



NEWS RELEASE

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

IVERNIA REPORTS THIRD QUARTER 2010 FINANCIAL RESULTS – MAGELLAN PRODUCTION RAMP-UP CONTINUES AND DELIVERS A RETURN TO PROFITABILITY

TORONTO, ONTARIO – November 8, 2010 – Ivernia Inc. (TSX: IVW) today reported revenue of \$37.3 million for the third quarter of 2010, compared to \$0.2 million for the same period last year. Revenue for the first six months of 2010 totaled \$62.8 million, compared to \$8.3 million for the same period last year. The increase in revenue reflects the continued improvement in the ramp-up of production at the Magellan Mine in 2010.

The Company recorded Operating Income⁽¹⁾ of \$8.2 million for the third quarter of 2010 compared to an Operating Loss of \$0.3 million for the same period last year.

The Company returned to profitability with a net income after taxes of \$2.9 million, or \$0.02 per common share for the third quarter of 2010 compared with a net loss of \$4.6 million, or \$(0.03) per share for the same period last year.

(1) See the Financial and Operating Highlights for definition of Operating Income and Loss

THIRD QUARTER 2010 HIGHLIGHTS

Financial

- Recorded revenue for the third quarter of 2010 of \$37.3 million from the sale of 16,900 tonnes of contained lead in concentrate
- Third quarter operating income⁽¹⁾ of \$8.2 million
- Third quarter 2010 net income before taxes of \$4.0 million
- Third quarter 2010 net income after taxes of \$2.9 million
- Third quarter 2010 cash provided by operations before changes in non-cash working capital of \$2.0 million
- Cash balances at September 30, 2010 of \$7.5 million
- Increase in working capital from \$3.4 million on June 30, 2010 to \$7.2 million on September 30, 2010

(1) See the Financial and Operating Highlights for definition of Operating Income and Loss

Operational

- Progressed production ramp-up at the Magellan Mine producing 14,600 tonnes of contained lead in concentrate in the third quarter of 2010, an increase of 28% compared to the 11,400 tonnes of lead contained in concentrate produced in the second quarter of 2010
- Processing plant lead recoveries in the third quarter of 2010 averaged 76% showing a marked improvement from recoveries of 69% in the second quarter of 2010
- Guidance for the fourth quarter is for a further step up in production levels to a range of 15,000 – 18,000 tonnes of contained lead in concentrate
- A new resource estimate is being finalized for the Magellan deposit with corresponding updates to reserve estimating, mine scheduling and optimizations scheduled for completion in first quarter 2011
- In October, commenced first drilling campaign at Prairie Downs which is expected to be completed by year end (Ivernia has the right to acquire up to an 80% interest in the Prairie Downs Joint Venture)

Financial and Operating Highlights

	Three months ended September 30		Nine months ended September 30	
	2010 \$	2009 \$	2010 \$	2009 \$
(in thousands of United States dollars, except per share amounts)				
Financial Highlights				
Revenue ⁽¹⁾	37,254	207	62,819	8,268
Operating costs	(28,079)	(289)	(62,655)	(7,031)
Amortization	(971)	(179)	(1,815)	(500)
Operating income (loss) ⁽²⁾	8,204	(261)	(1,651)	737
General and administrative	(2,068)	(1,597)	(6,041)	(5,093)
Stock option costs	(40)	(28)	(121)	(38)
Foreign exchange (loss) gain	(1,407)	120	25	(369)
Net interest expense	(663)	(791)	(1,991)	(1,924)
Accretion	(1,075)	(709)	(2,922)	(3,497)
Esperance/Fremantle and related costs	–	(1,057)	–	(1,278)
Inventory recovery	1,094	40	2,258	4,188
Debt settlement expense	–	–	–	(753)
	(4,159)	(4,022)	(8,792)	(8,764)
Income (loss) before income taxes	4,045	(4,283)	(10,443)	(8,027)
Income tax (expense) recovery	(1,139)	(268)	2,991	(1,190)
Net income (loss)	2,906	(4,551)	(7,452)	(9,217)
Basic earnings (loss) per share ⁽³⁾	0.02	(0.03)	(0.04)	(0.05)
Fully diluted earnings per share ⁽³⁾	0.01	(0.03)	(0.04)	(0.05)
Weighted average shares outstanding (000's)	189,243	180,153	189,010	180,153
Unrealized gain (loss) on investment	118	–	87	(4)
Comprehensive income (loss)	3,024	(4,551)	(7,365)	(9,221)
Cash provided by (used in) operations before changes in non-cash working capital	1,992	(4,011)	(9,537)	(8,817)
Cash flow used in operating activities	(157)	(3,633)	(990)	(8,984)
Operating Highlights				
Ore milled – (000's dry tonnes)	259	–	559	–
Average head grade – (% lead)	7.4	–	6.8	–
Recovery – (%)	76	–	72	–
Concentrate produced – (000's dry tonnes)	22.6	–	42.1	–
Concentrate sold – (000's dry tonnes)	26.1	0.4	47.9	8.7
Lead metal in concentrate produced – (000's tonnes)	14.6	–	27.2	–
Lead metal in concentrate sold – (000's tonnes)	16.9	0.3	30.9	5.5
Concentrate inventory – (000's of dry tonnes)	2.7	20.6	2.7	20.6
Unpriced lead metal (000's of dry tonnes) ⁽⁴⁾	7.1	0.3	7.1	0.3
Average lead price – LME cash settlement– (\$ per pound)	\$0.92	\$0.87	\$0.94	\$0.70
Ivernia's average lead sale price – (\$ per pound)	\$1.05	\$1.03	\$0.97	\$0.74

(1) Shipments of lead carbonate concentrate from the Magellan Mine were curtailed by the suspension of lead shipments through the Port of Esperance on March 12, 2007. The suspension was lifted in December 2008, following which two shipments were made in March and May 2009 to remove the stockpile. Following the receipt of Ministerial approval on August 13, 2009 to commence shipments through the Port of Fremantle, the Company exported the entire mine site inventory stockpile and in first quarter 2010 recommenced production and shipment of lead carbonate concentrate.

(2) Operating income is a non-GAAP measure with no standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to other issuers. The Company has defined it as revenue, less operating costs and amortization. The Company uses it as an indication of the profitability of operations at the Magellan Mine, and as such believes it provides meaningful information to investors.

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

(4) Unpriced lead metal represents net provisionally priced lead contained in concentrate that was revalued as at the balance sheet date at a weighted average price of \$1.03 (2009 - \$1.03) per pound.

OUTLOOK

Magellan Metals continues to ramp-up production of lead carbonate concentrate over the course of 2010. Production restart commenced late February 2010 and during the third quarter of 2010 the operations produced 14,600 tonnes of contained lead in concentrate. The staged ramp-up of production will continue during the fourth quarter of 2010 with planned full production levels forecast to be reached during the first quarter of 2011.

Production during the third quarter of 2010 of 14,600 tonnes of lead contained in concentrate was 1,400 tonnes or 9% below previous guidance as the site team addressed issues with the concentrate thickening and filtration and looked to improve recovery. Investigations of the concentrate thickening-filtration process interactions identified a number of operational changes and capital modifications that needed to be implemented to improve performance. A number of these modifications have already been implemented with demonstrable improvements in performance and an action plan is in place for further modifications to be implemented in the fourth quarter. Concentrate filtration rates in September averaged 300 dry metric tonnes per day, with a best single day performance of over 400 dry metric tonnes (concentrate filtration is the final stage of the production process to produce saleable product).

Plant recoveries improved markedly compared to the second quarter due to a combination of improved plant management and higher feed grades. New operating practices have been introduced that focus on lead input and concentrate thickener control resulting in steadier operations for the second half of the quarter. The steadier operations allowed improved process control and gave higher plant recoveries of 76% across the third quarter compared to 69% in the previous quarter.

A major planned maintenance shutdown was successfully completed in late September to allow a full mill reline and annual statutory high-voltage electrical testing, as well as the implementation of a number of maintenance and capital projects previously identified to improve plant performance. No major issues were identified during the shutdown period. This was the first major planned maintenance shutdown since the restart of operations in February.

The Company is reviewing its 2011 production plans and is focused on optimizing the Magellan operation in light of the prevailing metal prices, the A\$/US\$ exchange rate, treatment and transport charges and mine cost structure. The Company expects to achieve targeted full concentrate production rate during the first quarter of 2011. Magellan Metals is expected to produce on average approximately 85,000 tonnes per annum of contained lead in concentrate over the mine life.

While the production performance at Magellan Metals continues to improve, management continues to face and address challenges that are commonly encountered during a plant restart. These challenges introduce a degree of uncertainty in short term production forecasts and, as a result, the production guidance for the fourth quarter of 2010 has been revised to reflect a range of production outcomes dependent on the short term level of success of the initiatives currently underway.

Revised quarterly production guidance:

(000's tonnes)	1Q 2010 Actual	2Q 2010 Actual	3Q 2010 Actual	4Q 2010 Forecast	2010 Forecast
Ore Mined	15	267	277	300 - 400	859 - 959
Ore Milled	32	268	259	300 - 400	859 - 959
Contained Lead in Produced Concentrate	1	12	15	15 - 18	43 - 46
Contained Lead Shipped	5	9	17	15 - 18	46 - 49

As at November 5, 2010 Ivernia held unrestricted cash balances of \$8.3 million. At current lead price and production levels, management anticipates that cash flow from operations will continue to be positive and that current treasury and cash flow from operating activities will be sufficient to fund cash required for non-operating activities going forward. Ongoing cash flow from operating activities continues to be exposed to fluctuations in metal prices, production rates and the A\$/US\$ exchange rate.

During the latter part of 2010 and early 2011 the Company will be increasingly focused on operational optimization as Magellan moves into a steady state operating environment at targeted full production levels. Since the completion of the 2010 drilling program during the second quarter, Magellan has been focused on mine scheduling optimization and a new life of mine plan and plans to issue updated Resource and Reserve statements and a NI 43-101 technical report during the first quarter of 2011.

OPERATIONS REVIEW – MAGELLAN MINE

The table below summarizes quarterly mine production, process production and shipments and inventories in the first nine months and year-to-date ended September 30, 2010:

	Three months ended March 31, 2010	Three months ended June 30, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Mining				
Ore mined – 000's tonnes	–	182	233	415
Low-grade (<3%) ore mined – 000's tonnes	15	85	44	144
Total ore and waste mined – 000's bcm	118	729	952	1,799
Processing				
Ore milled – 000's tonnes	32	268	259	559
Average head grade – % lead	6.9	6.2	7.4	6.8
Average recovery – %	54.0	68.9	76.1	71.6
Concentrate produced – 000's dry tonnes	2.0	17.5	22.6	42.1
Lead metal in concentrate produced – 000's tonnes	1.2	11.4	14.6	27.2
Sales and inventories				
Concentrate sold – 000's dry tonnes	8.4	13.3	26.1	47.9
Lead metal in concentrate sold – 000's tonnes	5.4	8.6	16.9	30.9
Concentrate inventory – 000's dry tonnes	2.0	6.3	2.7	2.7

Magellan Production Ramp-up

Performance at the Magellan mine continues to improve as key debottlenecking capital projects are being implemented and the workforce gains more experience with this unique ore and processing plant. Contained metal in concentrate produced was up 28% compared to the second quarter of 2010 and lead in concentrate sales was up 97%. The primary focus of site management in the third quarter was to address issues with the plant lead recovery and the interaction between the concentrate thickeners and the filters, as this was the limiting factor on concentrate production.

During the third quarter of 2010, the mill treated 259,000 dry metric tonnes of ore with an average head grade of 7.4% lead. The plant recovered an average of 76% of the lead, to produce approximately 22,600 dry metric tonnes of concentrate with an average grade of 65% contained lead which represented a marked improvement from the results of the second quarter of 2010.

In June, mill throughput was increased to 250 tonnes per hour (equivalent to the target capacity 1.9 million tonnes per annum rate) and the plant experienced periods of lead input in excess of the current capacity for short periods of time. At these higher rates, the process plant became metallurgically unstable resulting in a number of plant stoppages and poor lead recoveries. This also highlighted processing issues with the capacity of the concentrate thickeners, filter feed pump and pressure filter. The primary cause of these issues was identified as the inability of the concentrate thickeners to deliver the specified density to feed the pressure filter at higher concentrate production rates. In July, the plumbing of the two thickeners was modified to allow them to be run in parallel rather than in series and a complementary simple flocculent addition system was installed. Mill throughput was adjusted with mine grade to smooth the lead input into the plant.

In August, a new ore stockpile management technique was introduced to reduce the variance in the mine head grade. One element of this was to reduce the addition of low-grade ore to the feed as this material was contributing to grade volatility. This in combination with the higher grade areas currently being mined in the

Magellan and Cano pits resulted in an increase in head grade delivered to the plant. Through the second half of August and the first half of September the plant achieved steady state at a rate of 300-350 dry metric tonnes of concentrate production per day, compared to full production targets averaging 400 dry metric tonnes per day. This steady state period allowed the first stage of balancing of the float circuit and combined with the higher head grades, delivered plant recoveries of 75-80%. Overall for the third quarter the average plant recovery was 76% compared to an average of 69% in the second quarter of 2010.

A major planned maintenance shutdown was successfully completed in late September to allow a full mill reline and annual statutory high-voltage electrical testing, as well as the implementation of a number of projects identified to improve plant performance. No significant issues were identified during the shutdown.

The interaction between the concentrate thickeners and the filters is an ongoing area of focus and the subject of several projects planned for the fourth quarter. An increase in capacity to the filter feed pump is planned for November. A permanent thickener feed control and flocculent addition solution will also be installed in November. Additional plates will be added to the pressure filter in December, increasing the filter's capacity by 8% and removing it as a bottleneck to future concentrate production.

Magellan has now recruited its full complement of personnel supplemented by contract labour for the bagging operations. The booming resources sector in Western Australia is recreating the skills shortages experienced during 2006 to 2008. Magellan is developing an employee value proposition that balances salary with lifestyle, personal development and a positive workplace culture.

Operational Optimization

Work is continuing on mine scheduling optimization for the life-of-mine planning. The aim of this work is to improve the mining program to deliver lower mining and processing costs through a combination of: mineralization/rock type/lead grade blend optimization; reduced double handling; reduced non-productive equipment moves; and, identifying locations for in-pit waste dumping. Improved blasting practises are being implemented to reduce downstream crushing and grinding costs as well as minimizing costly crusher blockages.

Close spaced grade control drilling and XRF grade sampling of blast holes is expected to deliver improved mining grade control and reconciliation. This is expected to give greater ore grade predictability and therefore improve the mill feed blending. Blast hole XRF sampling is identifying low grade ore (1-5% lead) in blocks that have been earmarked as waste using the broader spaced grade control drilling.

Following the purchase of the onsite 4.2 megawatt power station, plans are being developed to convert the generator sets from diesel fuel to dual fuel diesel-natural gas. The gas pipeline has been installed to the power station and future gas supplies have been secured on long term contract at competitive prices. The conversion to dual fuel is expected to significantly reduce the site's power costs and reduce Magellan Metals' carbon emissions.

Magellan Metals has implemented a best practice concentrate handling system utilizing two tonne plastic bulk bags and shipping containers. The Company is now investigating ways to reduce the cost and improve the efficiency of the bagging process as well as exploit the opportunities offered by selling concentrate in this form.

Corporate Development and Exploration

Drilling Program

A new resource estimation model is being finalized for the Magellan Hill creating a single geological model for the Magellan, Cano, Pinzon and Gama deposits. The geostatistics including variography, top cuts, modelling parameters and estimation methods have been evaluated and a new model reported at various cut-offs. This resource estimation includes the grade control drilling and most recent drilling programs to provide an improved understanding of the deposits.

The recent drilling at the Pizarro deposit, some 10km south of Magellan has been incorporated into the previous data with new geostatistical evaluation of the mineralization and density with a new resource estimation completed that now includes the recently drilled Columbus prospect.

Life of Mine planning with optimizations and scheduling is underway to best utilise the known resources and provide the optimum development options for the identified mineralization.

An independent technical report to be prepared in accordance with National Instrument 43-101 has been commissioned from SRK Consulting (Australia) Pty Ltd. which is planned to be published during the first quarter of 2011.

The current Mineral Resource Estimate for the Magellan, Cano, Pinzon, Drake and Pizarro deposits as at December 31, 2009 is reported in the 2009 AIF and refers to the Company's NI 43-101 Technical Report dated September 30, 2004.

Prairie Downs

Ivernia has signed a formal joint venture agreement with Prairie Downs to acquire up to 80% of the Prairie Downs Joint Venture in Western Australia.

The highlights are:

- Part of Ivernia's growth strategy to create a portfolio of base metal projects
- Opportunity to explore and potentially develop a significant lead-zinc project
- Synergies with Ivernia's nearby (within 250 kilometres) flagship Magellan lead mine in Western Australia
- An A\$2 million exploration program focused on a range of defined prospective targets
- Option to acquire a 60% interest for A\$10 million after completion of an exploration expenditure of A\$3 million with a right to increase to 80% following further exploration expenditure

The exploration program has advanced significantly since the Prairie Downs Joint Venture was entered into in June 2010. A large geochemical survey utilizing a portable XRF has collected data for more than 8,000 sample points over the main prospects and defined a number of new base metal geochemical anomalies.

Geological mapping, interpretation of the geochemistry, and evaluation of previous drilling and geophysics has highlighted key target areas for drilling. A program of over 20 drill sites has been approved by the Department of Mines and Petroleum ("DMP") and the Pilbara Native Title Service.

The initial drill program will test two high priority shallow targets, the Wolf prospect and the footwall of the main Prairie resource as well as a number of regional anomalies.

The Wolf prospect, two kilometers north of the known resource of the Prairie Downs Fault Zone, shows a strong geochemical alteration and geophysical target on the southern side of the structure that is over one kilometer long. This shallow anomaly will be tested in three fences of holes down to 150m depth.

The footwall of the main Prairie deposit hosts a resource in the 'Gabbro Zone', a splay off the main structure. A number of other potential fault splays and sediments showing strong silicification on surface will be drilled in fences to 150m depth. Follow up of any intersections will be planned for later deeper drilling.

The geochemical survey has covered a number of regional anomalies and drill targets have been defined at the Hyena, West Hyena and Husky prospects. Drill testing of these prospects is planned in a second phase of drilling in 2011.

Regional assessment has included an Aster satellite image alteration interpretation that has highlighted areas of strong chlorite, epidote and kaolinite response. The portable XRF geochemical survey will continue to target these areas.

Previous drilling at the project has concentrated only on the known Prairie resource with limited work on other deposits in the belt or on associated mineralization.

Conference Call and Webcast

Ivernia invites you to join its third quarter 2010 conference call on Tuesday, November 9 at 10:00 am (ET). Participants may access the call by dialing: 1 866 804 6925 (Canada and USA) or + 1 857 350 1671 (International). The participant passcode is: 64219398.

The call will also be broadcast live on the internet at www.ivernia.com.

For those unable to participate in the conference call or webcast at the scheduled time, a telephone replay will be available until November 23, 2010 by dialing: 1 888 286 8010 (Canada and USA) or +1 617 801 6888 (International). The playback passcode is: 65128660

A webcast replay will remain available on the investor relations section of the Company's website at www.ivernia.com.

Management's Discussion and Analysis and Consolidated Financial Statements

Ivernia's Financial Statements and Management's Discussion and Analysis for the quarter ended September 30, 2010 were filed today and are available on the Ivernia website at www.ivernia.com or SEDAR at www.sedar.com.

About Ivernia

Ivernia is an international base metals mining, exploration and development company. The Company is the sole owner and operator of the Magellan lead mine in Western Australia. At full production, Magellan is expected to be one of the top 10 lead producing mines in the world accounting for approximately 2% of the total world lead mine production.

Ivernia trades under the symbol "IVW" on the Toronto Stock Exchange.

Forward-Looking Statements

Certain statements contained in this release constitute forward-looking information within the meaning of securities laws. All statements included herein (other than statements of historical facts) which address activities, events or developments that management anticipates will or may occur in the future are forward-looking statements, including statements as to the following: future targets and estimates for production, capital expenditures, operating costs, cash costs, Mineral Resources and Ore Reserves, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals and plans for Ivernia's future business operations; and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions such as metal price volatility, lead carbonate concentrate treatment charges, exchange rates, regulatory proceeding and litigation, single mineral property, Mineral Resources and Ore Reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, refinancing risk, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. Additional factors and considerations are described in the Company's 2009 AIF under "Description of the Business of the Company – Doing Business in Australia" and elsewhere in this release and in other documents filed from time to time by Ivernia with Canadian securities regulatory authorities. While Ivernia considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on the Company. Undue importance should not be placed on forward-looking information nor should reliance be placed upon this information as of any other date. Except as required by law, while it may elect to, Ivernia is under no obligation and does not undertake to update this information at any particular time.

For further information please contact:

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IVERNIA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three months ended September 30		Nine months ended September 30	
(in thousands of United States dollars, except per share amounts) (unaudited)	2010 \$	2009 \$	2010 \$	2009 \$
Revenue	37,254	207	62,819	8,268
Operating costs	(28,079)	(289)	(62,655)	(7,031)
Amortization	(971)	(179)	(1,815)	(500)
	8,204	(261)	(1,651)	737
Expenses				
General and administrative	(2,068)	(1,597)	(6,041)	(5,093)
Stock option costs (note 10(b))	(40)	(28)	(121)	(38)
Foreign exchange (loss) gain	(1,407)	120	25	(369)
Net interest expense	(663)	(791)	(1,991)	(1,924)
Accretion	(1,075)	(709)	(2,922)	(3,497)
Esperance/Fremantle and related costs (note 14(a))	-	(1,057)	-	(1,278)
Inventory recovery (note 5)	1,094	40	2,258	4,188
Debt settlement expense (note 7)	-	-	-	(753)
	(4,159)	(4,022)	(8,792)	(8,764)
Income (loss) before income taxes	4,045	(4,283)	(10,443)	(8,027)
Income tax expense	(1,139)	(268)	2,991	(1,190)
Net income (loss)	2,906	(4,551)	(7,452)	(9,217)
Basic income (loss) per share	0.02	(0.03)	(0.04)	(0.05)
Fully diluted income (loss) per share (note 10(d))	0.01	(0.03)	(0.04)	(0.05)
Weighted average number of common shares outstanding (000's)	189,243	180,153	189,010	180,153
Net income (loss)	2,906	(4,551)	(7,452)	(9,217)
Unrealized gain (loss) on investments (note 12)	118	-	87	(4)
Comprehensive income (loss), net of tax	3,024	(4,551)	(7,365)	(9,221)

IVERNIA INC.
CONSOLIDATED STATEMENTS OF DEFICIT

	Three months ended September 30		Nine months ended September 30	
(in thousands of United States dollars) (unaudited)	2010 \$	2009 \$	2010 \$	2009 \$
Balance beginning of period	(192,463)	(183,467)	(182,105)	(186,001)
Debt settlement gain (note 7)	-	-	-	7,200
Net income (loss)	2,906	(4,551)	(7,452)	(9,217)
Balance end of period	(189,557)	(188,018)	(189,557)	(188,018)

IVERNIA INC.

CONSOLIDATED BALANCE SHEETS

(in thousands of United States dollars)
(unaudited)

September 30, 2010
\$

December 31, 2009
\$

ASSETS

Current assets

Cash and cash equivalents (note 3)	7,512	19,187
Accounts receivable and other current assets	9,282	4,515
Forward purchase contracts (note 13(c))	1,581	452
Inventory (note 5)	9,353	10,673
Investments available for sale (note 12)	149	62

Property, plant and equipment (note 6)

	27,877	34,889
	82,457	77,863

Restricted cash equivalents (note 4)	8,506	7,725
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Other assets (note 17(a))	159	-
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Future income tax	25,703	21,997
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	144,702	142,474
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LIABILITIES

Current liabilities

Accounts payable and other current liabilities	17,405	7,669
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Forward sales contracts (note 13(c))	117	18
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Current portion of long-term liabilities (note 8)	3,150	7,261
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	20,672	14,948
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Long-term liabilities (note 8)	3,127	2,837
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Convertible Notes (note 7)	11,301	9,002
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Reclamation provision (note 9)	7,707	7,425
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Future income tax	4,652	3,880
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	47,459	38,092
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SHAREHOLDERS' EQUITY

Share capital (note 10(a))	247,746	247,242
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Equity component of convertible instruments (note 7)	28,951	29,350
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Contributed surplus (note 10(c))	10,020	9,899
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	286,717	286,491
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Deficit	(189,557)	(182,105)
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Accumulated other comprehensive gain (loss) (note 12)	83	(4)
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	97,243	104,382
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	144,702	142,474
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IVERNIA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30		Nine months ended September 30	
(in thousands of United States dollars) (unaudited)	2010 \$	2009 \$	2010 \$	2009 \$
CASH (USED IN) PROVIDED BY				
OPERATING ACTIVITIES				
Net income (loss) for the period	2,906	(4,551)	(7,452)	(9,217)
Non-cash items:				
Stock option costs	40	28	121	38
Amortization	971	179	1,815	500
Future income tax	1,139	268	(2,991)	1,190
Accretion	1,075	709	2,922	3,497
Inventory recovery	(1,094)	(40)	(2,258)	(4,188)
Debt settlement expense	-	-	-	753
Net forward contracts marked to market	(2,034)	(255)	(1,030)	-
Other	(939)	(349)	(494)	(1,390)
Change in reclamation provision	(72)	-	(170)	-
Changes in non-cash working capital:				
Accounts receivable and other current assets	(4,370)	299	(4,767)	(1,820)
Inventory	227	(839)	3,578	1,059
Accounts payable and other current liabilities	1,994	918	9,736	594
	(157)	(3,633)	(990)	(8,984)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(1,502)	(113)	(6,316)	(233)
Expenditure on Prairie Downs	(159)	-	(159)	-
Restricted cash	-	(4,240)	(200)	(4,240)
	(1,661)	(4,353)	(6,675)	(4,473)
FINANCING ACTIVITIES				
Net cash proceeds on issue of convertible note	-	-	-	15,000
Increase (decrease) in long-term liabilities	741	775	(3,864)	1,901
	741	775	(3,864)	16,901
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY				
	(74)	200	(146)	250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(1,151)	(7,011)	(11,675)	3,694
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD				
	8,663	20,577	19,187	9,872
CASH AND CASH EQUIVALENTS - END OF PERIOD				
	7,512	13,566	7,512	13,566
Supplementary information:				
Net interest (received) paid	(159)	(17)	2,878	7

IVERNIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (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 the Company's audited consolidated financial statements for the year ended December 31, 2009 in note 1 "Nature of Operations" and note 2 "Accounting Policies", except for changes as described in note 2 below.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009. 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, 2009.

On February 23, 2010, the Magellan Mine processing plant was restarted allowing the generation of revenue from commercial operations.

Certain comparative figures have been reclassified to conform to the presentation adopted in 2010.

2. ACCOUNTING POLICIES

(a) Revenue recognition

Revenue is recognized when the risk of ownership of concentrates has passed and collection is reasonably assured. Risk of ownership passes to the customer on delivery to the carrier. Revenue from the sale of metal contained in concentrate is provisionally priced based on a future quotational period. Revenue is adjusted until the completion of the quotational period for any variations in the forward price recognized on shipment. 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. Gains and losses on commodity price contracts are included in revenue.

(b) Future accounting changes

Effective January 1, 2011

Section 1582

The new section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Sections 1601 and 1602

The new Sections 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. The Company does not expect the adoption of these new standards to have an impact on its financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

3. CASH AND CASH EQUIVALENTS

Cash equivalents are comprised of highly liquid investments with an original maturity of three months or less. The Company does not hold any asset-backed commercial paper. The cash and cash equivalents were comprised of the following:

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Cash	7,512	15,362
Cash equivalents	-	3,825
	7,512	19,187

4. RESTRICTED CASH EQUIVALENTS

As at September 30, 2010 Magellan Metals had restricted cash equivalents deposited with a financial institution of \$8.5 million (December 31, 2009 - \$7.7 million). Most of the restricted cash equivalents 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 for mining leases (see note 9) and shipments through the Port of Fremantle.

5. INVENTORY

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Concentrate - mine site	2,144	6,671
Low grade ore stockpiles	1,414	-
Medium and high grade ore stockpiles	1,998	1,239
Consumables and other	3,797	2,763
	9,353	10,673

In the first quarter of 2010, the Company recorded an inventory recovery in the amount of \$1.2 million related to previously written-off low-grade ore stockpiles. In the third quarter the Company recorded an additional inventory recovery of \$1.1 million related to previously written off low grade stockpiles, which are now economic.

6. PROPERTY, PLANT AND EQUIPMENT

(in thousands of United States dollars)	September 30, 2010			December 31, 2009		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Plant and equipment	46,692	(8,646)	38,046	39,035	(5,641)	33,394
Leasehold improvements	74	(70)	4	74	(70)	4
Office equipment	1,019	(728)	291	861	(642)	219
Leased assets	-	-	-	3,088	(1,339)	1,749
Deferred stripping	10,729	(307)	10,422	9,192	(284)	8,908
Construction work-in-progress	4,439	-	4,439	8,797	-	8,797
Development costs and other	114,266	(12,011)	102,255	109,793	(12,001)	97,792
Asset impairment	(73,000)	-	(73,000)	(73,000)	-	(73,000)
	104,219	(21,762)	82,457	97,840	(19,977)	77,863

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

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In May 2010, the Company exercised its right under a lease agreement and purchased a power generation station for \$1.5 million.

During 2008 the Company recognized an impairment loss of \$73 million on Magellan Metals.

7. CONVERTIBLE NOTES AND SECURED FACILITY

For a full history and description of the Convertible Notes, refer to note 6 in the Company's annual consolidated financial for the year ended December 31, 2009.

In December 2009, one of the lenders converted \$0.5 million of the Convertible Notes into 4,545,455 Common Shares.

In January 2010, one of the lenders converted \$0.5 million of the Convertible Notes into 4,545,455 Common Shares.

In April 2010 interest was paid on the Convertible Notes in the amount of \$3.2 million.

The balances for the Convertible Notes are analyzed as follows:

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Convertible Notes issued	38,400	38,400
Convertible Notes converted	(1,000)	(500)
Convertible Notes outstanding	37,400	37,900
Equity value of conversion options	(29,779)	(30,189)
Pro-rated costs of financing	(206)	(209)
Accretion	3,886	1,500
Accrued interest	1,269	2,252
	12,570	11,254
Less: Accrued interest included in accounts payable and other current liabilities	(1,269)	(2,252)
	11,301	9,002

The balances for the equity component of the Convertible Notes are analyzed as follows:

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Equity value of conversion option	29,779	30,189
Pro-rated costs of financing	(828)	(839)
	28,951	29,350

8. LONG-TERM LIABILITIES

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Lease liabilities	-	1,534
Less current portion	-	(1,534)
Esperance settlement (note 15(a))	5,687	7,852
Less current portion	(2,868)	(5,294)
Esperance community fund (note 15(b))	590	712
Less current portion	(282)	(433)
	3,127	2,837

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

The lease liability pertained to the power generation station purchased by the Company in May 2010.

9. RECLAMATION PROVISION

As at September 30, 2010 the reclamation provision relating to Magellan Metals' asset retirement obligations was \$7.7 million (December 31, 2009 - \$7.4 million).

Reclamation provisions are initially recorded as a liability at fair value, assuming credit adjusted risk-free discount rates between 7.5% and 8%, and inflation rates between 2.5% and 3.7%. The total undiscounted amount of estimated cash flows is A\$12 million (\$12 million). The accretion expense was \$0.2 million in the third quarter of 2010.

	Amount (\$000's)
As at January 1, 2010	7,425
Accretion	108
Balance March 31, 2010	7,533
Payment	(98)
Accretion	194
Balance June 30, 2010	7,629
Payment	(72)
Accretion	150
Balance September 30, 2010	7,707

There were no changes to the rehabilitation plan in the first three quarters of 2010.

10. SHARE CAPITAL

Refer to note 9 to the Company's audited consolidated financial statements for the year ended December 31, 2009.

(a) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

	Number of common shares (000's)	Amount (\$000's)
Outstanding as at December 31, 2008	180,153	246,738
Issued on conversion of Convertible Notes (note 7)	4,545	504
Outstanding as at December 31, 2009	184,698	247,242
Issued on conversion of Convertible Notes (note 7)	4,545	504
Outstanding as at March 31, 2010, June 30, 2010 and September 30, 2010	189,243	247,746

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

(b) Employee stock options

Refer to note 9(d) to the Company's audited consolidated financial statements for the year ended December 31, 2009.

	Number of options (000's)
Options outstanding January 1, 2009	7,372
Granted	(1,025)
Options outstanding March 31, 2009	6,347
Expired	(540)
Forfeited	(850)
Options outstanding June 30, 2009	4,957
Granted	450
Forfeited	(44)
Options outstanding September 30, 2009	5,363
Granted	500
Forfeited	(393)
Options outstanding December 31, 2009	5,470
Forfeited	(83)
Options outstanding March 31, 2010	5,387
Expired	(1,025)
Options outstanding June 30, 2010	4,362
Expired	(67)
Forfeited	(47)
Options outstanding September 30, 2010	4,248

The stock option costs for the third quarter of 2010 was \$40,000 (third quarter 2009 - \$28,000). The stock option costs for the nine months ended September 30, 2010 was \$121,000 (nine months ended September 30, 2009 - \$38,000). The aggregate unexpensed fair value of options granted but not yet vested as at September 30, 2010 was \$114,000 (September 30, 2009 - \$131,000).

(c) Contributed surplus

Details of the movement in contributed surplus are as follows:

	2010	2009
(in thousands of United States dollars)	\$	\$
Balance as at January 1	9,899	8,224
Option compensation recognized	40	32
Balance as at March 31	9,939	8,256
Option compensation recognized (recovery)	41	(22)
Balance as at June 30	9,980	8,234
Option compensation recognized	40	28
Balance as at September 30	10,020	8,262

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

(d) Fully diluted earnings per share

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Number of shares (000's) included for dilutive purposes		
Weighted average shares outstanding	189,243	189,010
Shares issued on conversion of Convertible Notes	340,000	-
Fully diluted shares for the purpose of calculating fully diluted income (loss) per share	529,243	189,010

	Three months ended September 30, 2010	Nine months ended September 30, 2010
(in thousands of United States dollars)	\$	\$
Net income (loss)	2,906	(7,501)
Interest saved on conversion of Convertible Notes (net of tax)	526	-
Accretion saved on conversion of Convertible Notes (net of tax)	639	-
Diluted income (loss)	4,071	(7,501)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
(in thousands of United States dollars, except per share amounts)		
Diluted income (loss)	\$4,071	\$(7,501)
Fully diluted shares for the purpose of calculating fully diluted income (loss) per share	529,243	189,010
Fully diluted income (loss) per share	\$0.01	\$(0.04)

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are intended to: fund operating and other activities as the Company works to achieve full production at the Magellan Mine; safeguard the Company's ability to support the Company's normal operating requirements on an ongoing basis; continue the development and exploration of the Magellan Mine; and support any business development plans.

The capital of the Company consists of items included in the shareholders' equity and the Convertible Notes net of cash and cash equivalents. The Company manages the capital structure and makes adjustments in view of changes in economic conditions and risk characteristics of the Company's assets.

To effectively manage capital requirements, the Company has in place a rigorous planning and forecasting process to help determine the funds required to ensure the Company has sufficient liquidity to meet its operating and growth objectives. The Company ensures that there is sufficient liquidity to meet its short term business requirements, taking into account its anticipated cash flows from operations and its holding of cash and cash equivalents.

The Convertible Notes (see note (7)), restrict the Company from: (a) incurring additional security interests exceeding \$2 million, except in the case of Magellan Metals and other subsidiaries only, where under certain circumstances such as for working capital and financial instrument management facilities, additional security interests can be incurred, and (b) creating classes of securities ranking in priority to, or pari passu with, the Convertible Notes. In addition, Sentient has certain rights under an agreement between Sentient and the Company (the "Governance Agreement") for so long as Sentient holds not less than \$4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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million principal amount of Convertible Notes including the ability to appoint one of two Directors to the Magellan Metals' board.

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

12. INVESTMENTS

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:

(in thousands of United States dollars)	2010	2009
	\$	\$
Balance January 1	(4)	-
Unrealized gain on investment (net of tax)	-	15
Accumulated other comprehensive (loss) gain, March 31	(4)	15
Unrealized loss on investment (net of tax)	(31)	(19)
Accumulated other comprehensive loss, June 30	(35)	(4)
Unrealized gain on investment (net of tax)	118	-
Balance September 30	83	(4)

The fair value of the investment on September 30, 2010 was \$149,000 (December 31, 2009 - \$62,000).

13. FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities

The Company's financial assets consist of cash and cash equivalents, accounts receivable and other current assets, forward purchase and sales contracts, investments and restricted cash and cash equivalents. The Company's financial liabilities consist of accounts payable and other current liabilities, forward purchase contracts, the Convertible Notes and long-term liabilities.

The cash and cash equivalents, restricted cash and cash equivalents are recorded at fair market value. Long-term liabilities and Convertible Notes are recorded at amortized cost. The Company estimates the cash and cash equivalents and restricted cash and cash equivalents have fair values which approximate their carrying values on September 30, 2010 and December 31, 2009.

The fair value hierarchy introduces 3 levels of inputs based on the lowest level of input significant to the overall fair value:

- Level 1 - quoted prices for similar instruments
- Level 2 - directly observable market inputs other than Level 1 inputs
- Level 3 - inputs not based on observable market data

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2010 and December 31, 2009.

Financial assets and liabilities at fair value as at September 30, 2010

(in thousands of United States dollars)	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Accounts receivable and other current assets ⁽¹⁾	-	9,282	-	9,282
Accounts payable and other current liabilities ⁽¹⁾	-	(17,405)	-	(17,405)
Forward purchase contracts ⁽²⁾	1,581	-	-	1,581
Forward sales contracts ⁽²⁾	(117)	-	-	(117)
Investments ⁽³⁾	149	-	-	149
	1,613	(8,123)	-	(6,510)

Financial assets and liabilities at fair value as at December 31, 2009

(in thousands of United States dollars)	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Accounts receivable and other current assets ⁽¹⁾	-	4,515	-	4,515
Accounts payable and other current liabilities ⁽¹⁾	-	(7,669)	-	(7,669)
Forward purchase contracts ⁽²⁾	452	-	-	452
Forward sales contracts ⁽²⁾	(18)	-	-	(18)
Investments ⁽³⁾	62	-	-	62
	496	(3,154)	-	(2,658)

- (1) Open provisionally priced lead sales which retain an exposure to future changes in commodity prices are marked-to-market based on London Metal Exchange ("LME") forward prices for lead with similar expiry dates to the provisional period.
- (2) These contracts are standard forward purchase and sale contracts actively traded on the LME.
- (3) These investments are traded in an active stock market.

The Company has investments designated as available for sale. The carrying value is marked to market based on the quoted value of the investments. Any gains or losses are included in other comprehensive loss.

(b) Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivable and other current assets, forward sales and purchase contracts, and restricted cash equivalents. Cash and cash equivalents include cash and short-term deposits that have been invested with reputable financial institutions with an investment grade rating at the time of purchase. Financial instruments included in cash and cash equivalents, accounts receivable and other current assets consist mainly of receivables from unrelated parties, and security deposits. Financial instruments included in restricted cash equivalents include low interest restricted savings accounts. Management believes the credit risk concentration with respect to financial instruments in cash and cash equivalents, accounts receivable and other current assets, forward sales and purchase contracts, restricted cash and restricted cash equivalents is negligible due to the credit-worthiness of the financial institutions and debtors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company's maximum exposure to credit risk at the balance sheet date is as follows:

(in thousands of United States dollars)	September 30, 2010 \$	December 31, 2009 \$
Cash and cash equivalents	7,512	19,187
Accounts receivable and other current assets	9,282	4,515
Forward purchase contracts	1,581	452
Investments available for sale	149	62
Restricted cash equivalents	8,506	7,725
	26,930	31,941

Liquidity risk

The Company manages its liquidity to ensure it will be able to meet current and expected liabilities when due. As of September 30, 2010 the Company had current assets of \$27.9 million (December 31, 2009 - \$34.9 million) to settle current liabilities of \$20.7 million (December 31, 2009 - \$14.9 million).

The contractual maturities of the Company's financial liabilities are as follows:

(in thousands of United States dollars)	September 30, 2010			December 31, 2009
	Within 1 year \$	1 to 5 years \$	Total \$	Total \$
Accounts payable and other current liabilities	17,405	-	17,405	5,417
Forward sales contracts	117	-	117	18
Convertible Notes	1,269	37,400	38,669	40,152
Long term liabilities	3,185	3,224	6,409	10,098
	21,976	40,624	62,600	55,685

These amounts represent actual cash payments to be made on the due date of the liabilities.

Market risk

(i) Interest rate risk

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions. The Company continuously monitors the investments and is satisfied with the credit rating of its banks.

(ii) Foreign currency risk

The Company's reporting currency is the United States dollar. The Company funds operating, capital and exploration expenditures through its wholly-owned subsidiary Magellan Metals. These costs are paid on a cash call basis using Australian dollars converted from its Canadian and US dollar bank accounts held in Canada. In addition, the Company funds administration costs related to its Toronto office in Canadian dollars from its Canadian dollar cash reserves.

The Company currently does not hedge its foreign exchange exposure. It is at management's discretion as to the amount and tenure of hedging that may be utilized to reduce the Company's foreign exchange exposure, within Board approved limits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

At the balance sheet date, the following financial assets and liabilities were denominated in Canadian and Australian dollars:

(in thousands of United States dollars)	September 30, 2010		December 31, 2009	
	A\$	C\$	A\$	C\$
Cash and cash equivalents	1,812	67	4,895	1,003
Accounts receivable and other current assets	1,436	149	1,499	179
Investments available for sale	149	-	62	-
Restricted cash equivalents	8,506	-	7,725	-
Accounts payable and other current liabilities	14,600	366	6,097	327
Long-term liabilities	3,127	-	10,098	-

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices, including the price of lead and cost inputs.

In the long-term, the Company aims to provide metal price exposure to its shareholders. The Company may consider opportunities to create an element of greater certainty for future cash flow streams. If management considers hedging appropriate it may use call options, put options, futures, and forwards, within Board approved limits, to meet these objectives. See note 13(c).

Sensitivity analysis

The Company has designated its cash and cash equivalents, accounts receivable and other current assets, restricted cash and cash equivalents, forward purchase and sales contracts and accounts payable and accrued liabilities as held for trading which are measured at fair market value. Investments are classified as available for sale and recorded at fair market value. Long-term liabilities and the Convertible Notes are classified as other liabilities and recorded at amortized cost using the effective interest method.

As at September 30, 2010 and December 31, 2009 the carrying value and fair market value of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three month period.

The Company's investments are comprised of a \$149,000 investment in a publicly traded company classified as available-for-sale. Sensitivity to a 10% change in the investment's current market price would affect comprehensive income (loss) by \$14,900.

The Company holds balances in Australian dollar and Canadian dollar currencies. A \$0.10 USD/\$1 AUD movement would affect net income (loss) by \$0.8 million before taxes. A \$0.10 USD/\$1 CAD movement would affect net income (loss) by \$12,000 before taxes.

Interest rate risk is negligible as the Company has no variable rate financial instruments.

The Company holds various financial instruments in the form of forward contracts and accounts receivable, which are sensitive to changes in lead prices. A change in lead prices of \$100 per tonne will affect net income (loss) by \$0.9 million before taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

(c) Forward sales and purchase contracts

(in thousands of United States dollars)

September 30, 2010

	Expiry Date	Tonnes	Market Value	Cost	Fair Value Adjustment Recorded in Income
			\$	\$	\$
Forward purchase contracts	Oct/10	3,925	8,860	7,680	1,180
	Nov/10	2,475	5,609	5,208	401
		6,400	14,469	12,888	1,581
Forward sales contracts	Oct/10	(2,400)	(5,424)	(5,302)	(122)
	Nov/10	(250)	(567)	(570)	3
	Dec/10	(250)	(570)	(572)	2
		(2,900)	(6,561)	(6,444)	(117)
		3,500	7,908	6,444	1,464

(in thousands of United States dollars)

December 31, 2009

	Expiry Date	Tonnes	Market Value	Cost	Fair Value Adjustment Recorded in Income
			\$	\$	\$
Forward purchase contracts	Jan /10	1,400	3,370	3,232	138
	Feb/10	1,600	3,868	3,715	153
	Mar/10	1,425	3,460	3,299	161
		4,425	10,698	10,246	452
Forward sales contracts	Jan/10	(1,400)	(3,375)	(3,361)	(14)
	Feb/10	(675)	(1,632)	(1,628)	(4)
		(2,075)	(5,007)	(4,989)	(18)
		2,350	5,691	5,257	434

Magellan Metals enters into sales contracts with lead carbonate concentrate customers whereas the price is settled at a future date typically the average monthly LME settlement price two to three months after shipment.

After shipment, Magellan Metals employs a pricing strategy that attempts to obtain cash flow certainty while meeting the average market price over the provisional pricing period by typically entering into forward lead sales contracts.

In some cases, the customer has the opportunity to set the price on all or a portion of the shipment based on prevailing market prices at any time prior to the quotational period. To ensure Magellan Metals is free to pursue its intended pricing strategy, the Company may enter into forward lead purchase contracts to offset the set price sales contracts.

Forward purchases and forward sales contracts of lead are recorded as derivatives and included in revenue. A total of \$2.3 million in realized settlements and unrealized fair value adjustments has increased revenue for the year (first nine months of 2009 - (\$0.1) million). A total of \$3.0 million in realized settlements and unrealized fair value adjustments has increased revenue for the quarter ended September 30, 2010 (Quarter ended September 30, 2009 - \$0.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. ESPERANCE AND FREMANTLE

(a) Esperance/Fremantle and related costs

No costs were incurred in 2010 relating to approvals to ship lead carbonate concentrate in sealed containers through the Port of Fremantle.

On March 12, 2007 shipments of lead carbonate concentrate from the Port of Esperance were suspended pending the outcome of government investigations into bird fatalities. The Company incurred costs to advance the export shipment of lead carbonate concentrate held at the Port of Esperance and finalize the details of the Minister's conditions to obtain final requisite approval to ship future lead carbonate concentrate in sealed containers through Fremantle. The final shipment of lead carbonate concentrate held at the Port of Esperance occurred in May 2009. Final approval to commence shipping through the Port of Fremantle was received August 13, 2009.

On August 26, 2009 Magellan Metals and Transpacific Cleanaway Ltd. (formerly known as BIS Cleanaway Ltd.) ("Transpacific") executed and delivered a Settlement Agreement (the "Settlement Agreement") under which they agreed to settle, without any admission of liability, a contract dispute between them in respect of which a Statement of Claim had been filed by Transpacific, and a counterclaim by the Company. On September 23, 2009 Magellan Metals paid A\$1.3 million to Transpacific pursuant to the Settlement Agreement and full and final mutual releases were exchanged.

(b) Operating costs

Included in operating costs are all costs incurred by Magellan Metals in relation to the sale of lead carbonate concentrate and operations at the Magellan Mine including cost of goods sold, treatment charges, transportation, royalties and other operating expenses, less net gas revenue, excluding amortization.

15. ESPERANCE SETTLEMENT

(a) Esperance contribution agreement

The Company has agreed with the State of Western Australia (the "State") and the Esperance Port Authority now known as Esperance Ports Sea and Land ("EsPA") to make a financial contribution toward the resolution of outstanding lead issues at Esperance.

The agreement, dated December 23, 2008 (the "Esperance Agreement"), provides for a financial contribution by Magellan Metals of A\$9 million toward comprehensive clean-up activities at the Port and within the town. The agreement has been formally approved and signed by the State, EsPA, Magellan Metals and Ivernia and mutually releases the parties from claims against each other in respect of lead pollution in and around the Port and town of Esperance.

The clean-up activities to be undertaken by the State and EsPA include testing rainwater tanks and ceiling voids, and clean-up where lead is present; plus demolition and disposal of the existing lead shed and clean-up within the Port and surrounding area.

When the clean-up has been completed in accordance with the terms of the Esperance Agreement, a Validation Report will be issued. Magellan Metal's contribution comprises three equal payments of A\$3 million on December 31, 2009, December 31, 2010 and the later of June 30, 2011 or the date on which the Validation Report is issued, whichever is later, subject to Magellan Metals achieving set cumulative earnings targets beginning January 1, 2009. The cumulative earnings targets are A\$6 million, A\$12 million and A\$18 million respectively by the three repayment dates. In the event that such earnings targets before interest, taxation, depreciation, amortization, historic production costs and unrealized foreign exchange

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

gains and losses have not been met by the respective due dates, then the payment dates will be extended until such targets are met. Current indications suggest that the Validation Report is unlikely to be issued prior to September 30, 2011.

If A\$6 million of the total contribution is not paid by Magellan Metals by June 30, 2012 the Esperance Agreement will be of no effect and the parties shall have the rights and remedies to claims as existed prior to the agreement being signed.

The State or EsPA have retained the right to seek to claim from Magellan Metals a future contribution to seabed remediation in the harbour adjacent to the port area to remove lead carbonate concentrate should this work be required in the future. Magellan Metals' maximum exposure to such a claim is A\$3 million; however the Company may defend such a claim as it sees fit.

The Company made the first A\$3 million payment in the first quarter of 2010 after achieving the first A\$6 million cumulative earnings target.

(b) Esperance community fund

The Company has also committed to an A\$1 million fund for community-based projects in Esperance over the next three years. This fund, to be administered by the Shire of Esperance, is not part of the agreement with the State and will be jointly dispersed by Magellan Metals and the Shire. A total of A\$0.1 million was paid during the first nine months of 2010. During 2009, a total of A\$0.2 million was paid.

16. RELATED PARTY TRANSACTIONS

The issuance of Convertible Notes to Sentient is a "related party" transaction as Sentient is a significant shareholder of Ivernia, its status as an "interested party" in the transaction and by virtue of Mr. Cassidy's and Mr. Britz's representation on Ivernia's board.

On March 27, 2009 \$16.9 million of Convertible Notes were issued to Sentient. The transaction was measured at the exchange amount being the consideration established and agreed to by both the related parties and arms-length parties. This transaction was undertaken together with the entering into of a Governance Agreement and the granting of registration and pre-emptive rights by Ivernia to Sentient. On May 8, 2009, Sentient Executive GP III, Limited, a company related to Sentient, committed to purchase an additional \$4 million of Convertible Notes and the transaction closed on May 29, 2009. Amounts due to Sentient at September 30, 2010 and December 31, 2009 include \$20.9 million principal amount of Convertible Notes, and \$0.7 million in accrued interest (December 31, 2009 - \$20.9 principal and \$1.2 million interest).

This transaction was exempt from minority shareholder approval and valuation requirements as a result of the determination by the board of directors, including all independent directors, that Ivernia was in serious financial difficulty, that the transaction was designed to improve the financial position of the Company, and that the terms of the transaction were reasonable in the circumstances.

As at September 30, 2010 the Company has included an accounts receivable from Sentient in the amount of \$0.1 million for recoverable expenditures incurred by the Company on behalf of Sentient. During the year, Sentient has reimbursed the Company for \$0.1 million in recoverable expenditures incurred by the Company on behalf of Sentient.

All these transactions were measured at the exchange amount being the consideration established and agreed to by both the related parties and arms-length parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2010 and 2009

(All dollar amounts are expressed in United States dollars, except as otherwise indicated) (unaudited)

In conjunction with the Convertible Notes issuance, Sentient has certain rights under the Governance Agreement for so long as Sentient holds not less than \$4 million principal amount of Convertible Notes including the ability to appoint one of two Directors to the Magellan Metals' board. The repayment of the Convertible Notes is secured by a general security agreement over Ivernia's assets.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Prairie Downs

In June 2010, Ivernia signed a binding agreement in respect of the formation of a joint venture arrangement with Prairie Downs Pty Ltd ("Prairie Downs") to acquire up to 80% of the Prairie Downs lead-zinc project in Western Australia (the "Joint Venture"). During the third quarter of 2010 and for the nine months ended September 30, 2010 the Company spent \$159,000 in exploration and other geological work on the Joint Venture.

Under the Joint Venture arrangement Ivernia has committed to an immediate and accelerated initial A\$2 million exploration program of infill sampling and drilling. This program will take place within 12 months of the signing date and will test a number of geological, geochemical and geophysical targets in the vicinity of the known deposits at Prairie Downs.

The key features of the Joint Venture include:

- An option in favour of Ivernia to purchase a 60% interest in the Prairie Downs Base Metal Project (the "Project") for A\$10 million in cash or Ivernia's shares (at Ivernia's election) exercisable by Ivernia after expenditure by it of A\$3 million in 18 months (subject to the condition that a minimum expenditure of A\$2 million must be spent in the first 12 months) or A\$5 million within 36 months.
- Upon the purchase by Ivernia of a 60% interest in the Project, the formation of an unincorporated Joint Venture between it and Prairie Downs with respect to the Project.
- The ability for Ivernia to increase its 60% interest to 80% by spending a further A\$5 million on exploration within two years of earning the initial 60% interest.
- If either party fails to contribute its proportion of costs, its interest in the joint venture will dilute proportionally until it is 2.5%, at which point the joint venture interest will convert to a free carried interest.
- If the diluting party's interest falls to 5%, the other joint venture participant has a right to acquire that interest at fair market value.

(b) Environmental

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

(c) Exploration licenses and mining leases

The Company holds a number of exploration licenses and mining leases in Western Australia. The Company does not consider that it has any material outstanding commitments in respect of these licenses or leases. Under the terms of its exploration and mining leases, Magellan Metals is required to meet certain minimum expenditure requirements for a 12-month period commencing on the date of issue or renewal of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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the license or lease. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond September 30, 2010 are dependent upon whether Magellan Metals chooses to retain its current tenements.

(d) Royalty payments

Magellan Metals is required to make royalty payments in accordance with the provisions of the Mining Act 1978 (Western Australia) and Mining Regulations 1981 (Western Australia) at the prescribed rate for lead carbonate concentrates sold of 5% of the royalty value.

In accordance with the terms of the Wiluna Land Access Agreement of 2006 (which superseded the Heritage Agreement dated September 25, 1998 between Magellan Metals and the Milangka Native Title Claimant Group), Magellan Metals is required to make a royalty payment of A\$0.04 per tonne of all ore milled from the mine into the Wiluna Claimant Trust Fund. Another Land Use Agreement, dated December 16, 1998 between Magellan Metals and the now unregistered Wanmulla Group, provides for a further A\$0.04 per tonne of all ore milled from the mine, which is payable if a descendent claim from the Wanmulla Group claim is registered. A second agreement with the Wiluna claimants, over the Magellan Metals gas pipeline route, requires an annual compensation payment into the Wiluna trust for use of the gas pipeline tenement area.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

**For the Three and Nine Months Ended
September 30, 2010**

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November 8, 2010

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is a review of the activities, results of operations and financial condition of Ivernia Inc. ("Ivernia" or the "Company") and its subsidiaries for the three and nine months ended September 30, 2010 together with certain trends and factors that are expected to impact on future operations and financial results. The information contained herein is presented as at November 8, 2010 except as otherwise noted. This discussion should be read in conjunction with the unaudited consolidated interim financial statements of the Company for the three and nine months ended September 30, 2010 as well as the 2009 Annual Information Form ("2009 AIF"), the 2009 Management's Discussion and Analysis ("2009 MD&A") both dated as of March 30, 2010 and the audited consolidated financial statements and notes thereto of the Company as at and for the year ended December 31, 2009. Ivernia's consolidated financial statements and financial data were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Capitalized terms used in this MD&A and not otherwise defined herein have the meanings given to them in the 2009 MD&A.

This MD&A contains certain forward-looking statements regarding Ivernia's businesses and operations. Actual results may differ materially from these statements as a result of a number of factors, many of which are beyond the control of Ivernia. For more detail on these factors, please refer to the sections titled "Risks and Uncertainties" and "Forward-Looking Statements" contained in this MD&A. All of the forward-looking statements made in this document are qualified by the foregoing cautionary statements.

All dollar amounts are expressed in United States dollars, except as otherwise indicated where C\$ = Canadian dollars and A\$ = Australian dollars.

OUR BUSINESS

Ivernia is an international base metals mining, exploration and development company which, through its wholly-owned subsidiary, Magellan Metals Pty Ltd. ("Magellan Metals" or "Magellan"), is the sole owner and operator of the Magellan lead mine (the "Magellan Mine") in Western Australia, which is the Company's principal asset. For details on the operation of the Magellan Mine, see below under "Operations Review - Magellan Mine". In June 2010, Ivernia announced an exploration joint venture with Prairie Downs Pty Ltd ("Prairie Downs") whereby Ivernia has the right to acquire up to an 80% interest in the Prairie Downs lead-zinc project in Western Australia (the "Prairie Downs Joint Venture") which is described in more detail below.

Ivernia's long-term goal is to become a successful mid-tier international mining company with a portfolio of operating, development and exploration projects. The common shares of the Company are listed on the Toronto Stock Exchange under the symbol: IVW.

Additional information relating to the Company, including its most recent Annual Information Form, is available at www.sedar.com, and on the Company's website at: www.ivernia.com.

FINANCIAL AND OPERATING HIGHLIGHTS

The following table is a summary of Ivernia's financial and operating highlights for the periods ended September 30, 2010 and September 30, 2009:

	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
(in thousands of United States dollars, except per share amounts)	\$	\$	\$	\$
Financial Highlights				
Revenue ⁽¹⁾	37,254	207	62,819	8,268
Operating costs	(28,079)	(289)	(62,655)	(7,031)
Amortization	(971)	(179)	(1,815)	(500)
Operating income (loss) ⁽²⁾	8,204	(261)	(1,651)	737
General and administrative	(2,068)	(1,597)	(6,041)	(5,093)
Stock option costs	(40)	(28)	(121)	(38)
Foreign exchange (loss) gain	(1,407)	120	25	(369)
Net interest expense	(663)	(791)	(1,991)	(1,924)
Accretion	(1,075)	(709)	(2,922)	(3,497)
Esperance/Fremantle and related costs	-	(1,057)	-	(1,278)
Inventory recovery	1,094	40	2,258	4,188
Debt settlement expense	-	-	-	(753)
	(4,159)	(4,022)	(8,792)	(8,764)
Income (loss) before income taxes	4,045	(4,283)	(10,443)	(8,027)
Income tax (expense) recovery	(1,139)	(268)	2,991	(1,190)
Net income (loss)	2,906	(4,551)	(7,452)	(9,217)
Basic earnings (loss) per share ⁽³⁾	0.02	(0.03)	(0.04)	(0.05)
Fully diluted earnings (loss) per share ⁽³⁾	0.01	(0.03)	(0.04)	(0.05)
Weighted average shares outstanding (000's)	189,243	180,153	189,010	180,153
Unrealized gain (loss) on investment	118	-	87	(4)
Comprehensive income (loss)	3,024	(4,551)	(7,365)	(9,221)
Cash provided by (used in) operations before changes in non-cash working capital	1,992	(4,011)	(9,537)	(8,817)
Cash flow used in operating activities	(157)	(3,633)	(990)	(8,984)
Operating Highlights				
Ore milled - (000's dry tonnes)	259	-	559	-
Average head grade - (% lead)	7.4	-	6.8	-
Recovery - (%)	76	-	72	-
Concentrate produced - (000's dry tonnes)	22.6	-	42.1	-
Concentrate sold - (000's dry tonnes)	26.1	0.4	47.9	8.7
Lead metal in concentrate produced - (000's tonnes)	14.6	-	27.2	-
Lead metal in concentrate sold - (000's tonnes)	16.9	0.3	30.9	5.5
Concentrate inventory - (000's of dry tonnes)	2.7	20.6	2.7	20.6
Unpriced lead metal (000's of dry tonnes) ⁽⁴⁾	7.1	0.3	7.1	0.3
Average lead price - LME cash settlement- (\$ per pound)	\$0.92	\$0.87	\$0.94	\$0.70
Ivernia's average lead sale price - (\$ per pound)	\$1.05	\$1.03	\$0.97	\$0.74

- (1) Shipments of lead carbonate concentrate from the Magellan Mine were curtailed by the suspension of lead shipments through the Port of Esperance on March 12, 2007. The suspension was lifted in December 2008, following which two shipments were made in March and May 2009 to remove the stockpile. Following the receipt of Ministerial approval on August 13, 2009 to commence shipments through the Port of Fremantle, the Company exported the entire mine site inventory stockpile and in first quarter 2010 recommenced production and shipment of lead carbonate concentrate.
- (2) Operating income is a non-GAAP measure with no standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to other issuers. The Company has defined it as revenue, less operating costs and amortization. The Company uses it as an indication of the profitability of operations at the Magellan Mine, and as such believes it provides meaningful information to investors.
- (3) Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant period.
- (4) Unpriced lead metal represents net provisionally priced lead contained in concentrate that was revalued as at the balance sheet date at a weighted average price of \$1.03 (2009 - \$1.03) per pound.

THIRD QUARTER 2010 HIGHLIGHTS

Financial

- Recorded revenue for the third quarter of 2010 of \$37.3 million from the sale of 16,900 tonnes of contained lead in concentrate
- Third quarter operating income⁽¹⁾ of \$8.2 million
- Third quarter 2010 net income before taxes of \$4.0 million
- Third quarter 2010 net income after taxes of \$2.9 million
- Third quarter 2010 cash provided by operations before changes in non-cash working capital of \$2.0 million
- Cash balances at September 30, 2010 of \$7.5 million
- Increase in working capital from \$3.4 million on June 30, 2010 to \$7.2 million on September 30, 2010

(1) See the Financial and Operating Highlights for definition of Operating Income

Operational

- Progressed production ramp-up at the Magellan Mine producing 14,600 tonnes of contained lead in concentrate in the third quarter of 2010, an increase of 28% compared to the 11,400 tonnes of lead contained in concentrate produced in the second quarter of 2010
- Processing plant lead recoveries in the third quarter of 2010 averaged 76% showing a marked improvement from recoveries of 69% in the second quarter of 2010
- Guidance for the fourth quarter is for a further step up in production levels to a range of 15,000 – 18,000 tonnes of contained lead in concentrate
- A new resource estimate is being finalized for the Magellan deposit with corresponding updates to reserve estimating, mine scheduling and optimizations scheduled for completion in first quarter 2011
- In October, commenced first drilling campaign at Prairie Downs which is expected to be completed by year end (Ivernia has the right to acquire up to an 80% interest in the Prairie Downs Joint Venture)

OUTLOOK

Magellan Metals continues to ramp-up production of lead carbonate concentrate over the course of 2010. Production restart commenced late February 2010 and during the third quarter of 2010 the operations produced 14,600 tonnes of contained lead in concentrate. The staged ramp-up of production will continue during the fourth quarter of 2010 with planned full production levels forecast to be reached during the first quarter of 2011.

Production during the third quarter of 2010 of 14,600 tonnes of lead contained in concentrate was 1,400 tonnes or 9% below previous guidance as the site team addressed issues with the concentrate thickening and filtration and looked to improve recovery. Investigations of the concentrate thickening-filtration process interactions identified a number of operational changes and capital modifications that needed to be implemented to improve performance. A number of these modifications have already been implemented with demonstrable improvements in performance and an action plan is in place for further modifications to be implemented in the fourth quarter. Concentrate filtration rates in September averaged 300 dry metric tonnes per day, with a best single day performance of over 400 dry metric tonnes (concentrate filtration is the final stage of the production process to produce saleable product).

Plant recoveries improved markedly compared to the second quarter due to a combination of improved plant management and higher feed grades. New operating practices have been introduced that focus on lead input and concentrate thickener control resulting in steadier operations for the second half of the quarter. The steadier operations allowed improved process control and gave higher plant recoveries of 76% across the third quarter compared to 69% in the previous quarter.

A major planned maintenance shutdown was successfully completed in late September to allow a full mill reline and annual statutory high-voltage electrical testing, as well as the implementation of a number of maintenance and capital projects previously identified to improve plant performance. No major issues were identified during the shutdown period. This was the first major planned maintenance shutdown since the restart of operations in February.

The Company is reviewing its 2011 production plans and is focused on optimizing the Magellan operation in light of the prevailing metal prices, the A\$/US\$ exchange rate, treatment and transport charges and mine cost structure. The Company expects to achieve targeted full concentrate production rate during the first quarter of 2011. Magellan Metals is expected to produce on average approximately 85,000 tonnes per annum of contained lead in concentrate over the mine life.

While the production performance at Magellan Metals continues to improve, management continues to face and address challenges that are commonly encountered during a plant restart. These challenges introduce a degree of uncertainty in short term production forecasts and, as a result, the production guidance for the fourth quarter of 2010 has been revised to reflect a range of production outcomes dependent on the short term level of success of the initiatives currently underway.

Revised quarterly production guidance:

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	2010
(000's tonnes)	Actual	Actual	Actual	Forecast	Forecast
Ore Mined	15	267	277	300 - 400	859 - 959
Ore Milled	32	268	259	300 - 400	859 - 959
Contained Lead in Produced Concentrate	1	12	15	15 - 18	43 - 46
Contained Lead Shipped	5	9	17	15 - 18	46 - 49

As at November 5, 2010 Ivernia held unrestricted cash balances of \$8.3 million. At current lead price and production levels, management anticipates that cash flow from operations will continue to be positive and that current treasury and cash flow from operating activities will be sufficient to fund cash required for non-operating activities going forward. Ongoing cash flow from operating activities continues to be exposed to fluctuations in metal prices, production rates and the A\$/US\$ exchange rate.

During the latter part of 2010 and early 2011 the Company will be increasingly focused on operational optimization as Magellan moves into a steady state operating environment at targeted full production levels. Since the completion of the 2010 drilling program during the second quarter, Magellan has been focused on mine scheduling optimization and a new life of mine plan and plans to issue updated Resource and Reserve statements and a NI 43-101 technical report during the first quarter of 2011.

CORPORATE UPDATE

OPERATIONS REVIEW – MAGELLAN MINE

Principal activities during the third quarter of 2010 focused on the continuing ramp-up of production levels following the first quarter of 2010 restart of operations.

The table below summarizes quarterly mine production, process production and shipments and inventories in the first nine months and year-to-date ended September 30, 2010:

	Three months ended March 31, 2010	Three months ended June 30, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Mining				
Ore mined - 000's tonnes	-	182	233	415
Low-grade (<3%) ore mined - 000's tonnes	15	85	44	144
Total ore and waste mined - 000's bcm	118	729	952	1,799
Processing				
Ore milled - 000's tonnes	32	268	259	559
Average head grade - % lead	6.9	6.2	7.4	6.8
Average recovery - %	54.0	68.9	76.1	71.6
Concentrate produced - 000's dry tonnes	2.0	17.5	22.6	42.1
Lead metal in concentrate produced - 000's tonnes	1.2	11.4	14.6	27.2
Sales and inventories				
Concentrate sold - 000's dry tonnes	8.4	13.3	26.1	47.9
Lead metal in concentrate sold - 000's tonnes	5.4	8.6	16.9	30.9
Concentrate inventory - 000's dry tonnes	2.0	6.3	2.7	2.7

Magellan Production Ramp-up

Performance at the Magellan mine continues to improve as key debottlenecking capital projects are being implemented and the workforce gains more experience with this unique ore and processing plant. Contained metal in concentrate produced was up 28% compared to the second quarter of 2010 and lead in concentrate sales was up 97%. The primary focus of site management in the third quarter was to address issues with the plant lead recovery and the interaction between the concentrate thickeners and the filters, as this was the limiting factor on concentrate production.

During the third quarter of 2010, the mill treated 259,000 dry metric tonnes of ore with an average head grade of 7.4% lead. The plant recovered an average of 76% of the lead, to produce approximately 22,600 dry metric tonnes of concentrate with an average grade of 65% contained lead which represented a marked improvement from the results of the second quarter of 2010.

In June, mill throughput was increased to 250 tonnes per hour (equivalent to the target capacity 1.9 million tonnes per annum rate) and the plant experienced periods of lead input in excess of the current capacity for short periods of time. At these higher rates, the process plant became metallurgically unstable resulting in a number of plant stoppages and poor lead recoveries. This also highlighted processing issues with the capacity of the concentrate thickeners, filter feed pump and pressure filter. The primary cause of these issues was identified as the inability of the concentrate thickeners to deliver the specified density to feed the pressure filter at higher concentrate production rates. In July, the plumbing of the two thickeners was modified to allow them to be run in parallel rather than in series and a complementary simple flocculent addition system was installed. Mill throughput was adjusted with mine grade to smooth the lead input into the plant.

In August, a new ore stockpile management technique was introduced to reduce the variance in the mine head grade. One element of this was to reduce the addition of low-grade ore to the feed as this material was contributing to grade volatility. This in combination with the higher grade areas currently being mined in the Magellan and Cano pits resulted in an increase in head grade delivered to the plant. Through the second half of August and the first half of September the plant achieved steady state at a rate of 300-350 dry metric tonnes of concentrate production per day, compared to full production targets averaging 400 dry metric tonnes per day. This steady state period allowed the first stage of balancing of the float circuit and combined with the higher head grades, delivered plant recoveries of 75-80%. Overall for the third quarter the average plant recovery was 76% compared to an average of 69% in the second quarter of 2010.

A major planned maintenance shutdown was successfully completed in late September to allow a full mill reline and annual statutory high-voltage electrical testing, as well as the implementation of a number of projects identified to improve plant performance. No significant issues were identified during the shutdown.

The interaction between the concentrate thickeners and the filters is an ongoing area of focus and the subject of several projects planned for the fourth quarter. An increase in capacity to the filter feed pump is planned for November. A permanent thickener feed control and flocculent addition solution will also be installed in November. Additional plates will be added to the pressure filter in December, increasing the filter's capacity by 8% and removing it as a bottleneck to future concentrate production.

Magellan has now recruited its full complement of personnel supplemented by contract labour for the bagging operations. The booming resources sector in Western Australia is recreating the skills shortages experienced during 2006 to 2008. Magellan is developing an employee value proposition that balances salary with lifestyle, personal development and a positive workplace culture.

Operational Optimization

Work is continuing on mine scheduling optimization for the life-of-mine planning. The aim of this work is to improve the mining program to deliver lower mining and processing costs through a combination of: mineralization/rock type/lead grade blend optimization; reduced double handling; reduced non-productive equipment moves; and, identifying locations for in-pit waste dumping. Improved blasting practises are being implemented to reduce downstream crushing and grinding costs as well as minimizing costly crusher blockages.

Close spaced grade control drilling and XRF grade sampling of blast holes is expected to deliver improved mining grade control and reconciliation. This is expected to give greater ore grade predictability and therefore improve the mill feed blending. Blast hole XRF sampling is identifying low grade ore (1-5% lead) in blocks that have been earmarked as waste using the broader spaced grade control drilling.

Following the purchase of the onsite 4.2 megawatt power station, plans are being developed to convert the generator sets from diesel fuel to dual fuel diesel-natural gas. The gas pipeline has been installed to the power station and future gas supplies have been secured on long term contract at competitive prices. The conversion to dual fuel is expected to significantly reduce the site's power costs and reduce Magellan Metals' carbon emissions.

Magellan Metals has implemented a best practice concentrate handling system utilizing two tonne plastic bulk bags and shipping containers. The Company is now investigating ways to reduce the cost and improve the efficiency of the bagging process as well as exploit the opportunities offered by selling concentrate in this form.

Magellan Lead Management

Health and Safety

The Company places the utmost importance on the health and safety of its employees, contractors and visitors, and is committed to continue to improve its health and safety performance through engaging with our employees and stakeholders and applying appropriate risk management techniques.

During the third quarter of 2010, the Company recorded one lost work time incident. Two vehicle incidents required reporting to the Department of Mines and Petroleum (“DMP”) and neither resulted in any injury. Investigations into all three incidents have identified remedial actions which have been implemented.

Following consultation sessions with the workforce, five priority areas were identified to improve health and safety in the third and fourth quarters:

- Reducing lead contamination in “clean areas”
- Improving the quality of new starter and visitor induction training
- Modify the mill discharge area
- Eliminate radio communication dead spots on site
- Improve safety leadership and accountability

These initiatives are being pursued by the management team and site safety representatives.

The Company recognizes the importance of lead management to protect its workforce, its stakeholders and the environment. As a part of the Company’s lead management plan, monthly lead in blood monitoring is undertaken of all Magellan employees and contractors. No blood sample taken during the quarter exceeded the limits set by the Western Australian Department of Health or the DMP.

Magellan Metals has a comprehensive occupational health and safety program designed to minimize the exposure of personnel to hazards which is being constantly reviewed and improved.

Environment

The Company recognizes the importance of environmental management, and is committed to implementing and maintaining best environmental practice, and continuously improving its environmental performance through review, assessment and reporting.

Environmental monitoring continues to be undertaken to ensure compliance with license conditions at the mine site, along the transport route, and at the Port of Fremantle. The results of transport route and Port of Fremantle monitoring are progressively updated on the Magellan Metals website at www.magellanmetals.com.au and presented to the Department of Environment and Conservation (“DEC”), Port of Fremantle and a community reference group on a regular basis. No sampling sites along the transport route and at the Port have been identified as containing lead of Magellan Mine origin.

Routine soil sampling continues to be undertaken quarterly for the radial and concentrate storage areas in accordance with mining tenement conditions. This sampling data is compiled and presented in a quarterly report to the DMP.

Compliance

The DMP's Employees' Inspector of Mines made an unannounced visit to site in August to verify compliance with the *Mines Safety and Inspection Regulations 1995*. All issues formally identified were addressed immediately.

Inspectorate Australia (Assay) Pty Ltd ("Inspectorate"), the independent auditor retained by Magellan Metals to monitor compliance with certain environment requirements, continues to inspect all bags and containers leaving site to ensure they are free from lead carbonate concentrate dust. Inspectorate produce monthly compliance reports specifying that all bags, containers and trucks have left the Magellan Mine site without lead carbonate concentrate dust on the outside of sealed bags, containers or trucks. The monthly compliance reports have been uploaded to the Magellan Metals website. The six-month audit of Magellan Metals' compliance with its new conditions was undertaken during the third quarter of 2010 and with the exception of a non-material matter, which was rectified immediately, confirmed full compliance by Magellan Metals of all applicable conditions.

In August 2010 a formal proposal to mine Pinzon, increase annualized milling rates and secure alternate transport route options was submitted to the DEC.

Corporate Development and Exploration

Drilling Program

A new resource estimation model is being finalized for the Magellan Hill creating a single geological model for the Magellan, Cano, Pinzon and Gama deposits. The geostatistics including variography, top cuts, modelling parameters and estimation methods have been evaluated and a new model reported at various cut-offs. This resource estimation includes the grade control drilling and most recent drilling programs to provide an improved understanding of the deposits.

The recent drilling at the Pizarro deposit, some 10km south of Magellan has been incorporated into the previous data with new geostatistical evaluation of the mineralization and density with a new resource estimation completed that now includes the recently drilled Columbus prospect.

Life of Mine planning with optimizations and scheduling is underway to best utilise the known resources and provide the optimum development options for the identified mineralization.

An independent technical report to be prepared in accordance with National Instrument 43-101 has been commissioned from SRK Consulting (Australia) Pty Ltd. which is planned to be published during the first quarter of 2011.

The current Mineral Resource Estimate for the Magellan, Cano, Pinzon, Drake and Pizarro deposits as at December 31, 2009 is reported in the 2009 AIF and refers to the Company's NI 43-101 Technical Report dated September 30, 2004.

Prairie Downs

Ivernia has signed a formal joint venture agreement with Prairie Downs to acquire up to 80% of the Prairie Downs Joint Venture in Western Australia.

The highlights are:

- Part of Ivernia's growth strategy to create a portfolio of base metal projects
- Opportunity to explore and potentially develop a significant lead-zinc project
- Synergies with Ivernia's nearby (within 250 kilometres) flagship Magellan lead mine in Western Australia
- An A\$2 million exploration program focused on a range of defined prospective targets
- Option to acquire a 60% interest for A\$10 million after completion of an exploration expenditure of A\$3 million with a right to increase to 80% following further exploration expenditure

For more details on the agreement please see the discussion under "Commitments - Prairie Downs".

The exploration program has advanced significantly since the Prairie Downs Joint Venture was entered into in June 2010. A large geochemical survey utilizing a portable XRF has collected data for more than 8,000 sample points over the main prospects and defined a number of new base metal geochemical anomalies.

Geological mapping, interpretation of the geochemistry, and evaluation of previous drilling and geophysics has highlighted key target areas for drilling. A program of over 20 drill sites has been approved by the Department of Mines and Petroleum ("DMP") and the Pilbara Native Title Service.

The initial drill program will test two high priority shallow targets, the Wolf prospect and the footwall of the main Prairie resource as well as a number of regional anomalies.

The Wolf prospect, two kilometers north of the known resource of the Prairie Downs Fault Zone, shows a strong geochemical alteration and geophysical target on the southern side of the structure that is over one kilometer long. This shallow anomaly will be tested in three fences of holes down to 150m depth.

The footwall of the main Prairie deposit hosts a resource in the 'Gabbro Zone', a splay off the main structure. A number of other potential fault splays and sediments showing strong silicification on surface will be drilled in fences to 150m depth. Follow up of any intersections will be planned for later deeper drilling.

The geochemical survey has covered a number of regional anomalies and drill targets have been defined at the Hyena, West Hyena and Husky prospects. Drill testing of these prospects is planned in a second phase of drilling in 2011.

Regional assessment has included an Aster satellite image alteration interpretation that has highlighted areas of strong chlorite, epidote and kaolinite response. The portable XRF geochemical survey will continue to target these areas.

Previous drilling at the project has concentrated only on the known Prairie resource with limited work on other deposits in the belt or on associated mineralization.

Corporate Social Responsibility

Corporate social responsibility and fostering good relationships with all stakeholders is an essential part of the Company's emphasis on sustainable operations and developments. The Company is actively involved in the communities of Wiluna, Esperance and Fremantle in a variety of ways, some of which are summarized below. More complete information on current initiatives may be found at the Magellan Metals website at <http://www.magellanmetals.com.au/community.aspx>.

Magellan Community Fund

The A\$1 million Esperance Project Fund was established in 2008 as part of the negotiations which concluded with the signing of the Esperance Settlement Agreement ("ESA"). It provides A\$300,000 annually over three years to community groups for projects delivering a sustainable benefit to a broad range of Esperance residents. 2010 is the second year of funding to be made available. The fund is managed in conjunction with the Esperance Shire, and project assessments are made by a five-person committee comprised of three local community representatives, one Shire representative and one Magellan Metals representative. In 2010 a total of nine projects were funded, and a further and final call for applications (for 2011 funding) will be made in late 2010.

Wiluna Partnership Agreement

The Company is committed to a positive, proactive approach to community engagement. The Magellan Mine is located within the Shire of Wiluna in Western Australia.

Magellan Metals is engaging with the Wiluna Regional Partnership Agreement ("WRPA"), aimed at improving the socio-economic status of the largely indigenous Wiluna community. The WRPA brings some 50 partners together from the Aboriginal community, all levels of government, industry (particularly the mining industry) and the wider community of the Shire of Wiluna. Magellan Metals is one of eight mining company industry partners working collaboratively to demonstrate good corporate social responsibility practices to the wider community. Magellan currently chairs the WRPA Steering Group, and co-chairs the Industry partners group within the WRPA.

A major focus of the Industry Partners is development of employment and small business opportunities for the largely indigenous populations, via a 'pathways to employment' strategy. This strategy involves the mining companies in the region, the State Government through local education and training providers, the Federal Government through job service providers, NGOs and the local community in identifying opportunities within the mining industry, and providing training, and where appropriate support small business loans to community members. Trial programs will commence in the fourth quarter of 2010, with both employment and small business development objectives.

Native Title

The Company recognizes the legal and moral obligations in working toward negotiating native title agreements for Magellan Metals operations which lie within the registered native title claim areas of Wiluna and Tarlpa. A 2006 Land Use Agreement with the Wiluna claimants exists for three Magellan Metals tenements, but Magellan has no current agreements with the Tarlpa claimants as the current Magellan tenements were granted prior to the Tarlpa claim being legally recognized.

Negotiations are ongoing with the Tarlpa claimant group that, once finalized, would allow Magellan Metals to meet the operation's objectives for any applications for new mining and exploration tenements while honouring the rights and benefits enjoyed by indigenous people. A current plan by the claimants to combine the Wiluna and Tarlpa claims into a single claim will require agreement to be reached on a single agreement with the combined claim group. Determining the protocol of reaching agreement is in process.

LEAD MARKET FUNDAMENTALS

Price of Lead

The most significant factor in determining profitability and cash flow from the Company's operations is the price of lead. During the third quarter of 2010, the London Metal Exchange ("LME") cash settlement lead price averaged \$2,032 per tonne (\$0.92 per pound), including a high of \$2,273 per tonne (\$1.03 per pound) and a low of \$1,692 per tonne (\$0.77 per pound).

Lead prices	Average		
	2010 ⁽¹⁾	2009 ⁽¹⁾	2008 ⁽¹⁾
(United States dollars per pound of lead)	\$	\$	\$
LME Cash Settlement Price			
First quarter	1.01	0.53	1.31
Second quarter	0.88	0.68	1.05
Third quarter	0.92	0.87	0.87
Fourth quarter	-	1.04	0.56
Year	0.94	0.78	0.95
Ivornia's average lead sale price⁽¹⁾			
First quarter	0.97	0.59	-
Second quarter	0.81	0.74	-
Third quarter	1.05	1.03	-
Fourth quarter	-	1.10	-
Year	0.97	0.94	-

(1) Shipments of lead carbonate concentrate from the Magellan Mine were curtailed by the suspension of lead shipments through the Port of Esperance on March 12, 2007. The suspension was lifted in December 2008, following which two shipments were made in March and May 2009 to remove the stockpile. Following the receipt of Ministerial approval on August 13, 2009 to commence shipments through the Port of Fremantle, the Company exported the entire mine site inventory stockpile and in first quarter 2010 recommenced production and shipment of lead carbonate concentrate.

Lead Price Outlook

The LME cash settlement lead price averaged \$2,032/metric tonne during the third quarter of 2010, up modestly (\$88/metric tonne) from the second quarter. However, in October, the LME average cash settlement lead price was \$2,380/metric tonne reaching a high on October 25, of \$2,560/metric tonne. The higher LME lead price was driven by a number of positive factors including a strong and continuing recovery for Asian and Chinese metal demand, a weaker US dollar and a slowing in the building of LME lead inventories.

There was virtually no change in LME lead inventories for the third quarter with LME inventories remaining around 190,000 tonnes or just over one week of global lead consumption. On a global basis, the International Lead Zinc Study Group reported that for 2010 through August (latest data available), metal production outpaced consumption by about 49,000 tonnes.

China continues to drive the global lead market, consuming and producing approximately 44% of the world's lead. Chinese lead consumption continues to be driven by strong battery sales in all market

segments, particularly passenger vehicle and E-bike batteries. New car sales in China are expected to reach 17 million vehicles in 2010.

Lead consumption in the rest of Asia in 2010 is up nearly 12% year over year compared to 2009, reflecting a strong economic recovery in Korea, India, Indonesia and Thailand.

Lead consumption in the rest of the world, although not as robust as Asia, has increased by nearly 6% in 2010 driven by a 7.3% increase in European lead demand.

Mine production outside of China in 2011 is expected to grow by about 100,000 tonnes as Magellan and Penasquitos ramp-up to full production. This increase in mine production will be offset by a similar increase in lead consumption as the western world continues its slow recovery and Asia continues to grow rapidly.

In 2011, Ivernia believes the lead fundamentals are expected to be positive with many analysts forecasting a lead market deficit. During the recent LME week in England, a number of banks and analysts forecast continued strong growth in lead metal consumption for 2011 with modest increases in lead metal production for the same time period. Overall, the forecasts reflect a fairly balanced market in 2011.

If a surplus of lead metal does occur in 2011 it will likely occur in China, however a surplus of lead metal in China will have little impact on the rest of the world. It is cost prohibitive to export lead from China due to a Chinese government imposed 17.5% value added tax on lead, an additional 10% lead metal export tax plus transport charges.

There is virtually no new western world mine production forecast to come on-stream post 2011 while several mines are expected to close or reduce production due to ore depletion and lower grades. With consumption increasing in all areas of the globe, the lead market should move into a significant deficit in 2012 with a resultant rapid increase in lead prices.

FINANCIAL RESULTS

Revenue

Sales revenue for the third quarter of 2010 was \$33.7 million arising from the shipment and sale of 26,100 dry metric tonnes of lead carbonate concentrate, plus \$3.6 million related to the revaluation of provisionally priced lead carbonate concentrate shipped in the second quarter of 2010 and gains on the settlement and revaluation of forward contracts. The Company realized an average lead price of \$1.05 per pound for the third quarter of 2010 compared to the average LME cash settlement price of \$0.92 per pound over the same period. This is mainly attributable due to a number of the second quarter 2010 sales being revalued in the third quarter when prices significantly appreciated. In addition, the Company's production profile continued to ramp-up whereby the majority of lead carbonate concentrate sales occurred in the second half of the quarter when prices had appreciated. During the third quarter of 2010 the LME cash settlement price for lead averaged \$0.87 per pound over the first half of the quarter and \$0.97 over the second half of the quarter.

Revenue for the third quarter of 2009 was \$0.6 million resulting from the first shipment and sale of 440 dry metric tonnes of lead carbonate concentrate from the Port of Fremantle, less \$0.4 million related to the revaluation of provisionally priced lead carbonate concentrate previously shipped in the second quarter and realized losses on the settlement of forward contracts.

Revenue for the first nine months of 2010 was \$62.8 million compared to \$8.3 million for the first nine months of 2009. The increase reflects the restart of processing and mining operations, which occurred in the first quarter of 2010.

Revenue is recognized when the risk of ownership of concentrates has passed and collection is reasonably assured. Risk of ownership passes to the customer on delivery to the carrier. Revenue from the sale of metal contained in concentrate is provisionally priced based on a future quotational period. Revenue is adjusted until the completion of the quotational period for any variations in the forward price recognized on shipment. 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. Gains and losses on commodity price contracts are included in revenue.

Cash cost of lead sold – non-Canadian GAAP measure

Cash cost of lead sold is not currently meaningful as the Magellan mine is ramping up towards full production levels and has not achieved steady state production. When the Magellan Mine achieves targeted full production run rates in early 2011, information about the cash cost of lead sold will be reintroduced.

Operating costs

On August 13, 2009 Magellan Metals received final approval to commence containerized shipping of lead carbonate concentrate through the Port of Fremantle. In February 2010 a staged restart of processing operations commenced and in March 2010 mining operations recommenced.

Operating costs were \$28.1 million for the third quarter of 2010, compared to \$0.3 million for the third quarter of 2009. Operating costs were \$62.7 million for the first nine months of 2010 compared to \$7.0 million for the first nine months of 2009. The foremost reason for the increases is that the Magellan Mine was still on care and maintenance in the third quarter of 2009 and shipments had just recommenced.

Included in operating costs are all costs incurred by Magellan Metals in relation to the sale of lead carbonate concentrate and operations at the Magellan Mine including cost of goods sold, treatment charges, transportation, royalties and other operating expenses less net gas revenue, excluding amortization.

Amortization

Amortization expense was \$1.0 million for the third quarter of 2010, compared to \$0.2 million for the third quarter of 2009. Amortization expense for the first nine months of 2010 was \$1.8 million compared to \$0.5 million for the first nine months of 2009.

Amortization expense will increase with the on-going ramp-up of operations as the Company amortizes the plant and equipment, mineral properties and deferred costs, calculated on a units-of-production basis, contained metal, or proven and probable Ore Reserves where appropriate. Amortization expense will fluctuate depending on the levels of sales, production and mining activity during the period.

General and administrative

General and administrative expenses consist primarily of corporate office costs for the Perth and Toronto offices. For the third quarter of 2010 general and administrative expenses were \$2.1 million. General and administration expenses for the first nine months of 2010 were \$6.0 million, increased from \$5.1 million

from the first nine months of 2009. The Company expects future general and administrative costs to approximate \$2.0 million per quarter.

Stock option costs

Stock option costs were \$40,000 for the third quarter of 2010, an increase from \$28,000 for the third quarter of 2009. Stock option costs were \$121,000 for the first nine months of 2010 compared to \$38,000 for the first nine months of 2009.

As at September 30, 2010 the aggregate unexpensed fair value of unvested stock options granted amounted to \$114,000 (September 30, 2009 - \$131,000). No options were issued or exercised, 66,667 expired and 46,668 options were forfeited during the third quarter of 2010.

Foreign exchange

Net foreign exchange losses of \$1.4 million were realized in the third quarter of 2010 compared to a foreign exchange gain of \$0.1 million in the third quarter of 2009. The Company has a net liability exposure to the Australian dollar currency. During the third quarter of 2010 the A\$/US\$ exchange rate increased from \$0.85 to \$0.96 resulting in the foreign exchange loss. Net foreign exchange gains for the first nine months of 2010 were \$25,000 compared to a \$0.4 million loss in the first nine months of 2009.

Net interest expense and accretion

Net interest expense of \$0.7 million for the third quarter of 2010 was comprised primarily of interest expense on the Convertible Notes (as discussed below) less interest income earned on cash balances. In addition to the net interest expense is accretion of \$1.1 million including \$0.9 million on the Convertible Notes and \$0.2 million on the reclamation provision for the third quarter of 2010. Net interest expense in the third quarter of 2009 was \$0.8 million. Accretion in the third quarter of 2009 was \$0.7 million, including \$0.5 million in accretion on the Convertible Notes.

Net interest expense and accretion for the first nine months of 2010 were \$2.0 million and \$2.9 million respectively, compared to \$1.9 million and \$3.5 million for the first nine months of 2009.

Accretion expense is calculated using the effective interest rate method and will continue to increase as the Convertible Notes become closer to maturity and as Magellan moves closer to the end of its mine life.

In December 2009 one of the lenders converted \$0.5 million of the Convertible Notes into 4,545,455 common shares, resulting in a principal balance of \$37.9 million as at December 31, 2009. In January 2010 a further \$0.5 million of Convertible Notes were converted by the same lender into 4,545,455 common shares, resulting in a principal balance of \$37.4 million as at September 30, 2010.

In April 2010 interest was paid on the Convertible Notes in the amount of \$3.2 million.

Debt settlement expense

To complete the extinguishment of the Secured Facility in March 2009, a settlement expense of \$0.8 million was realized on the debt component and charged to income. A settlement gain of \$7.2 million was realized on the equity component and credited directly to the deficit account.

Income tax expense and recovery

Income tax expense for the third quarter of 2010 was \$1.1 million, calculated at an estimated annual accounting tax rate of 28% compared to a rate of 59% for 2009. The 2010 annual tax rate of 28% is in line

with the Company's expectations regarding annual accounting tax rates of 30% going forward. The 2010 year-to-date tax rate of 28% mainly arose from permanent differences related to significant foreign exchange adjustments on intercompany loans. The 2009 annual tax rate of 59% arose from a number of permanent differences including a decrease in valuation allowances on tax losses carried forward, foreign exchange adjustments and an allowance taken against future intercompany interest deductions. The Company was not cash taxable in 2009 and does not expect to be cash taxable in 2010. The Company's exposure to cash corporate income taxes is reduced due to the availability of tax loss carry-forwards to offset future taxable income in Australia. As at September 30, 2010 the Company had approximately A\$100 million (\$96 million) in loss carry-forwards to offset future taxable income in Australia. There is no expiry date for Australian tax loss carry-forwards. As at September 30, 2010 the Company also had approximately C\$17 million in loss carry-forwards and deferred financing charges in Canada with expiry dates ranging from 2010 to 2028, and C\$117 million in capital loss carry-forwards with no expiry.

Net income (loss)

The net income for the third quarter of 2010 was \$2.9 million or \$0.02 per share (\$0.01 fully diluted), compared to a net loss of \$4.6 million or \$0.03 per share for the third quarter of 2009. The net loss for the first nine months of 2010 was \$7.5 million or \$0.04 per share, compared to a net loss of \$9.2 million or \$0.05 per share for the first nine months of 2009.

Fully diluted earnings per share

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Number of shares (000's) included for dilutive purposes		
Weighted average shares outstanding	189,243	189,010
Shares issued on conversion of Convertible Notes	340,000	-
Fully diluted shares for the purpose of calculating fully diluted income (loss) per share	529,243	189,010

	Three months ended September 30, 2010 \$	Nine months ended September 30, 2010 \$
(in thousands of United States dollars)		
Net income (loss)	2,906	(7,501)
Interest saved on conversion of Convertible Notes (net of tax)	526	-
Accretion saved on conversion of Convertible Notes (net of tax)	639	-
Diluted income (loss)	4,071	(7,501)

(in thousands, except per share amounts)	Three months ended September 30, 2010	Nine months ended September 30, 2010
Diluted income (loss)	\$4,071	\$(7,501)
Fully diluted shares for the purpose of calculating fully diluted income (loss) per share	529,243	189,010
Fully diluted income (loss) per share	\$0.01	\$(0.04)

Quarterly Financial Results

(in thousands of United States dollars, except per share amounts)	2010				2009			2008
	Third	Second	First	Fourth	Third	Second	First	Fourth
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	37,254	14,544	11,021	16,904	207	7,605	456	-
Net income (loss)	2,906	(4,495)	(5,863)	5,913	(4,551)	(1,367)	(3,299)	(74,720)
Comprehensive income (loss)	3,024	(4,526)	(5,863)	5,913	(4,551)	(1,386)	(3,284)	(73,823)
Basic income (loss) per share	0.02	(0.02)	(0.03)	0.03	(0.03)	(0.01)	(0.02)	(0.41)
Fully diluted income (loss) per share	0.01	(0.02)	(0.03)	0.01	(0.03)	(0.01)	(0.02)	(0.41)
Cash provided by (used in) operations before changes in non-cash working capital	1,992	(4,550)	(5,716)	530	(4,011)	121	(547)	(14,458)

Comprehensive income (loss)

The Company holds shares in a publicly-traded company which are classified as available-for-sale and were marked-to-market. The fair value of these shares had increased \$87,000 at the end of the third quarter of 2010 from December 31, 2009 including an unrealized gain of \$118,000 during the third quarter. In the third quarter of 2009, the Company recorded no unrealized gain or loss on these investments. The fair value of these investments as of September 30, 2010 was \$149,000.

The changes in fair value are detailed below:

(in thousands of United States dollars)	Increase (decrease) in fair value	
	2010	2009
	\$	\$
Balance as at January 1	(4)	-
Unrealized gain on investment	-	15
Balance as at March 31	(4)	15
Unrealized loss on investment	(31)	(19)
Balance as at June 30	(35)	(4)
Unrealized gain on investment	118	-
Balance as at September 30	83	(4)

LIQUIDITY AND FINANCIAL CONDITION

Statement of Cash Flows

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
(in thousands of United States dollars)	\$	\$	\$	\$
Cash provided by (used in) operations before changes in non-cash working capital	1,992	(4,011)	(9,537)	(8,817)
Changes in working capital	(2,149)	378	8,547	(167)
Cash used in operating activities	(157)	(3,633)	(990)	(8,984)
Cash used in investing activities	(1,661)	(4,353)	(6,675)	(4,473)
Cash provided by (used in) financing activities	741	775	(3,864)	16,901
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(74)	200	(146)	250
(Decrease) increase in cash and cash equivalents	(1,151)	(7,011)	(11,675)	3,694

Net interest received in the third quarter of 2010 was \$159,000 attributable to balances held in cash and cash equivalents and restricted cash and cash equivalents. Net interest received in the third quarter of 2009 was \$17,000. Net interest paid in the first nine months of 2010 was \$2.9 million, primarily on the Convertible Notes. Net interest paid for the first nine months of 2009 was \$7,000.

Operating activities

Approximately \$0.2 million was used in operating activities during the third quarter of 2010. Funds used during restart of operations exceeded proceeds from the sale of inventory and new production. The net cash used in operating activities was funded from cash reserves.

Cash used in operating activities was \$3.6 million during the third quarter of 2009, funded from cash reserves.

Approximately \$1.0 million was used in operating activities during the first nine months of 2010. Funds used during restart of operations exceeded proceeds from the sale of inventory and new production. The net cash used in operating activities was funded from cash reserves.

Cash used in operating activities during the first nine months of 2009 was \$9.0 million, funded from cash reserves and cash proceeds received from the Convertible Notes.

Investing activities

For the third quarter of 2010, net cash used for investing activities totaled \$1.7 million (2009 - \$4.4 million). A total of \$1.5 million was used in capital projects, exploration and deferred development costs. Cash used in investing activities also includes the investment in Prairie Downs, which increased \$0.2 million during the third quarter of 2010.

Net cash used for investing activities in the first nine months of 2010 was \$6.7 million (2009 - \$4.5 million). A total of \$6.3 million was used in capital projects, exploration and deferred development costs. Cash used in investing activities also includes restricted cash, which increased \$0.2 million, and investments in Prairie Downs which increased \$0.2 million during the first nine months of 2010.

Financing activities

(a) 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. A total of \$40 million of the Secured Facility was drawn down. The Secured Facility is fully described in the 2009 MD&A and the 2009 AIF. There have been no material changes year to date in 2010.

(b) Convertible Notes

On March 27, 2009 the Company completed a transaction (the "2009 Note Restructuring") with the lenders (including Sentient Global Resources Fund II ("Sentient")) of the Secured Facility by which the terms of the secured promissory notes comprising the Secured Facility were amended and restated (the "Convertible Notes"), all as fully described in the 2009 MD&A and the 2009 AIF.

In December 2009 Ingalls & Snyder converted \$0.5 million of Convertible Notes into 4,545,455 common shares. As at December 31, 2009 a total of \$37.9 million in Convertible Notes was outstanding. In January 2010, Ingalls & Snyder converted a further \$0.5 million of Convertible Notes into 4,545,455 common shares. As at June 30, 2010, a total of \$37.4 million principal in Convertible Notes was outstanding.

In April 2010 interest was paid on the Convertible Notes in the amount of \$3.2 million.

Capital Resources and Working Capital Requirements

As at September 30, 2010 the Company had \$7.5 million in cash to fund its ongoing operations (December 31, 2009 - \$19.2 million). As at November 5, 2010 Ivernia held unrestricted cash balances of \$8.3 million. At current lead price and production levels, management anticipates that cash flow from operations will continue to be positive and that current treasury and cash flow from operating activities will be sufficient to fund cash required for non-operating activities going forward. Ongoing cash flow from operating activities continues to be exposed to fluctuations in metal prices, production rates and the A\$/US\$ exchange rates.

BALANCE SHEET

	September 30, 2010	December 31, 2009
(in thousands of United States dollars)	\$	\$
Cash and cash equivalents	7,512	19,187
Working capital surplus ⁽¹⁾	7,205	19,941
Future income tax asset	25,703	21,997
Total assets	144,702	142,474
Total current liabilities	20,672	14,948
Total long-term liabilities	3,127	2,837
Convertible Notes	11,301	9,002
Reclamation provision	7,707	7,425
Future income tax liability	4,652	3,880
Total liabilities	47,459	38,092

(1) Working capital is defined as current assets less current liabilities.

Factors Affecting Comparability of Financial Information

The comparability of the selected consolidated financial information, including balance sheet amounts, set out in this document is affected by the material factors described below:

Restart of the Magellan Mine

Effective April 6, 2007 the Magellan Mine was placed on temporary care and maintenance following the temporary suspension of lead carbonate concentrate shipments through the Port of Esperance. On August 13, 2009 the Company received final Ministerial approvals to commence sealed shipments of lead carbonate concentrate through the Port of Fremantle. As a result, management determined that the Magellan Mine was no longer on care and maintenance.

After removing the Magellan Mine from care and maintenance, the Company focused on shipments of the mine site lead carbonate concentrate stockpiles and progressing the planning for the restart of operations at the Magellan Mine.

In February 2010 a staged restart of processing operations commenced and in March 2010 mining operations commenced.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with a maturity of three months or less at the date of the original issue. The Company does not hold any asset-backed commercial paper. The cash and cash equivalents were comprised of the following:

<i>(in thousands of United States dollars)</i>	September 30, 2010	December 31, 2009
	\$	\$
Cash	7,512	15,362
Cash equivalents	-	3,825
	7,512	19,187

Working capital

As at September 30, 2010 the Company had a working capital surplus of \$7.2 million. Accounts receivable and other current assets increased \$4.8 million from December 31, 2009. Inventory decreased \$1.3 million from December 31, 2009 reflecting the decreased levels of inventory stockpiles during the ramp-up of production. Accounts payable and other current liabilities increased \$9.7 million as the Magellan Mine continued to ramp-up production. The current portion of long-term liabilities decreased \$4.1 million from December 31, 2009 primarily after payment of the first A\$3 million as part of the Esperance Settlement Agreement in the first quarter of 2010, and an A\$1.6 million expenditure related to the purchase of the power station in the second quarter of 2010.

Accounts receivable and other current assets

Accounts receivable and other current assets increased \$4.8 million from December 31, 2009 reflecting increased volume of shipments for which payment from the final settlements and the revaluation of provisionally priced amounts was due.

During periods when shipping takes place, accounts receivable are adjusted each reporting date for provisional payments to reflect the market fluctuations in commodity prices. Accounts receivable adjustments are derived from the revenue adjustment; therefore, a change in receivables will be offset by a change in revenue.

Inventory

Lead carbonate concentrate inventories decreased by a net 6,500 dry metric tonnes during the first nine months of 2010 as the Company depleted historic stockpiles and began the ramp-up of operations and slowly replenishing stockpiles. In the third quarter of 2010, the Company recorded an inventory recovery in the amount of \$1.1 million related to previously written-off low-grade stockpiles which are now economic. During the first nine months of 2010, the Company recorded an inventory recovery in the amount of \$2.3 million. During the first nine months of 2009, the Company recorded inventory recoveries of \$4.2 million relating to concentrate stockpiles that had been written down due to lower metal prices in 2008.

The following is a summary of inventory values:

Inventory	September 30, 2010	December 31, 2009
(in thousands of United States dollars)	\$	\$
Concentrate-mine site ⁽¹⁾	2,144	6,671
Low-grade ore stockpiles	1,414	-
Medium and high grade ore stockpiles	1,998	1,239
Consumables and other	3,797	2,763
	9,353	10,673

(1) September 30, 2010: 2,700 tonnes; December 31, 2009: 9,200 tonnes.

Current liabilities

As of September 30, 2010 accounts payable and other current liabilities for the year increased to \$17.4 million from \$7.7 million on December 31, 2009 as the Magellan Mine continued to ramp-up production. The current portion of long-term liabilities decreased \$4.1 million from December 31, 2009 primarily after payment of the first A\$3 million as part of the Esperance Settlement Agreement in the first quarter of 2010, and an A\$1.6 million expenditure related to the purchase of the power station in the second quarter of 2010.

The contractual maturities of the Company's financial liabilities are as follows:

Contractual liabilities ⁽¹⁾	September 30, 2010			December 31, 2009	
	Within 1 year	1 to 5 years	More than 5 years	Total	Total
(in thousands of United States dollars)	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	17,405	-	-	17,405	5,417
Forward sales contracts	117	-	-	117	18
Long term liabilities	3,185	3,224	-	6,409	10,357
Convertible notes	1,269	37,400	-	38,669	39,252
Reclamation	-	-	11,634	11,634	10,800
Purchase obligations ⁽²⁾	1,906	3,813	4,289	10,008	12,385
	23,882	44,437	15,923	84,242	79,129

(1) These amounts are presented on an undiscounted basis.

(2) Relates to a gas supply contract ending in December 2016.

Forward sales and purchase contracts

(in thousands of United States dollars)

September 30, 2010

Expiry Date	Tonnes	Market Value	Market Value	Cost	Cost	Fair Value Adjustment Recorded in Income	Fair Value Adjustment Recorded in Income
		\$/lb	\$	\$/lb	\$	\$/lb	\$
Forward purchase contracts							
Oct/10	3,925	1.02	8,860	0.89	7,680	0.13	1,180
Nov/10	2,475	1.03	5,609	0.95	5,208	0.08	401
	6,400	1.03	14,469	0.91	12,888	0.12	1,581
Forward sales contracts							
Oct/10	(2,400)	1.03	(5,424)	1.00	(5,302)	(0.03)	(122)
Nov/10	(250)	1.03	(567)	1.03	(570)	0.00	3
Dec/10	(250)	1.03	(570)	1.04	(572)	0.01	2
	(2,900)	1.03	(6,561)	1.01	(6,444)	(0.02)	(117)
	3,500	1.03	7,908		6,444		1,464

(in thousands of United States dollars)

December 31, 2009

Expiry Date	Tonnes	Market Value	Market Value	Cost	Cost	Fair Value Adjustment Recorded in Income	Fair Value Adjustment Recorded in Income
		\$/lb	\$	\$/lb	\$	\$/lb	\$
Forward purchase contracts							
Jan /10	1,400	1.09	3,370	1.05	3,232	0.04	138
Feb/10	1,600	1.10	3,868	1.05	3,715	0.05	153
Mar/10	1,425	1.10	3,460	1.05	3,299	0.05	161
	4,425	1.10	10,698	1.05	10,246	0.05	452
Forward sales contracts							
Jan/10	(1,400)	1.09	(3,375)	1.09	(3,361)	(0.00)	(14)
Feb/10	(675)	1.10	(1,632)	1.09	(1,628)	(0.01)	(4)
	(2,075)	1.09	(5,007)	1.09	(4,989)	(0.00)	(18)
	2,350		5,691		5,257		434

Magellan Metals enters into sales contracts with lead carbonate concentrate customers whereby the price is settled at a future date, typically the average monthly LME settlement price two to three months after shipment.

After shipment, Magellan Metals employs a pricing strategy that attempts to obtain cash flow certainty while meeting the average market price over the provisional pricing period by typically entering into forward lead sales contracts.

In some cases, the customer has the opportunity to set the price on all or a portion of the shipment based on prevailing market prices at any time prior to the quotational period. To ensure Magellan Metals is free to pursue its intended pricing strategy, the Company may enter into forward lead purchase contracts to offset the set price sales contracts.

At both December 31, 2009 and September 30, 2010 the amount of price setting done by customers exceeded the amount of pricing done by the Company under its pricing strategy; therefore the Company was in a net long position with brokers at both dates.

Forward purchases and forward sales contracts of lead are recorded as derivatives with realized and unrealized gains and losses included in revenue. Revenue has been increased by \$2.3 million in realized

settlements and unrealized fair value adjustments for the first nine months of 2010 (first nine months of 2009 - (\$0.1) million). A total of \$3.0 million in realized settlements and unrealized fair value adjustments has increased revenue for the quarter ended September 30, 2010 (Quarter ended September 30, 2009 - \$0.2 million).

Secured Facility and Convertible Notes

On April 2, 2008 the lenders partially converted and extended the maturity date of the Secured Facility. \$20 million of the \$40 million then drawn and outstanding was converted into common shares of Ivernia at the price of \$1.08 per common share. See "Financing Activities - (a) Secured Facility" above.

On March 27, 2009, the Company completed a transaction with the lenders of the Secured Facility by which the terms thereof were amended and restated. Additionally, in March, April and May 2009, new Convertible Notes were issued. See "Financing Activities - (b) Convertible Notes" above.

In December 2009, Ingalls & Snyder converted \$0.5 million of Convertible Notes into 4,545,455 Common Shares. Accordingly, the Company made an interest payment in the amount of \$30,000.

In January 2010, Ingalls & Snyder converted an additional \$0.5 million of Convertible Notes into 4,545,455 Common Shares. Interest in the amount of \$32,000 was paid.

In April 2010 interest was paid on the Convertible Notes in the amount of \$3.2 million.

As at September 30, 2010 a total of \$37.4 million principal in Convertible Notes was outstanding.

The balances for the Convertible Notes are analyzed as follows:

(in thousands of United States dollars)	September 30, 2010	December 31, 2009
	\$	\$
Convertible Notes issued	38,400	38,400
Convertible Notes converted	(1,000)	(500)
Convertible Notes outstanding	37,400	37,900
Equity value of conversion options	(29,779)	(30,189)
Pro-rated costs of financing	(206)	(209)
Accretion	3,886	1,500
Accrued interest	1,269	2,252
	12,570	11,254
Less: Accrued interest included in accounts payable and other current liabilities	(1,269)	(2,252)
	11,301	9,002

The balances for the equity component of the Convertible Notes are analyzed as follows:

(in thousands of United States dollars)	September 30, 2010	December 31, 2009
	\$	\$
Equity value of conversion option	29,779	30,189
Pro-rated costs of financing	(828)	(839)
	28,951	29,350

Restricted cash equivalents

As at September 30, 2010 Magellan Metals had restricted cash equivalents deposited with a financial institution of \$8.5 million (December 31, 2009 - \$7.7 million). Most of the restricted cash equivalents relates to unconditional performance bonds in favour of the state of Western Australia as security for the due and proper performance by Magellan Metals of the terms and conditions for mining leases and shipments through the Port of Fremantle.

Long-term financial liabilities

	September 30, 2010	December 31, 2009
(in thousands of United States dollars)	\$	\$
Lease liabilities	-	1,534
Less current portion	-	(1,534)
Esperance Settlement Agreement	5,687	7,852
Less current portion	(2,868)	(5,294)
Esperance community fund	590	712
Less current portion	(282)	(433)
Non-current portion of long-term financial liabilities	3,127	2,837

As at September 30, 2010 the current portion of long-term liabilities decreased by \$4.1 million after payment of the first A\$3 million as part of the Esperance Settlement Agreement in the first quarter of 2010 and an A\$1.6 million expenditure related to the purchase of the power station in the second quarter of 2010.

On December 23, 2008 the Esperance Port Authority, Ivernia, Magellan Metals and the State of Western Australia (the "State") entered into the Esperance Settlement Agreement and a community agreement, as described in detail in the 2009 AIF under the heading "Three-Year History - Operations". During the fourth quarter of 2009, Magellan Metals reached the A\$6 million earnings target for 2009 and accordingly on February 4, 2010 paid the State the amount of A\$3 million, representing the first instalment of the total agreed amount of A\$9 million.

The final A\$3 million payment is due the later of June 30, 2010 and the delivery of the final Validation Report. Current indications suggest that the Validation Report is unlikely to be issued prior to September 30, 2011.

The movement in lease liability relates to the power station purchased in the second quarter of 2010.

Reclamation provision

As at September 30, 2010, the reclamation provision relating to Magellan Metals' asset retirement obligations was \$7.7 million (December 31, 2009 - \$7.4 million).

Reclamation provisions are initially recorded as a liability at fair value, assuming credit adjusted risk-free discount rates between 7.5% and 8%, and inflation rates between 2.5% and 3.7%. The total undiscounted amount of estimated cash flows is A\$12 million (\$12 million). The accretion expense was \$0.2 million in the third quarter of 2010.

(in thousands of United States dollars)	\$
As at January 1, 2010	7,425
Accretion	108
Balance March 31, 2010	7,533
Payment	(98)
Accretion	194
Balance June 30, 2010	7,629
Payment	(72)
Accretion	150
Balance September 30, 2010	7,707

During the second and third quarters of 2010, \$0.1 million each quarter was paid for rehabilitation. There were no changes to the rehabilitation plan in the first nine months of 2010.

Future income tax

The Company has recognized a future income tax asset of \$25.7 million that is generated predominately from the partial recognition of future interest deductions and the partial recognition of loss carry-forwards in Magellan Metals. The Company has recognized a future income tax liability of \$4.7 million generated predominantly from future withholding tax payments. The Company has approximately A\$100 million (\$96 million) of loss carry-forwards from Magellan Metals that will be used to shelter future taxable income. The Australian tax losses have no expiry. The Company also has approximately C\$17 million in non-capital loss carry-forwards and deferred financing deductions in Canada, with expiry dates ranging from 2010 to 2028 and C\$117 million in capital loss carry-forwards with no expiry.

On May 2, 2010 the Treasurer of Australia announced proposed sweeping changes to Australia's tax system, including the proposed imposition effective July 1, 2012 of a "Resource Super Profit Tax" ("RSPT"). Key features of the proposed RSPT included: a 40% rate applied to resource project super profits, calculated in accordance with a stated formula; a focus on extraction profits only; deductibility for income taxes; and applies to all existing and future non-renewable resource projects.

On July 2, 2010 the Treasurer of Australia announced an amendment to the RSPT in that it would be replaced by a new profits-based Minerals Resource Rent Tax ("MRRT") regime at a rate of 30 percent applying to iron ore and coal in Australia; and extending the Petroleum Resource Rent Tax ("PRRT") regime to all Australian onshore and offshore oil and gas projects. The resource taxation reforms focus on the most profitable resources, raise the uplift factor for tax losses, remove refundability and offer depreciation arrangements to promote new investment. The profits-based taxation reforms will apply from July 1, 2012. Based on a provisional analysis of the proposals it appeared the RSPT would have increased the long term headline income tax rate for Magellan Metals from 30% to 55%. The MRRT proposal, which has replaced the RSPT proposal, excludes base metal projects and therefore indicates that Magellan Metals income tax rate will remain unaffected.

Contractual and other obligations

The following table summarizes the Company's contractual and other obligations including principal payments and interest as at September 30, 2010:

Payments due by period ⁽¹⁾	Less Than 1 Year	1-5 Years	More Than 5 Years	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Prairie Downs	1,765	967	-	2,732
Rental agreements and operating leases	195	530	-	725
Reclamation ⁽²⁾	-	-	11,634	11,634
Exploration licenses ⁽³⁾	-	-	-	-
Mining leases ⁽³⁾⁽⁴⁾	277	-	-	277
Esperance Settlement Agreement ⁽⁵⁾	2,902	2,902	-	5,804
Esperance community fund ⁽⁶⁾	283	322	-	605
Purchase obligation ⁽⁷⁾	1,906	3,813	4,289	10,008
Total	7,328	8,534	15,923	31,785

(1) These amounts are presented on an undiscounted basis.

(2) Magellan Metals has reclamation provisions for the due and proper performance of mining leases. These obligations are supported in part by an unconditional performance bond with an Australian financial institution.

(3) Under the terms of its exploration licenses, Magellan Metals is required to meet certain minimum expenditure requirements for a 12-month period commencing on the date of issue or renewal of the license or lease. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2010 are dependent upon whether Magellan Metals chooses to retain its current tenements.

(4) Magellan Metals is obliged to make royalty payments of 5% of net royalty value of lead carbonate concentrates produced and a payment of A\$0.04 per tonne of ore mined under certain heritage agreements.

(5) Magellan Metals' contribution towards the cost of clean-up being undertaken by the State and Esperance Port Authority now known as Esperance Ports Sea and Land comprises three equal payments of A\$3 million on December 31, 2009, December 31, 2010 and June 30, 2011. The first payment has already been made.

(6) Pursuant to an agreement executed in February 2009 with the Shire of Esperance, Magellan Metals has also committed to an A\$1 million obligation to community-based projects in Esperance over the following three years. The first payment has already been made.

(7) Gas contract.

Contingencies and commitments

Commitments

(a) *Prairie Downs*

In June 2010, Ivernia signed a joint venture agreement with Prairie Downs to acquire up to 80% of the Prairie Joint Venture in Western Australia.

Under the Prairie Downs Joint Venture arrangement Ivernia has committed to an immediate and accelerated initial A\$2 million exploration program of infill sampling and drilling. This program will take place within 12 months of signing and will test a number of geological, geochemical and geophysical targets in the vicinity of the known deposits at the Prairie Downs Joint Venture.

The key features of the Prairie Downs Joint Venture arrangement with Prairie Downs include:

- An option in favour of Ivernia to purchase a 60% interest in the Prairie Joint Venture for A\$10 million in cash or Ivernia shares (at Ivernia's election) exercisable by Ivernia after expenditure by it of A\$3 million in 18 months (subject to the condition that a minimum expenditure of A\$2 million must be spent in the first 12 months) or A\$5 million within 36 months.
- The ability for Ivernia to increase its 60% interest in the Prairie Downs Joint Venture to 80% by spending a further A\$5 million on exploration within two years of earning the initial 60% interest.

- If either party fails to contribute its proportion of costs, its interest in the joint venture will dilute proportionally until it is 2.5%, at which point the joint venture interest will convert to a free carried interest.
- If the diluting party's interest falls to 5%, the other joint venture participant has a right to acquire that interest at fair market value.

(b) General

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

The Company holds a number of exploration licenses and mining leases in Western Australia. The Company does not consider that it has any material outstanding commitments in respect of these licenses or leases. Under the terms of its exploration and mining leases, Magellan Metals is required to meet certain minimum expenditure requirements for a 12-month period commencing on the date of issue or renewal of the license or lease. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond September 30, 2010 are dependent upon whether Magellan Metals chooses to retain its current tenements.

Magellan Metals is required to make royalty payments in accordance with the provisions of the Mining Act 1978 (Western Australia) and Mining Regulations 1981 (Western Australia) at the prescribed rate for lead carbonate concentrates sold of 5% of the royalty value.

In accordance with the terms of the Wiluna Land Use Agreement of 2006 (which superseded the Heritage Agreement dated September 25, 1998 between Magellan Metals and the Milangka Native Title Claimant Group), Magellan Metals is required to make a royalty payment of A\$0.04 per tonne of all ore milled from the mine into a Wiluna claimant trust fund (the "Wiluna Trust"). Another land use agreement, dated December 16, 1998 between Magellan Metals and the now unregistered Wanmulla Group, provides for a further A\$0.04 per tonne of all ore milled from the mine, which is payable if a descendent claim from the Wanmulla claim is registered. A second agreement with the Wiluna claimants, over the Magellan Metals gas pipeline route, requires an annual compensation payment into the Wiluna Trust for use of the gas pipeline tenement area.

Shares issued and outstanding

	As at November 8, 2010	As at September 30, 2010
Fully diluted shares		
Shares issued	189,290,128	189,243,462
Options	4,201,665	4,248,331
Convertible instruments	340,000,000	340,000,000
Total	533,491,793	533,491,793
	As at November 8, 2010	As at September 30, 2010
Shares issued and outstanding		
Common Shares	189,290,128	189,243,462
Preference Shares	-	-

Stock options

The Company has in place a Stock Option Plan (the "Plan") under which certain directors, officers, employees and consultants may be granted options to purchase common shares. At the Annual and Special Meeting of Shareholders held on June 16, 2010, the stock option plan (the "Plan") was amended to change it into what is termed an "evergreen plan" such that the number of shares available for options is 10% of the number of outstanding common shares on a revolving basis. As a result, an additional 10,224,512 options became available to grant. As at September 30, 2010 options to purchase 14,676,015 common shares (December 31, 2009 - 3,229,834) remain available for grant. The exercise price of each option may not be less than the market price of the common shares at the time the option is granted. An option may be for a term up to five years and may not be assigned. Under the terms of the Plan, unless the directors of the Company determine otherwise, one third of the number of options granted vest on the first, second and third anniversary of the grant date. No new options have been granted in 2010. A majority of the options granted in 2009 provide for vesting as to one-third on each anniversary of the grant thereof. The stock options expense for the third quarter of 2010 was \$40,000 (third quarter of 2009 - \$28,000). The aggregate unexpensed fair value of options granted but not yet vested as of September 30, 2010 was \$114,000 (September 30, 2009 - \$131,000).

Options Outstanding	2010 (000's)	2009 (000's)
Options outstanding January 1	5,470	7,372
Forfeited	(83)	-
Expired	-	(1,025)
Options outstanding March 31	5,387	6,347
Forfeited	-	(850)
Expired	(1,025)	(540)
Outstanding June 30	4,362	4,957
Granted	-	450
Forfeited	(47)	(44)
Expired	(67)	-
Outstanding September 30	4,248	5,363
Exercisable September 30	2,077	2,233

The options granted, exercised, expired and forfeited for the third quarter of 2010 and 2009 are summarized below:

	Granted	Exercised	Shares issued	Expired	Forfeited
2010	-	-	-	66,667	46,668
2009	450,000	-	-	-	43,333

As at September 30, 2010 there were outstanding options to purchase 4,248,331 common shares of the Company, of which 2,076,659 were exercisable. As at November 5, 2010 a total of 46,666 options had been exercised and no additional options had been issued, forfeited or expired.

As at September 30, 2009 there were outstanding options to purchase 5,363,333 common shares of the Company, of which 2,233,330 were exercisable.

Stock Options	As at November 5, 2010	As at September 30, 2010
Outstanding	4,201,665	4,248,331
Exercisable	2,129,993	2,076,659
Available to grant	14,727,347	14,676,015

RELATED PARTY TRANSACTIONS

The Company's related party transactions are described below. Peter Cassidy, a director of the Company, is also a partner of The Sentient Group. Pieter Britz, also a director of the Company, is also a partner of The Sentient Group. The Sentient Group is an independent private investment management firm which manages resource-based assets through the Sentient Global Resources Funds, including Sentient Global Resources Funds I and II, L.P., ("Sentient I" and "Sentient II", respectively), and Sentient Executive GP III, Limited (for the General Partner of Sentient Global Resources Fund III, L.P. and SGRF III Parallel I, L.P.), ("Sentient III")

On March 27, 2009 a total of \$11.5 million of Convertible Notes were issued to Sentient II as a part of the restructuring of the original promissory notes held by Sentient I and II (among others), as such notes were due to mature on April 27, 2009. On March 27, 2009 an additional \$5.4 million of Convertible Notes were issued to Sentient II. These transactions were undertaken together with the entering into of a Governance Agreement and the granting of registration and pre-emptive rights by Ivernia to Sentient II. On May 29, 2009 a total of \$4 million of Convertible Notes were issued to Sentient III. These transactions were measured at the exchange amount being the consideration established and agreed to by both the related parties and arms-length parties.

In conjunction with the Convertible Notes issuance, Sentient II has certain rights under an agreement between Sentient II and the Company (the "Governance Agreement") for so long as Sentient II holds not less than \$4 million principal amount of Convertible Notes, including the ability to appoint one of two directors to the Magellan Metals board, thereby effectively requiring Sentient II approval for fundamental decisions at Magellan Metals. The repayment of the Convertible Notes is secured by a general security agreement over Ivernia's assets. A copy of the Governance Agreement has been filed on www.sedar.com.

The Convertible Notes will mature on April 27, 2013 and interest, in the amount of 8%, is payable annually, with one-half of such interest being payable, at the Company's option, by payment in kind by way of issuance of additional notes. The Convertible Notes may be converted into common shares of the Company at a conversion price of US\$0.11 per share.

Amounts due to Sentient II and III at September 30, 2010 were \$20.9 million principal amount of Convertible Notes and \$0.7 million in accrued interest. Interest in the amount of \$1.8 million was paid to Sentient II and III in April 2010. There are no other contractual obligations with Sentient I, II or III other than as discussed herein.

As at September 30, 2010 the Company has included an accounts receivable from Sentient in the amount of \$0.1 million for recoverable expenditures incurred by the Company on behalf of Sentient. During the year, Sentient has reimbursed the Company for \$0.1 million in recoverable expenditures incurred by the Company on behalf of Sentient.

Future Changes in Accounting Policies Effective January 1, 2011

(a) Section 1582

The new section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

(b) Sections 1601 and 1602

The new Sections 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, together replace Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. The Company does not expect the adoption of these new standards to have an impact on its financial statements.

Changes in Disclosure Controls and Internal Control over Financial Reporting

National Instrument 52-109 requires Canadian public companies to disclose in their Management's Discussion and Analysis any change in internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, disclosure controls and/or internal control over financial reporting.

There has been no change in the Company's disclosure controls or internal control over financial reporting during the quarter ended September 30, 2010 that has materially affected or are reasonably likely to have a material effect on the Company's disclosure controls or internal control over financial reporting.

During the quarter ended September 30, 2010 the Company continued the development of disclosure and internal controls surrounding its International Financial Reporting Standards ("IFRS") conversion.

Conversion to International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The Company will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all IFRS standards retrospectively, unless mandatory or optional exceptions are applied with all adjustments to assets, liabilities and retained earnings prior to the transition date reflected in its January 1, 2010 ("Transition Date") opening balance sheet.

The Company has formed an IFRS implementation team comprised of the Chief Financial Officer, Corporate Controller and an external consulting firm. The team reports project updates periodically, but at least once a quarter, to the Audit Committee.

The Company's project consists of 3 phases: (1) awareness and assessment; (2) design; and (3) implementation. The Company completed the awareness and initial assessment during 2008 and 2009, where the Company undertook an IFRS diagnostic study to assess the impact of the transition from

Canadian GAAP to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting areas where IFRS differs from current accounting policies and accounting alternatives were identified and reviewed. The diagnostic study also identified key system and business process areas that will be addressed as part of the project. These included the development of an accounting policy manual that defines the Company's IFRS accounting policies; identification of the significant financial data required in order to define the transition adjustments and produce IFRS financial statements on an on-going basis; possible system modifications or implementations; and development and maintenance of effective disclosure controls and controls over financial reporting throughout the IFRS transition period.

The Company is currently in the design phase of the project, and is nearing completion thereof. Management, with the assistance of an external consulting firm with expertise in IFRS have established key milestones which include developing recommendations, analyzing internal control impacts, developing significant accounting policies, and carrying out ongoing discussions with external auditors. The Company is determining the impacts of adopting IFRS on its financial statements after considering the options available under IFRS 1 First Time Adoption of IFRS.

In conjunction with the design phase, the Company is working steadily through the implementation phase. The changes developed in the design phase takes place during the implementation phase and involves the development of new accounting policies and accounting manuals and the associated training for the finance team, testing the effectiveness of the changes made to systems, a simulation of the financial reporting process, preparation of opening balance sheet on transition date and related reconciliations, assessing the ongoing impacts on the IFRS financial statements and related disclosures, and carrying ongoing discussions with the external auditors.

Based on management's initial recommendations of IFRS accounting and reporting policies the following differences have been highlighted:

IFRS 1 First time adoption of IFRS

Business combinations

Business combinations that occurred prior to the Transition Date will not be restated under IFRS 3. This optional exemption applies to all business combinations that occurred prior to the Transition Date. It also applies to acquisitions of associates and interests in joint ventures.

Share-based payment transactions

The Company is required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that will vest after January 1, 2010. The Company will elect to take the optional exemption to not to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments granted after November 7, 2002 that vested before January 1, 2010.

Use of fair value as deemed cost

This optional exemption applies to items of property, plant and equipment, investment property or an intangible asset. The Company currently expects to carry the development costs (included in property, plant and equipment) at deemed cost, were deemed cost is based on a previous GAAP revaluation. Decommissioning liabilities included in the cost of property, plant and equipment.

The optional exemption allows a first-time adopter to calculate the amount of the provision capitalized in property, plant and equipment using the following steps:

- Calculate the provision at the date of transition as if the obligation arose at that date, discounted using a current market-based discount rate;
- Discount the provision back to the date that the obligation arose, using the Company's best estimate of the historical risk adjusted discount rate that would have been applied between that date and the date of transition.
- Depreciate the resulting present value from the date that the obligation first arose and the date of the transition.

Management intends to take this optional exemption.

Impact of IFRS accounting and disclosure changes

Impairment of assets

During 2008, the Company recorded an impairment charge on development costs. The Company has chosen to elect IFRS 1 fair value as deemed cost were deemed cost is based on the 2008 GAAP revaluation and as a result we expect no changes to the outcome of the previous impairment analysis.

Foreign currency considerations

The Company has analyzed the functional currency and has determined that the functional currencies of all its subsidiaries do not require change.

Financial instruments presentation

Under Canadian GAAP, the Company had determined the value of the equity component of the Convertible Notes, with the remaining carrying amount allocated to the debt component. Under IFRS, for a compound instrument, the Company is required to determine the fair value of the debt component first and the equity component as the residual. The Company is reviewing the valuation of the Convertible Notes as at the dates of issuance. Although the fair value has not yet been determined, the financial statement impact is likely to be material with a decrease in the equity component offset with an increase in the debt component.

Provisions, contingent liabilities and contingent assets

The Company is reviewing the valuation of the asset retirement obligation ("ARO") under IFRS. The major changes are likely to be due to: (a) the discount rate used to discount the estimated cash flows, (b) the fact that under IFRS, the adjustments to the ARO are made each period for changes in the timing or amount of cash flows, changes in the discount rate and unwinding of the discount where under Canadian GAAP, changes to the discount rate did not result in a remeasurement of the provision and the only changes in cash flow estimates that increased the liability were discounted based on the current rate, (c) under IFRS the ARO is considered a monetary liability unlike Canadian GAAP where it was accounted for as a non-monetary liability.

Quantification of changes

The Company is in the process of finalizing the IFRS opening balance sheet as at January 1, 2010. The Company is also in the process of preparing 2010 financial statements to IFRS standards. It is expected that all items will be completed within the required timelines for conversion.

Any IFRS standards released between March 31 and December 31, 2011 will necessitate retroactive application to the quarterly IFRS statements. It is not expected that standards will be released in 2011 that are effective in that year because new standards, when released, typically are not effective until 12 to 18 months following release.

The Company will continue its IFRS conversion related activities which the Company believes will be completed within a reasonable time following January 1, 2011. These activities will include a continued review of, and finalization of IFRS impact upon, accounting policies together with a review of its IT systems and the resource requirements to affect the conversion work in the remaining period of 2010. In addition, as a review of accounting policies is completed internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DCP") will be reviewed and, where necessary, appropriate changes made to ensure the integrity of ICFR and DCP. The Company does not currently expect any significant system modifications or implementations or a change that materially affects, or is likely to materially affect (either an individual material change or a number of changes that are material when considered collectively) the Company's ICFR and DCP in fiscal 2010 and 2011 due to the transition to IFRS. It will, however, continue to monitor the results of its conversion plan as well as ongoing changes to IFRS, if any, with a view to making any necessary modifications to its transition and implementation plans if required. The Company believes that it is on schedule to have changes in place to meet the changeover.

RISKS AND UNCERTAINTIES

The business of the Company is subject to a variety of risks, including those described below. The Company is also subject to the risks and uncertainties described in the 2009 AIF, which is available at www.sedar.com.

Ramping Up Mining and Milling Throughput

The Company is working towards a ramp-up schedule to achieve full production capacity by the end of 2010. Targeted full production capacity is milling up to 1.9 million tonnes of ore per annum to produce 75,000-90,000 tonnes of lead contained in concentrate. This schedule is based on the assumption that issues which impacted the plant running consistently at this rate in the past can be resolved. A further unknown has been added to the process with the need to bag the concentrate before it leaves the mine site and the removal of the solar lead drying pad. Commissioning to date has indicated that each element of the plant appears to be capable of delivering the desired output but further work needs to be done on de-bottlenecking and optimizing mining and processing operations.

Mining and Milling Operations

The Company restarted production at the Magellan Mine in February 2010 in parallel with the containerized shipments of the stockpiled mine site material. Recruiting, retaining and training qualified personnel in connection with mining and milling operations is critical to the Company's success. The mining and oil and gas industries in Western Australia have quickly recovered from the "global financial crisis" resulting in a highly competitive market for attracting experienced managers, professionals and operators. Attracting, training and retaining qualified personnel is crucial and there can be no assurance of success in that regard. Additional events which may impact the Company's ability to maintain commercial production may include, among others: shortages, delays or difficulties in obtaining equipment and materials; adverse weather conditions or natural disasters; unanticipated increases in costs of labour, supplies and equipment; accidents; and unforeseen engineering, design, environmental or geological problems.

Dilution

Assuming that all of the \$37.4 million principal amount of Convertible Notes were converted, a total of 340.0 million shares would be issued, making the total number of fully diluted shares of the Company 533.5 million shares. If the option to pay one-half of the interest on the Convertible Notes by payment in kind is exercised by Ivernia over the course of the four-year term of the Convertible Notes, an additional 42.5 million shares would be issued making the total number of fully diluted shares 576.1 million shares.

As at November 5, 2010 the Ivernia share price was C\$0.48, significantly higher than the US\$0.11 (C\$0.11) conversion price.

These events would significantly dilute the ownership interest of Ivernia's current shareholders. Subject to certain restrictions in the Convertible Notes, Ivernia may also issue additional options, warrants, convertible securities or additional Common Shares from time to time in the future, but any such issue would result in an upward adjustment in the amount of Common Shares issuable upon conversion of the Convertible Notes. If it does so, the ownership interest of Ivernia's then current shareholders would also be diluted.

Convertible Notes and Governance Agreement

The Convertible Notes contain certain restrictions on the ability of the Company to incur additional debt, grant security or make distributions or dividends as well as a restriction on Ivernia's ability to issue additional equity, create classes of securities ranking prior to, or *pari passu* with, the Convertible Notes. In addition, Sentient has certain rights under the Governance Agreement for so long as Sentient holds not less than \$4 million principal amount of Convertible Notes, including the ability to appoint three Directors to the six-member Magellan Metals board, thereby effectively requiring Sentient approval for fundamental decisions at Magellan Metals. The repayment of the Convertible Notes is secured by a general security agreement over Ivernia's assets. A copy of the Governance Agreement has been filed on www.sedar.com. The terms of the Convertible Notes and Governance Agreement could delay or restrict Ivernia from taking certain actions.

Matters Related to Esperance Settlement Agreement and Shipments Through the Port of Fremantle

The 2009 AIF contains a detailed description of events surrounding the suspension of shipment of lead carbonate concentrate from the Port of Esperance and the terms of the Esperance Settlement Agreement ("ESA").

A number of risks continue to arise out of the events following the lead pollution at the Port of Esperance including the following: (i) the Esperance Settlement Agreement is binding only on the parties thereto and does not preclude any person not a party from initiating claims against the Company for compensation by way of class action or otherwise, including claims in connection with personal injury or illness, property damage and damage to local industry or from initiating an action against any or all of the parties to the ESA for a declaration that that Agreement is null and void for public policy or other grounds; (ii) if Magellan Metals is unable or unwilling to pay the next A\$3 million contribution payment on or before September 30, 2012 as contemplated by the Esperance Settlement Agreement then the ESA becomes void *ab initio* thereby enabling the Esperance Port Authority now known as Esperance Ports Sea and Land ("EsPA") and/or the State to initiate an action against the Company for damages arising as a result of the lead carbonate pollution; (iii) the risk of litigation alleging that the Company erroneously invoked "force majeure" under its supply contracts and other contracts; (iv) the necessity of renegotiating contracts for transportation and sales of lead carbonate concentrate which may not be on terms which are beneficial to the Company.

The State or EsPA have retained the right to seek to claim from Magellan Metals a future contribution to seabed remediation in the harbor adjacent to the port area to remove lead carbonate should this work be required in the future. Magellan Metals' maximum exposure to such a claim is A\$3 million; however the Company may defend such a claim as it sees fit.

There remains a risk that a person opposed to the approval granted pursuant to "Ministerial Statement 783" to ship lead carbonate concentrate through the Port of Fremantle may, either alone or in concert with others, choose to commence an action against the appropriate government or regulatory authority and/or the Company for a declaration that such approval was not legally granted which would have the effect of delaying or prohibiting shipments through the Port of Fremantle. The Company is not aware of any impending or contemplated action to question the efficacy of the approval process or the shipping methodology.

Regulatory Proceedings and Litigation

The Company may be subject to civil claims (including class action claims), based on causes of action including; breach of contract, negligence, breach of statutory duty, public nuisance or private nuisance in connection with the lead pollution at Esperance or investigations relating thereto. While the Company is presently unable to quantify its potential liability, if any, under any of the above heads of damage, such liability may be material to the Company and may adversely affect its ability to continue operations.

In addition, the Company may be subject to actions by governmental or regulatory authorities in connection with the lead pollution at Esperance or investigations relating thereto. While the Esperance Settlement Agreement referred to above provides for certain releases by the State and EsPA of Ivernia and Magellan Metals, there are limitations on those releases. It is possible for regulatory authorities that are not a party to the ESA to initiate actions against the Company, including prosecution for breach of relevant legislation or failure to comply with the terms of the Company's licences and permits which could result in liability for pollution, other fines or penalties, revocations of consents, permits, approvals or licences or similar actions which could be material. While the Company is presently unable to quantify its potential liability in connection with such actions, such liability may be material to the Company and may adversely affect its ability to continue operations. The Company's current insurance coverage may not be adequate to cover all the potential losses, liabilities and damages that could result from the civil and/or regulatory actions referred to above.

In the process of putting the Magellan Mine into temporary care and maintenance, Magellan Metals claimed "force majeure" for a number of its agreements. Until such time as any claims may be statute barred, there is the possibility of an action being commenced.

As at November 8, 2010, the Company is not aware of any action being taken against it with regards to the events at Esperance.

Implications Stemming from the Inquiry

The report issued by the Australian Parliament recommends that the EPA consider whether any action should be taken against Magellan Metals. To date, no prosecutions have been commenced against the Company however there can be no assurance that future prosecutions will not be forth coming.

General Operating Risks

Metal Price Volatility

The Company's operating revenues are derived from the sale of lead carbonate concentrates. Accordingly, the Company's earnings are directly related to the price of lead and to lead maintaining its position as the primary component of motor vehicle batteries. Lead prices have fluctuated over time and are affected by numerous factors beyond Ivernia's control. The effects of these factors are impossible for Ivernia to predict. If the market price for lead falls below Ivernia's total cash costs and remains at such levels for a sustained period, Ivernia may, if it is not appropriately hedged, incur losses and may determine to discontinue mining operations. As discussed under Liquidity and Financial Conditions – Forward Sales and Purchase Contracts, Ivernia currently employs forward purchase and forward sales contracts. Management will consider future hedging strategies within its corporate policy guidelines.

Treatment Charges

The Company sells its lead carbonate concentrate to smelters which process it into refined metal. Smelter processing charges are made up of the contracted price for treatment charges, and costs to cover metal losses in the smelting process (referred to as content losses). Some smelter contracts also include price participation clauses under which the mines and smelters participate to some extent in the upward and downward movement in metal prices.

Exchange Rates

Substantially all of the revenues of Magellan Metals are (or are expected to be) denominated in US dollars, whereas a significant portion of its operating costs are denominated in Australian dollars. A significant portion of expenses of Ivernia are (or are expected to be) denominated in Canadian dollars with debts denominated predominantly in US dollars. Fluctuations in the A\$/US\$ and the C\$/US\$ exchange rates may significantly impact the earnings and cash flows of Magellan Metals and Ivernia.

Single Producing Mineral Property

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

Ore Reserves and Mineral Resources

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

Health and Safety

Lead is a toxic substance that can become concentrated in the food chain and affect human and animal health. Although the Company has implemented procedures that are designed to protect the health and safety of employees, contractors and others, such procedures require strict adherence by the respective individuals and no assurance can be given that employees, contractors or others will not be exposed to lead carbonate concentrate, which may attract liability to Ivernia. In the event that control measures are not completely successful, employees, contractors or others could absorb enough lead to raise their blood lead levels above permissible levels and require their removal from the site. Temporary workers would need to be employed to maintain operational continuity, which would result in additional labour costs.

Mining and processing operations also involve a variety of other hazards including geotechnical, heavy machinery, mobile plant, electricity, working at heights, confine spaces, water and tailings storage facilities and hazardous substances. While the Company has developed a comprehensive occupational health and safety program and work procedures, it needs to evolve with the changing hazards of the work environment. Risk management processes are used to maintain and update the occupational health and safety program and procedures.

Employees, contractors or others may not adhere to the occupational health and safety program and procedures that are in place. This risk is managed by selecting and employing capable people for the various roles and ensuring adequate supervision and training resources are available to maintain employee competence. The Company also has a fitness for work program which focuses on fatigue, stress, alcohol and drug abuse.

The Company is aware that both careful monitoring and effective controls are paramount but there is still a risk that incidents will occur which will require remedial action and may result in curtailment of operations.

Environmental

Certain environmental issues could potentially affect the operation of the business. Although potential issues such as storm events, groundwater, land contamination, tailings storage seepage, pit wall failure, dust and noise emissions have all been assessed and appropriate strategies implemented as a means of reducing these risks, with these strategies continually being reviewed and improved where required, based on practices at other base metal mining and processing operations have been adopted, there can be no assurance that an unforeseen event will not occur which could have an impact on the viability of the operation. Other than as disclosed herein, Ivernia is not aware of any other material environmental constraints affecting its existing mining or development properties that would preclude the economic development or operation of any specific mine or property.

Mining Risks

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

Metallurgy

The Company is aware of the inherent risk of mineralogical changes in the planned treatment of the Magellan Mine ore bodies. Particle liberation and the effectiveness of selective chemical collection are the

key variables in any flotation-based process and these have been assessed on the sample suites available for test work, which has been limited to a relatively small weight percent of the planned mining operation. While every reasonable step has been taken to ensure that the metallurgical process is suited to the task, including third party reference advice, comparisons with similar operations both past and present and extensive test work on actual material, no assurance can be given that modifications will not be required or that the predicted performance will be achieved.

Labour and Employment Regulations

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

Government Regulation

Ivernia's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense including increased or new royalty taxes and other capital expenditures, restrictions and delays in the development of the Company's properties, the extent of which cannot be predicted.

On May 2, 2010 the Treasurer of Australia announced proposed sweeping changes to Australia's tax system, including the proposed imposition effective July 1, 2012 of the RSPT. Key features of the proposed RSPT include: a 40% rate applied to resource project super profits, calculated in accordance with a stated formula; a focus on extraction profits only; deductibility for income taxes; and applies to all existing and future non-renewable resource projects.

On July 2, 2010 the Treasurer of Australia announced an amendment to the RSPT in that it would be replaced by the MRRT at a rate of 30 percent applying to iron ore and coal in Australia; and extending the PRRT regime to all Australian onshore and offshore oil and gas projects. The resource taxation reforms focus on the most profitable resources, raise the uplift factor for tax losses, remove refundability and offer depreciation arrangements to promote new investment. The profits-based taxation reforms will apply from July 1, 2012.

The MRRT proposal which has replaced the RSPT proposal excludes base metal projects and therefore indicates that Magellan Metals income tax rate will remain unaffected; however, there can be no assurance that long term income tax rates will not be subject to increases at a future date.

In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. While it is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that Ivernia will not proceed with the development or operation of a mine. Other than as previously disclosed herein, the Company is not aware of any other material environmental constraint affecting its existing mining or development properties that would preclude the economic development or operation of any specific mine or property.

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

Insurance

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

Dependence on Key Personnel

The Company's success depends to a significant extent on the continued services of certain key personnel both in Canada and Australia. The failure to retain certain personnel and to attract suitably qualified and experienced management in the future could adversely affect the Company's ability to manage its operations.

Constraints on Cash Distributions from the Magellan Mine

Cash flow generated from commercial production at the mine is subject to constraints before it can be distributed by Magellan Metals to the Company. These constraints include ongoing operating costs for the mine, capital costs for the restart of the mining operation, and royalty payments to native title claimants under the Heritage Agreement and the Land Use Agreement. Additionally any constraints or curtailments on Magellan Metals' ability to ship lead carbonate concentrate will have a direct impact on Magellan Metals' ability to generate cash flow and thus impact distributions to the Company. Accordingly, there can be no guarantee that such distributions, if any, will be sufficient to fund any other activities which the Company may wish to undertake, or to fund the payment of dividends on the Common Shares.

Nature of Mineral Exploration and Development

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

appropriate for this type of operation have been included, no assurances of achieving the targets can be given as many outside factors can interfere, such as actual availability of equipment and services at the appropriate time or unusual climatic events.

Common Share Price Volatility

The market price of the common shares of the Company could fluctuate significantly based on a number of factors in addition to those listed herein, including:

- the impact of any litigation arising from the cause and extent of lead pollution in the Esperance area;
- the Company's operating performance and the performance of competitors and other similar companies;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the common shares of the shares of other companies in the resource sector;
- changes in the market price of lead;
- changes in general economic conditions;
- the number of common shares to be publicly traded assuming full conversion of the Convertible Notes;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

Forward-Looking Statements

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

Determination of Mineral Resources and Ore Reserves

The estimates of Measured, Indicated and Inferred Mineral Resources in relation to the Magellan Mine set out in the public disclosure documents of the Company are based upon information prepared by or under the supervision of one or more qualified persons, as that term is defined in National Instrument 43-101. The estimates of proven and probable Ore Reserves in relation to the Magellan Mine set out in the public disclosure documents of the Company are also based upon information prepared by or under the supervision of one or more qualified persons, as that term is defined in National Instrument 43-101.

The Company's mineral resources and ore reserves are reported in accordance with the 2004 update of the JORC Code. The qualified persons named in the public disclosure documents of the Company in respect of the Magellan Mine are of the view that the estimates of Measured, Indicated and Inferred Mineral Resources and proven and probable ore reserves set out in the public disclosure documents of the Company would not be materially different if they were reported in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000.

Although the Company believes that the estimates of mineral resources and ore reserves set out in the public disclosure documents of the Company have been carefully prepared and that the methods of estimating these are reliable, no assurance can be given that the stated mineral resources and ore reserves are present in the quantities stated, or that metal or concentrate will be produced in the quantities

expected. Only ore reserves have demonstrated technical and economic viability. Mineral resources, ore reserves and metal production will be affected by a number of factors including the following:

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

QUALIFIED PERSON

The information in this MD&A that relates to drilling results for the Magellan Mine drilling program is information compiled by Mr. Bruce Hooper who is a full time employee of Ivernia Inc and is a member of the Australian Institute of Geoscientists. Mr. Hooper has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and a Qualified Person as defined in the Canadian National Instrument 43-101 (standards of Disclosure for Mineral Projects). Mr. Hooper verified the data disclosed in this MD&A, including the sampling, analytical and test data underlying the information contained herein. Mr. Hooper has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

SAMPLE ANALYSIS

The drilling was completed by the contractors, Orbit Drilling by reverse circulation methods and samples were collected at one metre intervals by a cyclone splitter. The samples were analyzed by portable XRF and all metre samples with anomalous readings were sampled and sent to independent laboratory Genalysis Laboratory Services, a member of the Intertek Group, Mineral Services and analyzed for Lead by AX/AAS. All samples were collected dry and had no issue with poor recovery. Quality control procedures including duplicates, repeats and blank samples have shown no factors that would affect the reliability of the drill results.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. All statements included herein (other than statements of historical facts) which address activities, events or developments that management anticipates will or may occur in the future are forward-looking statements, including statements as to the following: future targets and estimates for production, capital expenditures, operating costs, cash costs, Mineral Resources and Ore Reserves, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals and plans for Ivernia's future business operations; and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management

believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions such as metal price volatility, lead carbonate concentrate treatment charges, exchange rates, regulatory proceeding and litigation, single mineral property, Mineral Resources and Ore Reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, refinancing risk, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. Additional factors and considerations are described in the Company's 2009 AIF under "Description of the Business of the Company - Doing Business in Australia" and elsewhere in this MD&A and in other documents filed from time to time by Ivernia with Canadian securities regulatory authorities. While Ivernia considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These factors may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on the Company. Undue importance should not be placed on forward-looking information nor should reliance be placed upon this information as of any other date. Except as required by law, while it may elect to, Ivernia is under no obligation and does not undertake to update this information at any particular time.