



NEWS RELEASE

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

IVERNIA REPORTS FOURTH QUARTER AND YEAR END 2010 FINANCIAL RESULTS

TORONTO, ONTARIO – MARCH 30, 2011 – Ivernia Inc. (“Ivernia” or the “Company”) (TSX: IVW) today reported revenue of \$37.9 million for the fourth quarter of 2010, compared with revenue of \$16.9 million for same period last year. For the year ended December 31, 2010, revenue totaled \$100.8 million compared to \$25.2 million for 2009.

The Company recorded income after operating costs and amortization (“Operating Income”) of \$8.3 million for the fourth quarter of 2010, compared to an Operating Income of \$2.7 million for the same period last year, and Operating Income of \$6.6 million for the year ended 2010, compared to Operating Income of \$3.4 million for 2009.

The Company returned a second consecutive quarter of profitability, with a net income of \$24.6 million, or \$0.08 per common share, for the fourth quarter of 2010 compared with a net income of \$5.9 million, or \$0.03 per common share for the same period last year. For the year ended December 31, 2010 net income was \$17.1 million, or \$0.08 per common share, compared to a net loss of \$3.3 million, or \$0.02 per common share, for 2009.

2010 FOURTH QUARTER AND YEAR END HIGHLIGHTS

Operational

- Continued quarter over quarter increase in lead production and recoveries from the Magellan Mine since the restart of operations in February, 2010
- Lead recovery of 78% in the fourth quarter of 2010 – representing near-record quarterly recoveries and a 2% increase from the previous quarter’s 76%
- Fourth quarter production of 16,900 tonnes of lead contained in concentrate produced – a 15% increase from the previous quarter
- Achieved total milling of 316,000 tonnes for the fourth quarter – a 22% increase from the previous quarter
- Completed drilling program at the Magellan Mine in 2010, which formed the basis for new mineral resources and reserves – this resulted in an 87% increase in tonnage (76% increase in contained metal) for measured and indicated mineral resources and a 42% increase in tonnage (45% increase in contained metal) for mineral reserves
- Entered into an exploration earn-in agreement on the Prairie Downs project and completed a successful first phase drilling campaign

Financial

- Recorded revenue of \$37.9 million for the fourth quarter, and \$100.8 million for the year
- Operating Income of \$8.3 million for the fourth quarter and \$6.6 million for the year
- Net income of \$24.6 million for the fourth quarter and \$17.1 million for the year
- \$7.9 million in cash generated from operating activities during the fourth quarter and \$6.9 million for the year
- Cash balances of \$14.4 million at year end
- Highest average quarterly lead price per pound realized since operations commenced

FINANCIAL AND OPERATING HIGHLIGHTS

The following table is a summary of Ivernia's financial and operating highlights for the three months and years ended December 31, 2010, 2009 and 2008:

	Three months ended December 31,			Year ended December 31,		
	2010	2009	2008	2010	2009	2008
(in thousands of United States dollars, unless otherwise indicated and per share amounts)	\$	\$	\$	\$	\$	\$
Financial Highlights						
Revenue ⁽¹⁾	37,945	16,904	–	100,764	25,172	–
Operating costs	(26,445)	(13,823)	(1,045)	(89,100)	(20,854)	(7,491)
Amortization	(3,213)	(387)	(12)	(5,028)	(887)	(888)
	8,287	2,694	(1,057)	6,636	3,431	(8,379)
Asset impairment	–	–	(73,000)	–	–	(73,000)
General and administrative	(2,423)	(1,757)	(2,004)	(8,464)	(6,850)	(6,515)
Esperance/Fremantle and related costs ⁽²⁾	–	(15)	(110)	–	(1,293)	(839)
Net interest expense	(584)	(888)	(237)	(2,575)	(2,812)	(2,337)
Accretion	(1,089)	(734)	(1,636)	(4,011)	(4,231)	(8,059)
Stock option costs	(31)	(37)	31	(152)	(75)	(164)
Esperance settlement	–	–	(8,002)	–	–	(8,002)
Inventory (write-down) recovery	(97)	–	(6,749)	2,161	4,188	(7,543)
Loss on investments	–	–	(954)	–	–	(954)
Debt settlement expense	–	–	–	–	(753)	–
Foreign exchange and other expenses	4,306	646	(1,826)	4,331	277	(1,990)
	82	(2,785)	(94,487)	(8,710)	(11,549)	(109,403)
Income (loss) before income taxes	8,369	(91)	(95,544)	(2,074)	(8,118)	(117,782)
Income tax recovery ⁽³⁾	16,187	6,004	20,824	19,178	4,814	27,613
Net income (loss)	24,556	5,913	(74,720)	17,104	(3,304)	(90,169)
Basic (loss) earnings per share ⁽⁴⁾	0.08	0.03	(0.41)	0.08	(0.02)	(0.53)
Fully diluted (loss) earnings per share	0.08	0.01	(0.41)	0.08	(0.02)	(0.53)
Weighted average shares outstanding – thousands	310,102	180,548	180,153	210,115	180,252	170,873
Unrealized gain (loss) on investment	46	–	897	133	(4)	403
Comprehensive income (loss)	24,602	5,913	(73,823)	17,237	(3,308)	(89,766)
Cash provided by (used in) operations before changes in non-cash working capital	10,384	530	(7,799)	847	(8,287)	(21,553)
Cash flow provided by (used in) operating activities	7,939	6,038	(5,356)	6,949	(2,946)	(23,764)
Operating Highlights						
Ore milled – (000's tonnes)	316	–	–	874	–	–
Average head grade – (% lead)	6.9	–	–	6.8	–	–
Recovery – (%)	78	–	–	74	–	–
Concentrate produced – (000's dry tonnes)	25.9	–	–	68.0	–	–
Concentrate sold – (000's dry tonnes)	23.5	11.3	–	71.3	20.1	–
Lead metal in concentrate produced – (000's tonnes)	16.9	–	–	44.1	–	–
Lead metal in concentrate sold – (000's tonnes)	15.3	7.3	–	46.2	12.8	–
Concentrate inventory – (000's of dry tonnes) ⁽⁵⁾	5.1	9.2	29.0	5.1	9.2	29.0
Average lead price – LME cash settlement– (\$ per pound)	1.08	1.05	0.57	0.97	0.79	0.95
Ivernia's average lead sale price – (\$ per pound)	1.19	1.10	–	1.04	0.94	–
Cash cost per pound sold – (\$ per pound) ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A

(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, leaving two stockpiles totalling approximately 29,000 dry metric tonnes of lead carbonate concentrate, of which 21,000 dry metric tonnes was located at the Magellan Mine site and 8,000 dry metric tonnes at the Port of Esperance. This suspension was lifted in December 2008, following which a first shipment of approximately 600 dry metric tonnes was made in March 2009 and a second shipment of approximately 7,700 dry metric tonnes in May 2009. Final

reconciliation of the Esperance stockpile led to an inventory gain of approximately 300 dry metric tonnes of lead carbonate concentrate. Final reconciliation of the mine site stockpile in the first quarter of 2010 led to an inventory loss of approximately 800 dry metric tonnes of lead carbonate concentrate

- (2) Costs incurred in the advancement of the application for regulated shipping approvals through the Port of Fremantle, the removal of the stranded lead carbonate concentrate stockpile at the Port of Esperance and other related activities
- (3) Of the \$19.2 million in income tax recovery for the year, \$8.7 million relates to the reduction of a valuation allowance on Magellan Metals' non capital loss carry forwards. During the fourth quarter of 2010, the Company reduced the valuation allowance relating to Magellan Metals' non capital loss carry forwards from 31.5% to 0% releasing \$8.7 million of prior year unrecognized losses into the income tax recovery provisions
- (4) Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant period
- (5) Inventory was increased by 2,000 dry metric tonnes in the third quarter of 2008 as a result of an updated inventory reconciliation
- (6) Cash cost per pound sold is a non-GAAP measure. Cash cost of lead sold is not currently meaningful as the Magellan Mine was ramping up towards steady state production in 2010. When the Magellan Mine achieves steady state production run rates in 2011, information about the cash cost of lead sold will be reintroduced

OPERATIONS REVIEW – MAGELLAN MINE

Principal activities during 2010 focused on the continuing ramp-up of production levels following the restart of operations in February 2010.

The table below summarizes quarterly mine production, process production, shipments and inventories for the year ended December 31, 2010:

	Three months ended March 31	Three months ended June 30	Three months ended September 30	Three months ended December 31	Twelve months ended December 31
Mining					
Ore mined – 000's tonnes ⁽¹⁾	–	182	233	301	716
Low grade ore mined – 000's tonnes ⁽²⁾	15	85	44	117	261
Total ore and waste mined – 000's bcm	118	729	952	868	2,667
Processing					
Ore milled – 000's tonnes	32	268	259	316	874
Average head grade – % lead	6.9	6.2	7.4	6.9	6.8
Average recovery – %	54	69	76	78	74
Concentrate produced – 000's dry tonnes	2.0	17.5	22.6	25.9	68.0
Concentrate grade – % lead	60	65	65	65	65
Lead metal in concentrate produced – 000's tonnes	1.2	11.4	14.6	16.9	44.1
Sales and inventories					
Concentrate sold – 000's dry tonnes	8.4	13.3	26.1	23.5	71.3
Concentrate grade – % lead	64	65	65	65	65
Lead metal in concentrate sold – 000's tonnes	5.4	8.6	16.9	15.3	46.2
Concentrate inventory – 000's dry tonnes	2.0	6.3	2.7	5.1	5.1

(1) Ore mined does not include low grade ore

(2) Low grade ore contains 1.5 to 2.5% lead

Magellan Production Ramp-up

The approval for the concentrate transport process from the Magellan Mine to the Port of Fremantle was received in August 2009 and subsequently 20,200 dry metric tonnes of stockpiled bagged concentrate was transported from site between September 2009 and March 2010. Once this approval had been received, plans were implemented to restart mining and processing operations at the Magellan Mine in early 2010. A number of key projects had been identified around the processing plant which were deemed critical to complete before the restart. These projects included: the repair and reline of the crusher feed bin; the repair and reline of the surge tank; and, commissioning of the pressure filter installed immediately prior to the 2007 shutdown. The focus of these projects was on ensuring a high level of plant availability during 2010 and 2011. Milling operations commenced on February 23, 2010.

For the year ended 2010, the mill treated approximately 874,000 dry metric tonnes of ore with an average grade of 6.8% lead. The plant recovered an average of 74% of the lead to produce approximately 68,000

dry metric tonnes of concentrate with an average grade of 65% lead. During the fourth quarter of 2010, the mill treated 316,000 dry metric tonnes of ore with an average head grade of 6.9% lead. The plant recovered an average of 78% of the lead, to produce approximately 25,900 dry metric tonnes of concentrate with an average grade of 65% contained lead, representing a marked improvement from the results of the third quarter of 2010. As shown in the table above, during the year, the Magellan Mine showed a steady improvement quarter over quarter in recoveries and concentrate production. Detailed quarterly production results can be obtained from the above production summary table.

During the first quarter of 2010, Magellan Metals extended the existing mining contract, with Western Australia-based Mining & Civil Australia Limited ("MACA") to restart the mining of the Magellan and Cano open pits and all future mining activities until December 31, 2014. MACA is a medium-sized, Australian Stock Exchange-listed mining contractor. Work commenced on March 1, 2010, with blasting activities recommencing on March 16, 2010. First quarter activities were primarily preparation work and waste removal with ore delivery to the mill feed pad commencing in April, 2010.

The power station was re-commissioned in January 2010 and has been operating efficiently since with very little downtime. In May 2010, Magellan Metals completed the purchase from Sept Pty Ltd. and Pacific Energy (KPS) Pty Ltd. (the "Vendors") of the on-site power station for a purchase price of A\$1.6 million. The 5.6 megawatt power station, which had been leased to Magellan and operated by the Vendors prior to the purchase, comprises seven diesel generators with related equipment, systems and control room. The power station is now owned and operated by Magellan.

The second quarter of 2010 was characterized by a number of events of metallurgical instability as a result of higher mill throughputs and unanticipated high grade volatility. These events resulted in a number of plant stoppages and poor lead recoveries. The issues were caused by a number of factors, many of which were addressed early in the third quarter of 2010. As a number of projects were implemented throughout the quarter to address these issues it became clear that there was a key bottleneck issue with the concentrate thickeners and an interaction issue between the thickeners and the pressure filter which was causing lower than expected performance from the filter.

In July and August, the plant successfully performed a trial-run of the concentrate thickeners and flocculent addition in parallel. The result has been greater thickener throughput and higher, more reliable, concentrate density being fed to the pressure filters. An upgraded pressure filter feed pump was installed in November to complete the upgrade of the concentrate dewatering circuit to deliver the potential to filter approximately 145,000 dry metric tonnes of concentrate per annum with a moisture content of 8 to 8.5%.

Performance at the Magellan Mine continued to improve in the third quarter as key debottlenecking capital projects were implemented and the workforce gained more experience with this unique ore and processing plant. Changes to run-of-mine stockpiling implemented in August addressed issues with the grade volatility allowing more steady-state operation of the plant and an opportunity for the first phases of a number of recovery improvement projects.

The interaction between the concentrate thickeners and the filters was a continued ongoing area of focus and the subject of several projects in the fourth quarter. There was a planned shutdown of operations in November to replace the crusher liner, install isolation valves on the cyclone feed pumps and install a new filter feed pump of increased capacity. This increase in capacity led to a marked improvement in the cycle times required for presentation of material to the concentrate filter. Improvements were made to the thickener feed control and flocculent addition in the fourth quarter. These assisted in removing a process bottleneck and increasing plant stability.

Throughout the year a number of improvements have been made to the concentrate bagging process. By the fourth quarter the experienced bagging crew were able to bag and load containers at rates equivalent to full production. A semi-automated bagging machine design is being considered and upgraded dust control measures in the concentrate shed are scheduled for installation in 2011.

Magellan has now recruited its full complement of personnel, supplemented by contract labour for the bagging operations.

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 blend optimization of mineralization, rock type, and grade, metallurgical testing to increase recoveries, reduced double handling; reduced non-productive equipment moves; and, identifying locations for in-pit waste dumping. Improved blasting practices are being implemented to reduce downstream crushing and grinding costs as well as minimizing costly crusher blockages.

Close spaced grade control drilling and grade sampling of blast holes using a portable x-ray fluorescence ("XRF") analyzer 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 in blocks that have been earmarked as waste using the broader spaced grade control drilling.

Plans are being developed to convert the generator sets in the Company's wholly owned power station from diesel-fuelled to a cost-efficient natural gas/diesel blend. A gas pipeline was constructed in 2006 and 2007, connecting the Magellan Mine power station to the main Goldfields gas pipeline. Gas supplies until 2016 have been secured on long term contract at competitive prices. The conversion of the minesite power station to dual fuel is expected to significantly reduce power costs and carbon emissions.

Magellan Metals has implemented a best-practice concentrate handling system utilizing sealed and double-lined two tonne plastic bulk bags which are enclosed within locked 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.

The Company plans to examine methods in which to increase the mill and mine sizing to take advantage of economies of scale and improve the economics of the operations.

Other optimization projects being considered for 2011 include improvements in understanding of the grade versus recovery trade-off, addition of an on-site metallurgical laboratory, and a review of use, handling and transport opportunities to reduce reagent costs.

Production Outlook

Ivornia temporarily shutdown mining and processing operation at the Magellan Mine from January 5, 2011, until late February, 2011. Upon the resumption of operations the Company continued the ramp-up of production commenced in 2010. For additional information see the Company's 2010 Annual Information Form, dated March 30, 2011, at www.sedar.com.

For 2011, Ivornia expects to produce approximately 60,000 to 70,000 tonnes of lead contained in concentrate.

Capital Resources and Working Capital Requirements

On January 13, 2011, Sentient Executive GP III, Limited purchased 52.9 million common shares of Ivornia for gross proceeds of C\$18.0 million. A full description of the transaction is available in the Company's Annual Information Form for the year ended December 31, 2010 filed on SEDAR at www.sedar.com.

As at March 25, 2011, Ivornia held unrestricted cash balances of approximately \$17 million. While the Magellan Mine was not in production for a portion of the first quarter of 2011, at current lead price and expected production levels, Ivornia anticipates a return to positive cashflow and profitability in subsequent quarters and expects to continue improving its working capital and cash positions. In addition, Ivornia expects the cashflow from operating activities at the Magellan Mine will be sufficient to fund cash required for non-operating activities going forward, including its funding requirements for the Prairie Downs project. Ongoing cash flow from operating activities continues to be exposed to fluctuations in metal prices, production rates and the A\$/US\$ exchange rate.

2011 Technical Report - Magellan Mine

SRK Consulting (Australasia) Pty Ltd (“SRK”) has prepared an independent National Instrument 43-101 (“NI 43-101”) compliant technical report on the Magellan Mine entitled “Technical Report on the Magellan Lead Carbonate Mine, Wiluna, Western Australia”, with an Effective Date of March 30, 2011 (the “2011 Technical Report”). SRK is a global mining consulting firm independent of Ivernia.

The 2010 Technical Report contains information on mineral resources and reserves, life of mine, permitting and financial analysis. The 2011 Technical Report will be filed by the Company in its entirety on SEDAR at www.sedar.com on March 30, 2011. For additional information see the Ivernia news release dated March 30, 2011 and entitled “Ivernia Announces Significant Increase in Mineral Resources and Reserves at the Magellan Mine”.

Prairie Downs Project

Under the terms of an earn-in agreement announced by the Company on June 14, 2010, a wholly-owned subsidiary of Ivernia may acquire up to 80% interest in the Prairie Downs project (“Prairie Downs” or the “Project”) from Australian Stock Exchange listed Prairie Downs Metals Ltd. (“PDML”). The Project, located 60 kilometers (“km”) southwest of Newman in Western Australia, is located within 250 km of the Magellan Mine.

The key features of Ivernia’s earn-in agreement with PDML include:

- An option in favour of Ivernia to purchase a 60% interest in the Project for A\$10 million in cash or its 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 (“Prairie Downs Joint Venture”) between it and PDML with respect to the Project.
- The ability for Ivernia to increase its 60% interest in the Project 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 Prairie Downs Joint Venture will dilute proportionally until it is 2.5%, at which point the Prairie Downs Joint Venture 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.

Previous drilling at the project has concentrated only on the known Prairie Deposit (“PD”), with limited work on other deposits in the belt or on associated mineralization. Ivernia has committed to an initial A\$2 million exploration program of geochemical sampling, geological mapping, and drilling to be completed by June 2011. A phase one drilling program (“Phase One”) commenced in the third quarter of 2010, with 3,258 meters drilled in 30 reverse circulation (“RC”) drill holes. Phase One was designed to test geological, geochemical and geophysical targets primarily outside of the PD. The results of the program are presented in Ivernia’s news release dated January 20, 2011 filed on SEDAR at www.sedar.com.

A total of 16 RC holes were drilled at the Wolf prospect in Phase One, located 2 km northwest of the PD. Broad zones of low grade zinc mineralisation were intersected, including significant high grade intercepts of zinc, lead, and silver which are planned to be followed up in the phase two drill program (“Phase Two”) expected in the second quarter of 2011. The remaining 14 RC holes were drilled in five other target areas, namely the Camp Lead, Prairie South, Prairie East, Prairie Chert and Hyena prospects. Although strong alteration was noted in a number of holes in these five areas, no anomalous results were reported and no further work is planned in these other areas at present.

A new high-priority target area identified by surface work is the West Hyena prospect, located 7 km southeast of the Wolf prospect. This is a target area that the Company anticipates drill testing in Phase Two.

The technical information in this news release related to Prairie Downs is based upon information compiled by Bruce Hooper, who is a member of the Australian Institute of Geoscientists. Mr. Hooper is an employee of Ivernia, a Qualified Person within the meaning of National Instrument 43-101 and has visited the Project. Mr. Hooper has consented to the inclusion in this news release of the matters discussed. For information on Quality Assurance/Quality Control procedures for Prairie Downs and a summary of results from Phase One see the Ivernia news release dated January 20, 2011.

Conference Call and Webcast

Ivernia invites you to join its fourth quarter and year end 2010 conference call on Thursday, March 31 at 10:00 am (EST). Participants may access the call by dialling:

Phone: 1 800 901 5247 (Canada and USA) or +1 617 786 4501 (International)

* Participant passcode is 52182531

For those unable to participate in the conference call or webcast at the scheduled time, a telephone replay will be available until April 14, 2011 by dialing:

Phone: 1 888 286 8010 (Canada and USA) or +1 617 801 6888 (International)

* The playback passcode is: 51390077

A webcast replay will remain available until April 14, 2011 on the Investors 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 and year ended December 31, 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 metal mining company and the owner and operator of the Magellan Mine, located in Western Australia.

Ivernia trades under the symbol "IVW" on the Toronto Stock Exchange. Additional information on Ivernia is available on the Company's website at www.ivernia.com and at SEDAR at www.sedar.com.

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Forward-Looking Statements

Certain statements contained in this news 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, mineral reserves, life of mine, 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, matters relating to ramping up mining and milling throughput and operations, regulatory compliance and approvals, metal price volatility, lead carbonate concentrate treatment charges, exchange rates, regulatory proceedings and litigation, the fact that the Company has a single mineral property, resources and reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, dependence on key personnel, constraints on cash flow, the nature of mineral exploration and development, matters related to the order to cease transport of lead concentrate and matters relating generally to the transportation of lead carbonate; matters related to the Esperance settlement and shipments through the Port of Fremantle; implications stemming from the Esperance inquiry; and common share price volatility and the dilution of the Company's common shares. Additional factors are discussed in the Company's most recent Annual Information Form and Management's Discussion & Analysis 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.



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

**For the Year Ended
December 31, 2010**

Table of Contents

OUR BUSINESS, OUTLOOK AND LONG-TERM OBJECTIVES	2
FINANCIAL AND OPERATING HIGHLIGHTS	6
HIGHLIGHTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2010	7
OPERATIONS REVIEW – MAGELLAN MINE	7
CORPORATE DEVELOPMENT AND EXPLORATION	18
SUBSEQUENT EVENTS	19
LEAD MARKET FUNDAMENTALS	22
FINANCIAL RESULTS	24
LIQUIDITY AND FINANCIAL CONDITION	29
BALANCE SHEET	32
FINANCIAL INSTRUMENTS	42
ACCOUNTING POLICIES	47
RELATED PARTY TRANSACTIONS	53
DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING	54
RISKS AND UNCERTAINTIES	54
FORWARD-LOOKING STATEMENTS	65

March 30, 2011

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 quarter and year ended December 31, 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 March 30, 2011 except as otherwise noted. This discussion should be read in conjunction with the annual audited consolidated financial statements and notes thereto of the Company as at and for the years ended December 31, 2010 and December 31, 2009 (the "2010 Financial Statements"). The 2010 Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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 ("US\$"), except as otherwise indicated where C\$ = Canadian dollars and A\$ = Australian dollars.

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

OUR BUSINESS, OUTLOOK AND LONG-TERM OBJECTIVES

Ivernia is an international base metal mining company which, through its wholly-owned subsidiary, Magellan Metals Pty Ltd. ("Magellan Metals"), 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 "*Magellan Mine Operations*". In 2010, Ivernia began the execution of a corporate growth strategy to acquire and advance exploration and development projects to add to its portfolio. In June 2010, Ivernia announced an exploration earn-in with Prairie Downs Metals Limited ("PDML") whereby Ivernia has the right to acquire an interest in the Prairie Downs zinc-lead-silver project in Western Australia (the "Prairie Downs Project" or the "Project") 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 mines and exploration and development projects. The common shares ("Common Shares") of the Company are listed on the Toronto Stock Exchange under the symbol IVW.

On March 30, 2011, the Company announced a significant increase in mineral resources and reserves at the Magellan Mine, and the filing of an updated National Instrument 43-101 Technical Report (the "2011 Technical Report") prepared by SRK Consulting (Australasia) Pty Ltd ("SRK"). The mineral resources and reserves in the 2011 Technical Report show an increase of 87% in tonnage of mineral resources in the measured and indicated categories (76% increase in contained metal) and an increase of 42% in tonnage of proven and probable reserves (45% increase in contained metal) from the previously released mineral resources and reserves as outlined in the Company's 2009 Annual Information Form ("2009 AIF") dated March 30, 2010. The updated mineral reserve estimate in the 2011 Technical Report is based on a \$2,200 per tonne lead price and a \$0.95 US\$/A\$ foreign exchange rate. A copy of the 2011 Technical Report will be filed on SEDAR on March 30, 2011 and is available on SEDAR at www.sedar.com.

The 2011 Technical Report highlights an option to review the sizing of the operation within the next two years, as at higher throughput levels the Company has the potential to achieve significant economies of scale. During 2011, the Company plans to conduct a review of the sizing of the Magellan Mine to determine the optimum

MANAGEMENT'S DISCUSSION AND ANALYSIS

throughput levels to best capitalize on potential economies of scale within the operation based on this increased resource base and exploration potential. To commence this process, Magellan Metals has submitted a proposal to Western Australian regulatory authorities to increase mill throughput to 1.9 million tonnes of ore milled per annum; Magellan Metals awaits a response to this proposal. Any increase above 1.9 million tonnes of ore milled per annum would require additional regulatory approvals to those currently proposed (see "*Risks and Uncertainties – Regulatory Compliance and Approvals*").

The 2011 Technical Report assumes that, subject to regulatory approval, the Company will increase throughput capacity levels to 2.0 million tonnes of ore milled per annum in two years time and that the Company will produce on average approximately 93,000 tonnes of lead contained in concentrate per annum over the next seven years of mine life and on average approximately 60,000 tonnes of lead contained in concentrate per annum over the final three and a quarter years. Even at these higher throughput levels, this would increase the life of the operation to greater than ten years. However, the Company intends to consider a number of different sizing options during the optimization and review of optimal size versus capital investment.

Our strategy to achieve our long-term goal is centered on the initiatives outlined in the following sections.

Magellan Mine Operations

Ivernia restarted operations at the Magellan Mine in late February, 2010. A ramp-up of operations took place throughout the year. Since the restart of operations at the Magellan Mine in February of 2010, the Company has instituted a dedicated program of improvements and capital spending focused on increasing production levels in an expeditious and efficient manner.

On December 31, 2010, Magellan Metals received a stop order from the Acting Minister for Environment of Western Australia (the "Stop Order") relating to the transport of lead carbonate concentrate from the Magellan Mine. Transportation operations from the Magellan Mine were immediately halted upon receipt of the Stop Order. Events subsequent to the Company's December 31, 2010, year end related to operations at the Magellan Mine, including a subsequent order on January 3, 2011 from the Minister for Environment of Western Australia (the "Order") and an announcement by the Company on February 23, 2011 that the Order had been lifted are described in the section entitled "*Subsequent Events*".

As of March 25, 2011, the mining, processing and transportation operations had progressed well since the February 2011 recommencement of operations.

In 2011 the Company plans to conduct a review of the sizing of operations at a number of throughput levels through various capital initiatives and to take advantage of the recently increased resource and reserve base, as detailed in the 2011 Technical Report.

Magellan Mine Optimization Studies

With the recommencement of operations underway since the lifting of the Order, the Company is now turning its focus to achieving efficient steady state operations to optimize the Magellan Mine. The Company plans to undertake a full review of its operations in 2011 to identify opportunities to provide meaningful long term improvements to operations and increased returns to shareholders through capital projects.

In 2011, the Company will focus on key capital projects relating to the conversion of the wholly-owned on-site power station from diesel-fueled to a cost-efficient natural gas/diesel blend and implementing capital solutions to increase the efficiency of concentrate bagging operations.

A Continued Focus on Compliance, Health, Safety and Environment

The events surrounding the Stop Order of December 31, 2010, have re-confirmed that a major priority remains the compliance with ministerial interim implementation conditions relating to the transport of lead concentrate from the Magellan Mine (the "Interim Implementation Conditions") and maintaining a high level of transparency over Ivernia's health, safety and environmental activities. The safety of its employees, stakeholders and the community are paramount. The Company intends to continue to focus on assuring its numerous stakeholders in Western Australia that they are not at risk from the production or transportation of lead carbonate concentrate.

Results from over 3,500 samples from nearly 300 individual monitoring and sampling sites along the approved transport route from the Magellan Mine, near Wiluna, through, to, and within the Port of Fremantle show no evidence of lead from the Magellan Mine along the transport route. These sampling results clearly demonstrate the effectiveness of the industry-leading process developed by Magellan Metals for the safe transport of lead concentrate in double-lined bags inside sealed steel containers, and that there is no public health risk from containerized transport operations.

Adequate Financing and Investor Support

Against a background of the restart of Magellan operations and strong lead markets, the Company has seen its overall financial position strengthen over the course of the past year.

On January 13, 2011, Ivernia closed a private placement with Sentient Executive GP III, Limited ("Sentient"). Pursuant to the terms of the private placement, Sentient purchased 52,900,000 Ivernia Common Shares at a price of C\$0.34 per Common Share (the "Offering") for gross proceeds of approximately C\$18 million. For additional information with respect to this transaction see the section entitled "*Subsequent Events - Ivernia Financing*".

As at March 25, 2011, the Company's cash balances were approximately \$17 million. In the third and fourth quarter of 2010, the Company recorded net income. While the Magellan Mine was not in production for a significant portion of the first quarter of 2011, Ivernia anticipates a return to positive cashflow and profitability in subsequent quarters and expects to continue improving its working capital and cash positions.

Historically, the Company's major sources of financing have been the capital markets and private placement financings. The continued operation at the Magellan Mine is crucial to the Company's ability to achieve its long-term goals and, in particular, to demonstrate to providers of capital that it has the necessary resources and experience to successfully operate and manage the Magellan Mine and future projects. Ivernia's ability to optimize Magellan Metals' production, continue to progress its exploration efforts at the Prairie Downs Project and exploit other exploration and development activities depends on its ability to generate revenue from its operations and obtain financing through debt financing, equity financing or other means if required.

Continued Diversification of Operating and Commodity Risk

During 2011 and beyond, the Company expects to pursue opportunities identified through its corporate development program.

The first such opportunity the Company pursued was the Prairie Downs Project, a zinc-lead-silver exploration-stage earn-in project located near Newman in Western Australia. A first phase of drilling by Ivernia was completed on the Project in 2010, with positive results. While Ivernia does not view the Project as being material to its overall business at this stage, the Company remains encouraged by the prospects at Prairie Downs. A second phase of drilling is expected to commence in the second quarter of 2011 and the Company is hopeful the project will continue to develop.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ivernia will look to expand exploration activities at the Project and continue to focus on identifying growth opportunities in base metals and other commodities where the Company can add value with its geological and technical experience and its existing corporate infrastructure. Management believes that a robust corporate development program aimed at advancing a group of exploration and advanced-exploration projects will lead to longer term development opportunities and future production to sustain growth.

FINANCIAL AND OPERATING HIGHLIGHTS

The following table is a summary of Ivernia's financial and operating highlights for the three months and years ended December 31, 2010, 2009 and 2008:

(in thousands of United States dollars, unless otherwise indicated and per share amounts)	Three months ended December 31,			Year ended December 31,		
	2010	2009	2008	2010	2009	2008
	\$	\$	\$	\$	\$	\$
Financial Highlights						
Revenue ⁽¹⁾	37,945	16,904	-	100,764	25,172	-
Operating costs	(26,445)	(13,823)	(1,045)	(89,100)	(20,854)	(7,491)
Amortization	(3,213)	(387)	(12)	(5,028)	(887)	(888)
	8,287	2,694	(1,057)	6,636	3,431	(8,379)
Asset impairment	-	-	(73,000)	-	-	(73,000)
General and administrative	(2,423)	(1,757)	(2,004)	(8,464)	(6,850)	(6,515)
Esperance/Fremantle and related costs ⁽²⁾	-	(15)	(110)	-	(1,293)	(839)
Net interest expense	(584)	(888)	(237)	(2,575)	(2,812)	(2,337)
Accretion	(1,089)	(734)	(1,636)	(4,011)	(4,231)	(8,059)
Stock option costs	(31)	(37)	31	(152)	(75)	(164)
Esperance settlement	-	-	(8,002)	-	-	(8,002)
Inventory (write-down) recovery	(97)	-	(6,749)	2,161	4,188	(7,543)
Loss on investments	-	-	(954)	-	-	(954)
Debt settlement expense	-	-	-	-	(753)	-
Foreign exchange and other expenses	4,306	646	(1,826)	4,331	277	(1,990)
	82	(2,785)	(94,487)	(8,710)	(11,549)	(109,403)
Income (loss) before income taxes	8,369	(91)	(95,544)	(2,074)	(8,118)	(117,782)
Income tax recovery ⁽³⁾	16,187	6,004	20,824	19,178	4,814	27,613
Net income (loss)	24,556	5,913	(74,720)	17,104	(3,304)	(90,169)
Basic (loss) earnings per share ⁽⁴⁾	0.08	0.03	(0.41)	0.08	(0.02)	(0.53)
Fully diluted (loss) earnings per share	0.08	0.01	(0.41)	0.08	(0.02)	(0.53)
Weighted average shares outstanding - thousands	310,102	180,548	180,153	210,115	180,252	170,873
Unrealized gain (loss) on investment	46	-	897	133	(4)	403
Comprehensive income (loss)	24,602	5,913	(73,823)	17,237	(3,308)	(89,766)
Cash provided by (used in) operations before changes in non-cash working capital	10,384	530	(7,799)	847	(8,287)	(21,553)
Cash flow provided by (used in) operating activities	7,939	6,038	(5,356)	6,949	(2,946)	(23,764)
Operating Highlights						
Ore milled - (000's tonnes)	316	-	-	874	-	-
Average head grade - (% lead)	6.9	-	-	6.8	-	-
Recovery - (%)	78	-	-	74	-	-
Concentrate produced - (000's dry tonnes)	25.9	-	-	68.0	-	-
Concentrate sold - (000's dry tonnes)	23.5	11.3	-	71.3	20.1	-
Lead metal in concentrate produced - (000's tonnes)	16.9	-	-	44.1	-	-
Lead metal in concentrate sold - (000's tonnes)	15.3	7.3	-	46.2	12.8	-
Concentrate inventory - (000's of dry tonnes) ⁽⁵⁾	5.1	9.2	29.0	5.1	9.2	29.0
Average lead price - LME cash settlement- (\$ per pound)	1.08	1.05	0.57	0.97	0.79	0.95
Ivernia's average lead sale price - (\$ per pound)	1.19	1.10	-	1.04	0.94	-
Cash cost per pound sold - (\$ per pound) ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A

(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, leaving two stockpiles totalling approximately 29,000 dry metric tonnes of lead carbonate

MANAGEMENT'S DISCUSSION AND ANALYSIS

concentrate, of which 21,000 dry metric tonnes was located at the Magellan Mine site and 8,000 dry metric tonnes at the Port of Esperance. This suspension was lifted in December 2008, following which a first shipment of approximately 600 dry metric tonnes was made in March 2009 and a second shipment of approximately 7,700 dry metric tonnes in May 2009. Final reconciliation of the Esperance stockpile led to an inventory gain of approximately 300 dry metric tonnes of lead carbonate concentrate. Final reconciliation of the mine site stockpile in the first quarter of 2010 led to an inventory loss of approximately 800 dry metric tonnes of lead carbonate concentrate

- (2) Costs incurred in the advancement of the application for regulated shipping approvals through the Port of Fremantle, the removal of the stranded lead carbonate concentrate stockpile at the Port of Esperance and other related activities
- (3) Of the \$19.2 million in income tax recovery for the year, \$8.7 million relates to the reduction of a valuation allowance on Magellan Metals' non capital loss carry forwards. During the fourth quarter of 2010, the Company reduced the valuation allowance relating to Magellan Metals' non capital loss carry forwards from 31.5% to 0% releasing \$8.7 million of prior year unrecognized losses into the income tax recovery provision
- (4) Per share data was calculated on the basis of the weighted average shares outstanding (basic and diluted) for the relevant period
- (5) Inventory was increased by 2,000 dry metric tonnes in the third quarter of 2008 as a result of an updated inventory reconciliation
- (6) Cash cost per pound sold is a non-GAAP measure. See the "Cash cost of lead sold" section of this document.

HIGHLIGHTS FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2010

Financial

- Recorded revenue of \$37.9 million for the fourth quarter, and \$100.8 million for the year
- Income after operating costs and amortization was \$8.3 million for the fourth quarter and \$6.6 million for the year
- Net income was \$24.6 million for the fourth quarter and \$17.1 million for the year
- \$7.9 million in cash generated from operating activities during the fourth quarter and \$6.9 million for the year
- Cash balances were \$14.4 million at year end
- Highest average quarterly lead price per pound realized since operations commenced

Operational

- Continued quarter over quarter increase in lead production and recoveries from the Magellan Mine since the restart of operations in February, 2010
- Lead recovery of 78% in the fourth quarter of 2010 - representing near-record quarterly recoveries and a 2% increase from the previous quarter's 76%
- Fourth quarter production of 16,900 tonnes of lead contained in concentrate produced - a 15% increase from the previous quarter
- Achieved total milling of 316,000 tonnes for the fourth quarter - a 22% increase from the previous quarter
- Completed drilling program at the Magellan Mine in 2010, which formed the basis for new mineral resources and reserves - this resulted in an 87% increase in tonnage (76% increase in contained metal) for measured and indicated mineral resources and a 42% increase in tonnage (45% increase in contained metal) for mineral reserves
- Entered into an exploration earn-in agreement on the Prairie Downs Project and completed a first phase drilling campaign

OPERATIONS REVIEW – MAGELLAN MINE

The Magellan Mine commenced commercial production on October 1, 2005, and was in continuous production until April 6, 2007, when it was placed on temporary care and maintenance following the March 12, 2007, suspension of lead carbonate concentrate shipments through the Port of Esperance. A full discussion of the events related to the placement of the Magellan Mine on temporary care and maintenance is contained in Ivernia's Annual Information Form ("2010 AIF") dated March 30, 2011, under the heading "Three-Year History - Operations", and is incorporated herein by reference. The 2010 AIF is available on the Ivernia web site at www.ivernia.com and on SEDAR at www.sedar.com.

Principal activities during 2010 focused on the continuing ramp-up of production levels following the restart of operations in February 2010.

The table below summarizes quarterly mine production, process production, shipments and inventories for the year ended December 31, 2010:

	Three months ended March 31	Three months ended June 30	Three months ended September 30	Three months ended December 31	Twelve months ended December 31
Mining					
Ore mined - 000's tonnes ⁽¹⁾	-	182	233	301	716
Low grade ore mined - 000's tonnes ⁽²⁾	15	85	44	117	261
Total ore and waste mined - 000's bcm	118	729	952	868	2,667
Processing					
Ore milled - 000's tonnes	32	268	259	316	874
Average head grade - % lead	6.9	6.2	7.4	6.9	6.8
Average recovery - %	54	69	76	78	74
Concentrate produced - 000's dry tonnes	2.0	17.5	22.6	25.9	68.0
Concentrate grade - % lead	60	65	65	65	65
Lead metal in concentrate produced - 000's tonnes	1.2	11.4	14.6	16.9	44.1
Sales and inventories					
Concentrate sold - 000's dry tonnes	8.4	13.3	26.1	23.5	71.3
Concentrate grade - % lead	64	65	65	65	65
Lead metal in concentrate sold - 000's tonnes	5.4	8.6	16.9	15.3	46.2
Concentrate inventory - 000's dry tonnes	2.0	6.3	2.7	5.1	5.1

(1) Ore mined does not include low grade ore

(2) Low grade ore is 1.5 to 2.5% lead

Magellan Production Ramp-up

The approval for the concentrate transport process from the Magellan Mine to the Port of Fremantle was received in August 2009 and subsequently 20,200 dry metric tonnes of stockpiled bagged concentrate was transported from site between September 2009 and March 2010. Once this approval had been received, plans were implemented to restart mining and processing operations at the Magellan Mine in early 2010. A number of key projects had been identified around the processing plant which were deemed critical to complete before the restart. These projects included: the repair and reline of the crusher feed bin; the repair and reline of the surge tank; and, commissioning of the pressure filter installed immediately prior to the 2007 shutdown. The focus of these projects was on ensuring a high level of plant availability during 2010 and 2011. These projects, with the exception of the pressure filter commissioning, were completed by February 2010 and milling operations commenced on February 23, 2010.

For the year ended 2010, the mill treated approximately 874,000 dry metric tonnes of ore with an average grade of 6.8% lead. The plant recovered an average of 74% of the lead to produce approximately 68,000 dry metric tonnes of concentrate with an average grade of 65% lead. During the fourth quarter of 2010, the mill treated 316,000 dry metric tonnes of ore with an average head grade of 6.9% lead. The plant recovered an average of 78% of the lead, to produce approximately 25,900 dry metric tonnes of concentrate with an average grade of 65% contained lead, representing a marked improvement from the results of the third quarter of 2010. As shown in the table above, during the year, the Magellan Mine showed a steady improvement quarter over quarter in recoveries and concentrate production. Detailed quarterly production results can be obtained from the production summary table above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the first quarter of 2010, Magellan Metals extended the existing mining contract, with Western Australia-based Mining & Civil Australia Limited ("MACA") to restart the mining of the Magellan and Cano open pits and all future mining activities until December 31, 2014. MACA is a medium-sized, Australian Stock Exchange-listed, Australian mining contractor. Work commenced on March 1, 2010, with blasting activities recommencing on March 16, 2010. First quarter activities were primarily preparation work and waste removal with ore delivery to the mill feed pad commencing in April, 2010.

The power station was re-commissioned in January 2010 and has been operating efficiently since with very little downtime. In May 2010, Magellan Metals completed the purchase from Sept Pty Ltd. and Pacific Energy (KPS) Pty Ltd. (the "Vendors") of the on-site power station for a purchase price of A\$1.6 million. The 5.6 megawatt power station, which had been leased to Magellan and operated by the Vendors prior to the purchase, comprises seven diesel generators with related equipment, systems and control room. The power station is now owned and operated by Magellan.

The second quarter of 2010 was characterized by a number of events of metallurgical instability as a result of higher mill throughputs and unanticipated high grade volatility. These events resulted in a number of plant stoppages and poor lead recoveries. The issues were caused by a number of factors, many of which were addressed early in the third quarter of 2010. As a number of projects were implemented throughout the quarter to address these issues it became clear that there was a key bottleneck issue with the concentrate thickeners and an interaction issue between the thickeners and the pressure filter which was causing lower than expected performance from the filter.

In July and August, the plant successfully performed a trial-run of the concentrate thickeners and flocculent addition in parallel. The result has been greater thickener throughput and higher, more reliable, concentrate density being fed to the pressure filters. An upgraded pressure filter feed pump was installed in November to complete the upgrade of the concentrate dewatering circuit to deliver the potential to filter approximately 145,000 dry metric tonnes of concentrate per annum with a moisture content of 8 to 8.5%.

Performance at the Magellan Mine continued to improve in the third quarter as key debottlenecking capital projects were implemented and the workforce gained more experience with this unique ore and processing plant. Changes to run-of-mine stockpiling implemented in August addressed issues with the grade volatility allowing more steady-state operation of the plant and an opportunity for the first phases of a number of recovery improvement projects.

The interaction between the concentrate thickeners and the filters was a continued ongoing area of focus and the subject of several projects in the fourth quarter. There was a planned shutdown of operations in November to replace the crusher liner, install isolation valves on the cyclone feed pumps and install a new filter feed pump of increased capacity. This increase in capacity led to a marked improvement in the cycle times required for presentation of material to the concentrate filter. Improvements were made to the thickener feed control and flocculent addition in the fourth quarter. These assisted in removing a process bottleneck and increasing plant stability.

Throughout the year a number of improvements have been made to the concentrate bagging process. By the fourth quarter the experienced bagging crew were able to bag and load containers at rates equivalent to full production. A semi-automated bagging machine design is being considered and upgraded dust control measures in the concentrate shed are scheduled for installation in 2011.

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 the 2006 to 2008 period. 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 (“LoM”) planning. The aim of this work is to improve the mining program to deliver lower mining and processing costs through a combination of blend optimization of mineralization, rock type, and grade, metallurgical testing to increase recoveries, 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 grade sampling of blast holes using a portable x-ray florescence (“XRF”) analyzer 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 in blocks that have been earmarked as waste using the broader spaced grade control drilling.

Plans are being developed to convert the generator sets in the Company’s wholly owned power station from diesel-fuelled to a cost-efficient natural gas/diesel blend. A gas pipeline was constructed in 2006 and 2007, connecting the Magellan Mine power station to the main Goldfields gas pipeline. Gas supplies until 2016 have been secured on long term contract at competitive prices. The conversion of the minesite power station to dual fuel is expected to significantly reduce power costs and carbon emissions.

Magellan Metals has implemented a best-practice concentrate handling system utilizing sealed and double-lined two tonne plastic bulk bags which are enclosed within locked 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.

The Company plans to examine methods in which to increase the mill and mine sizing to take advantage of economies of scale and improve the economics of the operations.

Other optimization projects being considered for 2011 include improvements in understanding of the grade versus recovery trade-off, addition of an on-site metallurgical laboratory, and a review of use, handling and transport opportunities to reduce reagent costs.

Production Outlook

As discussed in “*Subsequent Events*”, Ivernia temporarily shutdown mining and processing operation at the Magellan Mine from January 5, 2011, until late February, 2011. Upon the resumption of operations in late February, 2011 the Company continued the ramp-up of production commenced in 2010.

For 2011, Ivernia expects to produce 60,000 to 70,000 tonnes of lead contained in concentrate.

Health, Safety, Environment and Compliance

Health and Safety

The Company places the utmost importance on the health and safety of its employees, contractors, visitors, and the community, 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.

There were no significant health or safety incidents during 2010. The Magellan Metals incident reporting procedure continued to be improved during the year with increased awareness of personnel in identifying and reporting incidents and potential incidents. The investigation of incidents was undertaken in accordance with

MANAGEMENT'S DISCUSSION AND ANALYSIS

Magellan Metals' incident investigation process, which involved reporting of certain incidents through to the Department of Mines and Petroleum ("DMP") in accordance with the Mines Safety and Inspection Regulations 1995. On all occasions, notification of reportable incidents was done as soon as practicable to the Department, and follow-up investigations provided to the DMP as soon as available. Magellan Metals completed all the necessary monthly accident and employee status forms and submitted those to the DMP.

The Company recognizes the importance of lead management to protect its workforce, its stakeholders and the environment. Magellan Metals has a comprehensive occupational health and safety program designed to minimize the exposure of personnel to hazards which is periodically reviewed and improved.

Environment

In March 2010, as required by Ministerial Statement 783 ("Statement 783"), Magellan Metals filed its Compliance Assessment Report ("CAR"), along with its Annual Environment Report ("AER") for 2009, with the Proposal Implementation Monitoring Branch ("PIMB") of the Office of the Environmental Protection Authority ("OEPA"). The AER is the key environmental disclosure document produced by Magellan Metals and submitted to the Western Australian regulatory authorities.

The CAR and AER for 2009 were the first submissions by Magellan Metals to the PIMB since its Compliance Assessment Plan was approved in July 2009 and were preceded by a PIMB desktop audit and site inspection indicating that Magellan Metals had met the requirements of Statements 559 and 783 with no follow-up items. The CAR and AER for 2010 will be submitted to the PIMB by March 31, 2011.

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. Any sample above a baseline is isotopically tested to verify whether it has a Magellan origin. Since the commencement of container export in September 2009, no samples along the transport route or at the Port of Fremantle have been identified as containing lead of Magellan origin.

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 OEPA, 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 of Fremantle 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

Routine visits were undertaken by the DMP Mines Inspectors during the year and these occurred on March 17, 2010, March 25, 2010, April 21, 2010, August 2, 2010 and November 12, 2010. These were routine visits similar to those by DMP mines inspectors throughout Western Australian mining operations. On each occasion, the mines inspectors detailed their observations in Magellan Metals' statutory mines record book, and Magellan equally detailed their improvement activities based on the observations, including addressing any improvement notices. The visits were undertaken by mines inspectors in the following areas: classified plant; occupational health and hygiene; and, employee's inspector.

Inspectorate Australia (Assay) Pty Ltd (“Inspectorate”), the independent inspector retained by Magellan Metals to monitor compliance with certain environment requirements, inspects all bags and containers leaving site to ensure they are free from lead carbonate concentrate dust. Inspectorate produces monthly compliance reports that has found no lead carbonate concentrate dust on the outside of sealed bags, containers or trucks that have departed from the Magellan Mine. The monthly compliance reports are available at www.magellanmetals.com.au.

In June 2010, Inspectorate noted discrepancies in the weight being recorded on a small percentage of the filled bags. Corrective actions have been put in place to prevent overweight bags from being loaded into the containers.

Six-monthly audits of Magellan’s compliance with its conditions were undertaken in May 2010 and January 2011.

In January 2011, Inspectorate noted that containers were not being held in designated secure storage area at the Leonora transfer point. Magellan Metals has made submissions to the OEPA and Inspectorate on this matter, noting that Magellan Metals complied with such requirement, since the transportation of containers recommenced in September 2009, by storing bolt-locked containers with doors facing inward to one another to prevent unauthorized access. As of the date of this document, no changes to the container storage procedures at Leonora have been required of Magellan Metals. For further information, reference is made to Inspectorate’s monthly and six-monthly compliance reports, which can be viewed at www.magellanmetals.com.au.

In mid-2010, Magellan Metals submitted an application to the DMP to develop the Pinzon deposit on Magellan’s existing mining tenement. The application is still under review by the DMP. At the same time, Magellan Metals submitted an application to the DEC to support an increased throughput (up 1.9 Mtpa) from the Pinzon deposit and other system improvements, as well as introducing a contingency transport route (trucking to Kalgoorlie rail head instead of rail from Leonora). The application is still under review by the DEC and OEPA (see “*Risks and Uncertainties – Regulatory Compliance and Approvals*”).

On January 10, 2011, Magellan Metals received notice that a formal investigation by the OEPA into Magellan Metals’ compliance with the conditions imposed on it under the *Environmental Protection Act, 1986*, particularly in relation to the reporting requirements for sampling results, had commenced. For additional information see “*Subsequent Events*”.

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, including the Magellan Community Fund, the Wiluna Partnership Agreement and other initiatives. Additional information on current initiatives may be found at www.magellanmetals.com.au.

Esperance Settlement Agreement

Magellan Metals’ contribution towards the cost of clean up being undertaken by the Port of Esperance (“EsPA”) and the State of Western Australia (the “State”) pursuant to the Esperance Settlement Agreement (“ESA”) 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, 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 payment dates. In the event that such earnings targets before interest, taxation, historic production costs, depreciation, amortization and unrealized

MANAGEMENT'S DISCUSSION AND ANALYSIS

foreign exchange gains and losses have not been met by the respective due dates then the payment dates will be extended until such targets are met. Ivernia has guaranteed the obligations of Magellan Metals. Magellan Metals reached the A\$6 million earnings target in 2009 and, accordingly, on February 4, 2010 paid the State the amount of A\$3 million, representing the first installment of the total agreed amount of A\$9 million. Magellan Metals reached the cumulative A\$12 million earnings target in 2010 and, accordingly, on March 1, 2011 paid the State the amount of A\$3 million, representing the second installment of the total agreed amount of A\$9 million. With Magellan Metals having satisfied the condition to pay A\$6 million of the total contribution prior to June 30, 2012, the provision in the ESA that it will automatically terminate on such date is no longer of force and effect.

For additional information with respect to the terms of the ESA see the Company's 2010 AIF.

Magellan Community Fund

The A\$1.0 million Magellan Community Fund was established in 2008 as part of the negotiations which concluded with the signing of the Esperance Settlement Agreement ("ESA"). It provides A\$0.3 million annually over three years to community groups for projects delivering a sustainable benefit to a broad range of Esperance residents. 2010 was 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) was made in late 2010.

As of December 31, 2010, the Company has spent a total of A\$0.4 million on the Magellan Community Fund of which A\$0.2 million was spent in 2009 and A\$0.2 million was spent in 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 (with an emphasis on 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, non-government organisations 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 commenced in the fourth quarter of 2010, with both employment and small business development objectives.

Community Relations

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. Land Use Agreements with the Wiluna claimants were finalized in 2006 for three Magellan

Metals mining tenements and for access to land on which the Magellan Gas Pipeline is constructed. Magellan however has no agreements with the Tarlpa claimants as the current Magellan tenements were granted prior to the Tarlpa claim being legally recognized. To address the Tarlpa claimants rights, Magellan has commenced negotiations with Tarlpa for an agreement to cover new tenement applications, and with both the Wiluna and Tarlpa claimants on a broader agreement over the whole of the Magellan minesite, which are anticipated to replace existing agreements.

Magellan Mine Drilling Program

The Company commenced and successfully completed a drilling program in 2010, with a total 7,784 metres (“m”) completed in 213 holes by a reverse circulation (“RC”) drill rig and 446 m completed in 10 holes by a diamond (“DDH”) drill rig. All results were incorporated into an updated mineral resource estimate presented in the 2011 Technical Report.

Drilling was conducted at the Magellan, Cano, Pinzon and Gama deposits and the Balboa prospect on the main Magellan Hill area and at the Pizarro and Drake deposits and Columbus prospect to the south. The drilling achieved:

- *Pinzon*: Resource infill RC drilling was targeted to increase the resource confidence. Significant new intercepts have been reported from the south-western and north-eastern extensions of the deposit. These results were incorporated into a new model. The diamond drilling encountered very similar lithological and mineralogical material as is currently mined in the Magellan and Cano pits. The result has increased management’s understanding of the deposit, especially at the basal contacts, where high grade mineralization lies on the basal weathered contact.
- *Gama*: Resource infill RC drilling encountered variable results with difficult drilling conditions resulting in a number of abandoned holes. A small high grade pod was defined at the northeast of the prospect. A new resource was generated over the prospect. Further drilling is required to increase the confidence in the northern part of the deposit.
- *Balboa*: A widespread exploration program was completed on an offset approximate 150 m grid. Two holes in the southeastern corner of the prospect encountered reasonable intersections over 300 metres from any previous drilling with narrow intercepts above the cut-off grade at the Magellan Mine. Detailed infill drilling will be required in this area to define a possible resource.
- *Pizarro*: Resource infill drilling successfully repeated the previous open hole percussion drill results and further defined the mineralization. The deposit has a narrow high grade centre which is consistent over a kilometre strike extent and splays at the northern end. The results were incorporated into a new geological model and the resource model was constructed.
- *Columbus*: Drill testing of the geochemical targets defined has intersected lead on the eastern edge of the prospect. Drill holes on a roughly 100 m spacing has reported intercepts at shallow depth above the cut-off grade at the Magellan Mine. Detailed infill drilling will be required in this area to define a possible resource.
- *Drake*: Two diamond holes were completed at the prospect to understand the geology and provide metallurgical samples. Further infill drilling is required to increase the confidence of the resource.

Mineral Resources, Mineral Reserves and Mine Life

SRK has prepared an independent National Instrument 43-101 (“NI 43-101”) compliant technical report on the Magellan Mine entitled “Technical Report on the Magellan Lead Carbonate Mine, Wiluna, Western Australia”, with an Effective Date of March 30, 2011 (the “2011 Technical Report”). SRK is a global mining consulting firm independent of Ivernia. Information from the 2011 Technical Report has been summarized in the 2010 AIF under the heading “Description of the Business of the Company - Magellan Mine - Mineral Resources, Mineral Reserves and Mine Life”. The 2010 AIF and 2011 Technical Report are available on Ivernia’s website at www.ivernia.com and on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The technical information discussed herein, including mineral resources, reserves and mine life, is summarized or extracted from the 2011 Technical Report and is subject to the assumptions and qualifications contained in the 2011 Technical Report.

The results of the Magellan Mine drilling program in 2010 were incorporated into an updated mineral resource estimate in the 2011 Technical Report. The in-ground mineral resource estimate was completed by CSA Global Pty Ltd ("CSA"), a geological consultancy independent of Ivernia. SRK has reviewed and verified the data and models supplied by CSA Global and has reviewed and verified the data and models supplied by CSA Global and are responsible for the 2011 Technical Report. The updated mineral resource estimate is summarized in the following table:

Updated Mineral Resource Estimate (depleted by mining surfaces as at December 31, 2010) ⁽¹⁻⁶⁾

Domain	Category	Tonnage (Mt)	Pb (%)	Contained Pb Metal ('000 t)
Magellan	Measured	8.5	5.2	440
	Indicated	9.2	3.9	360
	Total M&I	17.7	4.5	800
	Inferred	3.1	3.5	110
Gama	Measured	-	-	-
	Indicated	2.6	4.6	120
	Total M&I	2.6	4.6	120
	Inferred	3.4	4.9	160
Cano	Measured	2.7	5.1	140
	Indicated	1.2	3.3	40
	Total M&I	3.9	4.6	180
	Inferred	0.7	3.4	20
Pinzon	Measured	2.0	5.0	100
	Indicated	9.8	4.4	430
	Total M&I	11.8	4.5	530
	Inferred	1.1	3.3	40
Pizarro	Measured	-	-	-
	Indicated	3.6	4.2	150
	Total M&I	3.6	4.2	150
	Inferred	1.1	4.0	40
Drake	Measured	-	-	-
	Indicated	-	-	-
	Total M&I	-	-	-
	Inferred	2.7	4.1	110
Stockpiles	Measured	0.8	3.8	30
	Indicated	-	-	-
	Total M&I	0.8	3.8	30
	Inferred	-	-	-
Total	Measured	14.0	5.1	710
	Indicated	26.4	4.2	1,100
	Total M&I	40.4	4.5	1,810
	Inferred	12.1	4.0	480

- (1) Mineral resources are inclusive of mineral reserves
- (2) Mineral resources are reported in accordance with the Australian Joint Ore Reserves Committee guidelines for reporting of Mineral Resources and Ore Reserves 2004 ("JORC Code"), which is consistent with the CIM code.
- (3) Mineral resources are estimated based on some 42 DD holes, 1180 exploration RC holes and 1,874 grade-control RC holes and reported based on a cut-off grade of 2.1% Pb. High-grade values were capped at 35% Pb for the Magellan deposit and 25% Pb for the Pizarro deposit. The geological model was based on a 1 % Pb cut-off, and where possible, host lithology. For grade estimation, a block size of 20m x 20m x 2.5m (length x width x height) was selected and estimated by ordinary kriging performed per domain with the corresponding variography model using Micromine software.
- (4) Mineral resources are based on the 2011 Technical Report prepared by SRK Consulting. Mr. Daniel Guibal, a Fellow of the Australasian Institute of Mining and Metallurgy and a Corporate Consultant to SRK Consulting, is responsible for the mineral resources and has reviewed and verified the above mineral resource figures and the underlying sampling and analytical data. Mr. Guibal is independent of Ivernia and is a "Qualified Person" within the meaning of National Instrument 43-101.
- (5) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.
- (6) Table entries are rounded to the second significant figure with the exception of totals.

This mineral resource estimate has been reported above a cut-off of 2.1% Pb, with the cut-off grade based on current operating parameters and consistent with previous mineral resource estimates for the Magellan Mine. The updated mineral resource estimate includes data available as at July 31, 2010 and depleted by mining surfaces as at December 31, 2010 and is reported in accordance with the 2004 updated of the JORC Code. Resource classification is based on confidence in the geological domaining, data quality, drill spacing and geostatistical measurements.

The updated mineral resource estimate for Magellan Hill creates a single geological model for the Magellan, Cano, Pinzon and Gama deposits. The geostatistical parameters, including variography, top cuts, modeling parameters and estimation methods were evaluated. Wireframes were constructed and split into four deposits, based on natural breaks in the Pb grade.

The updated mineral resource estimate shows a significant increase relative to the previous mineral resource estimate included in Ivernia's 2009 AIF. The following table shows a comparison between the updated and previous mineral resource estimates:

Comparison Between Updated and Previous Mineral Resource Estimate ⁽¹⁾

	Tonnage (Mt)	Pb (%)	Contained Pb Metal ('000 t)
Updated Mineral Resource as at December 31, 2010			
Measured	14.0	5.1	710
Indicated	26.4	4.2	1,100
Total Measured & Indicated	40.4	4.5	1,810
Inferred	12.1	4.0	480
Previous Mineral Resource as at December 31, 2009⁽¹⁾			
Measured	10.7	5.2	560
Indicated	11.5	4.5	510
Total Measured & Indicated	22.1	4.8	1,070
Inferred	10.3	4.0	420
2010 Production	0.9	6.8	60
% Change in Resource from December 31, 2009 to December 31, 2010			
Total Measured & Indicated	83%	-7%	71%
Inferred	17%	-1%	15%
% Change in Resource Less 2010 Production			
Total Measured & Indicated	87%	-7%	76%

(1) See 2009 AIF; Malcolm Titley and Jeff Elliott of CSA, are the qualified persons for the purposes of NI 43-101 with respect to Mineral Resources as at December 31, 2009.

Open pit mining at the Magellan Mine is by conventional drill and blast, with trucks and shovels transporting ore to a number of stockpiles to be reclaimed and fed to the primary crusher. A life of mine plan was developed for the 2011 Technical Report.

The updated mineral reserves were developed using a cut-off grade of 2.1% Pb, a price of \$2,200 per tonne of Pb and at an exchange rate of US\$0.95 to A\$1.00. Inputs are estimated mining, processing, transportation costs and treatment charges, based upon current production cost information, capital improvements and a proposed expansion of the mill throughput from 1.7 million tonnes per annum ("Mtpa") to 2.0 Mtpa in year three of planned future mine life.

The updated life of mine schedule indicates a current mine life in excess of ten years, producing 1.31 million tonnes of lead concentrate containing 0.85 Mt of lead at production rates of 1.7 to 2.0 Mtpa. This compares with a mine life of over seven years as of December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mineral Reserves as at December 31, 2010 ⁽¹⁻⁷⁾

Deposit	Category	Tonnage (Mt)	Pb (%)	Contained Pb Metal ('000 t)
Magellan	Proven	5.7	6.3	360
	Probable	1.9	5.3	100
	Total	7.6	6.1	460
Cano	Proven	1.9	5.9	110
	Probable	0.2	4.3	9
	Total	2.1	5.8	120
Pinzon	Proven	1.4	5.8	81
	Probable	5.0	5.4	270
	Total	6.4	5.4	350
Gama	Proven	-	-	-
	Probable	1.6	5.6	88
	Total	1.6	5.6	88
Pizarro	Proven	-	-	-
	Probable	1.4	5.5	80
	Total	1.4	5.5	80
Stockpiles	Proven	0.8	3.8	30
Total Reserves	Proven	9.8	5.9	580
	Probable	10.1	5.4	540
	Total	19.9	5.7	1,130

- (1) Mineral reserves are a subset of mineral resources.
- (2) All mineral reserves are reported in accordance with the 2004 update of the JORC Code. The JORC Code uses the term "ore reserve" which is equivalent to the term "mineral reserve", as defined in National Instrument 43-101.
- (3) Mineral reserves have been reported based on a cut-off grade of 2.1% Pb, an exchange rate of US\$0.95/A\$1.00, a lead price of US\$2,200 per tonne (approx. A\$2,316 per tonne) and estimated operating costs.
- (4) Mineral reserves are based upon mineral resource estimates set out above, which, in turn, are based on the 2011 Technical Report prepared by SRK Consulting. Mr. Roger Pooley, is a Member of the Australasian Institute of Mining and Metallurgy and a Senior Mining Consultant with SRK Consulting, is responsible for the mineral reserves and has reviewed and verified the above mineral reserve figures. Mr. Pooley is independent of Ivernia and is a "Qualified Person" within the meaning of National Instrument 43-101.
- (5) Mineral reserves have a waste to ore ratio of 2.4 to 1.
- (6) Contained lead is total lead mined, planned plant recovery is over 75% as per the life of mine plan and 95% payable contained lead.
- (7) Table entries other than totals are rounded to the second significant figure. Total may not add up due to rounding.

The updated mineral reserves represent a significant increase over the previous mineral reserve as reported in the 2009 AIF. The following table shows a comparison between the updated and previous mineral reserves, which, when adjusted for production in 2010, show a 42% increase in tonnage and a 45% increase in contained metal:

Comparison Between Updated and Previous Mineral Reserves ⁽¹⁾

	Tonnage (Mt)	Pb (%)	Contained Pb Metal ('000 t)
Updated Mineral Reserves as at December 31, 2010			
Total Proven and Probable	19.9	5.7	1,130
Previous Mineral Reserves as at December 31, 2009⁽¹⁾			
Total Proven and Probable	14.7	5.6	820
2010 Production	0.9	6.8	60
% Change in Proven and Probable Reserves from December 31, 2009 to December 31, 2010	36%	1%	38%
% Change in Proven and Probable Reserves Less 2010 Production	42%	1%	45%

- (1) See 2009 AIF; Robert Scargill (Executive Vice President, Operations, Ivernia) and David Wilke (Mining Manager, Magellan Metals) are the qualified person for the purposes of NI 43-101 with respect to Mineral Resources as at December 31, 2009.

Based on the mineral reserve in the 2011 Technical Report, the Magellan Mine now has a mine life of over ten years, which includes eight years of mining and over two years of processing stockpiles.

The 2011 Technical Report highlights the option to review the sizing of the operation and includes an updated life of mine plan. This plan indicates that modifications to the plant to increase throughput from 1.7 Mtpa to 2.0 Mtpa could result in significant cost savings. The schedule targets a 1.7 Mtpa throughput with a head grade of 6.8 to 7.0% Pb over the next two years, then an increase to a 2.0 Mtpa operation with a head grade of 3.9 to 6.2% Pb for the following eight and one quarter years. The lower head grades represent processing of lower grade stockpiles beginning in year eight of the operation.

The Mineral Reserves at Magellan, Cano, Gama and Pinzon are held under granted mining leases on which mining operations are active. Further permitting will be required to increase the planned production to 2.0 Mtpa and to mine the Pinzon and Gama deposits. The Pizarro deposit lies under a mining lease application and agreement is required with the Native Title claimant party, Tarlpa, prior to granting of the mining lease. Negotiations have commenced and are expected to be concluded prior to mining in year seven.

During 2011, the Company plans to conduct a review of the sizing of the Magellan Mine to determine the optimum throughput levels to best capitalize on potential economies of scale within the operation based on this increased resource base and exploration potential.

CORPORATE DEVELOPMENT AND EXPLORATION

Prairie Downs

Under the terms of an earn-in agreement announced by the Company on June 14, 2010, a wholly-owned subsidiary of Ivernia may acquire up to 80% interest in the Prairie Downs Project from Australian Stock Exchange listed PDML. The Project, located 60 kilometers (km) southwest of Newman in Western Australia, is located within 250 km of the Magellan Mine.

The key features of Ivernia's earn-in agreement with PDML include:

- An option in favour of Ivernia to purchase a 60% interest in the Project for A\$10 million in cash or its 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 ("Prairie Downs Joint Venture") between it and PDML with respect to the Project.
- The ability for Ivernia to increase its 60% interest in the Project 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 Prairie Downs Joint Venture will dilute proportionally until it is 2.5%, at which point the Prairie Downs Joint Venture 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.

Previous drilling at the project has concentrated only on the known Prairie Deposit ("PD"), with limited work on other deposits in the belt or on associated mineralization. Ivernia has committed to an initial A\$2 million exploration program of geochemical sampling, geological mapping, and drilling to be completed by June 2011. A phase one drilling program ("Phase One") commenced in the third quarter of 2010, with 3,258 m drilled in 30 RC drill holes. Phase One was designed to test geological, geochemical and geophysical targets primarily outside of the PD. The results of the program are presented in Ivernia's news release dated January 20, 2011 filed on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A total of 16 RC holes were drilled at the Wolf prospect in Phase One, located 2 km northwest of the PD. Broad zones of low grade zinc mineralisation were intersected, including significant high grade intercepts of zinc, lead and silver which is planned to be followed up in Phase Two. The remaining 14 RC holes were drilled in five other target areas, namely the Camp Lead, Prairie South, Prairie East, Prairie Chert and Hyena prospects. Although strong alteration was noted in a number of holes in these five areas, no anomalous results were reported and no further work is planned in these other areas at present.

A new high-priority target area identified by surface work is the West Hyena prospect, located 7 km southeast of the Wolf prospect. The detailed results of the program are presented in Ivernia's news release dated January 20, 2011 filed on SEDAR at www.sedar.com.

A second phase of drilling by the Company is planned for the second quarter of 2011.

As at December 31, 2010, the Company spent \$1.0 million on the earn-in and completed A\$1.2 million in eligible expenditures towards achieving the first A\$3.0 million expenditure requirement. This expenditure is on-track with the expenditure required under the terms of Ivernia's earn-in agreement with PDML.

SUBSEQUENT EVENTS

Magellan Mine Stop Order and Order

In mid-December 2010, Magellan Metals met and advised the OEPA that an internal review of data showed that lead from the Magellan Mine, in amounts above a baseline trigger level, may have been identified within a small number of sealed containers. The OEPA had requested additional information from Magellan Metals which Magellan Metals was prepared to meet in the timeline agreed with the OEPA. However, on December 31, 2010, Magellan Metals received the Stop Order from the Acting Minister for Environment relating to the transport of lead concentrate from the Magellan Mine. On January 3, 2011, Magellan Metals received the Order from the Minister for Environment which replaced the Stop Order received on December 31, 2010.

All lead concentrate produced at the Magellan Mine is transported in double-lined bags inside locked steel containers. Extensive monitoring, sampling and analysis from close to 300 individual soil, air, and water sample sites at that time had not shown the presence of any lead from the Magellan Mine along the road and rail route after more than a year of transport operations. However, it is a condition of the Health, Hygiene and Environmental Monitoring Program for the Magellan Mine that transport should cease if Magellan lead, in amounts above a baseline trigger level, is found to be present in the air inside the locked shipping containers that transport the double-lined bags of lead concentrate from the Magellan Mine to its customers.

On January 5, 2011, due to uncertainty surrounding the timeline to recommence shipments, Magellan Metals commenced a temporary shutdown of mining and processing operations. In order to retain its workforce intact and ensure that operations could be restarted rapidly when the Order was lifted, Magellan Mine employees were placed on special leave with full pay and entitlements. Contractors at the Magellan Mine were informed that, in most cases, their services would not be required during the temporary shutdown.

On January 10, 2011, the Company confirmed that the independent laboratory tests of air sampling for lead conducted within the sealed shipping containers that transport lead concentrate from the Magellan Mine did not exceed the baseline of 20 micrograms (0.02 milligrams) of lead per cubic meter since the sampling program began 15 months earlier. During that 15 month period, two samples collected by the independent inspector and analyzed by the independent NATA (National Association of Testing Authorities of Australia) accredited laboratory, one from November 2009 and one from June 2010, initially returned lead concentrations above the baseline. A comprehensive review of these two apparent exceedances by the laboratory revealed that these apparent exceedances were, in fact, errors. This finding was then confirmed by an independent expert.

On January 10, 2011, in connection with the issuance of the Order, Magellan Metals received notice of an investigation by the OEPA into Magellan Metals' compliance with the operating conditions imposed on it under the *Environmental Protection Act 1986* of Western Australia (the "EP Act"), particularly in relation to the reporting requirements for sampling results.

During this time, Magellan Metals worked collaboratively with the Government of Western Australia and the OEPA on matters relating to the Order. On February 23, 2011, the Minister for Environment announced that the independent review commissioned by the OEPA had confirmed that no lead in container air samples exceeded the baseline of 20 micrograms of lead per cubic meter and lifted the Order.

The Company is continuing to assess the financial impact of the Stop Order and will provide disclosure on this in its Management Discussion and Analysis for the quarter ended March 31, 2011.

Magellan Mine Transport Process Interim Implementation Conditions

With immediate effect on lifting of the Order on February 23, 2011, Interim Implementation Conditions issued by the Minister for Environment of Western Australia apply to the transport process from the Magellan Mine. The Interim Implementation Conditions include the following new conditions whereby Magellan Metals must ensure:

- All monitoring samples which are required to be collected are dispatched for laboratory analysis no later than the next business day when collected within the Perth Metropolitan Region and no later than five business days when collected outside of the Perth Metropolitan Region,
- Each monitoring sample which is required to be isotopically tested is dispatched for laboratory analysis no later than the next business day after the certificate of analysis is received confirming a monitoring result exceeds the lead baseline trigger level for the sample site,
- A copy of the certificates of analysis of all monitoring results above the lead baseline trigger level for a site monitored are reported to the regulatory authorities, no later than the next business day, following receipt,
- A copy of the certificates of analysis for isotopic testing is provided to the regulatory authorities, no later than the next business day, following receipt, and
- The OEPA is provided with a report on the first business day of every month, commencing March 1, 2011, which includes details of all monitoring samples collected in the preceding month, copies of certificates of analysis and chains of custody for all monitoring results received in the preceding month, and a comparison of all results received in the preceding month to baseline trigger levels.

In addition, Magellan Metals must:

- Appoint an independent third party approved by the OEPA to undertake a quarterly compliance audit and report on the implementation of all of its Health, Hygiene and Environmental Monitoring Program and on all, or part of, its Health, Hygiene and Environmental Management Program;
- Ensure that the compliance audit of each program is completed for each calendar quarter commencing January 1, 2011, and that each quarterly audit report is delivered within 30 days of the end of the calendar quarter, and
- Ensure that the audit reports are provided no later than the next business day to the regulatory authorities and made publicly available on its website within 3 business days, following receipt.

Pursuant to the *Environmental Protection Act 1986* of Western Australia, the Interim Implementation Conditions will remain in place pending a full review of Magellan Metals' operating conditions by the OEPA. At the conclusion of this review, the OEPA will provide recommendations to the Minister for Environment, these recommendations may include further changes and the permanent implementation of the Interim

MANAGEMENT'S DISCUSSION AND ANALYSIS

Implementation Conditions. The full text of the Interim Implementation Conditions is posted on the Magellan Metals website at www.magellanmetals.com.au

The Company is conducting a review of its risk management and compliance procedures to ensure that all Interim Implementation Conditions will be met from the time of the recommencement of operations.

Magellan Mine Voluntary Delay of Resumption of Transport

On March 14, 2011, Ivernia announced that the Company had voluntarily delayed the resumption of regular transport operations from the Magellan Mine. Magellan Metals has investigated information received by the OEPA suggesting some trains carrying containers with bagged lead concentrate may not have travelled along the usual rail route from the Magellan Mine to the Port of Fremantle.

Magellan Metals investigated this matter and was advised by its rail transport contractor (the "Contractor") that between November 10, 2010 and January 4, 2011, 10 trains carrying a total of 159 containers with lead concentrate were routed by the Contractor to the Port of Fremantle along a 12 kilometer rail line that is not part of the usual rail route. The decision to divert trains was made by the Contractor without Magellan Metals' approval or knowledge. Magellan Metals has received assurances from the senior management of the Contractor that steps have been taken to prevent the repeat of such a diversion.

Magellan Metals completed and received the results of a voluntary program of soil sampling for lead analysis and isotopic testing along the 12 kilometer route. The samples were submitted to an independent, NATA accredited laboratory and the results showed no evidence of Magellan lead in the environment along the 12 km route. These results are consistent with the long-term results from over 3,500 samples from nearly 300 individual monitoring and sampling sites along the usual transport route from the Magellan Mine, near Wiluna, through, to, and within the Port of Fremantle.

On March 17, 2011, Ivernia announced that the Company would be resuming regular transport operations from the Magellan Mine. During the voluntary delay in the resumption of transport operations following the resumption of operations in late February, 2011, the ramp-up of mining and processing operations proceeded as planned, with concentrate being stockpiled at the mine site.

Ivernia Financing

Following issuance of the Order, Ivernia sought to strengthen its financial position generally and specifically to provide working capital to fund Magellan Metals during the temporary shutdown of the Magellan Mine. On January 13, 2011, Ivernia closed a private placement for Common Shares with Sentient. Pursuant to the terms, Sentient purchased 52,900,000 Common Shares at a price of C\$0.34 per Common Share for gross proceeds of approximately C\$18.0 million. Total costs for the Offering, including a C\$899,000 commitment fee paid to Sentient, were C\$1.0 million. The Offering was completed by way of a non-brokered private placement.

As a result of Sentient's affiliation with Green SEA Resources Inc. ("GSR"), a significant shareholder, the Offering constituted a "related party transaction" pursuant to Multilateral Instrument 61-101 ("MI 61-101"). However, the Offering was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the Common Shares issued nor the consideration paid for the Common Shares exceeded 25% of the Company's market capitalization. A special committee of the Company's board of directors, comprised of two directors who are neither officers or directors of Sentient or GSR, considered the reasonableness and fairness of the Offering and it unanimously recommended to the Company's full board of directors that the Offering be approved. The board of directors subsequently approved the Offering (the members of the board that would be considered interested parties having declared their interests and abstained from voting on the resolution approving the Offering) and there

was no contrary view or abstention by any independent director on the resolution approving the Offering (see “*Related Party Transactions*”).

Mining, Processing and Transportation Operations Update

Following lifting of the Order on February 23, 2011, employees and contractors were recalled to work, with 62 employees arriving on-site on February 25, 2011. All employees and contractors attended re-focus sessions designed to align the workforce on the objectives for the restart, identify changed conditions and hazard controls. The processing plant was restarted on February 27, 2011.

Mining crews employed by the mining contractor, MACA, were mobilized to site on March 3, 2011 and mining resumed on March 4, 2011.

The transport of a limited number of trial containers from the Magellan Mine to the Port of Fremantle took place in late February, 2011. After a voluntary delay in the resumption of transport operations described above (see “*Magellan Mine Voluntary Delay of Resumption of Transport*”), transport of lead concentrate from the Magellan Mines resumed on March 19, 2011.

As of March 30, 2011, mining, processing and transportation operations from the Magellan Mine were proceeding as planned. The Company’s decision to retain its workforce on full pay during the temporary shutdown has ensured that staff resignations have been minimized and that the experience that was gained in 2010 has been retained. Following the lifting of the Order, during March 2011, the processing plant has ramped up to, and is reaching, throughput rates realized in December 2010.

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 fourth quarter of 2010, the London Metal Exchange (“LME”) cash settlement lead price averaged \$2,390 per tonne (\$1.08 per pound), including a high of \$2,594 per tonne (\$1.18 per pound) and a low of \$2,150 per tonne (\$0.98 per pound). For the year, the lead price averaged \$2,148 per tonne (\$0.97 per pound) with a high price of \$2,594 per tonne (\$1.18 per pound) and low price of \$1,559 per tonne (\$0.71 per pound).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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	1.08	1.04	0.56
Year	0.97	0.78	0.95
Ivernia'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	1.19	1.10	-
Year	1.04	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, leaving two stockpiles totalling approximately 29,000 dry metric tonnes of lead carbonate concentrate, of which 21,000 dry metric tonnes was located at the Magellan Mine site and 8,000 dry metric tonnes at the Port of Esperance. This suspension was lifted in December 2008, following which a first shipment of approximately 600 dry metric tonnes was made in March 2009 and a second shipment of approximately 7,700 dry metric tonnes in May 2009. Final reconciliation of the Esperance stockpile led to an inventory gain of approximately 300 dry metric tonnes of lead carbonate concentrate. Final reconciliation of the mine site stockpile in the first quarter of 2010 led to an inventory loss of approximately 800 dry metric tonnes of lead carbonate concentrate.

Lead Price Outlook

The LME cash settlement lead price averaged \$2,390 per tonne during the fourth quarter of 2010 and \$2,148 per tonne for the entire year, up modestly from the third quarter of 2010 but up 25% (\$430 per tonne) from the 2009 average price. The higher LME lead price was driven by a number of positive factors, including a strong and continuing recovery in Asian and Chinese metal demand and a weaker US dollar. Lead metal prices also benefited from the continuing interest in metal commodities as an investment vehicle.

There was a modest increase in LME lead inventories for the fourth quarter of just over 14,000 tonnes. For 2010, LME lead inventories increased by 51,100 tonnes, ending the year at 208,600 tonnes.

On a global basis, the International Lead Zinc Study Group reported that for 2010 lead production outpaced consumption by 48,000 tonnes. For the rest of the world ("ROW") excluding China, the lead surplus in 2010 was 62,000 tonnes. In 2009, the ROW excluding China lead surplus was 209,000 tonnes.

China continues to drive the global lead market, consuming and producing approximately 45% 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 vehicle sales in China for all of 2010 soared by 32% to a record 18.06 million units according to the Shanghai Daily. Deutsche Bank is forecasting Chinese vehicle sales for 2011 to be over 20 million units.

China imposes a 17.5% value-added tax on imports and a 10% export tax on lead metal. China has exported very little lead the last several years because of these export taxes, with any surplus lead, generally, remaining in China.

Asian lead consumption in 2010 increased 7.9% compared to 2009, reflecting a strong economic recovery in Japan, Korea, India, Indonesia and Thailand as well as China.

North America and Europe, which account for 18% and 17%, respectively, of world lead consumption, continue to recover from the recent recession. North American starting, lighting, ignition (“SLI”) battery demand was up strongly from 2009 with Battery Council International reporting original equipment battery sales up 29.5% year over year and replacement SLI battery shipments up 6.9% year over year. European lead demand was up 4.1% in 2010, relative to 2009.

Total mine production outside of China in 2010 was at the same level as in 2009. Increased new mine production from Magellan and Goldcorp’s Penasquito Mine in Mexico was offset by declining production in older mines. Most of the increased lead mine production in 2010 occurred in China. Credit Suisse is forecasting that mine closures over the next seven years will result in a 500,000 tonne reduction in mined lead supply outside of China. The Magellan and Penasquito Mines will replace less than half of this decline in mined lead supply. No other major new mines outside of China are currently scheduled to be brought on-stream to make up this shortfall.

In early January 2011, the LME lead price went into backwardation, i.e., the future price was lower than the current price. In backwardations, LME position holders can no longer finance their holdings. As a result, about 70,000 tonnes of lead went into LME stocks. Despite this large increase in inventory, the LME price declined only modestly from about \$2,720 per tonne at its January peak to \$2,506 per tonne on March 14, 2011.

The ROW excluding China and the global market balances are trending toward deficit with mined lead output flat and lead consumption increasing. In mid-January of 2011, Reuters completed their lead industry market balance and price survey of 30+ banks and analysts. For 2011, the forecast market balance mean was a 19,000 tonne surplus and a forecast annual price of \$2,518 tonne; for 2012, the forecast market balance mean was a deficit of 44,000 tonne with a forecast mean annual price of \$2,560.

FINANCIAL RESULTS

The Company had no revenue in 2008 or the first quarter of 2009 as a result of the Magellan Mine being put under temporary care and maintenance; therefore a comparison of the financial results between the quarters for 2010, 2009 and 2008 and the years of 2010, 2009 and 2008 may not be meaningful or informative. See “Operations Review – Magellan Mine” above.

On December 10, 2010, all of the outstanding \$37.4 million in Convertible Notes were converted into 340,000,003 Common Shares. See “*Financing Activities*” below.

On January 13, 2011, Sentient purchased 52.9 million Common Shares of Ivernia for gross proceeds of C\$18.0 million. See “*Ivernia Financing*” above and “*Financing Activities*” below.

Revenue

Concentrate revenue for the fourth quarter of 2010 was \$36.2 million, resulting from the shipment and sale of 23,500 dry metric tonnes of lead carbonate concentrate, plus \$1.7 million related to the revaluation of provisionally priced lead carbonate concentrate previously shipped in the third quarter of 2010 and realized gains on the settlement of forward contracts, resulting in total revenue of \$37.9 million. During the quarter the Company sold 15,300 tonnes of lead metal in concentrate, a decrease of 1,600 tonnes from sales in the third quarter. This decrease was partly offset by the increase in average lead price realized of \$1.19 per pound, an increase of approximately \$0.14 per pound from the average sales price in the third quarter. This caused an overall net increase in quarter over quarter revenue of \$0.7 million. Revenue for the year ended December 31, 2010, was \$97.9 million from the sale of 71,300 dry metric tonnes of lead carbonate concentrate plus \$2.9 million related to the revaluation of provisionally priced lead carbonate concentrate previously shipped in the fourth quarter of 2009 and realized gains on the settlement of forward contracts, resulting in

MANAGEMENT'S DISCUSSION AND ANALYSIS

total revenue of \$100.8 million. Concentrate revenue for the fourth quarter of 2009 was \$16.2 million, resulting from the shipment and sale of 11,300 dry metric tonnes of lead carbonate concentrate, plus \$0.7 million related to the revaluation of provisionally priced lead carbonate concentrate previously shipped in the third quarter of 2009 and realized losses on the settlement of forward contracts. Revenue for the year ended December 31, 2009, was \$25.2 million resulting from the sale of 20,100 dry metric tonnes of lead carbonate concentrate.

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 during the quotational period for any variations in the forward price recognized on shipment until settlement. Final revenue is adjusted based on settlement of final weights and assays. Any variations in the price, weights or assays are offset by an increase or decrease in accounts receivable. Gains and losses on commodity price contracts are included in revenue.

Cash cost of lead sold – non-GAAP measure

Cash cost of lead sold is not currently meaningful as the Magellan Mine was ramping up towards steady state production in 2010. When the Magellan Mine achieves steady state production run rates in 2011, information about the cash cost of lead sold will be reintroduced.

Operating Costs

Operating costs were \$26.4 million for the fourth quarter of 2010, compared to \$13.8 million for the fourth quarter of 2009.

For the year ended December 31, 2010, operating costs were \$89.1 million. Operating costs for 2009 were \$20.9 million, including \$20.7 million related to the shipment of stockpiled material through the Ports of Fremantle and Esperance and \$0.2 million related to other operating activities, less net gas revenue during the year.

Effective April 6, 2007, the Magellan Mine operation was placed on temporary care and maintenance following the March 12, 2007, suspension of lead carbonate concentrate shipments through the Port of Esperance. A core team of employees was retained to carry out site care and maintenance activities until requisite approvals were received, plan and implement the on-site and transportation route changes for containerized shipments and upon receipt of the approvals execute the phased restart of operations. On August 13, 2009, Magellan Metals received final approval to commence containerized shipping through the Port of Fremantle. In February 2010, the Company recommenced operations.

Included in operating costs are costs incurred by Magellan Metals on regular operating activities and operating activities prior to the restart of operations in February of 2010, less net gas revenue.

Amortization

Amortization was \$3.2 million for the fourth quarter 2010, compared to \$0.4 million for the fourth quarter of 2009. For the year ended December 31, 2010, amortization was \$5.0 million compared to \$0.9 million for 2009. Amortization will increase 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 reserves where appropriate. Amortization expense will fluctuate depending on the levels of 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 fourth quarter of 2010 general and administrative expenses were \$2.4 million, an increase of approximately \$0.6 million from the amount incurred in the fourth quarter of 2009. General and administrative expenses totaled \$8.5 million for the year ended December 31, 2010, compared with \$6.9 million for the year ended December 31, 2009. The Company expects future general and administrative costs to approximate \$2.3 million per quarter.

Net interest expense and accretion

Net interest expense of \$0.6 million for the fourth quarter of 2010 is comprised primarily of interest expense on the Convertible Notes. In addition to the net interest expense is accretion of \$1.1 million. Net interest expense and accretion for the year were \$2.6 million and \$4.0 million, respectively. Net interest expense in the fourth quarter of 2009 was \$0.9 million, and \$0.7 million in accretion. Net interest expense and accretion for the year ended December 31, 2009, were \$2.8 million, and \$4.2 million, respectively. Accretion consists of \$3.2 million on the Convertible Notes and \$0.8 million on reclamation and long term liabilities for the year ended December 31, 2010. Accretion for 2009 consists of \$2.1 million in the Secured Facility, \$1.6 million in the Convertible Notes, and \$0.5 million in reclamation and long-term liabilities.

On December 10, 2010, the remaining \$37.4 million of Convertible Notes was converted into 340,000,003 Common Shares. Accretion expense will be reduced significantly in future quarters as the Company will no longer have accretion expenses related to the Convertible Notes.

Debt settlement expense

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

See "Financing Activities - (b) Secured Facility" below.

Stock option costs

Stock option costs were \$31,000 for the fourth quarter of 2010, basically unchanged from \$37,000 expense for the fourth quarter of 2009. The stock option expense for the year ended December 31, 2010, was \$152,000 (2009 - \$75,000) no options were issued during 2010. During the fourth quarter of 2009 a total of 500,000 options were issued. The expense associated with the options issued during the year ended December 31, 2010 has been calculated using the Black-Scholes option-pricing model, assuming a term of 4.8 - 5 years, vesting periods of one-third over three years, a volatility of 104% (2009 - 104%), and a weighted-average risk-free interest rate of 2.5% - 2.7% (2009 - 2.5% - 2.7%). The amount expensed in the year is in respect of options which were granted in 2007, 2008 and 2009 but for which a portion vested in 2010.

As at December 31, 2010, options to purchase 4,168,331 Common Shares (December 31, 2009 - 5,470,000) were outstanding, of which 2,861,658 (December 31, 2009 - 2,822,000) were exercisable. As at December 31, 2010, options to purchase 48,760,682 (December 31, 2009 - 3,229,834) Common Shares remain available for grant.

Esperance/Fremantle costs

On March 12, 2007, shipments of lead concentrate from the Port of Esperance were suspended due to the prevention notice placed on the Esperance Port Authority by the Department of Environment and Conservation that prevented lead from being exported through the Port. The Company incurred costs to

MANAGEMENT'S DISCUSSION AND ANALYSIS

advance the export shipment of the 8,300 dry metric tonnes 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 concentrate in sealed double-lined bulk bags enclosed within locked shipping 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.

No costs were incurred during 2010 for Esperance and Fremantle costs.

During the fourth quarter of 2009 the Company incurred costs of \$15,000 to finalize approvals to ship lead carbonate concentrate in sealed containers through the Port of Fremantle consisting primarily of legal and consulting fees. On September 23, 2009, Magellan Metals paid A\$1.3 million to Transpacific Cleanaway Ltd. ("Transpacific") pursuant to the settlement agreement between the parties and full and final mutual releases were exchanged. Total Esperance and Fremantle costs for the year ended December 31, 2009, were \$1.3 million, consisting of the Transpacific settlement amount plus legal and consulting fees.

Foreign exchange and other expenses

Foreign exchange and other expenses were attributable to foreign exchange gains of \$4.3 million in the fourth quarter of 2010 and foreign exchange gains of \$0.7 million for the fourth quarter of 2009. Included in the foreign exchanges quarter for the fourth quarter of 2010 is a foreign exchange gains of \$4.0 million (2009 - nil) on deferred taxes. For the year ended December 31, 2010, foreign exchange gains were \$3.4 million compared to a \$0.3 million foreign exchange gain in 2009.

Other expenses included \$52,000 (2009 - \$41,000) for property write-downs pertaining to tenements that were considered to have no future value.

Income tax recovery

A reconciliation of the income taxes calculated at the statutory rates to the Company's effective income tax provision is as follows:

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Statutory tax rate	31.0%	33.0%
Income tax recovery at the statutory rate	(602)	(2,696)
Effect of lower tax rates in foreign jurisdictions	(2,216)	(1,888)
Withholding tax	701	(1,172)
Changes in valuation allowance	(12,140)	719
Change in future tax rate	451	-
Permanent differences	(5,373)	223
Provision for future income tax recovery	(19,178)	(4,814)

Foreign exchange gains of \$4.0 million (2009 - nil) on deferred taxes have been included in foreign exchange gains.

The Company was not cash taxable in 2010 and does not expect to be cash taxable in 2011. 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 December 31, 2010, the Company had approximately A\$94 million (\$96 million) (December 31, 2009 - A\$100 million (\$90 million)) in loss carry-forwards to offset future taxable income earned in Australia. There is no expiry date for Australian tax loss carry-forwards. As at December 31, 2010, the Company also had approximately C\$18 million (December 31, 2009 - C\$17 million) in loss carry-forwards and deferred financing charges in Canada with expiry dates ranging from 2014 to 2030 (December 31, 2009 - 2010 to 2028) and C\$126 million in capital loss carry-forwards with no expiry.

Net income (loss)

Net income for the fourth quarter of 2010 was \$24.6 million or \$0.08 per share (\$0.08 fully diluted), compared to a net income \$5.9 million or \$0.03 per share (\$0.01 fully diluted) for the fourth quarter of 2009. The net income was \$17.1 million or \$0.08 per share (\$0.08 fully diluted) for the year ended December 31, 2010. This compares to a net loss of \$3.3 million or \$0.02 (\$0.02 fully diluted) per share for the year ended December 31, 2009.

Quarterly Financial Results

	2010				2009			
	Fourth	Third	Second	First	Fourth	Third	Second	First
(in thousands of United States dollars, except per share amounts)	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	37,945	37,254	14,544	11,021	16,904	207	7,605	456
Net income (loss)	24,556	2,906	(4,495)	(5,863)	5,913	(4,551)	(1,367)	(3,299)
Comprehensive income (loss)	24,602	3,024	(4,526)	(5,863)	5,913	(4,551)	(1,386)	(3,284)
Basic income (loss) per share	0.08	0.02	(0.02)	(0.03)	0.03	(0.03)	(0.01)	(0.02)
Fully diluted income (loss) per share	0.08	0.01	(0.02)	(0.03)	0.01	(0.03)	(0.01)	(0.02)
Cash provided by (used in) operations before changes in non-cash working capital	10,384	1,992	(4,550)	(5,716)	530	(4,011)	(2,609)	(2,197)

During the fourth quarter of 2010, the Company recorded increased revenue over the third quarter as it continued shipments of lead carbonate concentrate production. During the quarter the Company sold 15,300 tonnes of lead metal in concentrate, a decrease of 1,600 tonnes from sales in the third quarter. This decrease was partly offset by the increase in lead price realized of \$1.19 per pound, an increase of approximately \$0.14 from the average sales price in the third quarter. This caused an overall net increase in revenue of \$0.7 million.

Expenses for general and administrative in the fourth quarter of 2010 were \$2.4 million compared to \$1.8 million in the fourth quarter of 2009. In the fourth quarter of 2010, net income was \$24.6 million compared with a net income of \$5.9 million for the fourth quarter of 2009.

Comprehensive income (loss)

The Company holds shares in publicly traded companies which are classified as available-for-sale and were marked-to-market. The Company has recorded an unrealized gain of \$133,000 in accumulated other comprehensive income for 2010. The carrying value of its remaining investments at year end is \$195,000. In 2008 the Company recorded the accumulated other comprehensive loss in earnings as the value of the investment was considered to be impaired.

The changes in fair value are detailed below:

	Increase (decrease) in fair value	
	2010	2009
(in thousands of United States dollars)	\$	\$
Balance as at January 1:	(4)	-
Unrealized gain on investments, March 31	-	15
Unrealized loss on investments, June 30	(31)	(19)
Unrealized gain on investments, September 30	118	-
Unrealized gain on investments, December 31	46	-
Accumulated other comprehensive gain (loss)	129	(4)

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL CONDITION

Statement of Cash Flows

	Three months ended December 31		
	2010	2009	2008
(in thousands of United States dollars)	\$	\$	\$
Cash used in operations before changes in non-cash working capital	10,384	530	(7,799)
Changes in working capital	(2,445)	5,508	2,443
Cash provided by (used) in operating activities	7,939	6,038	(5,356)
Cash used in investing activities	(1,751)	(182)	(69)
Cash provided by (used in) financing activities	871	-	(270)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(143)	(235)	(279)
Increase (decrease) in cash and cash equivalents	6,916	5,621	(5,974)

	Year ended December 31		
	2010	2009	2008
	\$	\$	\$
Cash provided by (used in) operations before changes in non-cash working capital	847	(8,287)	(21,553)
Changes in working capital	6,102	5,341	(2,211)
Cash provided by (used) in operating activities	6,949	(2,946)	(23,764)
Cash used in investing activities	(8,426)	(4,655)	(1,166)
Cash (used in) provided by financing activities	(2,993)	16,901	20,785
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(289)	15	291
(Decrease) increase in cash and cash equivalents	(4,759)	9,315	(3,854)

Operating activities

A total of \$7.9 million was provided from operating activities during the fourth quarter of 2010 (2009 - \$6.0 million).

Most of the funds were provided by net sales proceeds from the shipments of lead carbonate concentrate. Subsequent to year end, operating activities will use cash in the first quarter of 2011 as Magellan Metals ramps back up to fourth quarter 2010 production levels.

A total of \$6.9 million was provided by operating activities in 2010. In 2009, cash used in operating activities was \$2.9 million.

Investing activities

For the fourth quarter of 2010, net cash used for investing activities totaled \$1.8 million (2009 - \$0.2 million). Cash used in investing activities for the fourth quarter included \$0.9 million in capital projects, exploration and deferred development costs. The investment in Prairie Downs increased \$0.9 million during the fourth quarter, mainly attributable to costs incurred in the first drilling campaign.

Net cash used for investing activities during the year ended December 31, 2010, totaled \$8.4 million, compared to \$4.7 million for the year ended December 31, 2009.

Cash used in investing activities during 2010 included \$7.2 million in capital projects, exploration and deferred development costs, an additional \$1.0 million in Prairie Downs mainly for costs incurred with the drilling program, and an increase of \$0.2 million in restricted cash.

Cash used in investing activities during 2009 included restricted cash which increased \$4.2 million as a result of the increased posting of bonds related to a gas supply contract and the posting of an A\$5.0 million bond as part of the terms of shipping lead concentrate through the Port of Fremantle.

Financing activities

(a) Convertible Notes

On March 27, 2009, the Company completed a transaction (the "2009 Note Restructuring") with the lenders (including Sentient Global Resources Fund II (together with its affiliates collectively referred to as "Sentient")) of the Secured Facility by which the terms of the secured promissory notes comprising the Secured Facility were amended and restated as follows: (a) the due date was extended from April 27, 2009, to April 27, 2013; (b) interest and fees of \$3 million then outstanding on the Secured Facility were added to the principal amount thereof; (c) interest was increased to 8% from 6% payable annually with one-half thereof being payable, at Ivernia's option, by the issuance of additional notes; and (d) the conversion price was changed from \$1.08 to \$0.11 per share. In connection with the transaction, Ivernia also granted the lenders registration rights in respect of the Common Shares into which the Notes are convertible and pre-emptive rights to allow them to maintain their percentage share ownership in Ivernia. Promissory notes with the attributes described in (a), (c) and (d) above are hereinafter defined as "Convertible Notes".

Contemporaneously with the 2009 Note Restructuring, Sentient purchased an additional \$5.0 million in Convertible Notes. As part of its agreement with the Company, Sentient agreed to purchase the difference between \$5.0 million and the principal amount of additional Convertible Notes which Ivernia sold to qualified investors under a best efforts offering (the "Sentient Commitment"). Convertible Notes in the principal amount of \$0.4 million were issued to Sentient on March 27, 2009, as consideration for providing the Sentient Commitment.

On April 2, 2009, OppenheimerFunds, Inc. purchased \$5.0 million principal amount of Convertible Notes which satisfied Ivernia's obligation to use its best efforts to sell up to \$5.0 million Convertible Notes to qualified investors as described above and relieved Sentient of the obligations under the Sentient Commitment. On April 23, 2009, Rosspart Metals and Mining Fund LP purchased \$1.0 million principal amount of Convertible Notes. On May 8, 2009, Sentient committed to purchase an additional \$4.0 million of Convertible Notes and the transaction closed on May 29, 2009. These transactions complete the refinancing and resulted in a total of \$38.4 million in Convertible Notes being outstanding.

The Convertible Notes, the repayment of which were secured by a general security agreement over Ivernia's assets, restricted the Company from: (a) incurring additional security interests exceeding \$2.0 million, except in the case of Magellan and other subsidiaries only, where under certain circumstances such as for working capital and financial instrument management facilities, additional security interests can be incurred; (b) creating classes of securities ranking in priority to, or *pari passu* with, the Convertible Notes; and (c) prior to the restart of commercial operations, from making distributions or paying dividends to shareholders. In addition, the Convertible Notes contained anti-dilutive provisions which allowed for an adjustment to the conversion price if the Company issues any common equity, convertible debt or other items convertible into common equity other than employee stock options. Sentient had certain rights under an agreement between Sentient and the Company (the "Governance Agreement") for so long as Sentient held not less than \$4.0 million principal amount of Convertible Notes including the ability to appoint one of two Directors to the Magellan Metals board. A copy of the Governance Agreement has been filed on www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The costs related to issuing the \$38.4 million in Convertible Notes were approximately \$1.1 million; \$0.9 million was allocated to the equity portion, \$0.2 million was allocated to the debt portion.

In December 2009 and January 2010, one of the lenders converted \$0.5 million principal amount of Convertible Notes into 4,545,455 Common Shares.

In December 2010, the lenders converted the remaining \$37.4 million in Convertible Notes into 340,000,003 Common Shares. The interest payment due on conversion is not payable until April 27, 2011. With the conversion of the Convertible Notes, the Governance Agreement was terminated and the registration rights and pre-emptive rights granted to the lenders were of no further force and effect.

The Convertible Notes were accounted for in accordance with CICA Section 3863, under which debt securities which have interest payable in cash and give the holder the right to convert the principal amount into Common Shares are split into a liability and an equity component on the date of issuance. The debt component was recorded as Convertible Notes. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into Common Shares, was classified in shareholders' equity as "Equity component of convertible instruments". Over the term of the Convertible Notes, the debt component was accreted to the face value of the Convertible Notes by the recording of additional interest expense.

(b) Secured Facility

On April 27, 2007, the Company completed the closing of a \$50.0 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 initially had a one-year term which matured on April 27, 2008, and bore interest at 9.25% per annum, which accrued and was payable at maturity or earlier repayment. The Secured Facility granted a first ranking security interests over all the Company's assets.

On April 2, 2008, the lenders partially converted and extended the maturity date of the Secured Facility. According to the agreement with the lenders of the Secured Facility, \$20.0 million of the \$40.0 million then drawn and outstanding against the Secured Facility was converted into Common Shares of Ivernia, the maturity date for the remaining drawn and undrawn amounts was extended to April 27, 2009, and the first ranking security interests over the Company's assets discharged. The interest rate was lowered to 6% per annum from 9.25% per annum for the unconverted amounts. The interest payable on the converted balance was paid in the second quarter of 2008 with the balance of interest payable being due in April 2009. To complete the extinguishment of the Secured Facility in March 2009, a settlement expense of \$0.75 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.

Capital Resources and Working Capital Requirements

As at December 31, 2010, the Company had \$14.4 million in cash to fund its on-going operations (December 31, 2009 - \$19.2 million).

As at March 25, 2011, Ivernia held unrestricted cash balances of approximately \$17 million. While the Magellan Mine was not in production for a portion of the first quarter of 2011, at current lead price and expected production levels, Ivernia anticipates a return to positive cashflow and profitability in subsequent quarters and expects to continue improving its working capital and cash positions. In addition, Ivernia expects the cashflow from operating activities at the Magellan Mine will be sufficient to fund cash required for non-operating activities going forward including its funding requirements for the Prairie Downs Project. Ongoing

cash flow from operating activities continues to be exposed to fluctuations in metal prices, production rates and the A\$/US\$ exchange rate.

On January 13, 2011, Sentient purchased 52.9 million Common Shares of Ivernia for gross proceeds of C\$18.0 million. See Subsequent Events above.

BALANCE SHEET

Years ended December 31	2010	2009	2008
(in thousands of United States dollars)	\$	\$	\$
Cash and cash equivalents	14,428	19,187	9,872
Working capital surplus (deficit) ⁽¹⁾	13,880	19,941	(3,871)
Future income tax asset	45,677	21,997	18,355
Total assets	173,923	142,474	120,877
Current portion of long-term financial liabilities	4,318	7,261	-
Long-term financial liabilities	3,018	2,837	5,512
Convertible Notes	-	9,002	-
Secured Facility	-	-	19,836
Reclamation provision	7,811	7,425	6,879
Future income tax liability	4,382	3,880	5,052
Total liabilities	39,910	38,092	43,116

(1) Working capital surplus (deficit) 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:

(a) Care and maintenance

Effective April 6, 2007, the Magellan Mine was placed on temporary care and maintenance following issue of the prevention notice placed on the Esperance Port Authority by the Department of Environment and Conservation that prevented lead from being exported through the Port. On August 13, 2009, the Company received final Ministerial approvals to commence sealed shipments in sealed double-lined bulk bags enclosed within locked shipping container through the Port of Fremantle. As a result thereof, management determined that the Magellan Mine was no longer on care and maintenance. Shipments through the Port of Fremantle of the existing mine stockpile (approximately 20,200 dry metric tonnes of lead carbonate concentrate after reconciliation) commenced during the third quarter of 2009 until the stockpiles was fully depleted in the first quarter of 2010.

On February 23, 2010, the processing plant was restarted with a plan to increase throughput in a staged manner.

(b) Financing Activities

On April 24, 2008, an Australian subsidiary of Yunnan Metallurgical Group ("YMG") completed a private placement investment in the Company. A total of 14,692,488 Common Shares were issued at a price of C\$1.50 per common share for cash proceeds of C\$22.0 million less costs of \$0.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On January 13, 2011 Sentient purchased 52,900,000 Common Shares of Ivernia in a private placement, for C\$0.34 per common share, for gross proceeds of approximately C\$18.0 million (\$17.7 million), less costs C\$1.0 million (\$1.0 million), including C\$899,000 (\$887,000) commitment fee paid to Sentient.

(c) Convertible Notes and Secured Facility

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 for a total issuance of \$38.4 million. In December 2009, \$0.5 million principal amount of Convertible Notes were converted into 4,545,455 Common Shares. In January 2010, a further \$0.5 million principal amount of Convertible Notes were converted by the same lender into 4,545,455 Common Shares. In December 2010, the lenders converted the remaining \$37.4 million principal amount in Convertible Notes into 340,000,003 Common Shares. The lenders agreed to defer interest payments until April 27, 2011.

On April 2, 2008, the lenders partially converted and extended the maturity date of the Secured Facility. \$20.0 million of the \$40.0 million then drawn and outstanding was converted into Common Shares of Ivernia at the price of \$1.08 per common share. See "Financing Activities - (b) Secured Facility" above.

(d) Stop Order at the Magellan Mine

Subsequent to receipt of the Stop Order on December 31, 2010, Magellan Metals enacted an immediate halt of transportation operations from the Magellan Mine. For additional information with respect to the Stop Order and subsequent events see "Magellan Mine Operations" and "Subsequent Events".

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:

	December 31, 2010	December 31, 2009
(in thousands of United States dollars)	\$	\$
Cash	14,428	15,362
Cash equivalents	-	3,825
	<u>14,428</u>	<u>19,187</u>

Working capital

As at December 31, 2010, the Company had a working capital surplus of \$13.9 million. During the year, cash decreased by \$4.8 million, accounts receivable and other current assets increased \$4.5 million, inventory increased \$3.9 million and accounts payable and other current liabilities increased \$12.3 million. Overall working capital surplus decreased by \$6.1 million over the year.

See "Capital resources and working capital requirements" for further details on working capital requirements.

Accounts receivable and other current assets

As at December 31, 2010, the Company had accounts receivable of \$9.0 million of which \$6.3 million was for accounts receivable for lead concentrate sales. Accounts receivable and other current assets had increased \$4.5 million from December 31, 2009, as Magellan shipment volume increased during 2010.

During periods when shipping takes place, accounts receivable are adjusted each reporting date for the changes in value to provisionally priced shipments from prior periods. Accounts receivable adjustments are derived from the revenue adjustment; therefore, a change in receivables will be offset to a change in revenue.

Inventory

During 2010, the Company recorded an inventory recovery of \$2.3 million related to previously written-off low-grade stockpiles. Also, the Company wrote off obsolete inventory in the consumables and other inventory in the amount of \$0.1 million.

As at December 31, 2010, the Company had concentrate inventory of 5,100 tonnes at a cost of \$5.2 million. There was a total of \$2.2 million of write-down in the low-grade stockpiles that are available for reversal (December 31, 2009 - \$1.2 million).

Lead carbonate concentrate inventories were decreased by 19,800 dry metric tonnes during the year ended December 31, 2009, as a result of shipments resulting from the Esperance Lead Removal Plan and stockpile shipments during the third and fourth quarters of 2009. During 2009, the Company incurred \$6.0 million in costs associated with preparing the inventory for shipment including road and rail haulage costs as of December 31, 2009.

Following is a summary of inventory values:

Inventory (unaudited)	December 31, 2010	December 31, 2009
(in thousands of United States dollars)	\$	\$
Concentrate-mine site and in transit ⁽¹⁾⁽²⁾	5,179	6,671
Low-grade ore stockpiles	2,909	-
Medium and high-grade ore stockpiles	2,077	1,239
Consumables and other	4,393	2,763
	14,558	10,673

(1) 2010: 5,100 tonnes - mine site and in transit

(2) 2009: 9,200 tonnes - mine site and in transit

Property, plant and equipment

For the years ended December 31	2010			2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
(in thousands of United States dollars)	\$	\$	\$	\$	\$	\$
Plant and equipment	52,600	(9,800)	42,800	39,035	(5,641)	33,394
Leasehold improvements	74	(71)	3	74	(70)	4
Office equipment	1,183	(762)	421	861	(642)	219
Leased assets	-	-	-	3,088	(1,339)	1,749
Deferred stripping	10,729	(903)	9,826	9,192	(284)	8,908
Construction work-in-progress	3,563	-	3,563	8,797	-	8,797
Development costs and other	110,917	(13,892)	97,025	109,793	(12,001)	97,792
Asset impairment	(73,000)	-	(73,000)	(73,000)	-	(73,000)
	106,063	(25,428)	80,638	97,840	(19,977)	77,863

Substantially all of the Company's property, plant and equipment are located in Australia. Included in development costs and other is \$1.0 million for exploration expenditures capitalized related to the Prairie Downs Joint Venture.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2010, the Company wrote off \$52,000 (2009 - \$41,000) in exploration properties. During 2008, the Company realized an impairment loss of \$73.0 million on Magellan.

Capital investments

The following table summarizes the capital investments made in 2010, 2009 and 2008.

Years ended December 31	2010	2009	2008
(in thousands of United States dollars)	\$	\$	\$
Deferred stripping	2,706	-	-
Prairie Downs Project	1,026	-	-
Sustaining and other capital	1,835	415	-
Tailings storage facility	656	-	-
Expenditure on tenements	1,238	-	-
Tailings dam	765	-	-
Bagging machine	-	-	813
	8,226	415	813

Accounts payable and other current liabilities

As at December 31, 2010, the Company had \$20.0 million in accounts payable and other current liabilities, an increase of \$12.3 million from December 31, 2009. Included in this balance is interest on the Convertible Notes of \$2.0 million (December 31, 2009 - \$2.3 million). Most of the increase in the balance is due to Magellan Metals ramping up mining and processing during 2010.

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

Contractual liabilities ⁽¹⁾	December 31					
	2010			Total	2009	2008
	Within 1 year	1 to 4 years	More than 4 years			
(in thousands of United States dollars)	\$	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	17,949	-	-	17,949	7,669	3,152
Forward sales contracts	399	-	-	399	18	-
Secured facility	-	-	-	-	-	22,662
Long term liabilities	4,318	3,378	-	7,696	10,357	8,627
Convertible notes	2,033	-	-	2,033	37,900	-
Reclamation	-	-	12,416	12,416	10,800	8,448
Purchase obligations ⁽²⁾	2,017	6,052	16,451	12,104	12,385	11,009
	26,716	9,430	4,035	52,597	79,129	53,898

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

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

Secured Facility and Convertible Note

On April 2, 2008, the lenders partially converted and extended the maturity date of the Secured Facility. \$20.0 million of the \$40.0 million then drawn and outstanding was converted into Common Shares of Ivernia at the price of \$1.08 per common share. See "Financing Activities - (b) 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 principal amount of Convertible Notes into 4,545,455 Common Shares and converted a further \$0.5 million principal amount of Convertible Notes into 4,545,455 Common Shares in January 2010. In December 2010, the lenders converted the remaining \$37.4 million principal amount of the Convertible Notes into 340,000,003 Common Shares. Final interest payments of \$2.0 million related to the Convertible Notes are due on April 27, 2011.

The balances for the Convertible Notes are analyzed as follows:

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Convertible Notes outstanding	37,900	38,400
Convertible Notes converted	(37,900)	(500)
Convertible Notes outstanding	-	37,900
Equity value of conversion options	-	(30,189)
Pro-rated costs of financing	-	(209)
Accretion	-	1,500
Accrued interest	2,033	2,252
	2,033	11,254
Less: Accrued interest included in accounts payable and other current liabilities	(2,033)	(2,252)
	-	9,002

The balances for the equity component of the convertible instruments are analyzed as follows:

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

Restricted cash

As at December 31, 2010, Magellan Metals had restricted cash equivalents deposited with a financial institution of \$9.0 million (2009 - \$7.7 million). Most of the restricted cash relates to unconditional performance bonds in favour of the state of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases. The increase in 2009 mostly relates to the A\$5 million performance bond posted in September 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term financial liabilities

For the Years ended December 31	2010	2009	2008
(in thousands of United States dollars)	\$	\$	\$
Lease liabilities	-	1,534	1,630
Less current portion	-	(1,534)	(437)
Esperance settlement ⁽¹⁾	6,089	7,852	5,900
Less current portion	(3,071)	(5,294)	(2,023)
Esperance community fund ⁽¹⁾	629	712	652
Less current portion	(629)	(433)	(225)
Other	618	-	15
Less current portion	(618)	(433)	(225)
	3,018	2,837	5,512

(1) See above under "Operational Review - Magellan Mine" for particulars of these agreements.

The current portion of long-term liabilities decreased by \$2.9 million during 2010. The lease liability of \$1.5 million on December 31, 2009, pertained to the power generation station which was purchased by the Company in May 2010.

During 2010, the Company paid A\$3.0 million (\$2.8 million) as part of the Esperance settlement and A\$0.2 million (\$0.2 million) as part of the Esperance community fund.

In March 2011, the Company paid the second A\$3.0 million payment as part of the Esperance settlement, having reached the second EBITDA based target. The third installment is not expected to be due until after December 31, 2011.

Reclamation provision

As at December 31, 2010, the reclamation provision relating to Magellan Metals asset retirement obligations was \$7.8 million (2009 - \$7.4 million).

	2010	2009	2008
(in thousands of United States dollars)	\$	\$	\$
As at January 1	7,425	6,879	2,948
Changes in cash flow estimates	-	-	3,315
Payment	(204)	-	-
Accretion expense	590	546	616
As at December 31	7,811	7,425	6,879

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 (\$12.3 million). The accretion expense related to the reclamation provision was \$0.6 million for 2010 (2009 - \$0.5 million)..

No changes to the rehabilitation plan occurred in 2009 or 2010. Substantially all the payments are scheduled to be made in 2016.

Future income tax

The Company has recognized a future income tax asset of \$45.7 million that is generated predominately from the recognition of future interest deductions and the full recognition of loss carry-forwards in Magellan Metals. The Company has recognized a future income tax liability of \$4.4 million generated predominantly from future

withholding tax payments. The Company has approximately A\$94 million (\$96.2 million) of loss carry-forwards from Magellan Metals that will be used to shelter future taxable income. Australian tax losses have no expiry. During the fourth quarter of 2010, the Company removed a partial valuation allowance over Magellan Metals losses. The Company also has approximately C\$28 million in non-capital loss carry-forwards and deferred financing deductions in Canada, with expiry dates ranging from 2014 to 2030 and C\$63 million in capital loss carry-forwards with no expiry.

Future benefits for losses in Canada in the amount of C\$23 million have not been recognized because management believes that the future income tax assets associated with these losses are not more likely than not to be realized in the carry forward period.

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Property, plant, equipment, exploration and development	(10,331)	(14,853)
Non-capital loss carry-forwards	39,054	23,626
Other	16,954	13,224
Future income tax asset	45,677	21,997

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Property, plant, equipment, exploration and development	-	-
Non-capital loss carry-forwards	-	-
Other	4,382	3,880
Future income tax liability	4,482	3,880

The following table lists the unused Canadian tax losses and their related expiry date:

Year of expiry	2014	2026	2027	2028	2029	2030
Unused tax loss C\$ (000's)	2,000	5,700	3,300	900	4,200	10,300

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual and other obligations

The following table summarizes the Company's contractual and other obligations including principal payments and interest as at December 31, 2010:

Payments due by period ⁽¹⁾	Less than 1 year	1-4 years	More than 4 years	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Rental agreements and operating leases	215	589	-	804
Prairie Downs ⁽²⁾	1,842	-	-	1,842
Reclamation ⁽³⁾	-	-	12,416	12,416
Exploration licenses ⁽⁴⁾	263	-	-	263
Mining leases ⁽⁴⁾	374	-	-	374
Esperance settlement ⁽⁵⁾	3,071	3,071	-	6,142
Esperance community fund ⁽⁶⁾	628	307	-	628
Purchase obligation ⁽⁷⁾	2,017	6,052	4,035	12,104
Total	8,410	9,712	16,451	34,573

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

(2) Ivernia has committed to A\$3.0 million in expenditures before December 31, 2011.

(3) 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.

(4) 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 2007 are dependent upon whether Magellan Metals chooses to retain its current tenements.

(5) Magellan Metals' contribution towards the cost of clean-up being undertaken by the State and EsPA comprises three equal payments of A\$3 million on December 31, 2009, December 31, 2010 and June 30, 2011.

(6) Pursuant to an agreement executed in December, 2008, Magellan Metals committed to an A\$1 million obligation to community-based projects in Esperance over a three year period.

(7) Gas supply contract.

Contingencies and commitments

Commitments

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 December 31, 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 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 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 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 Claimant Trust Fund for use of the gas pipeline tenement area.

Shares issued and outstanding

Fully diluted shares

As at December 31	2010	2009	2008
Shares issued	529,290,131	184,698,007	180,152,552
Options	4,168,331	5,470,000	7,371,666
Warrants	-	-	3,952,437
Convertible Instruments	-	344,545,455	18,518,520
Total	533,458,462	534,713,462	209,995,175

Shares issued and outstanding

	As at March 30, 2011	As at December 31, 2010
Common Shares	582,190,131	529,290,131
Preference Shares	-	-

Share warrants

	2010				2009			
	Warrants	Applicable shares	Fair value of warrants	Weighted average price	Warrants	Applicable shares	Fair value of warrants	Weighted average price
	(000's)	(000's)	\$(000's)	(C\$)	(000's)	(000's)	\$(000's)	(C\$)
Outstanding as at January 1	-	-	-	-	3,953	3,953	1,600	1.40
Exercised during the year	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	(3,953)	(3,953)	(1,600)	1.40
Outstanding as at December 31	-	-	-	-	-	-	-	-

Stock options

The Company has in place a Stock Option Plan as amended on June 16, 2010 (the "Plan") under which certain directors, officers, employees and consultants may be granted options to purchase up to 52,929,013 Common Shares as at December 31, 2010 (December 31, 2009 - 8,699,834). As at December 31, 2010, options to purchase 10% of the issued and outstanding Common Shares from time to time, being 48,760,682 shares (December 31, 2009 - 3,229,834) Common Shares 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 ten years and may not be assigned. Under the terms of the Plan, unless the directors of the Company determine otherwise, one third at any time after the first anniversary date, one third at any time after the second anniversary date and the balance at any time after the third anniversary date. No options were 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 fourth quarter of 2010 was \$31,000 (fourth quarter of 2009 expense - \$37,000). For the year, the stock options expense was \$152,000 (2009 - \$75,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2010		2009	
	Shares issued (000's)	(000's)	Shares issued (000's)	(000's)
Options outstanding January 1,	5,470		7,372	
Forfeited	(83)		-	
Expired	-		(1,025)	
Outstanding March 31,	5,387		6,347	
Expired	(1,025)		(540)	
Forfeited	-		(850)	
Outstanding June 30,	4,362		4,957	
Granted	-		450	
Expired	(67)		(44)	
Forfeited	(47)		-	
Outstanding September 30,	4,248		5,363	
Granted	-		500	
Exercised	(47)	47	-	
Expired	-		(393)	
Forfeited	(33)		-	
Outstanding December 31,	4,168		5,470	
Exercisable December 31,	2,862		2,821	

The options granted, exercised, expired and forfeited for 2010, 2009 and 2008 are summarized below:

	Granted	Exercised	Proceeds received (C\$)	Shares issued	Expired	Forfeited
2010	-	46,666	4,666	46,666	1,025,000	230,003
2009	950,000	-	-	-	2,001,666	850,000
2008	3,235,000	50,000	-	16,666	1,006,250	293,331

Valuation assumptions	2010	2009	2008
Expected terms (years)	N/A	4.8 - 5	4.1 - 5
Vesting period (years)	N/A	3	0.1 - 3
Expected volatility	N/A	104%	40% -120%
Expected dividend yield	N/A	Nil	Nil
Risk-free interest rate	N/A	2.5% - 2.7%	3%
Aggregate unexpensed fair value of stock options granted as at December 31 (US\$)	82,000	242,000	147,000
Weighted average fair value of options granted (C\$)	N/A	0.26	0.04

As at December 31, 2010, there were outstanding options to purchase 4,168,331 (December 31, 2009 - 5,470,000) Common Shares of the Company, of which 2,861,658 (December 31, 2009 - 2,822,000) were exercisable. As at March 30, 2011, no additional options had been issued, no options had been forfeited, and 191,666 options had expired.

The following table summarizes information about stock options outstanding as at December 31, 2010:

Range Of Exercise Prices	Options Outstanding			Options Exercisable		
	Number outstanding at Dec. 31, 2010	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at Dec. 31, 2010	Weighted average remaining contractual life	Weighted average exercise price
C\$	(000's)	(Years)	(C\$)	(000's)	(Years)	(C\$)
0.10 – 0.19	2,148	2.63	0.10	1,495	2.55	0.10
0.20 – 0.34	450	3.44	0.275	150	3.44	0.275
0.35 – 0.98	500	3.97	0.405	167	3.97	0.405
0.99 – 1.60	910	0.93	1.55	890	0.91	1.55
1.61 – 1.65	160	0.98	1.65	160	0.98	1.65
0.10 – 1.65	4,168	2.44	0.53	2,862	2.08	0.66

Results of equity financings

On January 13, 2011, Sentient purchased 52,900,000 Common Shares of Ivernia in a private placement, for C\$0.34 per common share, for gross proceeds of approximately C\$18.0 million (\$17.7 million), less costs C\$1.0 million (\$1.0 million), including C\$899,000 (\$887,000) commitment fee paid to Sentient.

FINANCIAL INSTRUMENTS

Financial assets and liabilities

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

The cash and cash equivalents, restricted cash and cash equivalents, forward sales and purchase contracts, long-term liabilities and interest due on the 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 December 31, 2010 and December 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial assets and liabilities at fair value as at December 31, 2010

	Level 1	Level 2	Level 3	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Accounts receivable and other current assets ⁽¹⁾	-	9,002	-	9,002
Accounts payable and other current liabilities ⁽¹⁾	-	(19,982)	-	(19,982)
Forward purchase contracts ⁽²⁾	396	-	-	396
Forward sales contracts ⁽²⁾	(399)	-	-	(399)
Investments ⁽³⁾	195	-	-	195
	192	(10,980)	-	(10,788)

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

	Level 1	Level 2	Level 3	Total
(in thousands of United States dollars)	\$	\$	\$	\$
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 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. As at December 31, 2010, the investments available for sale had increased in fair value by \$133,000 during the year to represent its quoted market value.

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, restricted cash and restricted cash equivalents and forward purchase and sales contracts. 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 accounts receivable and other current assets consist mainly of receivables from unrelated parties, prepayments, and security deposits. Financial instruments included in restricted cash and restricted cash equivalents include low interest restricted savings accounts. Financial instruments included in forward purchase and sales contracts may include current market amounts due to brokers at a future settlement date. Management believes the credit risk concentration with respect to financial instruments in cash and cash equivalents, accounts receivable and other current assets and restricted cash and restricted cash equivalents is negligible due to the credit-worthiness of the financial institutions and debtors.

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

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Cash and cash equivalents	14,428	19,187
Accounts receivable and other current assets	9,002	4,515
Forward purchase contracts	396	452
Investments available for sale	195	62
Restricted cash and restricted cash equivalents	9,029	7,725
	33,050	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 December 31, 2010, the Company had a cash balance of \$14.4 million (December 31, 2009 - \$19.2 million) and total current assets of \$38.6 million (December 31, 2009 - \$34.9 million) to settle current liabilities of \$24.7 million (December 31, 2009 - \$14.9 million).

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

For the years ended December 31	2010			2009
(in thousands of United States dollars)	Within 1 year	1 to 4 years	Total	Total
	\$	\$	\$	\$
Accounts payable and other current liabilities	17,949	-	17,949	7,669
Forward sales contracts	399	-	399	18
Convertible Notes	2,033	-	2,033	40,152
Long-term liabilities	4,318	3,018	7,336	10,098
	24,699	3,018	27,717	57,937

Market risk

(i) Interest rate risk

The Company has cash balances and no variable interest bearing debt so has minimal exposure to interest rate risk.

Foreign currency risk

The Company's reporting currency is the United States dollar. Magellan Metals generates US\$ revenues from the sale of lead carbonate concentrate and converts those funds into A\$ to pay its A\$ operating costs. If necessary, Ivernium funds A\$ operating, capital and exploration expenditures through its wholly-owned subsidiaries. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

For the years ended December 31	2010		2009	
In thousands of US\$	A\$	C\$	A\$	C\$
Cash and cash equivalents	4,366	363	4,895	1,003
Accounts receivable and other current assets	2,299	161	1,499	179
Investments available for sale	195	-	62	-
Restricted cash and cash equivalents	9,029	-	7,725	-
Accounts payable and other current liabilities	20,777	703	6,097	327
Long-term liabilities	3,018	-	10,098	-

(ii) 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.

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 and long-term 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. The Convertible Notes are classified as other liabilities and recorded at amortized cost using the effective interest method.

As at December 31, 2010, 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 \$195,000 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 loss by \$19,500.

The Company holds significant balances in Australian dollar and Canadian dollar currencies. A \$0.10USD/\$1AUD movement would affect net income (loss) by \$0.2 million before taxes. A \$0.10USD/\$1CAD movement would affect net income (loss) by \$15,000 before taxes.

As noted above, interest rate risk is negligible as the Company has no variable interest-bearing debt.

A change in lead prices of \$100 per tonne will affect net income (loss) by \$0.6 million before taxes.

Forward Sales and Purchase Contracts

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

December 31, 2010

	Expiry Date	Tonnes	Market	Market	Cost	Cost	Fair Value	Fair Value
			Value	Value			Adjustment	Adjustment
			\$/lb	\$	\$/lb	\$	Recorded in	Recorded in
							Income	Income
							\$/lb	\$
Forward purchase								
contracts	Jan/11	3,225	1.16	8,261	1.12	7,987	0.04	274
	Feb/11	525	1.16	1,340	1.10	1,268	0.06	72
	May/11	175	1.16	446	1.03	396	0.13	50
		3,925	1.16	10,047	1.12	9,651	(0.04)	396
Forward sales								
contracts	Jan/11	(3,575)	1.16	(9,169)	1.12	(8,821)	(0.04)	(348)
	Feb/11	(175)	1.16	(447)	1.03	(396)	(0.13)	(51)
		(3,750)	1.16	(9,616)	1.11	(9,217)	(0.05)	(399)
		175		431		434		(3)

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

December 31, 2009

	Expiry Date	Tonnes	Market	Market	Cost	Cost	Fair Value	Fair Value
			Value	Value			Adjustment	Adjustment
			\$/lb	\$	\$/lb	\$	Recorded in	Recorded in
							Income	Income
							\$/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 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. \$3.3 million has been included in revenue for the year (2009 -\$0.3 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

ACCOUNTING POLICIES

Critical accounting estimates

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Areas requiring the use of significant estimates include the final revenue settlements, the determination of quantities of proven and probable reserves, the expected lives of long-term assets and the measurement of amortization, expected cost of asset retirement obligations, valuation of options, derivative instruments and their respective fair values, deferred income taxes and the assessment of impairment in value of long lived assets. Actual results could differ materially from those estimates.

Unless otherwise specified in the discussion of accounting estimates and future changes, the Company is not aware of trends, commitments, events or uncertainties that it reasonably expects will materially affect the methodology or assumptions associated with the accounting estimates.

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.

Accounts receivable

Accounts receivable are adjusted in every period for provisional payments to reflect the market fluctuations in the commodity prices. Accounts receivable adjustments are derived from the revenue adjustment; therefore, a change in accounts receivable will be the offset to the change in revenue.

Inventory

Concentrate inventory is stated at the lower of production costs, including amortization of the mining assets allocated to the cost of inventory, and net realizable value. Raw materials and consumables are valued at the lower of cost and net realizable value as measured by replacement value, net of obsolescence.

Mining property, plant and equipment

Plant and equipment are depreciated over the lesser of estimated lives of the related assets or life of mine. For the assets that are depreciated over the life of mine, the depreciation is calculated on units of production basis.

Deferred costs include interest and financing costs relating to the construction of plant and equipment. Interest and financing costs are capitalized only for those projects for which funds have been borrowed.

Upon commencement of production mining properties and deferred development costs are amortized over the estimated life of the proven and probable reserves to which they relate on units of production basis.

Impairment tests are performed on property, plant and equipment when events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. Undiscounted expected future cash flows derived from the assets are compared with the carrying value. If a shortfall exists, the assets are written down to estimated fair value using discounted expected future cash flows.

Office equipment

Office equipment is depreciated on a straight-line basis over its estimated useful life, net of estimated residual value.

Mineral properties and deferred start-up costs

The Company capitalizes the development costs of mining projects when economically recoverable reserves, as shown by an economic study, are believed to exist. Upon commencement of commercial production, these costs are written off over the life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions regarding long-term commodity prices and in some cases, exchange rates.

Economic life

Management's estimate of the remaining economic life of the mine is over ten years based on the updated mineral reserve estimate in the 2011 Technical Report.

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.

Derivative financial instruments

The Company can use commodity price contracts, foreign exchange forward contracts and interest rate swaps to manage exposure to metal price fluctuations, foreign exchange and interest rate fluctuations. Gains and losses on these contracts are recognized in the period incurred.

Convertible instruments

Convertible instruments are classified separately on the balance sheet as a liability and as equity on initial recognition in accordance with the CICA Handbook Section 3863. The value of the conversion option is determined by using the Black-Scholes option pricing model. The debt component, representing the difference between proceeds received (net of pro-rated costs) and the equity component is recorded as a liability. The equity component (net of pro-rated costs) is recorded in equity. Over the term of the instrument, the debt component is accreted to the face value by the recording of additional interest expense. The pro-rated costs of financing in the debt portion are expensed over the life of the instrument by the recording of additional interest expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital disclosure

The Company discloses quantitative and qualitative information about its objectives, policies and processes for managing capital.

Financial instruments – recognition and measurement

The Company has adopted CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement”. This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and liabilities including derivatives be recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Fair value is the amount at which an item could be exchanged between willing arms-length parties. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial instruments – disclosure

The Company discloses quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company also discloses information about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quotes prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Variable interest entities

The Company has adopted the Accounting Guideline 15 (“AcG-15”) – “Consolidation of Variable Interest Entities”. The standard establishes when a company should consolidate a variable interest entity in its financial statements. AcG-15 requires a variable interest entity to be consolidated if a company is at risk of absorbing the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both.

Foreign currency translation

The financial statements of the Company's fully integrated subsidiaries are translated into US dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income. Realized exchange gains and losses and currency translation adjustments are included in income.

Foreign currency transactions and balances

Management has determined that the United States dollar (“US\$” or “US dollar”) is the principal currency of the Company's business. Accordingly, the consolidated financial statements use the US dollar as the reporting

currency. The Company also carries out transactions in Canadian dollars (“C\$”), Australian dollars (“A\$”) and the Euro (“Euro”). The Company also carries out some minor transactions in other currencies.

Foreign currency transactions are translated using the exchange rates in effect at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in income.

Asset retirement obligations

The Company realizes the legal obligations with the retirement of long-term assets that result from the acquisition, construction, development and normal use of the assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred and is added to the carrying amount of the associated asset and this additional carrying amount is amortized over the life of the asset when in production. At the end of each reporting period, accretion of the liability is charged to operating expenses. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or a loss on settlement.

Exploration and development costs

Expenditures during the initial exploration stage of projects are expensed as incurred. Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as property, plant and equipment. Upon reaching commercial production, deferred costs on the consolidated balance sheets are amortized into operations using the unit-of-production method or contained metal where appropriate over the estimated useful life of the estimated related ore reserves. The carrying values of property, plant and equipment represent costs incurred to date and do not necessarily reflect present or future values.

In the event that the long-term expectation is that the net carrying amount of these deferred exploration and development costs will not be recovered, such as would be indicated where:

Exploration properties:

- Exploration activities have ceased;
- Exploration results are not promising such that exploration will not be planned for the foreseeable future;
- Lease ownership rights expire or are allowed to lapse; or
- Insufficient funding is available to complete the exploration program;

Development properties:

- The carrying amounts of the capitalized and deferred costs exceed the forecast related undiscounted net cash flows of ore reserves;

then the carrying amount is written down to fair value using expected discounted cash flows from the related asset. An impairment loss charged to income is measured as the amount by which the carrying amount exceeds its fair value.

Deferred stripping

The Company has adopted the recommendations of the CICA with respect to stripping charges, EIC 160 “Stripping Costs Incurred in the Production Phase of a Mining Operation” (“EIC 160”). The recommendations require the costs associated with the removal of overburden and other mine waste materials that are incurred

MANAGEMENT'S DISCUSSION AND ANALYSIS

in the production phase of mining operations to be charged to income in the period in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent a betterment when the stripping activity provides access to reserves that would not have been accessible in the absence of the stripping activity. When costs are deferred in relation to a betterment, the costs are amortized over the reserves accessed by the stripping activity using the units of production method.

Capitalization of interest

Interest on borrowings directly related to the financing of major capital projects under construction is capitalized during the construction phase as part of the cost of the project.

Leases

Leases are classified as capital or operating depending on the terms and the conditions of the contracts. Payments under operating leases are expensed in the period in which they are incurred. Asset values recorded under capital leases are amortized on a straight line basis over the period of expected use. Obligations under capital leases are reduced by lease payments, net of computed interest.

Other comprehensive income/loss

Other comprehensive income/loss includes unrealized gains and losses on investments classified as available-for-sale.

Income taxes

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using substantially enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded against future tax assets to the extent that the Company determines that the asset is not more likely than not to be realized.

Stock options

The Company has a stock option plan that is described in note 9(c) to the Company's audited consolidated financial statements for the year ended December 31, 2010. The Company follows the fair value based method to account for stock-based transactions with directors, officers, eligible employees and consultants. The value of options granted is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings or loss for the year by the weighted monthly average number of Common Shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except that the weighted average shares outstanding are increased to include potential Common Shares from the assumed exercise of convertible securities, options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the as if converted method for convertible securities.

Comparative figures

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

Changes in accounting policies

Future changes in accounting policies

The CICA has issued three new accounting standards: Section 1582 “Business Combinations;” Section 1601, “Consolidated Financial Statements;” and Section 1602, “Non-controlling Interests.” These new standards will be effective for fiscal years beginning on or after January 1, 2011, and earlier adoption is permitted as of the beginning of a fiscal year. Section 1582 replaces Section 1581, “Business Combinations” and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 – “Business Combinations.”

Section 1601 and 1602 together replace Section 1600, “Consolidated Financial Statements.” Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Conversion to International Financial Reporting Standards

Canadian GAAP for publicly accountable entities will be replaced by International Financial Reporting Standards (“IFRS”), effective for interim and annual periods beginning in the first quarter of 2011. The Company’s first filing under IFRS will include IFRS compliant statements on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS and Canadian GAAP were similar in many respects, there are significant differences in recognition, measurement and disclosure.

The Company’s IFRS conversion plan has three phases: design and planning; assessment; and, quantification and implementation. During 2010 the IFRS conversion plan was substantially completed. The Company is prepared for the changeover to IFRS in 2011 and its first mandatory filing under IFRS.

During the fourth quarter of 2010, the Company advanced the review of the opening IFRS balance sheet. The Company is still in the process of finalizing its adjustments.

The effect of IFRS 1 first-time adoption of IFRS elections on transition are as follows:

- **Business Combinations (IFRS 3):** The Company is not required to apply IFRS 3 retroactively to transactions for business combinations that occurred prior to the date of transition to IFRS,
- **Share-Based Payment Transactions (IFRS 2):** In accordance with IFRS 2, the Company expects to apply the IFRS 1 election available, whereby the requirements of IFRS2 will be applied only to options that have not vested as at January 1, 2010. The final adjustment is pending approval
- **Fair Value or Revaluations as Deemed Cost (IAS 16, IAS 38, IAS 40):** If the Company is eligible for this exemption, it allows the Company to measure the carrying amount of an item of property, plant and equipment (“PPE”) at the date of transition based on a deemed cost which may not require an adjustment. If the Company is not eligible for the exemption, the Company may need to adjust its PPE balances on a basis consistent with the treatment of one of its subsidiaries, including a possible reversal of all or part of any impairments on a consolidated level. Impairments cannot be reversed under Canadian GAAP. The exemption availability and any pending adjustment is still under analysis and subject to approval.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Decommissioning Liabilities (IAS 37, IFRIC 1):** If the Company is eligible for this exemption, the Company is able to calculate the asset recorded relating to its asset retirement obligation at the transition date using a simplified method, thereby not requiring retrospective application of IAS 37 and;
- **Convertible Notes (IAS 39):** The Company expects to revalue the carrying values of the Convertible Notes. Under Canadian GAAP, the fair value of the equity component was determined with residual amount allocated to the debt component. Under IFRS, the fair value of the debt component is valued first with the residual allocated to the equity component. Under Canadian GAAP, transaction costs were capitalized on a proportionate basis and amortized over the life of term of the Convertible Note. Under IFRS, transaction costs are expensed in the period incurred. This adjustment is substantially complete pending approval.

RELATED PARTY TRANSACTIONS

Sentient and its affiliates are a "related party" by virtue of its shareholding in Ivernia and by virtue of Mr. Cassidy's and Mr. Britz's representation on the Ivernia 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 the 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 \$4.0 million of Convertible Notes and the transaction closed on May 29, 2009.

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.

On December 10, 2010, Sentient converted all the Convertible Notes it then held into 190,000,001 Common Shares of Ivernia.

In December 2010, as part of an internal reorganization, Sentient transferred 225,047,928 shares into a wholly owned subsidiary, GSR. GSR is also considered a related party due to its ownership by Sentient and GSR is a significant shareholder of Ivernia. Some Ivernia management and directors perform management functions for GSR and/or serve on the board of directors of GSR. Mr. Alan De'ath, Mr. Peter Cassidy, Mr. Pieter Britz and Mr. Leigh Hall are each directors of both Ivernia and GSR. In addition, Mr. Alan De'ath, Mr. D'Arcy Doherty and Ms. Fiona Childe are each officers of both Ivernia and GSR. During the year, Ivernia provided various corporate and administrative services to GSR which was billed to GSR. The total billed during the year was C\$360,000 (\$345,000). The balance owed by GSR on December 31, 2010, was \$nil.

On January 13, 2011, Sentient purchased 52,900,000 shares of Ivernia, which were subsequently transferred to GSR, resulting in a total GSR ownership of 277,947,928 shares of the Company (see "Subsequent Events" section).

During the year, Ivernia provided various corporate and administrative services to Sentient which were billed to Sentient. The total billed during the year was A\$161,000 (\$148,000). The balance owed from Sentient on December 31, 2010, was A\$52,000 (\$53,000). Also, due to Sentient at December 31, 2010, is \$1.1 million in accrued interest from the Convertible Notes, which is due in April 2011.

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

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has established and maintains disclosure controls and procedures (“DC & P”) designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which annual filings are being prepared, and that information required to be disclosed in the Company’s annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified by such securities legislation. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company’s DC & P as of December 31, 2010, through inquiry and review, as well as by drawing upon their own relevant experience. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at December 31, 2010, the Company’s DC & P were effective.

The Company also maintains a system of internal controls over financial reporting (“ICFR”) designed under the supervision of the Company’s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP, however, due to inherent limitations, ICFR may not prevent or detect all misstatements and fraud.. The Board of Directors approves the audited financial statements and ensures that management discharges its financial responsibilities. The Audit Committee, which is composed of independent directors, meets periodically with management and auditors to review financial reporting and control matters and approves the interim financial statements with the Board of Directors approving the annual financial statements. The Board of Directors has also appointed a compensation committee composed of independent directors whose recommendations relating to executive compensation and other matters are considered by the Board of Directors.

The Company’s management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, and evaluating the effectiveness of the Company’s internal control over financial reporting as at each fiscal year end. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework to evaluate the effectiveness of the Company’s internal control over financial reporting as at December 31, 2010. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that as at December 31, 2010, the Company’s ICFR was effective and no material weaknesses existed.

There have been no changes in the Company’s internal control over financial reporting during the fiscal year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

RISKS AND UNCERTAINTIES

The business of Ivernia is subject to a variety of risks, including those described below. Ivernia is also subject to the risks and uncertainties described in this document and in the Company’s Annual Information Form for the year ended December 31, 2010 filed with Canadian securities regulators and 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 in 2011. Subject to certain approvals from the Western Australian regulatory authorities, Magellan Metals currently anticipates producing on average approximately 93,000 tonnes per annum of contained lead in concentrate for the next 7 years of mine life and approximately 60,000 tonnes per annum of contained lead in concentrate over the remaining 3.25 years of the currently anticipated 10.25 year mine life. The ability of the Company to achieve such production capacity is subject to a number of assumptions. Magellan Metals submitted an application to

MANAGEMENT'S DISCUSSION AND ANALYSIS

the Department of Environment and Conservation to support an increased throughput up to 1.9 million tonnes per annum and such application remains under review, as of the date of this document. This schedule is based on the assumption that issues which impacted the plant running consistently at this rate in the past can be resolved. In addition, the schedule assumes that the Magellan Mine will not be subject to further material production shutdowns such as the temporary shutdown of production experienced from January 5, 2011 to February 27, 2011, as result of the issuance of the Order by the Minister for Environment. 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 specifically on improving the productivity of concentrate bagging.

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, materials and containers; adverse weather conditions or natural disasters; unanticipated increases in costs of labour, supplies and equipment; accidents; and unforeseen engineering, design, environmental or geological problems.

Matters Related to Order to Cease Transport of Lead Concentrate

A detailed description of the events surrounding the issuance of the Order by the Minister for Environment and the temporary shutdown of operations at the Magellan Mine from January 5, 2011 – February 23, 2011 is described above and in the 2010 AIF under the heading "Three - Year History - Operations - Order to Cease Transport of Lead Concentrate, Temporary Shutdown of Magellan Mine, Resumption of Transportation, New Conditions and Investigation".

The issuance of the Order against Magellan Metals and the subsequent temporary shutdown of the Magellan Mine had, and may continue to have, a number of negative effects on the Company's ongoing operations and financial position. From December 31, 2010, to February 23, 2011, the Company was unable to transport lead concentrate from the Magellan Mine and, as a result, revenues during the first quarter of 2011 were substantially reduced. At the same time, the Company continued to incur significant expenditures, in particular, labour costs as a result of keeping the work force on special paid leave during the temporary shutdown.

On January 10, 2011, following issuance of the Order, Magellan Metals received notice of an investigation by the OEPA into Magellan Metals' compliance with the operating conditions imposed on it under the Ministerial Statements, particularly in relation to the reporting requirements for sampling results. Magellan Metals continues to cooperate with the OEPA in the course of their investigation. However, the Company cannot provide any assurance that the outcome of such investigation will not result in regulatory proceedings or sanctions that could adversely affect the Company's financial condition or operations.

On February 23, 2011, concurrent with the lifting of the Order, Magellan Metals became subject to the Interim Implementation Conditions. The Company will incur additional expenditures to help ensure ongoing regulatory compliance with the New Interim Conditions that form part of the Interim Implementation Conditions.

The Order and the decision of the Contractor to divert certain trains without Magellan Metals' knowledge or approval has received significant media coverage and was the source of public and political discussion in Western Australia in 2011. The Company has spent a significant amount of time keeping the media and public informed on the facts surrounding these events, including that there was at no time any health risk to the public. While some media coverage has been supportive of Magellan, the majority of the media coverage has expressed some criticism of Magellan Metals and its operations. Further, while Magellan Metals has worked collaboratively with the Minister for Environment following the issuance of the Order, the Minister for Environment and certain other members of the State's Legislative Assembly have expressed strong criticism of Magellan Metals and its compliance with the Ministerial conditions on its operations. In addition, the Greens Party have continued to voice their critical opinion on exports of Magellan Metals' lead carbonate concentrate in sealed bags locked within shipping containers. While the Company is seeking to restore its reputation and build confidence and trust with government, politicians and local communities, there can be no guarantee that it will be effective in doing so and that public opinion or the political climate will not have an adverse effect on the Company and its operations.

Regulatory Compliance and Approvals

The mining, processing and transporting of lead concentrate in Western Australia is a highly regulated industry. Further, the Company believes that the Magellan Mine has some of the most stringent conditions on operations, monitoring and reporting for any lead mine in the world. In particular, Magellan Metals is subject to numerous mining, environmental and occupational health and safety laws, regulations and conditions that govern its operations. Pursuant to the Interim Implementation Conditions and the Health Hygiene and Environmental Monitoring Program that govern Magellan Metals' operations, Magellan Metals is required to cease transportation of lead carbonate concentrate from the Magellan Mine in the event that isotopic testing of lead found in water, dust, soil or air sampling along the transport route above a baseline amount is proven to be lead from the Magellan Mine. Accordingly, operations and transportation may be subject to future stoppages as part of ensuring regulatory compliance.

Magellan Metals retains third party contractors to undertake a number of aspects of its operations, including mining, transporting lead concentrate to port, unloading of containers at port, shipping containers to customers and inspection/auditing activities related to compliance with various environmental conditions. In addition, Magellan Metals retains third parties to periodically audit Magellan Metals' compliance with its Health, Hygiene and Environmental Management and Monitoring Programs and to undertake testing for lead and, if required, isotopic analysis of water, dust, soil and air samples. Magellan Metals could be held liable if these third parties fail to perform their roles in compliance with the Interim Implementation Conditions if Magellan Metals has not exercised due diligence in the implementation of those Interim Implementation Conditions.

The Government of Western Australia has legal authority to respond to any perceived or actual breach of regulations or the Interim Implementation Conditions or risk to the environment by Magellan Metals or any third party. Such response could include fines, penalties, orders and/or other forms of regulatory enforcement. In particular, the *Environmental Protection Act, 1986* grants the Minister for Environment authority to issue orders against Magellan Metals, including orders to cease transport from the Magellan Mine, in certain circumstances including for acts or perceived acts of regulatory non-compliance. The events surrounding the Order have re-confirmed that a top priority remains on compliance with the Interim Implementation Conditions relating to the transport of lead concentrate from the Magellan Mine and maintaining a high level of transparency over its health, safety, environmental and compliance activities.

The safety of the Company's employees, stakeholders and the community are paramount. The Company intends to continue to focus on ongoing improvements to ensure that its numerous stakeholders in Western Australia and customers overseas can be assured that they are not at risk from the production or transportation of lead carbonate concentrate. While the Company strives for full compliance with all

MANAGEMENT'S DISCUSSION AND ANALYSIS

applicable regulations and conditions, the Company cannot provide any assurance that any actual or perceived act of non-compliance by Magellan Metals, or a third party, under the Interim Implementation Conditions will not result in the Company voluntarily ceasing operations or transportation or a governmental or regulatory authority imposing sanctions on the Company. Any such actions could have an adverse effect on the Company and its operations.

The Company's continued operations and its growth and development are subject to government licensing, including environmental, mining and dangerous goods licenses, as well as permits and other regulatory approvals. As an example, in June 2010, Magellan Metals submitted an application to the DMP to develop the Pinzon deposit. At the same time, Magellan Metals submitted an application to the Department of Environment and Conservation to support an increased throughput (up to 1.9 million tonnes per annum milled) from the Pinzon deposit and other system improvements, as well as introducing a contingency transport route (trucking to Kalgoorlie and rail to the Port of Fremantle). While the Company believes that these types of applications are common place in the Western Australian mining industry, there can be no assurance that these regulatory approvals, or any other licenses or permits, will be granted on favourable terms, in a timely manner or at all. The inability of the Company to secure necessary licenses, permits and regulatory approvals on favourable terms, in a timely manner or at all could have an adverse effect on the Company and its operations.

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

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 is described in the 2010 AIF under the heading "Three - Year History - Operations - Suspension of Shipments of Lead Concentrate and Care and Maintenance".

A number of risks 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 Esperance Settlement Agreement for a declaration that that Agreement is null and void for public policy or other grounds; (ii) the risk of litigation alleging that the Company erroneously invoked "force majeure" under its supply contracts and other contracts; (iii) 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 Esperance Port Authority 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 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.

Notwithstanding the approval to ship lead carbonate concentrate through the Port of Fremantle was granted pursuant to Ministerial Statement 783 and shipping has commenced as so authorized, there continues to be opposition from some members of the Fremantle community and certain elected local officials to such approval and shipping. There remains a risk that a person opposed to the approval may, either alone or in concert with others, choose to commence an action against the appropriate government or regulatory authority and/or the Company opposing such approval which could 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 oppose the approval 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.

On January 10, 2011, following issuance of the Order, Magellan Metals received notice of an investigation by the OEPA into Magellan Metals' compliance with the operating conditions imposed on it under the Environmental Protection Act, 1986, particularly in relation to the reporting requirements for sampling results. As of the date of this document, the investigation by the OEPA remains ongoing. The Company cannot provide any assurance that the outcome of such investigation will not result in regulatory proceedings or sanctions that could have an adverse effect on the Company's financial position or operating conditions.

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 Esperance Port Authority 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 licenses and permits which could result in liability for pollution, other fines or penalties, revocations of consents, permits, approvals or licenses 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 in 2007, 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 the date of this document, 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 OEPA 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.

Dilution

In the past, the Company has issued notes that were convertible into Common Shares. In particular, the four holders of the Notes converted their Notes into 340,000,003 Common Shares in accordance with the terms of the Notes on December 10, 2010. This event significantly diluted the ownership interest of Ivernia's then current shareholders. See "General Development of the Business - Convertible Secured Notes" above. In addition, on January 13, 2011, the Company completed a private placement of 52,900,000 Common Shares. While there are no remaining convertible notes outstanding as of the date hereof, Ivernia may issue new convertible notes as well as options, warrants, convertible securities or additional Common Shares from time to time in the future. If it does so, the ownership interest of Ivernia's then current shareholders would also be diluted.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The Company has established corporate policies and limits on hedging and the Company may consider future hedging strategies within these guidelines. In general, however, the Company's current financial condition is exposed to the lead metal price.

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. Treatment charges may fluctuate based on supply and demand fundamentals of the lead concentrate market.

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 portion of expenses of Ivernia are (or are expected to be) denominated in Canadian dollars. Fluctuations in the Australian/US dollar and the Canadian/US dollar 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.

Mineral Reserves and Mineral Resources

Ivernia believes that the mineral resources and mineral reserves 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 mineral reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such mineral reserves. Moreover, short-term operating factors relating to mineral 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, confined 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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 a "Resource Super Profit Tax" ("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 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; 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 on the financial condition and results of operations of the temporary shutdown of operations from January 5, 2011 to February 23, 2011 or any future regulatory sanctions or penalties;
- 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 arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

Determination of Mineral Resources and Mineral Reserves

The estimates of measured, indicated and inferred mineral resources in relation to the Magellan Mine set out in this document 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 mineral reserves in relation to the Magellan Mine set out in this document 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 mineral reserves are reported in accordance with the 2004 update of the JORC Code. The qualified persons named in this document in respect of the Magellan Mine are of the view that the estimates of measured indicated and inferred mineral resources and proven and probable mineral reserves set out in this document would not be materially different if they were reported in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on November 14, 2004.

Although the Company believes that the estimates of mineral resources and mineral reserves set out in this document have been carefully prepared and that the methods of estimating these are reliable, no assurance can be given that the stated mineral resources and mineral reserves are present in the quantities stated, or that metal or concentrate will be produced in the quantities expected. Only mineral reserves have demonstrated technical and economic viability. Mineral resources, mineral 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 mineral reserves unmineable;
- metal price fluctuations may render mineral 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 mineral reserves uneconomic; and
- political and other factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Qualified Persons

Peter Williams, Owen Herod, Simon Walsh, Daniel Guibal, Roger Pooley, Juan Jose Moreno, Lisa Chandler and Trivindren Naidoo are the authors of the 2011 Technical Report. Each of these individuals is a Qualified Person as defined in NI 43-101, independent of the Company and has consented to applicable disclosure derived from the 2011 Technical Report being contained herein. The areas of responsibility of each of the foregoing Qualified Persons with respect to the Magellan Mine are as follows: Property Description, Geological Setting Mineralization, Exploration (Peter Williams and Trivindren Naidoo); Drilling, Sampling, QA/QC and Data Verification (Owen Herod); Metallurgy and Process (Simon Walsh); Mineral Resources (Daniel Guibal); Mining Optimization, Design and Scheduling, Review of Contracts, Historical and Budgeted Mining Costs and Mineral Reserves (Roger Pooley); Waste Management and Water (Juan Jose Moreno); Environmental (Lisa Chandler); and Technical Economic Model (Peter Williams).

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, mineral reserves, life of mine, 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, matters relating to ramping up mining and milling throughput and operations, regulatory compliance and approvals, metal price volatility, lead carbonate concentrate treatment charges, exchange rates, regulatory proceedings and litigation, the fact that the Company has a single mineral property, resources and reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, dependence on key personnel, constraints on cash flow, the nature of mineral exploration and development, matters related to the order to cease transport of lead concentrate and matters relating generally to the transportation of lead carbonate; matters related to the Esperance settlement and shipments through the Port of Fremantle; implications stemming from the Esperance inquiry; and common share price volatility and the dilution of the Company's Common Shares. Additional factors and considerations are discussed in the Company's 2010 Annual Information Form under "Description of the Business of the Company - Risk Factors" 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.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Ivernia Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Ivernia Inc. and its subsidiaries (collectively the "Company") circumstances. The significant accounting policies of the Company are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

PricewaterhouseCoopers LLP, the Company's independent auditors, conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors is assisted in these responsibilities by its Audit Committee, whose members are not officers of the Company. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) Alan M. De'ath

President and Chief Executive Officer

(Signed) Brent Omland

Vice President, Finance and
Chief Financial Officer

March 30, 2011

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IVERNIA INC.

We have audited the accompanying financial statements of Ivernia Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ivernia Inc. as at December 31, 2010 and 2009 and its financial performance and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 30, 2011

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants,
Licensed Public Accountants

IVERNIA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(LOSS)

For the years ended December 31	Notes	2010	2009
(in thousands of United States dollars, except per share amounts)		\$	\$
Revenue		100,764	25,172
Operating costs	14(b)	(89,100)	(20,854)
Amortization		(5,028)	(887)
		6,636	3,431
General and administrative		(8,464)	(6,850)
Stock option costs	9(c)	(152)	(75)
Foreign exchange gain		4,383	318
Net interest expense		(2,575)	(2,812)
Accretion	6, 7, 8	(4,011)	(4,231)
Esperance/Fremantle and related costs	14(a)	-	(1,293)
Inventory recovery	4	2,161	4,188
Property write-down		(52)	(41)
Debt settlement expense	6	-	(753)
		(8,710)	(11,549)
Loss before income taxes		(2,074)	(8,118)
Income tax recovery	10	19,178	4,814
Net income (loss) for the year		17,104	(3,304)
Basic earnings (loss) per share	9(e)	0.08	(0.02)
Fully diluted earnings (loss) per share	9(e)	0.08	(0.02)
Weighted average number of common shares outstanding (000's)		210,115	180,252
Net income (loss)		17,104	(3,304)
Unrealized gain (loss) on investment	11	133	(4)
Comprehensive income (loss), net of tax		17,237	(3,308)

The accompanying notes are an integral part of these consolidated financial statements

IVERNIA INC.
CONSOLIDATED STATEMENTS OF DEFICIT

(in thousands of United States dollars)	Notes	2010	2009
		\$	\$
Balance beginning of period		(182,105)	(186,001)
Debt settlement gain	6	-	7,200
Net income (loss)		17,104	(3,304)
Balance end of period		(165,001)	(182,105)

IVERNIA INC.

CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of United States dollars)	Notes	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	3(a)	14,428	19,187
Accounts receivable and other current assets		9,002	4,515
Forward purchase contracts	13(c)	396	452
Inventory	4	14,558	10,673
Investments available for sale		195	62
		38,579	34,889
Property, plant and equipment	5	80,638	77,863
Restricted cash equivalents	3(b)	9,029	7,725
Future income tax	10	45,677	21,997
		173,923	142,474
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities		19,982	7,669
Forward sales contracts	13(c)	399	18
Current portion of long-term liabilities	7, 15	4,318	7,261
		24,699	14,948
Long-term liabilities	7, 15	3,018	2,837
Convertible Notes	6	-	9,002
Reclamation provision	8	7,811	7,425
Future income tax	10	4,382	3,880
		39,910	38,092
SHAREHOLDERS' EQUITY			
Share capital	9(b)	288,835	247,242
Equity component convertible instruments	6	-	29,350
Contributed surplus	9(d)	10,050	9,899
		298,885	286,491
Deficit		(165,001)	(182,105)
Accumulated other comprehensive gain (loss)	11	129	(4)
		134,013	104,382
		173,923	142,474

Commitments and contingencies (notes 15 and 16)

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

(Signed) J. Trevor Eyton

Director

(Signed) Alan M. De'ath

Director

IVERNIA INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net income (loss) for the year	17,104	(3,304)
Non-cash items:		
Stock option costs	152	75
Amortization	5,028	887
Future income tax	(23,178)	(4,814)
Accretion	4,011	4,231
Inventory recovery	(2,161)	(4,148)
Debt settlement expense	-	753
Net forward contracts marked to market	437	(434)
Property write-down	52	41
Other	(394)	(1,574)
Reclamation provision payments	(204)	-
Changes in non-cash working capital:		
Accounts receivable and other current assets	(4,487)	(3,644)
Inventory	(1,724)	4,468
Accounts payable and other current liabilities	12,313	4,517
	6,949	(2,946)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(8,226)	(415)
Restricted cash	(200)	(4,240)
	(8,426)	(4,655)
FINANCING ACTIVITIES		
Net cash proceeds on issue of shares	5	-
Net cash proceeds on issue of convertible note	-	15,000
(Decrease) increase in long-term liabilities	(2,998)	1,901
	(2,993)	16,901
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		
	(289)	15
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,759)	9,315
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	19,187	9,872
CASH AND CASH EQUIVALENTS - END OF YEAR	14,428	19,187
Supplementary Information:		
Net interest paid (received)	2,545	(25)
Changes in non-cash items in financing activities:		
Conversion of Convertible Notes into equity (note 6)	37,900	500

The accompanying notes are an integral part of these consolidated financial statements

IVERNIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Ivernia Inc. and its subsidiaries (collectively, the "Company") are active in the acquisition, exploration, development and mining of mineral properties. As at December 31, 2010 its principal asset was a 100% (December 31, 2009 - 100%) equity interest in Magellan Metals Pty Ltd ("Magellan Metals") in Australia which owns and operates the Magellan lead mine ("Magellan Mine").

Revenue during the year was generated from the sale of lead carbonate concentrate produced and exported from the Magellan Mine.

On December 31, 2010 a stop order was issued by the Minister for Environment of Western Australia to Magellan Metals to temporarily halt transport of its product from the minesite. Transportation from the minesite was halted on that date. See note 18.

2. ACCOUNTING POLICIES

(a) Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Summarized below are the significant accounting policies used in these consolidated financial statements.

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.

Accounts receivable

Accounts receivable are adjusted in every period for provisional payments to reflect the market fluctuations in the commodity prices. Accounts receivable adjustments are derived from the revenue adjustment; therefore, a change in accounts receivable will be the offset to a change in revenue.

Inventory

Concentrate inventory is stated at the lower of production costs, including amortization of the mining assets allocated to the cost of inventory, and net realizable value. Raw materials and consumables are valued at the lower of cost and net realizable value as measured by replacement value, net of obsolescence.

Mining property, plant and equipment

Plant and equipment are depreciated over the lesser of estimated lives of the related assets or life of mine. For the assets that are depreciated over the life of mine, the depreciation is calculated on units of production basis.

Deferred costs include interest and financing costs relating to the construction of plant and equipment. Interest and financing costs are capitalized only for those projects for which funds have been borrowed.

Upon commencement of production mining properties and deferred development costs are amortized over the estimated life of the proven and probable reserves to which they relate on units of production basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Impairment tests are performed on property, plant and equipment when events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. Undiscounted expected future cash flows derived from the assets are compared with the carrying value. If a shortfall exists, the assets are written down to estimated fair value using discounted expected future cash flows.

Office equipment

Office equipment is depreciated on a straight-line basis over its estimated useful life, net of estimated residual value.

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.

Derivative financial instruments

The Company may use commodity price contracts, foreign exchange forward contracts and interest rate swaps to manage exposure to metal price fluctuations, foreign exchange and interest rate fluctuations. Gains and losses on these contracts are recognized in the period incurred.

Convertible instruments

Convertible instruments are classified separately on the balance sheet as a liability and as equity on initial recognition in accordance with the CICA Handbook Section 3863, "Financial Instruments – Presentation". The value of the conversion option is determined by using the Black-Scholes option pricing model. The debt component, representing the difference between proceeds received (net of pro-rated costs) and the equity component is recorded as a liability. The equity component (net of pro-rated costs) is recorded in equity. Over the term of the instrument, the debt component is accreted to the face value by the recording of additional interest expense. The pro-rated costs of financing in the debt portion are expensed over the life of the instrument by the recording of additional interest expense.

Capital disclosure

The Company discloses quantitative and qualitative information about its objectives, policies and processes for managing capital.

Financial instruments – recognition and measurement

The Company has adopted CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement". This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and liabilities including derivatives be recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Fair value is the amount at which an item could be exchanged between willing arms-length parties. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments – disclosure

The Company discloses quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company also discloses information about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quotes prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See note 13(a) for the relevant disclosures.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Areas requiring the use of significant estimates include the provisional revenue settlements, the determination of quantities of proven and probable reserves, the expected lives of long-term assets and the measurement of amortization, expected cost of asset retirement obligations, valuation of options, derivative instruments and their respective fair values, deferred income taxes and the assessment of impairment in value of long lived assets. Actual results could differ materially from those estimates.

Foreign currency translation

The financial statements of the Company's fully integrated subsidiaries are translated into US dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income. Realized exchange gains and losses and currency translation adjustments are included in income.

Foreign currency transactions and balances

Management has determined that the United States dollar ("US\$" or "US dollar") is the principal currency of the Company's business. Accordingly, the consolidated financial statements use the US dollar as the reporting currency. The Company also carries out transactions in Canadian dollars ("C\$"), Australian dollars ("A\$") and the Euro ("Euro"). The Company also carries out some minor transactions in other currencies.

Foreign currency transactions are translated using the exchange rates in effect at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Asset retirement obligations

The Company realizes the legal obligations with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred and is added to the carrying amount of the associated asset and this additional carrying amount is amortized over the life of the asset when in production. At the end of each reporting period, accretion of the liability is charged to accretion expense. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or a loss on settlement.

Exploration and development costs

Expenditures during the initial exploration stage of projects are expensed as incurred. Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as property, plant and equipment. Upon reaching commercial production, deferred costs on the consolidated balance sheets are amortized into operations using the unit-of-production method or contained metal where appropriate over the estimated useful life of the estimated related ore reserves. The carrying values of property, plant and equipment represent costs incurred to date and do not necessarily reflect present or future values.

In the event that the long-term expectation is that the net carrying amount of these deferred exploration and development costs will not be recovered, such as would be indicated where:

Exploration properties:

- Exploration activities have ceased;
- Exploration results are not promising such that exploration will not be planned for the foreseeable future;
- Lease ownership rights expire or are allowed to lapse; or
- Insufficient funding is available to complete the exploration program;

Development properties:

- The carrying amounts of the capitalized and deferred costs exceed the forecast related undiscounted net cash flows of ore reserves;

then the carrying amount is written down to fair value using future expected discounted cashflows from the related asset. An impairment loss charged to income is measured as the amount by which the carrying amount exceeds fair value.

Deferred stripping

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capitalization of interest

Interest on borrowings directly related to the financing of major capital projects under construction is capitalized during the construction phase as part of the cost of the project.

Leases

Leases are classified as capital or operating depending on the terms and the conditions of the contracts. Payments under operating leases are expensed in the period in which they are incurred. Asset values recorded under capital leases are amortized on a straight line basis over the period of expected use. Obligations under capital leases are reduced by lease payments, net of computed interest.

Other comprehensive income/loss

Other comprehensive income/loss includes unrealized gains and losses on investments classified as available-for-sale.

Income taxes

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded against future tax assets to the extent that the Company determines that the asset is not likely to be realized.

Stock options

The Company has a stock option plan that is described in note 9(c). The Company follows the fair value based method to account for stock-based transactions with directors, officers, eligible employees and consultants. The value of options granted is recognized over the applicable vesting period as an increase in compensation expense and contributed surplus. When the options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings or loss for the year by the weighted monthly average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except that the weighted average shares outstanding are increased to include potential common shares from the assumed exercise of convertible securities, options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the as if converted method for convertible securities.

Comparative figures

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Future changes in accounting policies

The CICA has issued three new accounting standards: Section 1582 “Business Combinations;” Section 1601, “Consolidated Financial Statements;” and Section 1602, “Non-controlling Interests.” These new standards will be effective for fiscal years beginning on or after January 1, 2011 and earlier adoption is permitted as of the beginning of a fiscal year. Section 1582 replaces Section 1581, “Business Combinations” and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 – “Business Combinations.”

Section 1601 and 1602 together replace Section 1600, “Consolidated Financial Statements.” Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

(c) International Financial Reporting Standards

Canadian GAAP for publicly accountable entities will be replaced by International Financial Reporting Standards (“IFRS”), effective for interim and annual periods beginning in the first quarter of 2011. As a result, the Company will publish its first consolidated financial statements, prepared in accordance with IFRS, for the quarter-ending March 31, 2011. The Company will also provide comparative data on an IFRS basis including an opening balance sheet as at January 1, 2010.

3. CASH

(a) Cash and cash equivalents

Cash equivalents are comprised of highly liquid investments with a 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:

For the years ended December 31 (in thousands of United States dollars)	2010 \$	2009 \$
Cash	14,428	15,362
Cash equivalents	-	3,825
	14,428	19,187

(b) Restricted cash equivalents

As at December 31, 2010 Magellan Metals had restricted cash deposited with a financial institution of \$9.0 million (2009 - \$7.7 million). Most of the restricted cash relates to cash secured unconditional performance bonds in favour of the state of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases (see note 8). All of the 2010 and 2009 balances are held in restricted cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. INVENTORY

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Concentrate – mine site and in transit	5,179	6,671
Low grade ore stockpiles	2,909	–
Medium and high grade ore stockpiles	2,077	1,239
Consumables and other	4,393	2,763
	14,558	10,673

During 2010, the Company recorded an inventory recovery of \$2.3 million related to previously written-off low-grade stockpiles. Also, the Company wrote off obsolete inventory in the consumables and other inventory in the amount of \$0.1 million.

5. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31	2010			2009		
(in thousands of United States dollars)	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Plant and equipment	52,600	(9,800)	42,800	39,035	(5,641)	33,394
Leasehold improvements	74	(71)	3	74	(70)	4
Office equipment	1,183	(762)	421	861	(642)	219
Leased assets	–	–	–	3,088	(1,339)	1,749
Deferred stripping	10,729	(903)	9,826	9,192	(284)	8,908
Construction work-in-progress	3,563	–	3,563	8,797	–	8,797
Development costs and other	110,917	(13,892)	97,025	109,793	(12,001)	97,792
Asset impairment	(73,000)	–	(73,000)	(73,000)	–	(73,000)
	106,066	(25,428)	80,638	97,840	(19,977)	77,863

Substantially all of the Company's property, plant and equipment are located in Australia. Included in development costs and other is \$1.0 million for exploration expenditures capitalized related to the Prairie Downs Joint Venture. See note 16(a).

During 2010, the Company wrote off \$52,000 (2009 - \$41,000) in exploration properties. During 2008, the Company realized an impairment loss of \$73.0 million on Magellan.

6. CONVERTIBLE NOTES

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 had a one-year term which matured on April 27, 2008 and bore interest at 9.25% per annum, which accrued and was payable at maturity or earlier repayment. The Secured Facility granted first ranking security interests over all the Company's assets.

On April 2, 2008 the lenders partially converted and extended the maturity date of the Secured Facility. According to the agreement with the lenders of the Secured Facility, \$20.0 million of the \$40.0 million then drawn and outstanding against the Secured Facility was converted into common shares of Ivernia and the maturity date for the remaining drawn and undrawn amounts was extended to April 27, 2009. The interest rate was lowered to 6% per annum from 9.25% per annum for the unconverted amounts. The interest payable on the converted balance was paid in the second quarter of 2008; the balance of interest payable was due in April 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

On March 27, 2009 the Company completed a transaction (the "2009 Note Restructuring") with the lenders (including Sentient Global Resources Fund II (with its affiliates collectively referred to as "Sentient")) of the Secured Facility by which the terms thereof were amended and restated (the Secured Facility as amended and restated being herein referred to as the "Amended and Restated Notes") as follows: (a) the due date was extended from April 27, 2009 to April 27, 2013; (b) interest and fees of \$3 million currently outstanding on the Secured Facility were added to the principal amount thereof; (c) interest was increased to 8% from 6% payable annually with one-half thereof being payable, at Ivernia's option, by the issuance of additional Amended and Restated Notes; and (d) the conversion price was changed from \$1.08 to \$0.11 per share. In connection with the transaction, Ivernia also granted the lenders registration rights in respect of the common shares in which the Amended and Restated Notes are convertible and pre-emptive rights to allow them to maintain their percentage share ownership in Ivernia.

Contemporaneously with the issuance of the Amended and Restated Notes, Sentient purchased an additional \$5.0 million in secured convertible notes with the same terms as the Amended and Restated Notes (the "New Notes"). As part of its agreement with the Company, Sentient agreed to purchase the difference between \$5.0 million and the principal amount of additional New Notes (the "Sentient Commitment"). New Notes in the principal amount of \$400,000 were issued to Sentient on March 27, 2009 as consideration for providing the Sentient Commitment.

The Amended and Restated Notes and the New Notes are collectively referred to as "Convertible Notes".

The Convertible Notes were accounted for in accordance with CICA Section 3863, whereby debt securities which have interest payable in cash and give the holder the right to convert the principal amount into common shares are split into a liability and an equity component on the date of issuance. The debt component is recorded as Convertible Notes. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of convertible instruments". Over the term of the Convertible Notes, the debt component will be accreted to the face value of the Convertible Notes by the recording of additional interest expense.

To complete the extinguishment of the Secured Facility, a settlement expense of \$0.75 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.

On March 27, 2009 Ivernia entered into a subscription agreement with OppenheimerFunds, Inc. under which they agreed to purchase \$5.0 million principal amount of New Notes, with the transaction completed in April 2009.

In April 2009, Rosspport Metals and Mining Fund LP purchased \$1.0 million in Convertible Notes. In May 2009, the final \$4.0 million in Convertible Notes was purchased by Sentient.

The costs of issuing the Convertible Notes were \$1.06 million; \$0.84 million was allocated to the equity portion and \$0.21 million to the debt portion.

The Convertible Notes, the repayment of which was secured by a general security agreement over Ivernia's assets, restricted the Company from: (a) incurring additional security interests exceeding \$2.0 million, except in the case of Magellan and other subsidiaries only, where under certain circumstances such as for working capital and financial instrument management facilities, additional security interests can be incurred; (b) creating classes of securities ranking in priority to, or pari passu with, the Convertible Notes; and (c) prior to the restart of commercial operations, from making distributions or paying dividends to shareholders. In addition, the Convertible Notes contained anti-dilutive provisions which allowed for an adjustment to the conversion price if the Company issues any common equity, convertible debt or other items convertible into common equity other than employee stock options. Sentient had certain rights under an agreement between

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Sentient and the Company (the "Governance Agreement") for so long as Sentient holds not less than \$4.0 million principal amount of Convertible Notes including the ability to appoint one of two Directors to the Magellan Metals board.

In December 2009 and January 2010, one of the lenders converted \$0.5 million principal amount of Convertible Notes into 4,545,455 common shares.

In December 2010, the lenders converted the remaining \$37.4 million principal amount of Convertible Notes into 340,000,003 common shares. The lenders agreed to defer interest payments until April 27, 2011. With the conversion of the Convertible Notes the Governance Agreement was terminated.

The balances for the Convertible Notes are analyzed as follows:

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Convertible Notes outstanding	37,900	38,400
Convertible Notes converted	(37,900)	(500)
Convertible Notes outstanding	-	37,900
Equity value of conversion options	-	(30,189)
Pro-rated costs of financing	-	(209)
Accretion	-	1,500
Accrued interest	2,033	2,252
	2,033	11,254
Less: Accrued interest included in accounts payable and other current liabilities	(2,033)	(2,252)
	-	9,002

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

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Equity value of conversion option	-	30,189
Pro-rated costs of financing	-	(839)
	-	29,350

7. LONG-TERM LIABILITIES

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Lease liabilities	-	1,534
Less current portion	-	(1,534)
Esperance settlement (note 15(a))	6,089	7,852
Less current portion	(3,071)	(5,294)
Esperance community fund (note 15(b))	629	712
Less current portion	(629)	(433)
Other	618	-
Less current portion	(618)	-
	3,018	2,837

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8. RECLAMATION PROVISION

As at December 31, 2010 the reclamation provision relating to Magellan Metals asset retirement obligations was \$7.8 million (2009 – \$7.4 million).

(in thousands of United States dollars)	2010	2009
	\$	\$
As at January 1	7,425	6,879
Payment	(204)	-
Accretion expense	590	546
As at December 31	7,811	7,425

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\$12.0 million (\$12.3 million). The accretion expense for the reclamation provision was \$0.6 million for 2010 (2009 - \$0.5 million).

There was no change to the rehabilitation provision in 2009 or 2010. Substantially all the payments are scheduled to be made in 2016.

9. SHARE CAPITAL

(a) Authorized share capital

Authorized share capital of the Company is comprised of an unlimited number of common shares and an unlimited number of preference shares issuable in one or more series.

(b) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

	Number of common shares	Amount
	(000's)	(\$000's)
Outstanding as at December 31, 2008	180,153	246,738
Issued on conversion of Convertible Notes (note 6)	4,545	504
Outstanding as at December 31, 2009	184,698	247,242
Issued on exercise of options	47	6
Issued on conversion of Convertible Notes (note 6)	344,545	41,587
Outstanding as at December 31, 2010	529,290	288,835

Also see note 18.

(c) Employee stock options

The Company has in place a Stock Option Plan as amended on June 16, 2010 (the "Plan") under which certain directors, officers, employees and consultants may be granted options to purchase up to 52,929,013 common shares as at December 31, 2010 (December 31, 2009 – 8,699,834). As at December 31, 2010 options to purchase 10% of the issued and outstanding common shares from time to time, being 48,760,682 common shares (December 31, 2009 – 3,229,884) common shares 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 ten years and may not be assigned under the plan unless the directors of the Company determine otherwise, one third of the options granted become exercisable at any time after the first anniversary date, one third at any time after the second anniversary date and the balance at any time after the third anniversary date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A summary of the status of the Company's Plan as at December 31, 2010 and December 31, 2009 and changes during the periods ending on those dates is presented on the following table:

	2010			2009		
	Applicable shares (000's)	Shares issued (000's)	Weighted average exercise price (C\$)	Applicable shares (000's)	Shares issued (000's)	Weighted average exercise price (C\$)
Outstanding – beginning of year	5,470		0.73	7,372		0.92
Granted	-		-	950		0.34
Exercised	(47)	47	0.10	-	-	-
Expired	(1,025)		1.70	(2,002)		1.46
Forfeited	(230)		0.10	(850)		0.27
Outstanding – end of year	4,168		0.53	5,470		0.73
Exercisable – end of year	2,862		0.66	2,821		1.20

The following tables summarize information about stock options outstanding as at December 31, 2010:

Range Of Exercise Prices C\$	Options Outstanding			Options Exercisable		
	Number outstanding at Dec. 31, 2010 (000's)	Weighted average remaining contractual life (Years)	Weighted average exercise price (C\$)	Number exercisable at Dec. 31, 2010 (000's)	Weighted average remaining contractual life (Years)	Weighted average exercise price (C\$)
0.10 – 0.19	2,148	2.63	0.10	1,495	2.55	0.10
0.20 – 0.34	450	3.44	0.275	150	3.44	0.275
0.35 – 0.98	500	3.97	0.405	167	3.97	0.405
0.99 – 1.60	910	0.93	1.55	890	0.91	1.55
1.61 – 1.65	160	0.98	1.65	160	0.98	1.65
0.10 – 1.65	4,168	2.44	0.53	2,862	2.08	0.66

The following table summarizes the assumptions used in calculating the fair value of options issued during 2010 and 2009:

Valuation assumptions	2010	2009
Expected terms (years)	N/A	4.8 - 5
Vesting period (years)	N/A	3
Expected volatility	N/A	104%
Expected dividend yield	N/A	Nil
Risk-free interest rate	N/A	2.5% - 2.7%
Aggregate unexpensed fair value of stock options granted as at December 31 (US\$)	82,000	242,000
Weighted average fair value of options granted (C\$)	N/A	0.26

The stock options expense for the year was \$152,000 (2009 - \$75,000).

(d) Contributed surplus

Details of the movement in contributed surplus are as follows:

For the years ended December 31 (in thousands of United States dollars)	2010 \$	2009 \$
Balance – beginning of year	9,899	8,224
Option compensation recognized	152	75
Options exercised	(1)	-
Warrants expired	-	1,600
	10,050	9,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(e) Earnings (loss) per share

The earnings per share has been calculated using the weighted average number of shares outstanding during the year of 210,114,547 shares (2009 – 180,252,178).

The calculation of basic and diluted earnings per share is detailed in the following table:

For the years ended December 31	2010			2009		
	Net income	Weighted average number of shares	Per share amount	Loss	Weighted average number of shares	Per share amount
	(\$000's)	(000's)	\$	(\$000's)	(000's)	\$
Basic earnings (loss) per share	17,104	210,115	0.08	(3,304)	180,252	(0.02)
Incremental shares on assumed exercise of options	-	1,677	-	-	-	-
Diluted earnings (loss)	17,104	211,792	0.08	(3,304)	180,252	(0.02)

The incremental shares on assumed exercise of options and conversion of Convertible Notes are anti-dilutive for 2009.

10. INCOME TAXES

A reconciliation of the income taxes calculated at the statutory rates to the Company's effective income tax provision is as follows:

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Statutory tax rate	31.0%	33.0%
Income tax recovery at the statutory rate	(602)	(2,696)
Effect of lower tax rates in foreign jurisdictions	(2,216)	(1,888)
Withholding tax	701	(1,172)
Changes in valuation allowance	(12,140)	719
Change in future tax rate	451	-
Permanent differences	(5,373)	223
Provision for future income tax recovery	(19,178)	(4,814)

Foreign exchange gains of \$4.0 million (2009 – nil) on deferred taxes have been included in income.

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at December 31 are as follows:

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Property, plant, equipment, exploration and development	(10,331)	(14,853)
Non-capital loss carry-forwards	39,054	23,626
Other	16,954	13,224
Future income tax asset	45,677	21,997

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Property, plant, equipment, exploration and development	-	-
Non-capital loss carry-forwards	-	-
Other	4,382	3,880
Future income tax liability	4,382	3,880

Future benefits for losses in Canada in the amount of C\$23 million have not been recognized because management believes that the future income tax assets associated with these losses are not more likely than not to be realized in the carry forward period.

The following table lists the Canadian unused tax losses and their related expiry dates:

Year of expiry	2014	2026	2027	2028	2029	2030
Unused tax loss C\$ (000's)	2,000	5,700	3,300	900	4,200	10,300

In addition, the Company has a total of approximately A\$94 million (\$96 million) of loss carry-forwards from Magellan Metals that will have no expiry date and could be used to shelter future taxable income, and a total of C\$126 million in capital loss carry-forwards with no expiry date.

The Company paid nil cash taxes in 2010 (2009 - nil).

11. ACCUMULATED OTHER COMPREHENSIVE GAIN (LOSS)

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

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Balance as at January 1	(4)	-
Unrealized gain (loss) on investments	133	(4)
Accumulated other comprehensive gain (loss), December 31	129	(4)

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are intended to: fund operating and other activities; fund the restart of operations; 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 Note 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.

Prior to the conversion of the Convertible Notes (see note 6), the Company was restricted from: (a) incurring additional security interests exceeding \$2.0 million, except in the case of Magellan Metals and other subsidiaries only, where under certain circumstances such as for working capital and financial instrument

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

management facilities, additional security interests can be incurred; (b) creating classes of securities ranking in priority to, or pari passu with, the Convertible Notes; and (c) prior to the restart of commercial operations, from making distributions or paying dividends to shareholders. In addition, Sentient had the Governance Agreement in place for so long as Sentient held not less than \$4.0 million principal amount of Convertible Notes including the ability to appoint one of two Directors to the Magellan Metals board. With the conversion of the Convertible Notes these restrictions and the Governance Agreement are no longer in place.

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.

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, investments, restricted cash and cash equivalents and forward sales and purchase contracts. The Company's financial liabilities consist of accounts payable and other current liabilities, forward sales contracts and the interest due on the Convertible Notes.

The cash and cash equivalents, restricted cash and cash equivalents, forward sales and purchase contracts, long-term liabilities and interest due on the 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 December 31, 2010 and December 31, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Financial assets and liabilities at fair value as at December 31, 2010

	Level 1	Level 2	Level 3	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Accounts receivable and other current assets ⁽¹⁾	-	9,002	-	9,002
Accounts payable and other current liabilities ⁽¹⁾	-	(19,982)	-	(19,982)
Forward purchase contracts ⁽²⁾	396	-	-	396
Forward sales contracts ⁽²⁾	(399)	-	-	(399)
Investments ⁽³⁾	195	-	-	195
	192	(10,980)	-	(10,788)

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

	Level 1	Level 2	Level 3	Total
(in thousands of United States dollars)	\$	\$	\$	\$
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 gain (loss). As at December 31, 2010 the investments available for sale had increased in fair value by \$133,000 during the year to represent its quoted market value.

(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, restricted cash and restricted cash equivalents and forward purchase and sales contracts. 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 accounts receivable and other current assets consist mainly of receivables from unrelated parties, prepayments, and security deposits. Financial instruments included in restricted cash and restricted cash equivalents include low interest restricted savings accounts. Financial instruments included in forward purchase and sales contracts may include current market amounts due to brokers at a future settlement date. Management believes the credit risk concentration with respect to financial instruments in cash and cash equivalents, accounts receivable and other current assets and restricted cash and restricted cash equivalents is negligible due to the credit-worthiness of the financial institutions and debtors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

For the years ended December 31	2010	2009
(in thousands of United States dollars)	\$	\$
Cash and cash equivalents	14,428	19,187
Accounts receivable and other current assets	9,002	4,515
Forward purchase contracts	396	452
Investments available for sale	195	62
Restricted cash and restricted cash equivalents	9,029	7,725
	33,050	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 December 31, 2010 the Company had a cash balance of \$14.4 million (December 31, 2009 - \$19.2 million) and total current assets of \$38.6 million (December 31, 2009 - \$34.9 million) to settle current liabilities of \$24.7 million (December 31, 2009 - \$14.9 million).

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

For the years ended December 31	2010			2009
(in thousands of United States dollars)	Within 1 year	1 to 4 years	Total	Total
	\$	\$	\$	\$
Accounts payable and other current liabilities	17,949	-	17,949	7,669
Forward sales contracts	399	-	399	18
Convertible Notes	2,033	-	2,033	40,152
Long-term liabilities	4,318	3,018	7,336	10,098
	24,699	3,018	27,717	57,937

Market risk

(i) Interest rate risk

The Company has cash balances and no variable interest bearing debt so has minimal exposure to interest rate risk.

Foreign currency risk

The Company's reporting currency is the United States dollar. Magellan Metals generates US\$ revenues from the sale of lead carbonate concentrate and converts those funds into A\$ to pay its A\$ operating costs. If necessary, Ivernium funds A\$ operating, capital and exploration expenditures through its wholly-owned subsidiaries. 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

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

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

For the years ended December 31	2010		2009	
(in thousands of United States dollars)	A\$	C\$	A\$	C\$
Cash and cash equivalents	4,366	363	4,895	1,003
Accounts receivable and other current assets	2,299	161	1,499	179
Investments available for sale	195	-	62	-
Restricted cash and cash equivalents	9,029	-	7,725	-
Accounts payable and other current liabilities	20,777	703	6,097	327
Long-term liabilities	3,018	-	10,098	-

(ii) 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 and long-term 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. The Convertible Notes are classified as other liabilities and recorded at amortized cost using the effective interest method.

As at December 31, 2010 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 \$195,000 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 loss by \$19,500.

The Company holds significant balances in Australian dollar and Canadian dollar currencies. A \$0.10USD/\$1AUD movement would affect net income (loss) by \$0.2 million before taxes. A \$0.10USD/\$1CAD movement would affect net income (loss) by \$15,000 before taxes.

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

A change in lead prices of \$100 per tonne will affect net income (loss) by \$0.6 million before taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Forward sales and purchase contracts

(in thousands of United States dollars, except per pound amounts)					December 31, 2010	
	Expiry Date	Tonnes	Market Value	Cost	Fair Value Adjustment Recorded in income	
			\$	\$	\$	
Forward purchase contracts	Jan/11	3,225	8,261	7,987	274	
	Feb/11	525	1,340	1,268	72	
	Mar/11	175	446	396	50	
		3,925	10,047	9,651	396	
Forward sales contracts	Jan/11	(3,575)	(9,169)	(8,821)	(348)	
	Feb/11	(175)	(447)	(396)	(51)	
		(3,750)	(9,616)	(9,217)	(399)	
		175	431	434	(3)	

(in thousands of United States dollars, except per pound amounts)					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 \$3.3 million in realized settlements and unrealized fair value adjustments has been included in revenue for the year (2009 – \$0.3 million).

14. ESPERANCE AND FREMANTLE

(a) Esperance/Fremantle and related costs

On March 12, 2007, shipments of lead 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

shipment of the 8,300 dry metric tonnes 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 concentrate in sealed containers through the Port of 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 counter claim 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

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

On August 13, 2009 Magellan Metals received final approval to commence containerized shipping through the Port of Fremantle.

Included in operating costs are costs incurred by Magellan Metals on regular operating activities during the care and maintenance period and subsequent to receiving final approval to commence containerized shipping through the Port of Fremantle, less net gas revenue.

15. ESPERANCE SETTLEMENT

(a) Esperance contribution agreement

The Company has agreed with the State of Western Australia (the "State") and the Esperance Port Authority ("EsPA") to 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\$9.0 million toward comprehensive clean-up activities at the Port of Esperance and within the town of Esperance. The Esperance Agreement has been formally approved and signed by the State, EsPA, Magellan and Ivernia and mutually releases the parties from claims against each other in respect of lead pollution in and around the Port of Esperance and the 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 of Esperance and surrounding area.

The State and EsPA will carry out the clean up under relevant laws and regulations and requirements and use their best efforts to complete the clean up by December 31, 2010. When the clean up has been completed in accordance with the terms of the Esperance Agreement, a validation report will be issued by a qualified third party consultant. Magellan Metals' contribution comprises three equal payments of A\$3.0 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 achieving set cumulative earnings targets beginning January 1, 2009. The cumulative earnings targets are A\$6.0 million, A\$12.0 million and A\$18.0 million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 gains and losses have not been met by the respective due dates then the payment dates will be extended until such targets are met.

As at December 31, 2010 all indications are the Validation Report would not be issued before December 31, 2011.

If A\$6.0 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 should this work be required in the future. Magellan Metals' maximum exposure to such a claim is A\$3.0 million, however the Company may defend such a claim as it sees fit.

The Company made the first A\$3.0 million payment in the first quarter of 2010 after achieving the first A\$6.0 million cumulative earnings target.

(b) Esperance community fund

In 2008, the Company also committed to an A\$1.0 million fund for community-based projects in Esperance over the next three years. This fund, to be administered by the Shire of Esperance (the "Shire"), is not part of the agreement with the State and will be jointly dispersed by Magellan and the Shire. During 2010, a total of A\$0.2 million was paid (2009 - A\$0.2 million). A total of A\$0.4 million has been paid.

16. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Prairie Downs

In June 2010, Ivernia signed a binding agreement in respect of the formation of an Earn-In arrangement with Prairie Downs Pty Ltd ("Prairie Downs") to acquire up to 80% of the Prairie Downs lead-zinc project the "Project" in Western Australia (the "Earn-In").

Under the earn-in arrangement Ivernia has committed to an immediate and accelerated initial A\$2.0 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 Earn-In include:

- An option in favour of Ivernia to purchase a 60% interest in the Project for A\$10.0 million in cash or Ivernia's shares (at Ivernia's election) exercisable by Ivernia after expenditure by it of A\$3.0 million in 18 months (subject to the condition that a minimum expenditure of A\$2.0 million must be spent in the first 12 months) or A\$5.0 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\$5.0 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- 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.

During the twelve months ended December 31, 2010 the Company spent \$1.0 million on the Earn-In and completed A\$1.2 million in eligible expenditures towards achieving the first A\$3.0 million expenditure requirement.

(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 the license or lease. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond December 31, 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 of 5% of net realized value for lead concentrates sold.

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 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 Wunmulla 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 Claimant Trust Fund for use of the gas pipeline tenement area.

17. RELATED PARTY TRANSACTIONS

Sentient and its affiliates are a "related party" by virtue of its shareholding in Ivernia and by virtue of Mr. Cassidy's and Mr. Britz's representation on the Ivernia 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 the Governance Agreement and the granting of registration and pre-emptive rights by Ivernia to Sentient. On May 8, 2009

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Sentient Executive GP III, Limited, a company related to Sentient, committed to purchase an additional \$4.0 million of Convertible Notes and the transaction closed on May 29, 2009.

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.

On December 10, 2010 Sentient converted all the Convertible Notes it then held into 190,000,001 common shares of Ivernia.

In December 2010, Sentient transferred 225,047,928 common shares of Ivernia to a wholly owned subsidiary, Green SEA Resources Inc. ("GSR"). GSR is also considered a related party due to its ownership by Sentient and GSR's significant shareholdings in Ivernia. Some Ivernia management and directors perform management functions for GSR and/or serve on the board of directors of GSR. During the year, Ivernia provided various corporate and administrative services to GSR which was billed to GSR. The total billed during the year was C\$360,000 (\$345,000). The balance owed by GSR on December 31, 2010 was \$nil.

During the year, Ivernia provided various corporate and administrative services to Sentient which was billed to Sentient. The total billed during the year was A\$161,000 (\$148,000). The balance owed from Sentient on December 31, 2010 was A\$52,000 (\$53,000). Also, due to Sentient at December 31, 2010 is \$1.1 million in accrued interest from the Convertible Notes, which is due in April 2011.

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

18. SUBSEQUENT EVENTS

On December 31, 2010 a stop order (the "Stop Order") was issued by the Minister for Environment of Western Australia to Magellan Metals to temporarily halt transport of lead carbonate concentrate from the minesite. Transportation from the minesite was halted on that date. A further order (the "Order") was issued on January 3, 2011 also requiring Magellan Metals to cease transporting lead carbonate from the minesite that replaces the stop order. Due to the uncertainty surrounding the timeline to recommence shipments, the Company commenced a temporary shutdown of mining and processing operations on January 5, 2011. On February 23, 2011 the Minister for Environment lifted the Order that required the temporary cessation of transport operations from the Magellan Mine and the Company resumed mining and processing operations shortly thereafter.

On January 13, 2011 Sentient purchased 52,900,000 common shares of Ivernia in a private placement, for C\$0.34 per common share, for gross proceeds of approximately C\$18.0 million (\$17.7 million), less costs C\$1.0 million (\$1.0 million), including C\$899,000 (\$887,000) commitment fee paid to Sentient. These shares were subsequently transferred to GSR.

On March 14, 2011 the Company announced that its rail transport contractor had advised it that for a two month period 10 trains carrying a total of 159 containers carrying lead concentrate were routed by the contractor to the Port of Fremantle along a 12 kilometer rail line this is not part of the usual rail route. As a result, the Company voluntarily delayed regular transport operations. On March 17, 2011 the Company announced that the Magellan Metals would be resuming regular transport operations.