

IVERNIA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT AND COMPREHENSIVE LOSS

(unaudited)

(in thousands of United States dollars, except per share amounts)	Three months ended December 31		Year ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue	-	32,780	20,014	82,909
Treatment charges and freight	-	(4,956)	(3,089)	(14,376)
Mining and processing costs	-	(13,017)	(7,742)	(39,140)
Care and maintenance (note 13)	(2,607)	-	(7,079)	-
Royalties	-	(1,513)	(1,047)	(3,509)
Loss on derivatives (note 10)	-	-	(4,679)	-
Amortization	(260)	(3,149)	(3,129)	(9,005)
	(2,867)	10,145	(6,751)	16,879
General and administrative	(1,816)	(1,541)	(6,482)	(5,844)
Parliamentary Inquiry and shipping approval	(262)	-	(2,093)	-
Stock option costs (note 9(b))	(137)	(144)	(604)	(587)
Foreign exchange (loss)/gain	(10)	1,014	(48)	533
Net interest expense	(3,767)	(606)	(11,905)	(2,491)
Other	(3)	(537)	9	(1,474)
	(5,995)	(1,814)	(21,123)	(9,863)
(Loss)/income before income taxes	(8,862)	8,331	(27,874)	7,016
Income tax recovery/(expense)	2,346	(2,520)	6,837	(2,178)
Net (loss)/income	(6,516)	5,811	(21,037)	4,838
Deficit - Beginning of period (note 12)	(89,316)	(80,284)	(74,795)	(79,311)
Deficit - End of period	(95,832)	(74,473)	(95,832)	(74,473)
Basic and diluted (loss)/income per share	(0.04)	0.04	(0.15)	0.04
Weighted average number of common shares outstanding (000's)	146,925	134,223	139,771	132,268
Net (loss)/income	(6,516)	5,811	(21,037)	4,838
Unrealized gain/(loss) on investments (note 11)	112	-	(403)	-
Comprehensive (loss)/income	(6,404)	5,811	(21,440)	4,838

IVERNIA INC.
CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands of United States dollars)	December 31, 2007 \$	December 31, 2006 \$
Assets		
Current assets		
Cash and cash equivalents	13,726	17,062
Accounts receivable and other current assets	920	12,094
Inventory (note 3)	18,962	8,865
Investments available for sale	617	701
	34,225	38,722
Property, plant and equipment (note 4)	147,603	146,647
Restricted cash and cash equivalents (note 5)	2,893	5
Deferred charges and other assets (note 12)	-	725
	184,721	186,099
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	8,694	27,327
Credit facility (note 6(a))	-	5,000
Secured facility (note 6(c))	38,177	-
Short-term note payable (note 6(b))	-	15,971
	46,871	48,298
Long-term debt (note 7)	2,049	2,316
Reclamation provision (note 8)	2,948	2,396
Future income tax	14,310	21,372
	66,178	74,382
Shareholders' Equity		
Share capital (note 9(a))	199,940	182,215
Share warrants (note 9(c))	1,600	1,600
Equity component of secured facility (note 6(c))	10,335	-
Contributed surplus (note 9(d))	2,903	2,375
	214,778	186,190
Deficit (note 12)	(95,832)	(74,473)
Accumulated other comprehensive loss (note 11)	(403)	-
	118,543	111,717
	184,721	186,099

IVERNIA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended December 31		Year ended December 31	
(in thousands of United States dollars)	2007	2006	2007	2006
	\$	\$	\$	\$
Cash (used in)/provided by				
Operating activities				
Net (loss)/income for the period	(6,516)	5,811	(21,037)	4,838
Non-cash items:				
Stock option costs	137	144	604	587
Amortization	260	3,149	3,129	9,005
Future income tax	(2,543)	2,718	(7,034)	2,376
Accretion	2,864	-	8,241	-
Other	143	31	(997)	1,867
Changes in non-cash working capital:				
Accounts receivable and other current assets	182	(6,999)	11,007	(8,253)
Inventory	(181)	1,227	(7,741)	(1,712)
Accounts payable and other current liabilities	(127)	10,438	(17,180)	9,788
	(5,781)	16,519	(31,008)	18,496
Investing activities				
Additions to property, plant and equipment	(513)	(6,948)	(6,440)	(20,330)
Change in restricted cash	-	146	(2,796)	1,197
	(513)	(6,802)	(9,236)	(19,133)
Financing activities				
Net cash proceeds on issue of shares and warrants	-	209	17,561	8,993
Payment of credit facility (note 6(a))	-	-	(5,000)	-
Decrease in financing	-	(1,724)	-	(2,159)
Decrease in long-term debt (note 7)	(151)	(509)	(267)	(996)
Increase in financing	-	-	-	5,000
Secured facility (notes 6(b) and 6(c))	-	-	24,378	-
	(151)	(2,024)	36,672	10,838
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	338	(89)	236	(159)
Net increase in cash and cash equivalents	(6,107)	7,604	(3,336)	10,042
Cash and cash equivalents – Beginning of period	19,833	9,458	17,062	7,020
Cash and cash equivalents – End of period	13,726	17,062	13,726	17,062
Supplementary information:				
Net interest (received)/paid	(177)	248	1,480	2,055

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

1. Nature of operations

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, 2006 except for changes as described in note 2.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2006. 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, 2006.

The Company currently has no operating revenue due to the placement of its Magellan mine under temporary care and maintenance pending requisite approvals to ship containerized lead concentrate through the Port of Fremantle. On January 17, 2008 the Company announced the conditional acceptance by the Environment Minister of the Environmental Protection Agency's recommendations regarding the sealed shipment process for the export of lead concentrate. In accepting the recommendations, the Minister imposed additional conditions which the Company has accepted and has committed to their implementation prior to commencing sealed shipment of its product. The Company anticipates receiving final approval to recommence shipping and operations in 2008. However, there is no fixed or guaranteed timeline and no certainty on the outcome. The Company has a working capital deficit, primarily due to the Secured Facility (note 6(c)). Subsequent to December 31, 2007 the Company announced, on March 31, 2008, the partial conversion and extension of the maturity date of the Secured Facility. By mutual agreement, \$20 million of the \$40 million currently drawn and outstanding against the Secured Facility will be converted into common shares of the Company ahead of its April 27, 2008 maturity date and the maturity date for the remaining drawn and undrawn amounts has been extended to April 27, 2009. With the partial conversion of the Secured Facility and extension of the maturity date, the Company has positive working capital.

Certain comparative figures have been reclassified to conform to the presentation adopted in 2007.

2. Future accounting changes and changes in accounting policies

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

In December 2006, Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures were issued. All three Sections will be applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

IVERNIA INC.

In June 2007, a replacement section for inventories, Section 3031 "Inventories" was issued and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and eliminates the use of the "last-in, first-out" method of accounting and is effective for the fiscal years beginning on or after January 1, 2008.

The Company has not yet determined the impact of adopting the above accounting standards.

On January 1, 2007 the Company adopted two new accounting standards that were issued by the CICA:

Handbook Section 1530 – Comprehensive Income, and Handbook Section 3855 – Financial Instruments – Recognition and Measurement. The Company has not restated prior periods and included comparative amounts, as the standards have been applied prospectively, but the transitional effects have been recorded as an adjustment to deficit as at January 1, 2007.

The Company has not made any voluntary changes in accounting policies since these standards were adopted.

Section 3855 – Financial instruments – recognition and measurement

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and liabilities including derivatives be recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Fair value is the amount at which an item could be exchanged between willing parties. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

The Company designated certain financial assets and liabilities and adopted the following new accounting policies:

Cash and cash equivalents, account receivable, restricted cash and accounts payable and accrued liabilities

These assets and liabilities are classified as held-for-trading. They are recorded at fair value and any changes in their fair value are recorded in net income. Fair value is calculated using published price quotations in an active market, where applicable. December 31, 2006 carrying values for these assets and liabilities already approximated fair value because of their short terms of maturity; no adjustments were made to the opening values.

Investments

Investments are classified as available-for-sale and recorded at fair value. Changes in their fair value, net of tax, is recorded in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. Fair value is calculated using the closing price of the investment as quoted in an active market.

1530 – Comprehensive income

This section calls for a statement of comprehensive income and its components. Other comprehensive income includes unrealized gains and losses on investments.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

EIC 160 – Deferred Stripping

Effective January 1, 2007 the Company adopted, on a prospective basis, the new recommendations of the CICA with respect to stripping charges, EIC 160 Stripping Costs Incurred in the Production Phase of a Mining Operation (“EIC 160”). The new recommendations require the costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations to be charged to income in the period in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent a betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity. When costs are deferred in relation to a betterment, the costs are amortized over the reserves accessed by the stripping activity using the units of production method.

The standard has been applied prospectively from January 1, 2007 and prior years’ financial statements have not been restated. Application of this new accounting policy did not have a material impact on the financial position or results of operations as at or for the year ended December 31, 2006.

As at December 31, 2007 the balance of deferred stripping costs was \$8.9 million. In accordance with EIC 160, the carrying value of the deferred stripping costs (December 31, 2006 - \$9.2 million) will be amortized over the life of the related mining assets on a units of production basis. During the quarter, the deferred stripping balance remained unchanged due to the placement of the mine on care and maintenance effective April 6, 2007.

Revenue recognition

Revenue is recognized when the title and risk of ownership of concentrates have passed and collection is reasonably assured. Title and risk of ownership pass to the customer on shipment of concentrate. Revenue from the sale of metal contained in concentrate is provisionally priced based on a future quotational period. Revenue is adjusted during the quotational period for any variations in the forward price recognized on shipment until settlement. Final revenue is adjusted based on settlement of final weights and assays. Any variations in the price, weights or assays are offset by an increase or decrease in accounts receivable.

Convertible instruments

Convertible instruments are classified separately on the balance sheet as a liability and as equity on initial recognition in accordance with CICA Handbook Section 3861. The value of the conversion option is determined by using the Black-Scholes option-pricing model. The debt component, representing the difference between proceeds received (net of pro-rated costs) and the equity component is recorded as a liability. The equity component (net of pro-rated costs) is recorded in equity. Over the term of the instrument, the debt component is accreted to the face value by the recording of additional interest expense. The pro-rated costs of financing in the debt portion are expensed over the life of the instrument by the recording of additional interest expense.

Effective January 1, 2009 the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company’s financial statements.

Section 3064, “Goodwill and intangible assets,” establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, “Revenues and Expenses during the pre-operating period.” As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

3. Inventory

	December 31, 2007	December 31, 2006
	(\$000's)	(\$000's)
Concentrate	14,350	5,950
Ore stockpiles	1,239	868
Consumables and other	3,373	2,047
	18,962	8,865

4. Property, plant and equipment

	December 31, 2007			December 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(\$000's)			(\$000's)
Plant and equipment	38,225	(5,088)	33,137	31,882
Leasehold improvements	74	(43)	31	47
Office equipment	733	(366)	367	257
Leased assets	3,088	(778)	2,310	3,573
Deferred stripping	9,192	(284)	8,908	9,192
Development costs and other	111,042	(8,192)	102,850	101,696
	162,354	(14,751)	147,603	146,647

Substantially all of the Company's property, plant and equipment is located in Australia.

5. Restricted cash

As at December 31, 2007 Magellan Metals had restricted cash deposited with a financial institution of \$2.9 million. 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. These bonds had been secured by part of the credit facility with BNP Paribas which was repaid during the second quarter. See notes 6(a) and 8.

6. Current liabilities

(a) Inventory and credit facilities

Magellan had a credit facility and inventory facility with BNP Paribas. See note 6(a) to the Company's audited consolidated financial statements for the year ended December 31, 2006.

On April 27, 2007 the Company completed a \$50 million secured facility (see note 6(c)). The credit facility in the amount of \$5 million and inventory facility in the amount of approximately \$3.5 million were repaid using this new facility.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

(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"). See note 6(b) to the Company's audited consolidated financial statements for the year ended December 31, 2006.

With the exercise of the Extension Option, interest on the Sentient Note accrued at a rate of 9.25% per annum payable on the maturity date of April 29, 2007. On April 27, 2007 the Company completed a \$50 million secured facility (see note 6(c)). The short-term note payable and interest was paid using this new facility, consisting of C\$17.4 million (\$15.6 million) principal and C\$1.7 million (\$1.5 million) interest.

(c) Secured facility

On April 27, 2007 the Company completed the closing of a \$50 million secured facility (the "Secured Facility") with a syndicate of lenders.

Part of the Secured Facility was used for the repayment of the Sentient Note (see note 6(b)) and for the repayment in full of the outstanding BNP Paribas credit facility (see note 6(a)). As at December 31, 2007 \$40 million of the Secured Facility had been drawn down.

The Secured Facility has a one-year term which matures on April 27, 2008 and bears interest at 9.25% per annum, which will accrue and be payable at maturity or earlier repayment. The Secured Facility grants first ranking security interests over all the Company's assets.

Drawdowns under the Secured Facility entitle the lenders to conversion rights, providing for the 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). If Ivernia repays drawn balances before maturity the lenders will be issued warrants for the pro rata amount at a C\$1.20 (US\$1.08) strike price that will expire concurrent with the maturity of the Secured Facility. These conversion rights were approved by the shareholders at the Company's 2007 annual and special meeting. Balances repaid before maturity may not be redrawn by Ivernia.

Also, see note 14.

The Secured Facility is accounted for in accordance with CICA Section 3861, whereby debt securities which have interest payable in cash and give the holder the right to convert the principal amount into common shares are split into a liability and an equity component on the date of issuance. The debt component is recorded as Secured Facility. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of Secured Facility". Over the term of the Secured Facility, the debt component will be accreted to the face value of the Secured Facility by the recording of additional interest expense.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

The balances for the Secured Facility are analyzed as follows:

	(\$000's)
Amount drawn on Secured Facility	40,000
Equity value of conversion option	(11,055)
Pro-rated costs of financing	(1,886)
Amortization of costs as at December 31, 2007	1,257
Accretion of debt as at December 31, 2007	7,370
Accrued interest as at December 31, 2007	2,491
	38,177

The balances for the equity component of the Secured Facility are analyzed as follows:

	(\$000's)
Equity value of conversion option	11,055
Pro-rated costs of financing	(720)
	10,335

7. Long-term debt

	December 31, 2007	December 31, 2006
	(\$000's)	(\$000's)
Lease liabilities	2,659	2,879
Less current portion:	610	563
	2,049	2,316

Magellan Metals has entered into a five-year power supply contract, and has various equipment and vehicle leases in place as at December 31, 2007. The equipment and vehicle leases range in length from one to three years.

8. Reclamation provision

As at December 31, 2007 the reclamation provision relating to Magellan Metals asset retirement obligations was \$2.95 million (December 31, 2006 - \$2.40 million).

The following assumptions were used to estimate the fair values of the obligations as at December 31, 2007:

Total undiscounted amount of estimated cash flows	\$4,190,000
Expected year of payment of cash flows	2016
Discount rate	7.5%

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.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

9. Share capital

(a) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

	Number of common shares	Amount
	(000's)	(\$000's)
Outstanding as at January 1, 2007	134,452	182,215
Issued in connection with exercise of options	239	87
Issued in connection with short-term debt	43	57
Outstanding as at March 31, 2007	134,734	182,359
Issued in connection with exercise of options	31	6
Issued in connection with short-term debt	14	16
Outstanding as at June 30, 2007	134,779	182,381
Issued in connection with exercise of options	21	37
Public offering ⁽ⁱ⁾	12,125	17,522
Outstanding as at September 30, 2007 and December 31, 2007	146,925	199,940

⁽ⁱ⁾ On August 1, 2007 the Company closed a bought deal financing. The underwriters purchased 12,125,000 common shares of the Company at a price of C\$1.65 for gross proceeds of C\$20 million (\$18.9 million) and net proceeds of C\$18.5 million (\$17.5 million) after share issuance costs.

Also, see note 14.

(b) Employee stock options

The Company's Employee Stock Option Plan provides for cash and cashless exercise of options. At December 31, 2007 there were outstanding options to purchase 5,486,250 common shares of the Company, of which 3,478,333 were exercisable at that date. During the quarter 50,000 options expired, 75,000 options were granted and no options were exercised.

The compensation expense has been calculated using the Black-Scholes option-pricing model. A total of \$137,000 has been expensed in the quarter in respect of both new stock options for the portion vesting in 2007 and stock options which were granted in 2005, 2006 and 2007 but for which a portion vests in 2007 (fourth quarter 2007 – \$144,000). The pricing assumes a five-year term, expected common stock price volatility of 40% (2006 – 40%), a weighted average risk-free interest rate of 4% and an assumption that dividends are reinvested in the Company.

As at December 31, 2007 the aggregate unexpensed fair value of stock options granted amounted to \$374,000.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

(c) Share warrants

As at December 31, 2007 the Company has outstanding instruments, comprising common share purchase warrants and broker warrants, which are exercisable for 3,953,000 common shares of the Company (December 31, 2006 – 3,953,000).

	Outstanding Warrants	Applicable Shares	Fair Value of Warrants
	(000's)	(000's)	(\$000's)
Outstanding as at January 1, 2007 and December 31, 2007	3,953	3,953	1,600

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%, a weighted average risk-free interest rate of 4%, and used the expiry dates of the warrants for the term.

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.

(d) Contributed surplus

Details of the movement in contributed surplus are as follows:

	2007	2006
	(\$000's)	(\$000's)
Balance as at December 31, 2006	2,375	1,892
Option compensation recognized	174	152
Options exercised	(29)	(51)
Balance as at March 31, 2007	2,520	1,993
Option compensation recognized	152	146
Options exercised	(10)	-
Balance as at June 30, 2007	2,662	2,139
Option compensation recognized	141	145
Options exercised	(37)	(20)
Balance as at September 30, 2007	2,766	2,264
Option compensation recognized	137	144
Options exercised	-	(33)
Balance as at December 31, 2007	2,903	2,375

10. Loss on derivatives

The Company had entered into various short-term lead sales contracts to fix the price of its future shipments. Subsequent to the suspension of future shipments through the Port of Esperance (see note 13), the forward sales contracts were bought back to reduce the Company's exposure to rising commodity prices. As at December 31, 2007 the Company had no further commodity or foreign exchange hedges. The loss on derivatives was \$4.7 million for the year.

IVERNIA INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve month periods ended December 31, 2007 and 2006

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

11. Comprehensive loss

The Company holds shares in a publicly traded company. This investment is classified as available for sale. The changes in fair value are detailed below:

	Increase/(decrease) in fair value (\$000's)
Balance as at January 1, 2007	-
March 31, 2007	(327)
June 30, 2007	242
September 30, 2007	(430)
December 31, 2007	112
Accumulated other comprehensive loss	(403)

12. Deficit

The Company has adopted CICA Section 3855 - Financial instruments – recognition and measurements (see note 2), and under this standard, debt issue costs are not deferred and presented as separate assets, but are added to the carrying value of the debt. These fees are amortized over the term of the debt using the effective interest rate method. This treatment was adopted prospectively but calculated retrospectively, and as a result, the Company recorded an adjustment to the opening deficit as at January 1, 2007 as detailed below:

	(\$000's)
Opening deficit January 1, 2007	74,473
Retroactive effect of debt issue costs	322
Deficit January 1, 2007	74,795

13. Care and maintenance

Effective April 6, 2007, the Magellan operation was placed on temporary care and maintenance following the March 12, 2007 suspension of lead concentrate shipments through the Port of Esperance. A core team of employees was retained to carry out site care and maintenance until requisite approvals are received, plan and implement the on-site and transportation route changes for containerized shipments and execute the phased restart of operations

14. Subsequent events

On January 17, 2008 the Company announced the acceptance by the Environment Minister, Hon. David Templeman, of the EPA's recommendations regarding the sealed shipment process for the export of lead concentrate. In accepting the recommendations, the Minister also imposed additional conditions that will further assure Western Australia's communities, governments and regulators that the export process will be safe and effective. The Company has accepted the additional conditions and is committed to their implementation prior to commencing sealed shipment of its product from its mine site. The Minister's conditions included: the lodgement of an A\$5 million bond; the appointment of an independent auditor approved by the Minister and funded by Magellan Metals to inspect each bag and container at the mine and the Port; the completion of a comprehensive Health, Hygiene and Environmental Management plan for the mining and export process to be prepared to the requirement of the Minister, on advice from the Department of Health, the Department of Consumer and Employment Protection, the Department of Industry & Resources

IVERNIA INC.

and the Department of Environment & Conservation; and baseline testing to be conducted along the transport route prior to the first movement of lead and then regularly after that.

As announced by the Company on January 18, 2008 the Company must and will fully meet all Ministerial conditions, and in addition has committed to: implementing a comprehensive information and support program with local authorities and community groups along the transportation route to ensure a thorough understanding of lead concentrate, its transportation process and the Emergency Response Plan for the immediate containment and rapid and complete clean up in the unlikely event of an accident creating a spill; transparent communication of monitoring results and compliance reporting in an easily accessible manner; and continuing its community information program.

On March 31, 2008 the Company announced it had reached an agreement with the syndicate of lenders for the partial conversion and extension of the maturity date of the Secured Facility. By mutual agreement, \$20 million ("Conversion Amount") of the \$40 million currently drawn and outstanding against the Secured Facility will be converted into common shares of the Company prior to April 27, 2008 at the previously agreed to price of US\$1.08 per share. On conversion, a total of 18,518,518 shares will be issued to the Lenders. The maturity date of the Secured Facility has been extended to April 27, 2009 ("New Maturity Date") from April 27, 2008. With the extension, the lenders have until the New Maturity Date to convert the remaining \$20 million currently drawn on the Notes and any additional funds that may be drawn by the Company at anytime prior to April 27, 2009 (up to an additional \$10 million).

All interest and fees accrued on the Conversion Amount will be payable on the earlier of the closing of the Company's previously-announced C\$22 million private placement investment with YMG and the New Maturity Date.

Payment of interest on the outstanding principal amount of the Notes, not included in the Conversion Amount, will be deferred until the New Maturity Date. Additionally, future interest on the extended Notes will be at an interest rate of 6% per annum – down from the current interest rate of 9.25% per annum.

Other than the existing general security agreement granted by Ivernia, all other security currently in place on the Secured Facility shall be discharged by the lenders. The lenders have further agreed to subordinate their current security so as to permit an additional \$10 million of secured financing to rank ahead of the Secured Facility.