$1.25 per March Broker Warrant, an aggregate of 936,000 common shares and warrants exercisable for an additional 468,000 common shares. Each whole warrant issuable upon exercise of the March Broker Warrants was exercisable at an effective price of C\$1.25 per common share until March 25, 2006. See note 9(b) to the Company's audited consolidated financial statements for the year ended December 31, 2005. All of the warrants were exercised prior to their expiry.
- (iii) On November 18, 2004 the Company issued 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 total gross proceeds of C\$10 million. Each whole warrant entitles the holder to purchase an additional common share at a price of C\$1.40 per whole common share until November 18, 2009.

As part of their compensation for the November Private Placement, the underwriters were issued an aggregate of 480,000 broker warrants (the "November Broker Warrants") which gave them the right to purchase at any time until May 18, 2006 for proceeds of C\$1.25 per November Broker Warrant, an aggregate of 480,000 common shares and warrants exercisable for an additional 240,000 common shares. Each whole warrant issuable upon exercise of the November Broker Warrants is exercisable at an effective price of C\$1.40 per common share until November 19, 2009. See note 9(b) to the Company's audited consolidation financial statements for the year ended December 31, 2005. The 650,000 shares issued on exercise of November Broker Warrants includes 170,000 shares issued on exercise of warrants that were issued on exercise of November Broker Warrants. All of the November Broker Warrants were exercised prior to their expiry.



### Third Quarter 2006 Management's Discussion and Analysis

The following discussion of the financial condition and operating results of Ivernia Inc. ("Ivernia" or the "Company") should be read in conjunction with the unaudited consolidated interim financial statements of the Company for the three and nine months ended September 30, 2006 as well as the audited consolidated financial statements for the year ended December 31, 2005 and the related Management's Discussion and Analysis ("MD&A"), both of which are available on Ivernia's website at [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's financial statements and the financial data presented in this document have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This discussion contains forward-looking statements within the meaning of Canadian securities law. These forward-looking statements reflect the current internal projections, expectations or beliefs of Ivernia based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by Ivernia with securities regulatory authorities, that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. The reader should not place undue reliance on them. For more detail on the risks and uncertainties, please refer to the section titled "Risks and Uncertainties" in this MD&A and the section titled "Risks and Uncertainties" in the Company's MD&A for the period ending December 31, 2005. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. Ivernia undertakes no obligation to publicly update or revise any forward-looking statements or information whether as a result of new information, future events or otherwise.

All dollar amounts are expressed in United States dollars, except as otherwise indicated.

This information is presented as at November 13, 2006.

## FINANCIAL REVIEW

### Comparability of Results

Ivernia achieved commercial production at the Magellan mine on October 1, 2005 and began production accounting at the same time to reflect its new status as an operating company. Prior to October 1, 2005, the Company was engaged in the construction and commissioning of the mine. Therefore, comparisons of the financial results between the third quarters and nine months of 2006 and 2005 may not be meaningful or informative.

## Summary Financial Information

The following table is a summary of Ivernia's financial and operating highlights for the periods ended September 30:

(\$ thousands, unless otherwise noted and per share amounts)	Three months ended September 30 Unaudited		Nine months ended September 30 Unaudited	
	2006	2005 <sup>(1)</sup>	2006	2005 <sup>(1)</sup>
<b>Financial Highlights</b>				
Revenue	20,018	-	50,129	-
Treatment charges and freight	(3,031)	-	(9,420)	-
Mining and processing costs	(10,083)	-	(26,955)	-
Write-down of low-grade ore stockpiles	-	-	(1,164)	-
Amortization	(2,311)	-	(5,856)	-
Operating income	4,593	-	6,734	-
General and administrative	(1,662)	(623)	(4,303)	(1,597)
Net interest expense	(816)	(284)	(1,885)	(431)
Stock option costs	(145)	(157)	(443)	(704)
Other expenses <sup>(2)</sup>	(329)	105	(1,418)	1,046
Income/(loss) before income taxes	1,641	(959)	(1,315)	(1,686)
Income tax (expense)/recovery	(427)	-	342	-
Net income/(loss)	1,214	(959)	(973)	(1,686)
Basic earnings/(loss) per share	0.01	(0.01)	(0.01)	(0.02)
<b>Average shares outstanding – thousands</b>	134,077	124,621	131,609	99,784
<b>Cash generated from operations before changes in non-cash working capital</b>	4,393	(789)	6,714	(971)
<b>Cash flow provided by operating activities</b>	528	930	2,922	3,125
<b>Operating Highlights</b>				
Ore milled - (000's tonnes)	301.8	-	738.8	-
Average head grade - (% lead)	7.6%	-	8.0%	-
Recovery	74.9%	-	75.9%	-
Concentrate produced - (000's dry tonnes)	27.1	-	70.1	-
Concentrate sold - (000's dry tonnes)	22.0	-	64.6	-
Lead metal in concentrate produced - (000's tonnes)	17.2	-	44.7	-
Lead metal in concentrate sold - (000's tonnes)	14.0	-	41.2	-
Concentrate inventory - (000's of dry tonnes)	17.4	-	17.4	-
Average lead price – LME cash - (cents per pound)	54	-	53	-
Ivornia's average lead sale price - (cents per pound)	68	-	58	-
Cash cost per pound sold - (cents) <sup>(3)</sup>	42	-	40	-

Note: Per share data was calculated on the basis of the weighted average shares outstanding (basic and fully diluted) for the relevant period.

<sup>(1)</sup> Ivornia was engaged in the construction and commissioning of the Magellan mine prior to the start of commercial production on October 1, 2005.

<sup>(2)</sup> Other expenses consist mainly of the bag filter plant write down, foreign exchange gains and losses, derivative and financing transactions and gain on sale of investments.

<sup>(3)</sup> Cash cost per pound sold is a non-GAAP measure. See the "Cash cost of lead sold" section of this document.

## FINANCIAL RESULTS

The third quarter of 2006 marked the fourth quarter of commercial production at the Magellan operation. Magellan, located in Western Australia, is in the process of ramping up operations to its reported annual target level of approximately 100,000 tonnes of lead metal in concentrate.

### Revenue

Revenue for the quarter was up approximately 54% from the preceding quarter due to stronger lead prices and higher volumes of lead metal in concentrate sold. The Company sold a total of 14,000 tonnes of lead metal in concentrate and recorded revenue of \$20 million or \$0.68 per pound sold.

The London Metal Exchange ("LME") average price of lead for the third quarter was 54 cents per pound, an increase of 8% over the second quarter of 2006. The LME price as at November 13 was 70 cents per pound.

For the first nine months, the Company recorded sales of 41,200 tonnes of lead metal in concentrate at an average sale price of 58 cents per pound and recognized revenues of \$50.1 million. The LME average price of lead for the nine-month period was 53 cents per pound.

<b>LME LEAD PRICES (cash settlement)</b>		
	<b>Cents per pound</b>	
	<b>Quarter Average</b>	<b>YTD Average</b>
First quarter	56	56
Second quarter	50	53
Third quarter	54	53

### Cash cost of lead sold

The cash cost of lead sold, including treatment charges, freight, mining and processing costs, was \$13.1 million or 42 cents per pound of lead for the third quarter and \$36.4 million or 40 cents per pound for the nine months. The 2-cent per pound increase in cost over the prior quarter principally relates to the impact of higher lead prices on royalty payments to the Western Australian government. The royalty is based on 5% of adjusted net revenues and resulted in a 2-cent per pound increase in the third quarter.

Ongoing cost increases during 2006 for essentially all items in the production process, including labour, continue to have an impact on costs. However, the Company expects to achieve cost efficiencies when Magellan achieves steady-state operations and yields the benefits of the Metso pressure filter and gas pipeline.

The following table demonstrates how the Company calculates its cash cost per pound of lead sold. Ivernia believes that this information enables investors to better assess its performance and understand changes in production costs, which in turn affect profitability and the Company's ability to generate operating cash flow. The disclosure here of "cash cost" is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under Canadian GAAP. "Cash costs" have no standard meaning under Canadian GAAP and therefore is unlikely to be comparable to measures used and disclosed by other issuers.

<b>Cash cost of lead sold</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2006</b>	2005 <sup>(1)</sup>	<b>2006</b>	2005 <sup>(1)</sup>
(\$ thousands, unless otherwise specified)				
Lead metal in concentrate sold - (000's tonnes)	<b>14.0</b>	-	41.2	-
Treatment charges and freight	<b>3,031</b>	-	9,420	-
Mining and processing costs	<b>10,083</b>	-	26,955	-
Total cash costs	<b>13,114</b>	-	36,375	-
Amortization	<b>2,311</b>	-	5,856	-
Total costs	<b>15,425</b>	-	42,231	-
Cash costs – (cents per pound of lead)	<b>42</b>	-	40	-
Total costs – (cents per pound of lead)	<b>50</b>	-	46	-

<sup>(1)</sup> Ivernia was engaged in the construction and commissioning of the Magellan mine prior to the start of commercial production on October 1, 2005.

### **Write-down of low-grade ore stockpiles**

In the second quarter, the Company recorded a \$1.2 million write-down to the value of certain low-grade ore stockpiles. The stockpiles, with an average grade of 3%, are intended to be processed at the end of the mine life. However, the decision to write-down its value was taken due to the uncertainty of long-term metal prices and the timing for when and if the stockpiles will be processed.

### **Amortization**

Amortization expense, calculated on a units of production basis, totaled \$2.3 million for the third quarter and \$5.9 million for the nine months. No amortization expense was recorded in 2005 as the mine was not in commercial production.

### **General and administrative**

General and administrative expenses increased \$1.0 million over the amount incurred in the third quarter of 2005 to total \$1.7 million. The increase is due principally to the inclusion of Australian corporate costs in 2006, which were capitalized during the construction phase in 2005, and higher costs associated with additional functions required of an operating company.

### **Interest expense**

Net interest expense of \$0.8 million includes \$0.4 million of interest expense on the Sentient Note and \$0.5 million on operating leases, the credit facility and inventory finance costs. These were slightly offset by \$0.1 million of interest income earned from cash on hand. Prior to commercial production, interest expense related to mine development was capitalized. The Company recorded interest expense on the Sentient Note of \$0.3 million in the third quarter of 2005.

### **Stock option costs**

The stock option cost of \$0.1 million for the third quarter is essentially unchanged compared to the same period of 2005. The stock-based compensation expense has been calculated using the Black-Scholes option pricing model.

## Other expenses

In November 2005, Ivernia entered into lead price put option agreements to mitigate the risk in the event of a downturn in market prices for lead metal. Ivernia has 3,000 tonnes of lead put options maturing at 1,000 tonnes per month from October 2006 to December 2006 at an exercise price of \$850 per tonne or 39 cents per pound. With the current lead market price, the fair market value of the puts is nil.

Other expenses in the third quarter also include \$0.3 million relating to amortization of financing costs from the Sentient Note extension. For the nine months, other expenses include \$0.6 million from amortization of the Sentient Note extension, a write-off of \$0.4 million on the cost of two bag filter plants and a \$0.1 million gain on the sale of investments.

## Income tax

Income tax expense and recovery for both the third quarter and nine months was calculated at an estimated annual accounting tax rate of 26%. The Company does not expect to be cash taxable in 2006 due to Magellan's A\$45 million (\$33 million) in 2005 carryforward tax losses.

## Net income/(loss)

The net income was \$1.2 million or \$0.01 per share for the period and compares with a loss of \$1 million or \$(0.01) per share in the third quarter of 2005. The loss for the nine months of 2006 was \$1 million or \$(0.01) per share compared with a loss of \$1.7 million or \$(0.02) per share for the same period in 2005.

## LIQUIDITY AND FINANCIAL CONDITION

The comparability of the selected consolidated financial information below is affected by Ivernia's new status as an operating company effective October 1, 2005. Prior to October 1, 2005, the Company was engaged in the construction and commissioning of the Magellan operation. Therefore, comparisons of the financial results between the third quarters and nine months of 2006 and 2005 may not be meaningful or informative.

<b>Statement of Cash Flows</b> (\$ thousands, unless otherwise specified)	<b>Three months ended</b> <b>September 30</b>		<b>Nine months ended</b> <b>September 30</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
Cash generated from (used in) operations before changes in working capital	<b>4,393</b>	(789)	<b>6,714</b>	(971)
Change in working capital	<b>(3,865)</b>	1,719	<b>(3,792)</b>	4,096
Cash provided by operating activities	<b>528</b>	930	<b>2,922</b>	3,125
Cash used in investing activities	<b>(3,078)</b>	(7,784)	<b>(13,276)</b>	(65,246)
Cash provided by financing activities	<b>4,804</b>	1,429	<b>12,862</b>	57,528
Increase/(decrease) in cash	<b>2,205</b>	(5,357)	<b>2,438</b>	(4,585)

## Operating activities

In the third quarter, Ivernia generated \$4.4 million from operations before changes in working capital. Cash generated after working capital changes amounted to \$0.5 million. In the third quarter of 2005, the Company generated \$0.9 million of cash from operations. A 32% improvement in lead production during the third quarter from the second quarter coupled with favorable solar drying conditions led to an increase in the concentrate inventory to 17,400 dry tonnes from 12,200 dry tonnes in the second quarter. With the onset of the Australian summer and the commissioning of the Metso pressure filter in the second quarter of 2007, management expects to reduce inventory to normal levels by mid-2007.

## **Investing activities**

Net cash used for investing activities during the quarter was \$3.1 million which included the construction and installation of the secondary ball mill, pre-construction work on the gas pipeline and deferred stripping. The secondary ball mill and gas pipeline are part of the optimization process to significantly increase grinding capacity and lower operating cost. In the third quarter of 2005, Ivernia invested \$7.8 million which represented costs in commissioning the mine, leased generating equipment for power supply, continuing capital expenditures and commencement of exploration and drilling programs.

Net cash used for investing activities for the nine months of 2006 totaled \$13.3 million and included costs for deferred stripping and investments in the secondary ball mill, gas pipeline and concentrate thickener.

## **Financing activities**

During the current third quarter, \$5 million was drawn down on the \$10 million BNP Paribas credit facility to finance capital projects (see note 5(a) to the consolidated financial statements).

Net cash generated by financing activities for the nine months in the amount of \$12.9 million includes \$8.7 million received from the exercise of common share purchase warrants in the first quarter and the \$5 million credit facility drawdown.

In the third quarter of 2005, net cash generated by financing activities was \$1.4 million mostly related to the exercise of warrants.

## **Working capital surplus <sup>(1)</sup>**

At September 30, 2006, the Company's working capital surplus amounted to \$3.3 million, up from \$0.8 million reported at December 31, 2005.

As at September 30, 2006 Magellan Metals had restricted cash deposited with a financial institution of \$0.1 million. These deposits relate principally to unconditional performance bonds in favour of the State of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases. During the quarter, \$1.0 million was released to Magellan and the remaining \$0.1 million was released after quarter end. These bonds and other bonds are now secured with \$1.6 million of the credit facility with BNP Paribas.

<sup>(1)</sup> Working capital surplus is defined as cash, inventory, accounts receivable and other current assets less accounts payable, other current liabilities and credit facility.

## **Short-term debt**

In the second quarter, the Magellan operation secured bank credit approvals with BNP Paribas of Australia for a \$10 million credit facility, which can be drawn in either US dollars or equivalent Australian dollars, and a \$15 million inventory and export finance facility (collectively, the "Facilities"). These Facilities were finalized in July 2006.

The \$15 million inventory and export finance facility replaced the Company's \$15 million inventory finance facility with Ocean Partners (USA) Inc., the Company's sales representative for Magellan lead concentrates. The Facilities are secured by the Magellan assets in Australia. As at September 30, 2006, \$4 million had been drawn down to finance inventory, \$5.0 million had been drawn down on the credit facility, and \$1.6 million has been utilized to guarantee unconditional performance bonds in favour of the State of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases.

In April 2006, Ivernia elected to exercise the Extension Option of its C\$20 million secured promissory note (the "Sentient Note") payable to Sentient Global Resources Fund. The Company has agreed to pay an extension fee to Sentient consisting of:

- (i) an initial payment of 195,883 common shares;

- (ii) equal monthly payments of 16,323 common shares from May 2006 to July 2006 inclusive; and
- (iii) equal monthly payments of 14,345 common shares from August 2006 to April 2007 inclusive.

The total maximum number of common shares that will be issued is approximately 374,000. The amount of the monthly common share payments may however be reduced pro-rata by any partial or full repayment of the Sentient Note during such time. In May 2006, the Company paid C\$2 million to Sentient, which consisted of accrued interest of approximately C\$1.6 million and C\$0.4 million of principal repayment. The Company committed to repay a further C\$2 million of the principal of the Sentient Note during August 2006. The Company and Sentient subsequently agreed to defer this C\$2 million payment until December 31, 2006.

### Long-term debt

Long-term debt includes a five-year finance lease for generating equipment to supply power at the Magellan mine site and a five-year lease for a reagent facility (see note 6 to the Company's consolidated financial statements).

### Shares issued and outstanding

	Common shares	Preference shares
September 30, 2006	134,108,233	-
November 13, 2006	134,122,578	-

### Common share warrants

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 November 2004 Private Placement as at November 13, 2006:

	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	Proceeds Received	
				C\$	US\$ <sup>(1)</sup>
<b>November 2004 Private Placement:</b>					
Common share purchase warrants	4,000,000	-	4,000,000	-	-
November Broker Warrants Common share purchase warrants Issuable upon exercise of November Broker Warrants	480,000	480,000	-	600,000	510,000
	240,000	170,000	70,000	238,000	200,000
<b>Total</b>	<b>4,720,000</b>	<b>650,000</b>	<b>4,070,000</b>	<b>838,000</b>	<b>710,000</b>

<sup>(1)</sup> All proceeds were received in Canadian dollars. This column is the US dollar equivalent.

### Stock options

	Granted	Exercised	Shares issued	Expired
Third quarter 2006	-	87,500	87,500	25,000
Nine months of 2006	600,000	265,166	188,749	445,000

As at September 30, 2006 there were outstanding options to purchase 5,356,250 common shares of the Company, of which 3,549,583 were exercisable.

## OPERATIONS REVIEW – MAGELLAN LEAD MINE, WESTERN AUSTRALIA

The Magellan operation is located in the mineral-rich East Murchison Mineral Field in Western Australia, approximately 30 kilometres west of Wiluna and 900 kilometres northeast of Perth. The operation is easily accessible by road, rail and air transportation and is close to high-demand, high-growth Asian markets.

It was commissioned on October 1, 2005 and is currently in its ramp-up phase towards its reported target production level of approximately 100,000 tonnes of lead metal in concentrate per year. This will make Magellan the world's largest pure lead mine accounting for approximately 3% of the total world mine production.

During the third quarter, Magellan advanced its process optimization towards full operations. Key milestones included:

- Completed the commissioning and started regular operations of the secondary ball mill which is delivering on design expectations
- Achieved average mill throughput of 182 tonnes per operating hour following commissioning of the ball mill, a 52% improvement compared to the average January to July performance that preceded the start of commissioning of the secondary ball mill
- Attained the highest quarterly production to date with 17,200 tonnes of lead metal in concentrate for the quarter and 44,700 tonnes for the nine months
- Began construction and installation of the gas pipeline; on track for completion in the first quarter of 2007
- Completed preliminary design work for installation of the Metso pressure filter; on track for completion of installation and commissioning in the second quarter of 2007
- Completed first phase of 2006 exploration drill program; identified some areas of mineralization that warrant follow-up drilling
- Continued work on updates to the Life-of-Mine Plan including the impact of higher lead prices

### Operating Summary

#### Mining

In the third quarter, approximately 297,000 tonnes were mined for processing. Ore mining was controlled to maintain adequate stockpiles for the processing plant.

The following table summarizes mine production for the quarter and nine months:

	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2006
<b>Mining</b>		
Ore mined – '000 tonnes	297	796
Low grade ore mined – '000 tonnes	79	190
Total ore and waste mined – '000 bcm	819	2,665

Note: BCM = bulk cubic metres

#### Processing

During the quarter, the mill processed a total of 302,000 tonnes of ore at an average grade of 7.6% lead. This was the plant's highest quarterly throughput and a direct result of the start-up of the secondary ball mill midway through the quarter. The new ball mill achieved target throughput rates and capacity utilization within two weeks of the commissioning phase and continues to deliver on expectations. In the 43-day period following commissioning to September 30, mill throughput averaged 182 tonnes per operating hour and

provided an early indication of Magellan's new operational capability. This step change in performance is a 52% improvement when compared to the average January to July performance that preceded the start of commissioning of the secondary ball mill. The target steady-state throughput rate has been set at approximately 180 tonnes per operating hour. The new mill capacity is expected to complement the expanded filtering capacity, which will be provided by the new Metso pressure filter project currently underway and due to be commissioned in the second quarter of 2007.

Ore head grades averaged 7.6% as lower grade material was intentionally fed through the plant after commissioning of the secondary ball mill to balance the higher throughput capacity with the available filtration capacity.

Total concentrate produced of 27,100 dry tonnes was higher than planned and reflects the step change in milling capacity brought about by the new secondary ball mill and better-than-anticipated performance by the belt filters. Plant utilization was approximately 88% for the quarter, a 4% improvement over the second quarter but slightly below the target of over 90%.

The Company sold a total of 22,000 dry tonnes of concentrate which was 5% greater than the volume in the second quarter. In the continuing effort to reduce the concentrate inventory, which stood at 17,400 dry tonnes at the end of the third quarter, to more normal levels, management has currently scheduled sales of approximately 30,000 dry tonnes of concentrate in the fourth quarter.

The table below summarizes process production in the quarter and nine months:

	<u>Quarter Ended Sept 30, 2006</u>			<b>Nine Months Ended Sept 30, 2006</b>
	<b>Before Ball Mill Commissioning</b>	<b>After Ball Mill Commissioning</b>	<b>Total</b>	
<b>Processing</b>				
Operating days	49	43	92	273
Ore milled – '000 tonnes	131.8	170.0	301.8	738.8
Head grade – % lead	7.5%	7.7%	7.6%	8.0%
Recovery	73.5%	76.0%	74.9%	75.9%
Concentrate produced – '000 dry tonnes	11.5	15.6	27.1	70.1
Contained lead metal – '000 tonnes	7.3	9.9	17.2	44.7

The table below states the shipments and inventories at the end of the quarter and nine months:

	<b>Quarter Ended September 30, 2006</b>	<b>Nine Months Ended September 30, 2006</b>
<b>Shipments and inventories – '000 dry tonnes</b>		
Concentrate sold	22.0	64.6
Total concentrate inventories	17.4	17.4

Plant optimization over the next three quarters will be focused on the following:

- Continue to improve plant reliability following the October maintenance program which included a refurbishment of the Jaw Crusher
- Further optimize plant performance to achieve a steady-state target throughput rate of approximately 180 tonnes per operating hour
- Increase efficiency of the concentrate handling system following the commissioning of the pressure filter
- Work towards improved metal recoveries approaching 80% compared to 76% year-to-date
- Continue cost reduction initiatives ahead of full cost optimization program which will be implemented when the mine achieves steady state operations

#### Optimization Projects

Construction of the 35-kilometre gas pipeline was started towards the end of the quarter. The project is on track to be operational in the first quarter of 2007. Conversion from diesel to natural gas will reduce Ivernia's operating cost and exposure to the volatile oil markets and minimize the potential for energy-supply disruptions. The estimated capital investment for the project is approximately \$7 million.

Preliminary design work for the installation of the new Metso pressure filter has been completed. The filter is on schedule for delivery in the first quarter of 2007 and completion of installation and commissioning in the following quarter. The new filter will increase filtering capacity to a maximum of 125,000 tonnes per annum of lead metal in concentrate, which is comfortably beyond current planned production levels. It should also enable the operation to consistently achieve transportable moisture levels while maintaining the current non-dusting nature of the concentrate, eliminate the use of the temporary solar drying pad and reduce operating costs and working capital requirements. The estimated capital investment for this project is approximately \$5 million.

#### Exploration Program

Ivernia's 2006 exploration program is focused on tenements both in areas adjacent to the Magellan mine and in the surrounding regions. The current year's objective is to rationalize the existing licenses and pursue new exploration or acquisition opportunities.

Drilling to date has met the program's objectives and yielded a mixture of results that are summarized below:

The program consisted of 299 drill holes for 9,841 metres with approximately 50% on mature prospects, 20% on near-mine areas and the remaining 30% on scout drilling.

The Pizarro prospect returned some encouraging results with intersections of shallow, high-grade mineralization. Further closely-spaced rotary collar drilling is planned to better define the core zones and outer limits of the main mineralization to enable the completion of a reliable resource estimate.

At the Magellan East prospect, follow-up infill drilling is planned for a limited number of targets.

Regional drilling at the Yandil tenement led to a downgrade of the prospect after no significant results were returned.

In 2007, the program will be focused on further defining resources and areas of mineralization in areas adjacent to the Magellan mine and existing tenements, expanding and exploring regional ground holdings and expanding the program to include suitable opportunities in Australia and overseas.

## **2006 OUTLOOK**

The fourth quarter and full year 2006 results are expected to be positively impacted by several fundamental changes to the Company's operating platform. Production is expected to be favorably impacted by higher mill output provided by the secondary ball mill, improved performance from the belt filters and more efficient solar drying due to the onset of warmer weather in Western Australia. Higher sales volumes and revenue are also expected compared to the third quarter as a result of a planned increase in the Company's sales and shipping schedule and higher lead prices achieved during the fourth quarter to date.

## **RESOURCES, RESERVES AND LIFE-OF-MINE PLAN**

Grade reconciliation for the quarter was consistent with the previous six-month showing of a 14% shortfall to the 2005 Resource Model (undiluted). The mining dilution and mining recovery factors are being reviewed as part of current ongoing work on an updated ore reserve estimate and Life-of-Mine Plan.

## **LEAD MARKET FUNDAMENTALS**

The benchmark LME inventories ended the quarter at 60,725 tonnes, down approximately 45% from the 111,375 tonnes at the end of the second quarter. The persistent inventory draw-down continued after quarter end and inventories are currently at the 46,000-tonne level, roughly 2.5 days of demand. The sharp drop is attributed to a pickup in demand ahead of the lead-acid battery production season, lower exports from China and production shortfalls at several mines. Overall global lead demand in 2006 is expected to post growth for a third consecutive year of over 5%.

Lead prices increased approximately 45% during the third quarter reflecting the strong demand and declining inventories. The LME cash price closed the quarter at 65 cents per pound of lead. Subsequent to the quarter end, lead prices continued to increase and established a new high at 80 cents per pound on November 7. It is expected that 2006 will mark the fourth successive year-over-year increase for lead prices.

Demand for lead has been driven mainly by vehicular and industrial battery demand which consume approximately 72% of the lead supply. Vehicle sales are rapidly increasing in emerging countries such as China and India where new sales records are expected to be set this year. For the first nine months of 2006, year-over-year sales increases of approximately 25% have been registered for both countries.

During the quarter, the lead market fundamentals received additional support with the cancellation by the Chinese government of the tax rebate on lead exports.

## **RISKS AND UNCERTAINTIES**

The business of Ivernia is subject to a variety of risks and uncertainties. Some factors that could cause actual results to differ materially from those set forth in this MD&A include: resources and reserves, metal price volatility, exchange rates, single mineral property, metallurgy, environmental factors, mining risks, insurance, labour and employment regulations, health and safety, government regulations, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. Other risks and factors that could cause actual results to differ are described in the MD&A for the year ended December 31, 2005 under the heading "Risks and Uncertainties". Our MD&A and additional information on Ivernia are available on the Company's web site at [www.ivernia.com](http://www.ivernia.com) and on Ivernia's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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