



## NEWS RELEASE

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

### IVERNIA REPORTS THIRD QUARTER 2008 FINANCIAL RESULTS

**TORONTO, ONTARIO – November 14, 2008** – Ivernia Inc. (TSX: IVW) today reported financial results for the period ended September 30, 2008. Net loss for the third quarter of 2008 was \$3.4 million, or \$0.02 per share, compared with a net loss of \$5.8 million, or \$0.04 per share in the third quarter of 2007. Net loss for the nine months ended September 30, 2008 was \$15.4 million, or \$0.09 per share, compared with a net loss of \$14.5 million, or \$0.11 per share for the nine months ended September 30, 2007. Results in the quarter were impacted by the continued suspension of operations at the Magellan mine and an inventory write-down in the net realizable value of the inventory held at the Port of Esperance in the amount of \$0.8 million, mainly due to decreased lead prices and expected higher shipping and handling costs related to the 8,000 dry metric tonne stockpile at Esperance.

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
<b>Financial Highlights (unaudited)</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
(in thousands of United States dollars except per share amounts)	\$	\$	\$	\$
Revenue	-	-	-	20,014
Operating loss (care and maintenance and amortization)	<b>(2,579)</b>	(2,059)	<b>(7,322)</b>	(3,884)
Net loss	<b>(3,418)</b>	(5,820)	<b>(15,449)</b>	(14,521)
Basic loss per share	<b>(0.02)</b>	(0.04)	<b>(0.09)</b>	(0.11)
Cash used in operations before changes in working capital	<b>(4,278)</b>	(4,267)	<b>(13,754)</b>	(11,439)
Changes in working capital	<b>(1,220)</b>	966	<b>(4,654)</b>	(13,788)
Cash and cash equivalents	<b>15,846</b>	19,833	<b>15,846</b>	19,833

Resumption of operations, the shipment of stockpiled inventory and a Magellan restart decision is dependent upon receipt of requisite approvals to ship containerized lead concentrate through the Port of Fremantle and acceptable economic conditions for the sale of lead concentrate. During the third quarter 2008, the Company was granted a further extension of its license to operate the Magellan Lead Project under the Environmental Protection Act 1986 (WA). The license was extended for a further three years to August 8, 2011. No comments were received during the 21-day public comment period. The Department of Environment and Conservation did not change any conditions within the license.

Commencing in January 2008 the Company commissioned a concentrate bagging machine on-site carrying out trials to ensure the lead concentrate could be bagged as required by the environmental approvals for export. These trials were brought to a successful conclusion in September 2008. The bagging machine will be relocated to Esperance upon final approval of the Lead Removal Plan whereby the Esperance lead concentrate will be bagged, loaded into containers and exported to China.

While the Company awaits final Ministerial approval to commence containerized shipments from mine-site through the Port of Fremantle, and taking into consideration the current global economic climate and the decline in commodities prices, the Company has taken pro-active measures to reduce costs and conserve cash reserves until such time as the Magellan mine is brought back into production. On October 23, 2008, the Company announced a reduction of personnel. Costs associated with these reductions and other cost saving measures were approximately \$0.3 million resulting in future cost savings of approximately \$2.0 million per quarter.

Cash balances were \$15.8 million at September 30, 2008, compared with \$22.0 million at June 30, 2008. As previously announced, during the second quarter of 2008 the Company negotiated an extension of the due dates of the two secured promissory notes totaling \$20 million (the "Secured Facility") to April 27, 2009. The delays in restarting the mine as a result of the lengthy approval process will result in the need for a further extension of the maturity date or a refinancing of the Secured Facility. The Company is in discussions with holders of the promissory notes, represented by The Sentient Group and clients of investment advisor Ingalls & Snyder LLC, two of the Company's largest shareholder groups. While the Company is working towards an extension of the maturity date or a refinancing or restructuring of the Secured Facility before its maturity date, there is no assurance that any of these will occur.

Alan De'ath, Ivernia's President and Chief Executive Officer commented, "The dramatic changes in global economic conditions have resulted in significant downward pressure on base metal prices which is creating challenges throughout the global mining industry. Ivernia is certainly not immune from these conditions but the rapid and significant weakening of the Australian dollar in the past few months certainly reduces the impact of lower lead prices on the economics of our Magellan operation. Another encouraging emerging trend is the downward pressure on mining operating costs in Australia and we will keep this development under close review. The Company has been responding quickly and pro-actively to the changing conditions by reducing staff and eliminating non-critical expenditures as we await the final approvals from the new Western Australian Government to resume shipments at Magellan."

Mr. De'ath continued, "Meanwhile, we have seen positive progress on the approval process for containerized shipment through the Port of Fremantle, with the completion of a review by the relevant regulators to determine that Magellan has satisfied the conditions set by the previous Government and the project now sits with the new Government's Minister of Environment to make a final decision. At the same time, we are working with the Department of Environment and Conservation and the Esperance Port Authority to gain final clearance for the Lead Removal Plan to allow our remaining lead concentrate stockpile at the Port of Esperance to be shipped in containers so that the lead clean-up can begin. It is encouraging that the new Premier of the Western Australian Government has publicly announced his firm commitment to a swift start of the Lead Removal Plan. We look forward to resolving these matters expeditiously so that we can focus on resuming the shipments of Magellan's lead concentrate and ultimately restarting the Magellan mining operation."

#### **Update on progress toward the resumption of lead concentrate shipments through Fremantle**

On January 17, 2008 the then Western Australian Environment Minister announced his conditional acceptance of the Environmental Protection Authority's ("EPA") recommendations regarding the sealed shipment process for the export of lead concentrate from the Port of Fremantle. In accepting the recommendations, the Minister imposed additional conditions to be met, to his and relevant Government agencies' satisfaction, before final signoff was granted.

The Minister's conditions included:

- the lodgment of an A\$5 million bond;
- the appointment of an independent auditor approved by the Minister and funded by Magellan Metals to inspect each bag and container at the mine and the port;
- the completion of a comprehensive Health, Hygiene and Environmental Management plan for the mining and export process to be prepared to the requirement of the Minister, on advice from the Department of Health, the Department of Consumer and Employment Protection, the Department of Industry & Resources and the Department of Environment & Conservation; and
- baseline testing to be conducted along the transport route prior to the first movement of lead and then regularly after that.

Magellan has also committed to:

- implementing a comprehensive information and support program with local authorities and community groups along the transportation route to ensure a thorough understanding of lead concentrate, its transportation process and the Emergency Response Plan for the immediate containment and rapid and complete clean up in the unlikely event of an accident creating a spill;

- transparent communication of monitoring results and compliance reporting in an easily accessible manner; and
- continuing its community information program.

During the third quarter 2008 and also during the fourth quarter, the Company worked through finalization and agency approval of the Ministerial conditions with representatives of the prior and present Government, following the Western Australia State elections on September 6. All conditions to allow export of bagged and containerized lead carbonate concentrate through Fremantle (both the 21,000 dry metric tonne stockpile currently at the mine site and lead concentrate when production re-commences) have now been agreed to by the Company. Those requiring pre-start actions have been complied with to the satisfaction of all regulatory agencies and the project is with the present Minister for Environment to make a final decision on approvals.

### **Update on the removal of the lead concentrate stockpile at the Port of Esperance**

The Lead Removal Plan for Esperance (the "Plan"), was jointly prepared by Magellan and the Esperance Port Authority. The Plan focuses on the safe, secure and environmentally sound removal of the remaining approximate 8,000 dry metric tonne stockpile of lead concentrate secured in a storage shed at the Port of Esperance. The Plan proposes bagging, containerizing and exporting the lead concentrate from Esperance in a very similar manner to that proposed for sealed shipments via Fremantle.

The Plan was submitted by the Esperance Port Authority to the Department of Environment and Conservation (DEC), and publicly released by the DEC on September 8, 2008 for a three week stakeholder consultation period.

Following this review period, the Plan was presented to the Esperance community and other key stakeholders over several days in late September 2008. Meetings were held to discuss the Plan, followed by a community open day. All stakeholders were supportive of the Plan, with only comments received relating to auditing and monitoring of the process. Agency comments were similar and some minor changes to the Plan were incorporated to accommodate comments received.

The Plan has now been approved subject to some further actions to be undertaken by the Esperance Port Authority, and will be able to be implemented once these actions are completed (expected prior to the end of November) and logistics issues are finalized. The Premier of the Western Australian Government has announced his firm commitment to the early execution of the Lead Removal Plan.

Complete Financial Statements and Management's Discussion and Analysis for the period ended September 30, 2008 were filed today and are available on the Ivernia website at [www.ivernia.com](http://www.ivernia.com) or SEDAR at: [www.sedar.com](http://www.sedar.com).

### **About Ivernia**

Ivernia is an international base metals operating, development and exploration company. The Company is the sole owner and operator of the Magellan lead mine in Western Australia. When operations resume and target production levels are achieved the mine is expected to be a significant pure lead producer accounting for approximately 2% of the total world lead mine production.

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

## Forward-Looking Statements

*Certain statements contained in this document constitute forward-looking information within the meaning of securities laws. All statements included in this document (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: the duration of the suspension of the Company's mining and milling operations, the proposal to ship lead concentrate through the Port of Fremantle, the implications of the government of Western Australia's continuing investigations into the matters resulting in the suspension of mining operations, the possibility of legal or regulatory action (and any resulting costs or liabilities) which may be taken in connection with the matters being investigated, the estimated timing of the receipt of required regulatory approvals to ship the stranded lead concentrate at the Port of Esperance and recommence lead shipments from the Magellan mine, future targets and estimates for production, capital expenditures, operating costs, cash costs, mineral resources and ore reserves, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals and plans for Ivernia's future business operations; and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions such as; the results of the Australian government's continuing investigations into lead contamination at the Port of Esperance, the timing of the receipt of final regulatory approvals required to ship lead concentrate through the Port of Fremantle, the duration of the suspension of mining and milling operations, metal price volatility, lead concentrate treatment charges, exchange rates, regulatory proceeding and litigation, single mineral property, resources and reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, refinancing risk, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. While we consider these assumptions to be reasonable based on information currently available to us, 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. Other risks and factors that could cause actual results to differ are described in Management's Discussion and Analysis ("MD&A") for the most recently completed year end under the heading "Risks and Uncertainties", and in the Company's most recently filed Annual Information Form under the heading "Risk Factors". Our MD&A, Annual Information Form and additional information on Ivernia are available on the Company's website at [www.ivernia.com](http://www.ivernia.com) and on Ivernia's SEDAR profile at [www.sedar.com](http://www.sedar.com). All of the forward-looking statements made in this document are based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.*

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# IVERNIA INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT AND COMPREHENSIVE LOSS

(unaudited)

	<i>Notes</i>	Three months ended September 30		Nine months ended September 30	
		2008	2007	2008	2007
(in thousands of United States dollars, except per share amounts)					
<b>Revenue</b>		-	-	-	20,014
Treatment charges and freight		-	-	-	(3,089)
Mining and processing costs		-	-	-	(7,742)
Care and maintenance	10(b)	(2,232)	(1,844)	(6,446)	(4,472)
Royalties		-	-	-	(1,047)
Loss on derivatives		-	-	-	(4,679)
Amortization		(347)	(215)	(876)	(2,869)
		<b>(2,579)</b>	<b>(2,059)</b>	<b>(7,322)</b>	<b>(3,884)</b>
<b>Expenses</b>					
General and administrative		(1,950)	(1,361)	(4,895)	(4,666)
Esperance/Fremantle and related costs	10(a)	(163)	(725)	(729)	(1,831)
Stock option costs	9(b)	(44)	(141)	(195)	(467)
Foreign exchange (loss) gain		(84)	623	(164)	(38)
Net interest expense		(1,849)	(4,325)	(8,523)	(8,138)
Inventory write-down	3	(794)	-	(794)	-
Other		349	13	384	12
		<b>(4,535)</b>	<b>(5,916)</b>	<b>(14,916)</b>	<b>(15,128)</b>
<b>Loss before income taxes</b>		<b>(7,114)</b>	<b>(7,975)</b>	<b>(22,238)</b>	<b>(19,012)</b>
<b>Income tax recovery</b>		<b>3,696</b>	<b>2,155</b>	<b>6,789</b>	<b>4,491</b>
<b>Net loss</b>		<b>(3,418)</b>	<b>(5,820)</b>	<b>(15,449)</b>	<b>(14,521)</b>
<b>Deficit – beginning of period</b>		<b>(107,863)</b>	<b>(83,496)</b>	<b>(95,832)</b>	<b>(74,795)</b>
<b>Deficit – end of period</b>		<b>(111,281)</b>	<b>(89,316)</b>	<b>(111,281)</b>	<b>(89,316)</b>
<b>Basic and diluted loss per share</b>		<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.09)</b>	<b>(0.11)</b>
<b>Weighted average number of common shares outstanding (000's)</b>		<b>180,153</b>	<b>142,881</b>	<b>167,757</b>	<b>137,360</b>
<b>Net loss</b>		<b>(3,418)</b>	<b>(5,820)</b>	<b>(15,449)</b>	<b>(14,521)</b>
<b>Unrealized loss on investments</b>	12	<b>(163)</b>	<b>(430)</b>	<b>(494)</b>	<b>(515)</b>
<b>Comprehensive loss</b>		<b>(3,581)</b>	<b>(6,250)</b>	<b>(15,943)</b>	<b>(15,036)</b>

**IVERNIA INC.**  
**CONSOLIDATED BALANCE SHEETS**

(unaudited)

	<i>Notes</i>	<b>September 30 2008</b>	December 31 2007
(in thousands of United States dollars)		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		15,846	13,726
Accounts receivable and other current assets		762	920
Inventory	3	19,273	18,962
Investments available-for-sale	12, 13	123	617
		<b>36,004</b>	<b>34,225</b>
Property, plant and equipment	4	147,471	147,603
Restricted cash and cash equivalents	5	3,506	2,893
		<b>186,981</b>	<b>184,721</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities		5,168	8,694
Secured facility	6	17,663	38,177
		<b>22,831</b>	<b>46,871</b>
<b>Long-term debt</b>	7	<b>1,478</b>	2,049
<b>Reclamation provision</b>	8	<b>3,329</b>	2,948
<b>Future income tax</b>		<b>7,728</b>	14,310
		<b>35,366</b>	<b>66,178</b>
<b>Shareholders' equity</b>			
<b>Share capital</b>	9(a)	<b>246,738</b>	199,940
<b>Share warrants</b>	9(c)	<b>1,600</b>	1,600
<b>Equity component of secured facility</b>	6	<b>7,200</b>	10,335
<b>Contributed surplus</b>	9(d)	<b>8,255</b>	2,903
		<b>263,793</b>	<b>214,778</b>
<b>Deficit</b>		<b>(111,281)</b>	(95,832)
<b>Accumulated other comprehensive loss</b>	12	<b>(897)</b>	(403)
		<b>151,615</b>	<b>118,543</b>
		<b>186,981</b>	<b>184,721</b>

Contingencies and commitments note 14

# IVERNIA INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of United States dollars)	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Cash (used in) provided by</b>				
<b>Operating activities</b>				
Net loss for the period	(3,418)	(5,820)	(15,449)	(14,521)
Non-cash items:				
Stock option costs	44	141	195	467
Amortization	347	215	876	2,869
Future income tax	(3,543)	(2,155)	(6,789)	(4,491)
Accretion	1,598	3,275	6,238	5,377
Inventory write-down	794	-	794	-
Other	(100)	77	381	(1,140)
Changes in non-cash working capital				
Accounts receivable and other current assets	142	973	158	10,825
Inventory	(636)	718	(1,105)	(7,560)
Accounts payable and other current liabilities	(726)	(725)	(3,707)	(17,053)
	(5,498)	(3,301)	(18,408)	(25,227)
<b>Investing activities</b>				
Additions to property, plant and equipment	(258)	(841)	(744)	(5,927)
Change in restricted cash	(353)	(55)	(353)	(2,796)
	(611)	(896)	(1,097)	(8,723)
<b>Financing activities</b>				
Net cash proceeds on issue of shares and warrants	-	17,522	21,626	17,561
Payment of credit facility	-	-	-	(5,000)
Decrease in long-term debt	(461)	(35)	(571)	(116)
Secured facility	-	-	-	24,378
	(461)	17,487	21,055	36,823
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	412	(153)	570	(102)
<b>Net (decrease) increase in cash and cash equivalents</b>	(6,158)	13,137	2,120	2,771
<b>Cash and cash equivalents – beginning of period</b>	22,004	6,696	13,726	17,062
<b>Cash and cash equivalents – end of period</b>	15,846	19,833	15,846	19,833
<b>Supplementary information:</b>				
<b>Net interest (received) paid</b>	(136)	(17)	1,341	1,587

# IVERNIA INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2008 and 2007

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

### 1. Significant accounting policies

The interim consolidated financial statements of Ivernia Inc. ("Ivernia") and its subsidiaries (collectively, the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and basis as those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2007 in note 1 (Nature of operations) and note 2 (Summary of significant accounting policies), except for changes as described in note 2 below.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007. Capitalized terms used in these notes to the interim consolidated financial statements and not otherwise defined herein have the meanings given to them in the Company's audited consolidated financial statements for the year ended December 31, 2007.

Certain comparative figures have been reclassified to conform to the presentation adopted in 2008.

#### *Basis of presentation*

The Company's interim consolidated financial statements for the period ended September 30, 2008 have been prepared on the basis that it will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company currently has no operating revenue as a result of its Magellan mine being put under care and maintenance pending requisite approvals to ship containerized lead concentrate through the Port of Fremantle. The decision to re-commence production will be made upon the receipt of final approvals to ship and acceptable economic conditions for the sale of its lead concentrate. The Company is also seeking approval of a plan that proposes bagging, containerizing and exporting the lead concentrate stockpile at the Port of Esperance. The Company continues to seek these approvals; however, there is no fixed or guaranteed timeline on receiving final approval to re-commence shipping and operations and no certainty on the outcome.

During the second quarter of 2008, the Company negotiated an extension of the due dates of the two secured promissory notes totaling \$20 million (the "Secured Facility") to April 27, 2009. The delays in restarting the mine as a result of the lengthy approval process will result in the need for a further extension of the maturity date or a refinancing of the Secured Facility. While the Company is working towards an extension of the maturity date or a restructuring or refinancing of the Secured Facility before its maturity date, there is no assurance that any of these will occur. The financial results described herein do not give effect to any adjustment that would be necessary if the Company were unable to meet its obligations or continue its operations.

### 2. Changes in accounting policies

#### (a) Effective January 1, 2008

On January 1, 2008 the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. See note 11.

Section 3031, "Inventories", provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. There was no effect on the value of inventory on adoption.

# IVERNIA INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2008 and 2007

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

Section 3862, "Financial instruments – disclosure", and Section 3863, "Financial instruments – presentation" replaced Section 3861, "Financial instruments – presentation and disclosure". These new sections incorporate many of the disclosure requirements of Section 3861 but place an increased emphasis on disclosure about risk. The new sections require entities to disclose 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 is required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments. See note 13.

### (b) Effective January 1, 2009

The CICA has issued a new standard, Section 3064, "Goodwill and intangible assets", which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company's financial statements.

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

### (c) International Financial Reporting Standards

All Canadian publicly traded companies are required to convert to International Financial Reporting Standards no later than January 1, 2011. Early adoption is a possibility and must be approved by the Ontario Securities Commission. The Company is currently in the process of evaluating resources, building a development plan and researching the potential effects of conversion. The Company currently has no plans to adopt International Financial Reporting Standards prior to January 1, 2011.

## 3. Inventory

	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Concentrate-mine site	11,293	9,798
Concentrate-Esperance	3,529	4,552
Ore stockpiles	1,239	1,239
Consumables and other	3,212	3,373
	<u>19,273</u>	<u>18,962</u>

During the third quarter 2008, the Company recorded an inventory write-down in the net realizable value of the inventory held at Esperance in the amount of \$0.8 million, mainly due to decreased lead prices and expected higher shipping and handling costs related to the stockpile at Esperance. All or part of this loss may be reversed in future periods if the net realizable value increases.

## IVERNIA INC.

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2008 and 2007

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

#### 4. Property, plant and equipment

Refer to note 5 to the Company's audited consolidated financial statements for the year ended December 31, 2007.

	September 30, 2008			December 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
(in thousands of United States dollars)	\$	\$	\$	\$
Plant and equipment	39,003	(5,556)	33,447	33,137
Leasehold improvements	74	(55)	19	31
Office equipment	762	(504)	258	367
Leased assets	3,088	(1,031)	2,057	2,310
Deferred stripping	9,192	(284)	8,908	8,908
Development costs and other	110,974	(8,192)	102,782	102,850
	<b>163,093</b>	<b>(15,622)</b>	<b>147,471</b>	<b>147,603</b>

#### 5. Restricted cash

As at September 30, 2008 Magellan Metals Pty Ltd, a wholly-owned subsidiary of Ivernia ("Magellan"), had restricted cash deposited with a financial institution of \$3.5 million compared to \$3.2 million at June 30, 2008. The increase relates to the posting of bonds related to a gas supply contract. Most of the restricted cash relates principally to unconditional performance bonds in favour of the State of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases. See note 8.

#### 6. Secured facility

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

As at March 31, 2008 a total of \$40 million of the Secured Facility had been drawn down. The Secured Facility had a one-year term which was due to mature on April 27, 2008 and bore interest at 9.25% per annum. Interest accrued and was payable at maturity or earlier repayment. The Secured Facility granted first ranking security interests over all the Company's assets.

Draw-downs under the Secured Facility entitle the lenders to conversion rights, providing for the conversion of principal into Ivernia common shares at a price of US\$1.08 per share. If Ivernia repays drawn balances before maturity the lenders will be issued warrants for the pro rata amount at a US\$1.08 strike price that will expire concurrent with the new maturity date of the Secured Facility. These conversion rights were approved by the shareholders at Ivernia's 2007 annual and special meeting. Balances repaid before maturity may not be redrawn by Ivernia.

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 million of the \$40 million then drawn and outstanding against the Secured Facility was converted into common shares of Ivernia (see note 9(a)) 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 effective April 3, 2008. The interest payable on the converted balance was paid in the second quarter; the balance of interest payable is due on April 27, 2009.

## IVERNIA INC.

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2008 and 2007

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Other than the existing general security agreement granted by Ivernia, all other security previously in place on the Secured Facility has been discharged by the lenders. The lenders also agreed to subordinate their current facility as to permit an additional \$10 million of secured financing to rank ahead of the Secured Facility.

The Secured Facility is 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 Secured Facility. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of Secured Facility". On April 27, 2008 the \$20 million not converted into common shares matured and was extended. The balance of \$5.2 million that remained in the equity component of Secured Facility was transferred to contributed surplus (see note 9(d)). The principal amount of \$20 million of the extended debt was split into a liability and equity component effective April 27, 2008. Over the extended term of the Secured Facility, the debt component will be accreted to the face value of the Secured Facility by the recording of additional interest expense.

The balances for the Secured Facility are analyzed as follows:

	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Amount drawn on Secured Facility	20,000	40,000
Equity value of conversion option	(7,200)	(11,055)
Pro-rated costs of financing	-	(1,886)
Amortization of costs	-	1,257
Accretion of debt	2,553	7,370
Accrued interest	2,310	2,491
	<b>17,663</b>	<b>38,177</b>

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

	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Equity value of conversion option	7,200	11,055
Pro-rated costs of financing	-	(720)
	<b>7,200</b>	<b>10,335</b>

#### 7. Long-term debt

	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Lease liabilities	1,963	2,659
Less current portion:	(485)	(610)
	<b>1,478</b>	<b>2,049</b>

Magellan Metals has a power supply contract and various equipment and vehicle leases in place as at September 30, 2008. The remaining terms of the leases range in length from one to three years.

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### 8. Reclamation provision

As at September 30, 2008, the reclamation provision relating to Magellan Metals asset retirement obligations was \$3.32 million (December 31, 2007 - \$2.95 million).

The following assumptions were used to estimate the fair values of the obligations as at September 30, 2008:

Total undiscounted amount of estimated cash flows	<b>\$3,830,000</b>
Expected year of payment of cash flows	<b>2016</b>
Discount rate	<b>7.5%</b>

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

### 9. Share capital

Refer to note 9 to the Company's audited consolidated financial statements for the year ended December 31, 2007.

#### (a) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

	Number of common shares	Amount
	(000's)	(\$000's)
Outstanding as at January 1, 2007	134,452	182,215
Issued in connection with exercise of options	239	87
Issued in connection with short-term debt	43	57
Outstanding as at March 31, 2007	<b>134,734</b>	<b>182,359</b>
Issued in connection with exercise of options	31	6
Issued in connection with short-term debt	14	16
Outstanding as at June 30, 2007	<b>134,779</b>	<b>182,381</b>
Issued in connection with exercise of options	21	37
Public offering <sup>(i)</sup>	12,125	17,522
Outstanding as at December 31, 2007 and March 31, 2008	<b>146,925</b>	<b>199,940</b>
Issued in connection with conversion of debt (note 6)	18,519	25,162
Issued in private placement <sup>(ii)</sup>	14,692	21,626
Issued in connection with exercise of options	17	10
Outstanding as at June 30 and September 30, 2008	<b>180,153</b>	<b>246,738</b>

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

(ii) On April 24, 2008 an Australian subsidiary of China based Yunnan Metallurgical Group ("YMG") completed a private placement investment in the Company. A total of 14,692,488 common shares of Ivernia were issued at a price of C\$1.50 per common share for cash proceeds of C\$22 million less costs of \$0.1 million.

## IVERNIA INC.

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#### (b) Employee stock options

	2008		2007	
	Options	Shares issued	Options	Shares issued
	(000's)	(000's)	(000's)	(000's)
Options outstanding January 1	5,486		5,908	
Granted	60		50	
Exercised	-	-	(310)	239
Expired	-		-	
Outstanding March 31	5,546		5,648	
Granted	-		-	
Exercised	(50)	17	(50)	31
Expired	(224)		(62)	
Outstanding June 30	5,272		5,536	
Granted	-		-	
Exercised	-	-	(75)	20
Expired	(36)		-	
Outstanding September 30	5,236		5,461	
Exercisable September 30	4,177		3,593	
Valuation assumptions			2008	2007
Expected term (years)			5	5
Vesting period (years)			1-3	1-3
Expected volatility			40%	40%
Expected dividend yield			Nil	Nil
Risk-free interest rate			3%	4%
First quarter compensation expense (\$)			80,000	174,000
Second quarter compensation expense (\$)			71,000	152,000
Third quarter compensation expense (\$)			44,000	141,000
Aggregate un-expensed fair value of stock options granted as at September 30 (\$)			173,000	464,000
Weighted average fair value of options granted (C\$)			0.54	0.58

#### (c) Share warrants

As at September 30, 2008 the Company has outstanding instruments, comprising common share purchase warrants and broker warrants, which are ultimately exercisable in one or more steps for 3,953,000 common shares of the Company (December 31, 2007 – 3,953,000).

	Outstanding Warrants	Applicable Shares	Fair Value of Warrants
	(000's)	(000's)	(\$000's)
Outstanding as at January 1, 2008 and September 30, 2008	3,953	3,953	1,600

On November 18, 2004 the Company issued 8 million units each consisting of one common share and one-half of one common share purchase warrant at a price of C\$1.25 per unit for total gross proceeds of C\$10 million. Each whole warrant entitles the holder to purchase an additional common share at a price of C\$1.40 per whole common share until November 18, 2009.

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

### (d) Contributed surplus

Details of the movement in contributed surplus are as follows:

	2008	2007
(in thousands of United States dollars)	\$	\$
Balance as at January 1	2,903	2,375
Option compensation recognized	80	174
Options exercised	-	(29)
Balance as at March 31	2,983	2,520
Equity component of Secured Facility not converted	5,167	-
Option compensation recognized	71	152
Options exercised	(10)	(10)
Balance as at June 30	8,211	2,662
Option compensation recognized	44	141
Options exercised	-	(37)
Balance as at September 30	8,255	2,766

## 10. Esperance/Fremantle, related costs and care and maintenance

### (a) Esperance/Fremantle and related costs

On March 12, 2007 shipments of lead concentrate from the Port of Esperance were suspended at the direction of the Port Board and shortly thereafter by the Western Australia Department of Environment. The Company is incurring costs to advance the export shipment of the 8,000 dry metric tonnes of lead concentrate currently held at the Port of Esperance and to finalize the details of the Environment Minister's conditions to obtain final requisite approval to ship future lead concentrate in sealed containers through Fremantle.

### (b) Care and maintenance

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

## 11. Capital management

The Company's objectives when managing capital are intended to: 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 expansionary plans.

The capital of the Company consists of items included in the shareholders' equity and the Secured Facility 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.

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To effectively manage capital requirements, the Company has in place a rigorous planning and budgeting 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. Neither Ivernia nor any of its subsidiaries are subject to externally imposed capital requirements.

### 12. Comprehensive loss

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

	2008	2007
(in thousands of United States dollars)	\$	\$
Balance as at January 1	(403)	-
Unrealized loss on investments, March 31	(373)	(327)
Unrealized gain on investments, June 30	42	242
Unrealized loss on investments, September 30	(163)	(430)
Accumulated other comprehensive loss, September 30	(897)	(515)

### 13. Financial instruments

#### Financial Assets and Liabilities

The Company's financial assets consist of cash and cash equivalents, accounts receivable and other current assets, and investments available for sale. The Company's financial liabilities consist of accounts payable and other current liabilities, the Secured Facility and long term debt.

The Company has designated cash and cash equivalents, accounts receivable and other current assets and accounts payable and other current liabilities as held for trading, denoting that the carrying value is considered to be a reasonable approximation of fair value. Any gains or losses are included in net earnings.

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 September 30, 2008 the investments available for sale have been reduced by \$494,000 during the year to represent its quoted market value.

The Company has designated the Secured Facility and long term debt as loans and receivables. They are measured at amortized cost using the effective interest method.

#### 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 and restricted cash and restricted cash equivalents. Cash and cash equivalents include cash and short-term deposits that have been invested with reputable financial institutions with an investment grade rating at the time of purchase. Financial instruments included in 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. Management believes the credit risk concentration with respect to

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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:

	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Cash and cash equivalents	15,846	13,726
Accounts receivable and other current assets	762	920
Investments available for sale	123	617
Restricted cash and restricted cash equivalents	3,506	2,893
	<b>20,237</b>	<b>18,156</b>

#### **Liquidity Risk**

The Company manages its liquidity to ensure it will be able to meet current and expected liabilities when due. As of September 30, 2008 the Company had a cash balance of \$15.8 million (December 31, 2007 – \$13.7 million) to settle current liabilities of \$22.8 million (December 31, 2007 - \$46.9 million). Of the \$22.8 million in current liabilities, \$17.7 million (\$20 million face value) is due under the Secured Facility due April 27, 2009 and interest payable on it. The Company has further liquidity in the form of an additional \$10 million in credit available from the Secured Facility; however, the Company may decide not to draw down any further available funds under the Secured Facility until there is a satisfactory extension, restructuring or refinancing thereof. Continuing delays in receiving shipping approvals will result in the need for a further extension of the maturity date or a restructuring or refinancing of the Secured Facility if the holders of the Secured Facility do not exercise their conversion rights. While the Company is working towards an extension of the maturity date or a restructuring or refinancing of the Secured Facility before its maturity date, there is no assurance that any of these will occur.

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

	September 30, 2008			December 31, 2007
	Within 1 year	1 to 3 years	Total	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Accounts payable and other current liabilities	5,168	-	5,168	8,694
Secured facility	17,663	-	17,663	38,177
Long term debt	-	1,478	1,478	2,049
	<b>22,831</b>	<b>1,478</b>	<b>24,309</b>	<b>48,920</b>

#### **Market Risk**

##### **(a) Interest Rate Risk**

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

##### **(b) Foreign Currency Risk**

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

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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 tenor of hedging that may be utilized to reduce the Company's foreign exchange exposure, within Board approved limits.

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

(in thousands of dollars)	September 30, 2008		December 31, 2007	
	A\$	C\$	A\$	C\$
Cash and cash equivalents	1,296	14,091	698	9,505
Accounts receivable and other current assets	658	82	721	226
Investments available for sale	123	-	617	-
Restricted cash and cash equivalents	3,506	-	2,893	-
Accounts payable and other current liabilities	3,378	347	4,000	814
Long-term debt	1,478	-	2,049	-

### (c) Price Risk

The Company is exposed to price risk with respect to commodity prices, including the price of lead and cost inputs. There has been no commodity price hedging in place during 2008.

The Company's policy is not to hedge metal price fluctuations. 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 and accounts payable and accrued liabilities and long-term debt as held for trading which are measured at fair market value. Investments are classified as available for sale and recorded at fair market value.

As of September 30, 2008 the carrying and fair market values 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 \$123,000 investment in a publicly traded company. Sensitivity to a 10% change in the investment's current market price would affect comprehensive income (loss) by \$12,300.

The Company holds significant balances in Australian dollar and Canadian dollar currencies. A \$0.10USD/\$1AUD movement would affect net income (loss) by \$0.28 million before taxes. A \$0.10USD/\$1CAD movement would affect net income (loss) by \$1.24 million before taxes.

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

Lead price risk was negligible during 2008 as the Magellan mine is on care and maintenance and not shipping lead concentrate.

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### **Changes in approach to Financial Risk Factors:**

There have been no changes in financial risk factors, objectives, policies and procedures since December 31, 2007.

### **14. Contingencies and commitments**

#### **(a) Contingencies**

In the process of placing the Magellan mine under care and maintenance, Magellan Metals claimed “force majeure” for a number of its agreements. Counterparties under two of its service contracts have disputed Magellan Metals’ ability to claim “force majeure”. During the second quarter of 2008, one of the counterparties, Transpacific Cleanaway Ltd (formerly known as BIS Cleanaway Ltd), formally filed a Statement of Claim against Magellan Metals in the Supreme Court of Western Australia disputing the validity of the “force majeure” notice claiming damages of approximately A\$2.8 million related principally to early termination payments and alleged failures to reach tonnage quotas under the contract. Magellan Metals has filed a Defense to the Statement of Claim and intends to vigorously defend the action. While Magellan Metals is of the view that its “force majeure” claims are valid, it may be required to pay damages for breach of the relevant agreements if it is held that it could not claim “force majeure”.

#### **(b) Commitments**

On January 28, 2008 the then Western Australian Environment Minister announced his conditional acceptance of the Environmental Protection Authority’s recommendations regarding the sealed shipment process for the export of lead concentrate. The Company has accepted these conditions, which include the lodgment of an A\$5 million bond prior to the commencement of shipping.



## **Third Quarter 2008 Management's Discussion and Analysis**

The following discussion is a review of the activities, results of operations and financial condition of Ivernia Inc. ("Ivernia" or the "Company") and its subsidiaries for the three and nine months ended September 30, 2008 together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as at November 14, 2008. The discussion should be read in conjunction with the unaudited consolidated interim financial statements of the Company for the three and nine months ended September 30, 2008 as well as the audited consolidated financial statements for the year ended December 31, 2007 and the related Management's Discussion and Analysis ("MD&A") and the Company's Annual Information Form, all of which are available on Ivernia's website at [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Ivernia's consolidated financial statements and financial data have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

In addition, this discussion 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, the section titled "Risks and Uncertainties" in the Company's MD&A for the year ending December 31, 2007 and the section titled "Risk Factors" in the Company's Annual Information Form. All of the forward-looking statements made in this document are qualified by the foregoing cautionary statements. Ivernia undertakes no obligation to publicly update or revise any forward-looking statements or information whether as a result of new information, future events or otherwise.

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

# IVERNIA INC.

## FINANCIAL REVIEW

### Summary Financial Information

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

<b>Financial Highlights (unaudited)</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2008<sup>1</sup></b>	<b>2007<sup>1</sup></b>	<b>2008<sup>1</sup></b>	<b>2007<sup>1</sup></b>
(in thousands of United States dollars, unless otherwise indicated and per share amounts)	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	-	-	-	20,014
Treatment charges and freight	-	-	-	(3,089)
Mining and processing costs	-	-	-	(7,742)
Care and maintenance	<b>(2,232)</b>	(1,844)	<b>(6,446)</b>	(4,472)
Royalties	-	-	-	(1,047)
Loss on derivatives	-	-	-	(4,679)
Amortization	<b>(347)</b>	(215)	<b>(876)</b>	(2,869)
	<b>(2,579)</b>	(2,059)	<b>(7,322)</b>	(3,884)
General and administrative	<b>(1,950)</b>	(1,361)	<b>(4,895)</b>	(4,666)
Esperance/Fremantle and related costs <sup>2</sup>	<b>(163)</b>	(725)	<b>(729)</b>	(1,831)
Net interest expense	<b>(1,849)</b>	(4,325)	<b>(8,523)</b>	(8,138)
Stock option costs	<b>(44)</b>	(141)	<b>(195)</b>	(467)
Inventory write-down	<b>(794)</b>	-	<b>(794)</b>	-
Other (expense) income	<b>265</b>	636	<b>220</b>	(26)
	<b>(4,535)</b>	(5,916)	<b>(14,916)</b>	(15,128)
Loss before income taxes	<b>(7,114)</b>	(7,975)	<b>(22,238)</b>	(19,012)
Income tax recovery	<b>3,696</b>	2,155	<b>6,789</b>	4,491
Net loss	<b>(3,418)</b>	(5,820)	<b>(15,449)</b>	(14,521)
Basic loss per share <sup>3</sup>	<b>(0.02)</b>	(0.04)	<b>(0.09)</b>	(0.11)
<b>Weighted average shares outstanding – thousands</b>	<b>180,153</b>	142,881	<b>167,757</b>	137,360
Unrealized loss on investment	<b>(163)</b>	(430)	<b>(494)</b>	(515)
Comprehensive loss	<b>(3,581)</b>	(6,250)	<b>(15,943)</b>	(15,036)
<b>Cash used in operations before changes in non-cash working capital</b>	<b>(4,278)</b>	(4,267)	<b>(13,754)</b>	(11,439)
<b>Cash flow used in operating activities</b>	<b>(5,498)</b>	(3,301)	<b>(18,408)</b>	(25,227)
<b>Operating Highlights (unaudited)</b>				
Ore milled – (000's tonnes)	-	-	-	393.4
Average head grade – (% lead)	<b>N/A</b>	N/A	<b>N/A</b>	7.3%
Recovery – (%)	<b>N/A</b>	N/A	<b>N/A</b>	74.6%
Concentrate produced – (000's dry tonnes)	-	-	-	32.8
Concentrate sold – (000's dry tonnes)	-	-	-	18.8
Lead metal in concentrate produced – (000's tonnes)	-	-	-	21.4
Lead metal in concentrate sold – (000's tonnes)	-	-	-	12.0
Concentrate inventory – (000's of dry tonnes) <sup>4</sup>	<b>29.0</b>	27.0	<b>29.0</b>	27.0
Average lead price – LME 3-month – (\$ per pound)	<b>0.87</b>	1.40	<b>1.28</b>	1.07
Ivernia's average lead sale price – (\$ per pound)	<b>N/A</b>	N/A	<b>N/A</b>	0.80
Cash cost per pound sold - (\$ per pound)	<b>N/A</b>	N/A	<b>N/A</b>	0.41

<sup>1</sup> Shipments of lead concentrate from the Magellan mine ceased following the suspension of lead shipments through the Port of Esperance on March 12, 2007

<sup>2</sup> Costs incurred in the advancement of the application for regulated shipping approvals through the Port of Fremantle, the removal of the stranded lead concentrate stockpile at the Port of Esperance and other related activities

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

<sup>4</sup> In September 2008, the concentrate inventory was increased by 2,000 tonnes following the bagging process

# IVERNIA INC.

## FINANCIAL RESULTS

Ivernia Inc. ("Ivernia" or the "Company") is an international base metals company. It is the sole owner and operator of the Magellan lead mine in Western Australia and controls a number of exploration properties in Western Australia. Quarter to quarter and year to year comparisons may not be relevant as effective April 6, 2007 the Company's Magellan operation was placed on care and maintenance following the suspension of lead concentrate shipments from the Magellan mine.

The Company's interim consolidated financial statements for the period ended September 30, 2008 have been prepared on the basis that it will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company currently has no operating revenue as a result of its Magellan mine being put under care and maintenance pending requisite approvals to ship containerized lead concentrate through the Port of Fremantle. The decision to re-commence production will be made upon the receipt of final approvals to ship and acceptable economic conditions for the sale of its lead concentrate. The Company is also seeking approval of a plan that proposes bagging, containerizing and exporting the lead concentrate stockpile at the Port of Esperance. The Company continues to seek these approvals; however, there is no fixed or guaranteed timeline on receiving final approval to re-commence shipping and operations and no certainty on the outcome.

During the second quarter of 2008, the Company negotiated an extension of the due dates of the two secured promissory notes totaling \$20 million (the "Secured Facility") to April 27, 2009. The delays in restarting the mine as a result of the lengthy approval process will result in the need for a further extension of the maturity date or a restructuring or refinancing of the Secured Facility. While the Company is working towards an extension of the maturity date or a restructuring or refinancing of the Secured Facility before its maturity date, there is no assurance that any of these will occur. The financial results described herein do not give effect to any adjustment that would be necessary if the Company were unable to meet its obligations or continue its operations.

### Revenue

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

The Company did not record revenue in the third quarter or the first nine months of 2008 as Magellan remained on care and maintenance during the period.

The London Metal Exchange ("LME") average 3-month price of lead for the third quarter was \$0.87 per pound, a decrease of 19% from the average for 2008 year to date.

Lead Prices	2008 Average		2007 Average	
	3 months ended September 30	9 months ended September 30	3 months ended September 30	9 months ended September 30
(per pound of lead)				
<b>LME 3-month official</b>				
Third quarter	<b>\$0.87</b>	<b>\$1.28</b>	\$1.40	\$1.07
<b>Ivernia's average lead sale price</b>				
Third quarter	<b>N/A</b>	<b>N/A</b>	N/A	\$0.80

# IVERNIA INC.

## Care and maintenance expenses

The following table identifies the Company's expenses while under care and maintenance pending requisite approvals to ship containerized lead concentrate through the Port of Fremantle. Canadian GAAP does not recognize segregating cash and non-cash interest expenses; however, management believes that separate disclosure of these amounts assists the reader to better understand the Company's cash and non-cash expenses.

Care and Maintenance Expenses (unaudited)	Non-GAAP		Relevant GAAP measure	
	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2008		September 30, 2008	
(in thousands of United States dollars)	\$	\$	\$	\$
Continuing ongoing cash expenditures <sup>1</sup>				
Care and maintenance	2,232	6,446	2,232	6,446
General and administrative	1,950	4,895	1,950	4,895
Esperance/Fremantle and related costs	163	729	163	729
Net cash interest (income) expense	(136)	99		
Total continuing ongoing cash expenditures	4,209	12,169		
One-time costs, non-cash and deferred cash costs <sup>2</sup>				
Amortization	347	876	347	876
Inventory write-down	794	794	794	794
Interest expense (payable on maturity) and accretion	1,985	8,424		
Stock option costs	44	195	44	195
Foreign exchange losses and other	(265)	(220)	(265)	(220)
Total one-time costs, non-cash and deferred cash costs	2,905	10,069		
Net interest expense			1,849	8,523
Total expenses	7,114	22,238	7,114	22,238

## Ongoing cash expenditures

Care and maintenance expenses for the third quarter of 2008 totaled \$2.2 million and for the first nine months of 2008 totaled \$6.4 million. This included the cost to commission and trial the concentrate bagging machine on site during this period. Trials have now been successfully concluded. General and administrative costs were \$2.0 million for the quarter and \$4.9 million for the nine months. Costs incurred to advance the removal of 8,000 dry metric tonnes of lead concentrate held at the Port of Esperance and to finalize the details of the Minister's conditions to obtain final Ministerial sign-off of a newly-developed sealed shipment process to export the mine's lead concentrate through the Port of Fremantle, amounted to \$0.2 million for the quarter and \$0.7 million for the nine months. Until lead concentrate shipments and operations at Magellan resume, the Company expects cash expenditures for care and maintenance, general and administration, net cash interest expense and costs associated with securing final shipping approvals will be incurred at a rate of approximately \$2.2 million per quarter, excluding any required capital investments. On October 23, 2008, the Company announced a reduction of its Magellan personnel. Costs associated with these reductions and other cost saving measures were approximately \$0.3 million resulting in future cost savings of approximately \$2.0 million per quarter.

<sup>1</sup> Continuing ongoing cash expenditures is a non-GAAP measurement. Management believes separate disclosure of these amounts assists the reader to better understand the Company's ongoing cash commitments while the Magellan mine is under care and maintenance.

<sup>2</sup> One-time costs, non-cash and deferred cash costs are non-GAAP measurements. Management believes separate disclosure of these amounts assists the reader to better understand the Company's ongoing non-cash commitments while the Magellan mine is under care and maintenance.

# IVERNIA INC.

## ***One-time costs, non-cash and deferred cash costs***

Non-cash interest expense and accretion of \$2.0 million in the third quarter of 2008 relate primarily to the Secured Facility on which the associated interest expense is deferred and payable on maturity and the accretion of the equity portion of the Secured Facility. During the third quarter, the Company recorded a loss in the net realizable value of the inventory held at Esperance in the amount of \$0.8 million, mainly due to decreased lead prices and expected higher shipping and handling costs related to the stockpile at Esperance. All or part of this loss may be reversed in future periods if the net realizable value increases. The one-time costs also include a non-cash charge for amortization of \$0.3 million in the quarter.

## **Cash cost of lead sold – non-GAAP measure**

The Company did not record lead concentrate sales during the third quarter or nine months of 2008 as Magellan remained on care and maintenance during the period. Total cash costs for lead sold during the third quarter and nine months of 2008 was therefore nil.

Costs for essentially all items in the production and sales process, including labour, reagents and other supplies, treatment charges and transport and freight costs continue to increase significantly across the industry and are expected to impact Magellan on the restart of operations.

## **Amortization**

When the mine resumes operations, 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. General and administrative expenses totaled \$2.0 million in the third quarter of 2008, up from \$1.4 million in the second quarter of 2008. The increase over the prior quarter was mainly due to increased legal expenses, consulting fees related to a gas contract and fees related to the posting of a bond in Western Australia. While Magellan remains in care and maintenance, the Company expects future general and administrative costs to approximate \$1.0 million per quarter due to implementation of the Company's recent cost saving measures.

## **Net interest expense**

Net interest expense of \$1.8 million is primarily comprised of interest expense on the Secured Facility which accrues at 6% per annum subsequent to the agreed extension. Interest expense also includes a non-cash charge related to the accretion of the equity component of the Secured Facility of approximately \$1.6 million during the quarter. Interest and fees accrued on the \$20 million converted into common shares of the Company, totaling \$3.5 million, was paid during the second quarter of 2008. Effective April 3, 2008 the interest rate on the remaining \$20 million outstanding under the Secured Facility decreased to 6% per annum from 9.25% per annum.

The net interest expense of \$1.8 million in the third quarter 2008 decreased from \$4.3 million in the third quarter of 2007. The decrease is attributable to the decrease in debt from \$40 million to \$20 million following the partial conversion and reduction in the interest rate referred to above.

## **Stock option costs**

The stock option cost of \$44,000 for the third quarter of 2008 is a decrease of \$0.1 million compared to the same period of 2007. The stock-based compensation expense has been calculated using the Black-Scholes option-pricing model. The aggregate unexpensed fair value of stock options granted amounted to \$173,000 as at September 30, 2008 (September 30, 2007 – \$464,000).

# IVERNIA INC.

## Other (expenses) income

The Company's cash reserves are held primarily in Canadian dollars. A foreign exchange loss of \$0.1 million was realized during the third quarter of 2008 as a result of the US dollar strengthening against the Canadian dollar and, to a lesser extent, the Australian dollar.

Other income for the third quarter 2007 included a foreign exchange gain of \$0.6 million.

## Income tax recovery

Income tax recovery for the first nine months of 2008 was calculated at an estimated annual accounting tax rate of 30% reflecting the mine being on care and maintenance. This compares to the 23% rate used in the third quarter of 2007. The increase in the accounting tax rate is due to certain unrealized foreign exchange gains and/or losses not being deductible for Australian tax purposes. The Company was not cash taxable in 2007 and does not expect to be cash taxable in 2008. 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, 2007 the Company had approximately A\$44 million (US\$40 million) in loss carry-forwards to offset future taxable income earned in Australia. There is no expiry date for Australian tax loss carry-forwards. The Company also had approximately C\$12 million in loss carry-forwards in Canada at December 31, 2007 with expiry dates ranging from 2008 to 2027.

## Net loss

The net loss was \$3.4 million or \$0.02 per share for the third quarter of 2008. This compares to a net loss of \$5.8 million or \$0.04 per share in the third quarter of 2007. Year to date the net loss is \$15.4 million or \$0.09 per share compared with a net loss of \$14.5 million or \$0.11 per share in 2007. The net loss in 2007 included a loss on derivatives of \$4.7 million in the first two quarters.

## Quarterly Financial Results (unaudited)

	2008				2007			2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(in thousands of US dollars, except per share amounts)	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	20,014	32,780
Net (loss) income	(3,418)	(5,102)	(6,929)	(6,516)	(5,820)	(8,536)	(165)	5,811
Basic and diluted (loss) earnings per share	(0.02)	(0.03)	(0.05)	(0.04)	(0.04)	(0.06)	0.00	0.04
Cash (used in) provided by operations before changes in non-cash working capital	(4,278)	(4,432)	(5,044)	(5,655)	(4,267)	(10,092)	2,920	11,853

## LIQUIDITY AND FINANCIAL CONDITION

### Statement of Cash Flows (unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
(in thousands of United States dollars)	\$	\$	\$	\$
Cash used in operations before changes in non-cash working capital	(4,278)	(4,267)	(13,754)	(11,439)
Changes in working capital	(1,220)	966	(4,654)	(13,788)
Cash used in operating activities	(5,498)	(3,301)	(18,408)	(25,227)
Cash used in investing activities	(611)	(896)	(1,097)	(8,723)
Cash provided by financing activities	(461)	17,487	21,055	36,823
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	412	(153)	570	(102)
(Decrease) increase in cash and cash equivalents	(6,158)	13,137	2,120	2,771

# IVERNIA INC.

## **Operating activities**

In the third quarter of 2008, the Company used \$4.3 million to fund operations before changes in working capital, compared to \$4.3 million in the third quarter of 2007. Cash requirements in the quarter were funded with cash reserves. Future cash requirements to fund operating activities will be provided by current cash balances. In the first nine months of 2008, the Company used \$13.8 million to fund operations before changes in working capital, compared with \$11.4 million for the first nine months of 2007. These cash requirements were funded in part with cash reserves, and in part from funds raised from the YMG transaction in the second quarter.

## **Investing activities**

Net cash used for investing activities during the third quarter of 2008 of \$0.6 million related mainly to the increase in the posting of bonds related to a gas supply contract, as well as \$0.3 million on costs related to bagging of the concentrate at mine-site. In the third quarter of 2007, Ivernia invested \$0.9 million, mainly consisting of expenditures for the construction of a gas pipeline, as well as \$0.1 million in restricted cash related to posting of bonds previously secured by a credit facility.

## **Financing activities**

### **(a) Secured Facility**

As previously announced, effective April 2, 2008 the holders of the Secured Facility, which include two of Ivernia's largest shareholding groups – The Sentient Group and clients of investment advisor Ingalls & Snyder LLC (the "Lenders") partially converted and extended the maturity date of the Secured Facility. According to the agreement with the Lenders \$20 million of the \$40 million then drawn and outstanding under the Secured Facility was converted into common shares of the Company and the maturity date was extended to April 27, 2009. The interest rate was lowered to 6% per annum from 9.25% per annum for the unconverted amounts effective April 3, 2008. The interest and fees payable on the converted balance in the amount of \$3.4 million was paid in the second quarter of 2008; the balance of interest payable, as well as principal, is payable on April 27, 2009.

Other than the existing general security agreement granted by Ivernia, all other security previously in place on the Secured Facility has been discharged by the Lenders. The Lenders also agreed to subordinate their rights under the Secured Facility to permit an additional \$10 million of secured financing to rank ahead of the Secured Facility.

It is likely that due to a reduction in the common share price of Ivernia in the third quarter of 2008 to an amount significantly lower than the \$1.08 conversion price, the holders of the Secured Facility may not exercise their conversion right unless there is an improvement in the market price of the Company's shares. The Company is currently examining a number of alternatives regarding the restructuring of the Secured Facility as well as other financing options in the event the Secured Facility is not converted. It is not possible to determine with any certainty whether any of these initiatives will be successful. Accordingly, if: (a) the principal amount of the Secured Facility is not converted into common shares of Ivernia on or before April 29, 2009; (b) the Company is unable to reach an agreement with the Lenders for an extension of the due date or other acceptable accommodation or restructuring; or (c) the Company is unable to obtain financing to repay the Secured Facility when it becomes due and payable, then the Company will likely be unable to repay the Secured Facility when it becomes due and payable.

### **(b) YMG transaction**

On April 24, 2008 Ivernia Inc. and China-based Yunnan Metallurgical Group ("YMG") announced the closure of the private placement investment in Ivernia, by YMG's Australian subsidiary (Chihong International Mining Ltd). The investment was previously announced on November 30, 2007 as part of the visionary long-term strategic agreement between YMG and Ivernia which received all necessary regulatory approvals from the Chinese and Australian governments facilitating the closing.

# IVERNIA INC.

To complete the transaction, 14,692,488 common shares of Ivernia were issued at a price of C\$1.50 per share for cash proceeds of C\$22 million, less costs of \$0.1 million.

The long-term strategic agreement provides a strong platform for growth and diversification for both companies in Australia and Asia.

## **Capital resources**

As at September 30, 2008 the Company had \$15.8 million in cash to fund its on-going operations. The Company has a further \$10 million available to draw-down on the Secured Facility; however, the Company may decide not to draw down any further available funds under the Secured Facility until there is a satisfactory restructuring thereof as referred to above under the heading "Financial Activities - Secured Facility". Management believes the Company has sufficient cash and available facilities to fund the current care and maintenance expenses and, upon receipt of requisite approvals, to ship existing stockpiles. A Magellan re-start decision will be made upon receipt of final approvals to ship and acceptable economic conditions for the sale of its lead concentrate.

It is likely that due to a reduction in the common share price of Ivernia in the third quarter of 2008 to an amount significantly lower than the \$1.08 conversion price, the holders of the Secured Facility may not exercise their conversion right unless there is an improvement in the market price of the Company's shares. The Company is currently examining a number of alternatives regarding the restructuring of the Secured Facility as well as other financing options in the event the Secured Facility is not converted. It is not possible to determine with any certainty whether any of these initiatives will be successful. Accordingly, if: (a) the principal amount of the Secured Facility is not converted into common shares of Ivernia on or before April 29, 2009; (b) the Company is unable to reach an agreement with the Lenders for an extension of the due date or other acceptable accommodation or restructuring; or (c) the Company is unable to obtain financing to repay the Secured Facility when it becomes due and payable, then the Company will likely be unable to repay the Secured Facility when it becomes due and payable.

## **BALANCE SHEET**

### **Accounts receivable and other current assets**

Accounts receivable and other current assets decreased approximately \$0.1 million from June 30, 2008 reflecting normal business transactions.

During periods when shipping takes place, 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 receivables will be offset to a change in revenue.

### **Inventory**

Lead concentrate inventories were increased by 2,000 dry metric tonnes during the quarter as a result of an updated inventory reconciliation following the bagging trials of the concentrate inventory at mine-site. Lead concentrate inventories are expected to remain at current levels until final Ministerial sign-off is received to ship containerized lead concentrate through the Port of Fremantle thereby enabling the Company to ship its 21,000 dry metric tonnes of concentrate currently held at the mine site.

During the third quarter 2008, the Company recorded an inventory write-down in the net realizable value of the inventory held at Esperance in the amount of \$0.8 million, mainly due to decreased lead prices and expected higher shipping and handling costs related to the 8,000 dry metric tonne stockpile at Esperance. All or part of this inventory write-down may be reversed in future periods if the net realizable value increases.

Following is a summary of inventory value:

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Inventory Value (unaudited)	September 30, 2008	December 31, 2007
(in thousands of United States dollars)	\$	\$
Concentrate-mine site (21,000 dry metric tonnes)	11,293	9,798
Concentrate-Esperance (8,000 dry metric tonnes)	3,529	4,552
Ore stockpiles	1,239	1,239
Consumables and other	3,212	3,373
	<b>19,273</b>	<b>18,962</b>

## Accounts payable and other current liabilities

As of September 30, 2008, accounts payable and other current liabilities decreased \$1.0 million from \$6.2 million on June 30, 2008 reflecting normal business transactions. A total of \$3.5 million in fees and interest was paid to the lenders of the Secured Facility during the second quarter of 2008.

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

Contractual liabilities (unaudited)	September 30, 2008			December 31, 2007
	Within 1 year	1 to 3 years	Total	Total
(in thousands of United States dollars)	\$	\$	\$	\$
Accounts payable and other current liabilities	5,168	-	5,168	8,694
Secured facility	17,663	-	17,663	38,177
Long term debt	-	1,478	1,478	2,049
	<b>22,831</b>	<b>1,478</b>	<b>24,309</b>	<b>48,920</b>

## Secured Facility

On March 31, 2008 the Company announced a partial conversion of the \$50 million Secured Facility with a syndicate of lenders and an extension of the remaining portion. In April 2008, \$20 million of the \$40 million drawn and outstanding was converted into 18,518,518 common shares of the Company. The maturity date has been extended to April 27, 2009 allowing the Lenders until April 27, 2009 to convert the remaining \$20 million currently drawn on the Secured Facility and any additional funds the Company may draw prior to April 27, 2009 (up to an additional \$10 million). Interest and fees accrued on the converted \$20 million, totaling \$3.5 million, was paid during the second quarter of 2008. Future interest has been reduced to 6% per annum from 9.25% per annum. The Lenders agreed to subordinate their security so as to permit an additional \$10 million of secured financing to rank ahead of the Secured Facility.

Draw-downs under the Secured Facility entitle the Lenders to conversion rights, providing for the conversion of principal into Ivernia common shares at a price of US\$1.08 per share price. If the drawn balances are repaid before maturity the Lenders will be issued warrants for the pro rata amount at a US\$1.08 strike price that will expire concurrent with the maturity of the Secured Facility. Balances repaid before maturity may not be redrawn by Ivernia. The conversion rights were approved by shareholders at the Company's 2007 annual and special meeting.

The Secured Facility is 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 Secured Facility. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of Secured Facility". On April 27, 2008 the \$20 million not converted into common shares matured and was extended. The balance of \$5.2 million that remained in equity component of Secured Facility was transferred to contributed surplus. The principal amount of \$20 million of the new debt was split into a liability and equity component effective April 27, 2008. Over the term of the Secured Facility, the debt component will be accreted to the face value of the Secured Facility by the recording of additional interest expense.

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## Balances for the Secured Facility:

<b>Secured Facility (unaudited)</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
(in thousands of United States dollars)	\$	\$
Amount drawn on Secured Facility	20,000	40,000
Equity value of conversion option	(7,200)	(11,055)
Pro-rated costs of financing	-	(1,886)
Amortization of costs	-	1,257
Accretion of debt	2,553	7,370
Accrued interest	2,310	2,491
	<b>17,663</b>	<b>38,177</b>

The balances for the equity component of the Secured Facility as at September 30, 2008 are analyzed as follows:

<b>Secured Facility Equity Component (unaudited)</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
(in thousands of United States dollars)	\$	\$
Equity value of conversion option	7,200	11,055
Pro-rated costs of financing	-	(720)
	<b>7,200</b>	<b>(610)</b>

## Working capital

The Company currently has a working capital surplus of \$13.2 million, including cash of \$15.8 million. Management believes the Company has sufficient cash and available facilities to fund the current care and maintenance expenses and, upon receipt of requisite approvals, to ship existing stockpiles. See sections "Secured Facility" and "Capital Resources" under Financing Activities.

## Restricted cash

As at September 30, 2008 Magellan had restricted cash deposited with a financial institution of \$3.5 million compared to \$3.2 million at June 30, 2008. The increase related to the posting of bonds related to a gas supply contract. The majority of the restricted cash relates principally to unconditional performance bonds in favour of the State of Western Australia as security for the due and proper performance of the terms and conditions of Magellan Metals mining leases.

## Long-term debt

Long-term debt includes a finance lease for power generating equipment at the Magellan mine site (see note 7 to the Company's interim consolidated financial statements for the period ended September 30, 2008).

## Contingencies and commitments

### Contingencies

In the process of placing the Magellan mine under care and maintenance, Magellan Metals claimed "force majeure" for a number of its agreements. Counterparties under two of its service contracts have disputed Magellan Metals' ability to claim "force majeure". During the second quarter of 2008, one of the counterparties, Transpacific Cleanaway Ltd (formerly known as BIS Cleanaway Ltd), formally filed a Statement of Claim against Magellan Metals in the Supreme Court of Western Australia disputing the validity of the "force majeure" notice claiming damages of approximately A\$2.8 million related principally to early termination payments and alleged failures to reach tonnage quotas under the contract. Magellan Metals has filed a Defense to the Statement of Claim and intends to vigorously defend the action. While Magellan Metals

# IVERNIA INC.

is of the view that its “force majeure” claims are valid, it may be required to pay damages for breach of the relevant agreements if it is held that it could not claim “force majeure”.

## Commitments

On January 28, 2008 the then Western Australian Environment Minister announced his conditional acceptance of the Environmental Protection Authority’s recommendations regarding the sealed shipment process for the export of lead concentrate. The Company has accepted these conditions, which include the lodgment of an A\$5 million bond prior to the commencement of shipping.

## Shares issued and outstanding

	Common Shares	Preference Shares
September 30, 2008	180,152,552	-
November 13, 2008	180,152,552	-

## Common share warrants

The table below summarizes the number of common shares issuable upon the full exercise of the common share purchase warrants issued pursuant to the November 2004 Private Placement as at September 30, 2008 and November 13, 2008.

	Common Shares issuable if all warrants fully exercised	Common Shares issued pursuant to warrants exercised to date	Common Shares issuable upon exercise of remaining warrants	Proceeds Received	Proceeds Received <sup>1</sup>
				C\$	US\$
<b>November 2004 Private Placement:</b>					
Common share purchase warrants	4,240,000	288,000	3,953,000	403,000	344,000
November broker warrants	480,000	480,000	-	600,000	510,000
<b>Total</b>	<b>4,720,000</b>	<b>768,000</b>	<b>3,953,000</b>	<b>1,003,000</b>	<b>854,000</b>

Stock options	Granted	Expired	Exercised	Shares Issued	Proceeds <sup>2</sup>
					C\$
First quarter 2008	60,000	-	-	-	-
Second quarter 2008	-	223,750	50,000	16,666	-
Third quarter 2008	-	36,667	-	-	-
<b>Total</b>	<b>60,000</b>	<b>260,417</b>	<b>50,000</b>	<b>16,666</b>	<b>-</b>

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

<sup>2</sup> The Company’s employee stock option plan provides for both cash and cashless exercise of options.

As at September 30, 2008 there were outstanding options to purchase 5,235,833 common shares of the Company, of which 4,177,497 were exercisable.

# IVERNIA INC.

## Dilution

The table below summarizes the shares on a fully diluted basis, as at November 13, 2008:

	<b>Shares</b>
Issued and outstanding	180,152,552
Conversion of Secured Facility	18,518,520
Warrants	3,952,437
Stock Options	5,235,833
Fully Diluted Shares	207,859,342

## Changes in accounting policies

On January 1, 2008 the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”):

Section 1535, “Capital disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.

Section 3031, “Inventories”, provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. There was no effect on the value of inventory on adoption.

Section 3862, “Financial instruments – disclosure”, and Section 3863, “Financial instruments – presentation” replaced Section 3861, “Financial instruments – presentation and disclosure”. These new sections incorporate many of the disclosure requirements of Section 3861 but place an increased emphasis on disclosure about risk. The new sections require entities to disclose 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 is required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments.

## Future accounting changes

The CICA has issued a new standard Section 3064, “Goodwill and intangible assets”. This new standard is effective January 1, 2009, which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company’s financial statements.

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

## Disclosure controls NI52-109

The Company’s disclosure controls have been in place during the third quarter and for the year. There have been no changes to the disclosure controls during the third quarter or during the year. Internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements have been in place during the third quarter and for the year.

# IVERNIA INC.

## **Conversion to International Financial Reporting Standards**

All Canadian publicly traded companies are required to convert to International Financial Reporting Standards no later than January 1, 2011. Early adoption is a possibility and must be approved by the Ontario Securities Commission. The Company is currently in the process of evaluating resources, building a development plan and researching the potential effects of conversion. The Company currently has no plans to adopt International Financial Reporting Standards prior to January 1, 2011.

## **OPERATIONS REVIEW – MAGELLAN LEAD MINE, WESTERN AUSTRALIA**

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

Magellan was commissioned on October 1, 2005 and was in continuous production until April 2007 when it was placed on care and maintenance. When operations resume and target production levels are achieved the mine is expected to be a significant pure lead producer accounting for approximately 2% of the total world lead mine production.

As discussed below, the shipment of stockpiled inventory and a Magellan restart decision is dependent upon receipt of requisite approvals to ship containerized lead concentrate through the Port of Fremantle and acceptable economic conditions for the sale of its lead concentrate.

A full discussion of the events in 2007 related to the placement of Magellan on care and maintenance is contained in Ivernia's Annual Information Form ("AIF") dated March 31, 2008 under the heading "Three-Year History". The AIF is available at the Ivernia website [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Update on progress toward the resumption of lead concentrate shipments through Fremantle**

On January 17, 2008 the then Western Australian Environment Minister announced his conditional acceptance of the Environmental Protection Authority's ("EPA") recommendations regarding the sealed shipment process for the export of lead concentrate from the Port of Fremantle. In accepting the recommendations, the Minister imposed additional conditions to be met, to his and relevant Government agencies' satisfaction, before final signoff was granted.

The Minister's conditions included:

- the lodgment of an A\$5 million bond;
- the appointment of an independent auditor approved by the Minister and funded by Magellan Metals to inspect each bag and container at the mine and the port;
- the completion of a comprehensive Health, Hygiene and Environmental Management plan for the mining and export process to be prepared to the requirement of the Minister, on advice from the Department of Health, the Department of Consumer and Employment Protection, the Department of Industry & Resources and the Department of Environment & Conservation; and
- baseline testing to be conducted along the transport route prior to the first movement of lead and then regularly after that.

Magellan has also committed to:

- implementing a comprehensive information and support program with local authorities and community groups along the transportation route to ensure a thorough understanding of lead concentrate, its transportation process and the Emergency Response Plan for the immediate containment and rapid and complete clean up in the unlikely event of an accident creating a spill;
- transparent communication of monitoring results and compliance reporting in an easily accessible manner; and
- continuing its community information program.

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During the third quarter 2008 and also during the fourth quarter, the Company worked through finalization and agency approval of the Ministerial conditions with representatives of the prior and present Government, following the Western Australia State elections on September 6, 2008. All conditions to allow export of bagged and containerized lead carbonate concentrate through Fremantle (both the 21,000 dry metric tonne stockpile currently at the mine site and lead concentrate when production re-commences) have now been agreed to by the Company. Those requiring pre-start actions have been complied with to the satisfaction of all regulatory agencies. The project is with the present Minister for Environment to make a final decision on approvals.

## **Update on the removal of the lead concentrate stockpile at the Port of Esperance**

The Lead Removal Plan for Esperance (the "Plan"), was jointly prepared by Magellan and the Esperance Port Authority. The Plan focuses on the safe, secure and environmentally sound removal of the remaining approximate 8,000 dry metric tonne stockpile of lead concentrate secured in a storage shed at the Port of Esperance. The Plan proposes bagging, containerizing and exporting the lead concentrate from Esperance in a very similar manner to that proposed for sealed shipments via Fremantle.

The Plan was submitted by the Esperance Port Authority to the Department of Environment and Conservation (DEC), and publicly released by the DEC on September 8, 2008 for a three week stakeholder consultation period.

Following this review period, the Plan was presented to the Esperance community and other key stakeholders over several days in late September 2008. Meetings were held to discuss the Plan, followed by a community open day. All stakeholders were supportive of the Plan, with the only comments received relating to auditing and monitoring of the process. Agency comments were similar and some minor changes to the Plan were incorporated to accommodate comments received.

The Plan has now been approved subject to some further actions to be undertaken by the Esperance Port Authority, and will be able to be implemented once these actions are completed (expected prior to the end of November) and logistics issues are finalized. The Premier of the Western Australian Government has announced his firm commitment to the early execution of the Lead Removal Plan.

## **Planning for the restart of operations**

While the Company awaits final Ministerial approval to commence containerized shipments from mine-site through the Port of Fremantle, and taking into consideration the current global economic climate and the decline in commodities prices, the Company has taken pro-active measures to reduce costs and conserve cash reserves until such time as the Magellan mine is brought back into production. The decision to re-commence production will be made upon the receipt of requisite approvals to ship containerized lead concentrate through the Port of Fremantle subject to acceptable economic conditions.

Commencing in January 2008 the Company commissioned a concentrate bagging machine on-site carrying out trials to ensure the lead concentrate could be bagged as required by the anticipated environmental approvals for export. These trials were brought to a successful conclusion in September 2008. The bagging machine will be relocated to Esperance upon final approval of the Lead Removal Plan whereby the Esperance lead concentrate stockpile will be bagged, loaded into containers and exported to China. On October 23, 2008 the Company announced a reduction of personnel. Costs associated with these reductions and other cost saving measures were approximately \$0.3 million resulting in future cost savings of approximately \$2.0 million per quarter.

During the third quarter 2008, the Company was granted a further extension of its license to operate the Magellan Lead Project under the Environmental Protection Act 1986 (WA). The License was extended for a further three years to August 8, 2011. No comments were received during the 21-day public comment period. The Department of Environment and Conservation did not change any conditions within the license.

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## LEAD MARKET FUNDAMENTALS

The 3-month lead price averaged \$0.87 per pound in the quarter, including a high of \$1.02 per pound and a low of \$0.70 per pound. The current global financial crisis is causing unprecedented liquidation across all asset classes and a rapidly deteriorating credit environment is impacting the metal industry's access to financing. The prospect of a prolonged global recession has put LME prices under significant pressure. For Magellan and other Australian producers, the impact of a declining lead price over the past several months has been partially mitigated by the decline in the Australian dollar against the US dollar. Year to date, the Australian dollar exchange rate has declined from a high of \$0.9802 on July 15, 2008, to a rate of \$0.6753 on November 10, 2008.

From July 1, 2008 through November 1, 2008 LME inventories for lead declined by 52,000 tonnes while copper, zinc and nickel inventories increased by 108,000, 29,000 and 11,000 tonnes respectively.

Global demand for lead was sustained during the quarter, fueled by demand from China as their industrialization and infrastructure build continues. Strong domestic demand from China was driven by the continued growth in motorized transport, including electric bikes. Analysts are forecasting small surpluses in 2009 driven primarily by weakening western economies and their impact on auto demand.

During the quarter, continued low lead exports out of China, caused by export tax increases, solid internal demand and a healthy premium of Shanghai lead prices over LME lead prices, resulted in China absorbing more of the Chinese lead production previously ear-marked for export. The Shanghai premium resulted in lead metal being imported into China to take advantage of the arbitrage between the Shanghai price and LME price, further reducing lead metal available for the western world. A prolonged decline in Chinese exports potentially creates a tightening of lead supply in the western world. Supply tightness in the western world would require LME prices to be trading at a significant premium to Chinese prices to encourage export of lead metal from China.

## RISKS AND UNCERTAINTIES

### Introduction

The business of Ivernia is subject to a variety of risks and uncertainties which are described in detail in the section titled "Risk Factors", in the Company's Annual Information Form dated March 31, 2008 (the "AIF") available on Ivernia's website at [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

As described in detail in the AIF, in April 2007 the Company suspended operations at the Magellan mine and placed it under care and maintenance as a result of the issuance by the Department of Environment and Conservation ("DEC") for Western Australia of a prevention notice directed to the Esperance Port Authority prohibiting any further shipments of lead concentrate from that port. Given the uncertainty respecting timing of the resumption of operations through the Port of Esperance the Company decided to pursue alternate shipping arrangements through established regulatory processes. The discussion below updates the discussion in the AIF respecting the suspension of operations at the Magellan mine and status of the efforts undertaken by the Company to ensure the safe, secure and environmentally sound removal of the stockpile of lead concentrate at Esperance and the obtaining of approvals to ship lead concentrate from the mine site.

### Matters Relating to Shipping Product

#### *General*

The risks arising out of the events following the lead pollution at Esperance, the suspension of shipping of lead concentrate through the Port of Esperance and developing alternative shipping proposals can be categorized as one or more of the following: (i) the risk that shipments of lead carbonate concentrate may not be able to be resumed (although the Company has no knowledge that this will be the case); (ii) the risk of delay in resumption of shipping and mining (with respect to obtaining necessary approvals both in Western

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Australia and China, renegotiating contracts for transportation and sales of lead carbonate concentrate and recommencing mining); and (iii) the risk of litigation or regulatory action (with respect to allegations that the Company erroneously invoked “force majeure” under its supply contracts and other contracts), imposition of fines or prosecution by regulators with respect to alleged breaches of licence conditions or relevant legislation (which may cause further delays in grant of approvals to re-commence shipping), amendment or revocation of existing consents, permits, licences or approvals, claims for compensation by the general public by way of class action or otherwise, including claims in connection with personal injury or illness, property damage and damage to local industry, or claims by the Esperance Port Authority or other affected entities. Each of these is discussed in more detail below.

## ***Fremantle***

On January 17, 2008 the Company announced the acceptance by the then Environment Minister of the recommendations of the Environmental Protection Authority (“EPA”) regarding the sealed shipment process for the export of lead concentrate through the Port of Fremantle. In accepting the recommendations, certain additional conditions were imposed, which are intended to assure Western Australia’s communities, governments and regulators that the export process would be safe and effective. The Minister’s conditions included: the lodgement of an A\$5 million bond; the appointment of an independent auditor approved by the Minister and funded by Magellan Metals to inspect each bag and container at the mine and the port; revision of the existing comprehensive mine site Health, Hygiene and Environmental Management plan to additionally cover transportation to the Port of Fremantle and the loading process at the Port of Fremantle, all to the satisfaction of the Minister, on advice from the Department of Health, the Department of Consumer and Employment Protection, the Department of Industry & Resources and the Department of Environment & Conservation; and baseline testing to be conducted along the transport route prior to the first movement of lead and ongoing transportation route monitoring and reporting. The Company accepted the additional conditions and final plans are with the present Minister of the Environment for approval and sign off. There continues to be some opposition from the community and certain elected local officials to the proposals. There can be no assurance that the necessary amendment to the Environmental Licence to permit shipments through the Port of Fremantle will be granted within a reasonable time, or at all, or that when received such approvals will not be subject to challenge.

## ***Esperance***

As a result of the issuance of the prevention notice by the DEC referred to above, shipments of lead concentrate from the Port of Esperance are prohibited and approximately 8,000 dry metric tonnes of lead carbonate concentrate remains at the Port in secure storage. Since the issuance of the prevention notice, Magellan has actively worked with the Esperance Port Authority (“EsPA”), the DEC and other regulatory bodies on various proposals and methods to export the carbonate concentrate from the port. On September 8, 2008 the Lead Removal Plan (“LRP”), which focuses on the safe, secure and environmentally sound removal of the stockpile, was released by the EsPA for a three-week public consultation period. Discussions between the Company, EsPA and the DEC continue to finalize the LRP. There can be no assurance that the LRP will be finalized within a reasonable time, or at all, or that it will not be subject to challenge once completed.

## ***Restart of mining and milling operations***

There can be no assurances as to the actual costs that will be incurred or the date of the resumption of operations at Magellan. Recruiting, retaining and training qualified personnel in connection with the restart of mining and milling operations will be critical to the Company’s success. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success, and the efficiency of the Company’s operations may be affected. Additional events which may impact the Company’s ability to resume commercial production may include, among others; shortages, delays or difficulties in obtaining equipment and materials, adverse weather conditions or natural disasters, unanticipated increases in costs of labour, supplies and equipment; accidents; and unforeseen engineering, design, environmental or geological problems. There can be no assurances as to: the date of the resumption of operations at Magellan; that the necessary approvals and amendment to the Environmental Licence which permit shipments through the Port of Fremantle and permit the removal of the stranded lead carbonate

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concentrate at the Port of Esperance will be granted within a reasonable time, or at all, or that when received such approvals will not be subject to challenge. There can also be no assurance that the Company will have sufficient resources to fund the restart of operations. On October 23, 2008 the Company announced a reduction in personnel at Magellan and Ivernia and stated that the decision to re-commence production at the Magellan mine will be subject to prevailing lead prices and exchange rates being at economic levels.

## ***Regulatory proceedings and litigation***

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

In addition, the Company may be subject to actions by governmental or regulatory authorities in connection with the lead pollution at Esperance or investigations relating thereto. Such actions may include prosecution for breach of relevant legislation or failure to comply with the terms of the Company's licences and permits and may result in liability for pollution, other fines or penalties, revocations of consents, permits, approvals or licences or similar actions which could be material and which would not be anticipated in respect of similar breaches by other companies which are not subject to the scrutiny facing the Company and Magellan Metals. 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 placing the Magellan mine under temporary care and maintenance, Magellan Metals claimed "force majeure" for a number of its agreements. Counterparties under two of its service contracts have disputed Magellan Metals' ability to claim "force majeure". One of the counterparties, Transpacific Cleanaway Ltd (formerly known as BIS Cleanaway Ltd), has formally filed a Statement of Claim against Magellan Metals in the Supreme Court of Western Australia disputing the validity of the "force majeure" notice and is claiming damages of approximately A\$2.8 million related principally to early termination payments and alleged failures to reach tonnage quotas under the contract. Magellan Metals has filed a Defense to the Statement of Claim and intends to vigorously defend the action. While Magellan Metals is of the view that its "force majeure" claims are valid, it may be required to pay damages for breach of the relevant agreements if it is held that it could not claim "force majeure".

## ***Secured Facility***

There are presently outstanding two senior secured promissory notes totaling \$20 million which bear interest at the rate of 6% per annum, are convertible into common shares of the Company at a conversion price of \$1.08 and become due and payable on April 29, 2009 (collectively, the "Secured Facility"). It is likely that due to a reduction in the common share price of Ivernia in the third quarter of 2008 to an amount significantly lower than the \$1.08 conversion price, the holders of the Secured Facility may not exercise their conversion right unless there is an improvement in the market price of the Company's shares. Accordingly, if: (a) the principal amount of the Secured Facility is not converted into common shares of Ivernia on or before April 29, 2009; (b) the Company is unable to reach an agreement with the holders of the Secured Facility for an extension of the due date or other acceptable accommodation or restructuring; or (c) the Company is unable to obtain financing to repay the Secured Facility when it becomes due and payable, then the Company will likely be unable to repay the Secured Facility when it becomes due and payable.

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## FORWARD-LOOKING STATEMENTS

*Certain statements contained in this document constitute forward-looking information within the meaning of securities laws. All statements included in this document (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: the duration of the suspension of the Company's mining and milling operations, the proposal to ship lead concentrate through the Port of Fremantle, the implications of the government of Western Australia's continuing investigations into the matters resulting in the suspension of mining operations, the possibility of legal or regulatory action (and any resulting costs or liabilities) which may be taken in connection with the matters being investigated, the estimated timing of the receipt of required regulatory approvals to ship the stranded lead concentrate at the Port of Esperance and recommence lead shipments from the Magellan mine, the outcome of any discussions with the holders of the Secured Facility respecting the extension of the maturity date of the Secured Facility or any restructuring thereof, future targets and estimates for production, capital expenditures, operating costs, cash costs, mineral resources and ore reserves, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimated goals and plans for Ivernia's future business operations; and other such matters. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are based upon certain reasonable factors, assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including factors underlying management's assumptions such as; the results of the Australian government's continuing investigations into lead contamination at the Port of Esperance, the timing of the receipt of final regulatory approvals required to ship lead concentrate through the Port of Fremantle, the duration of the suspension of mining and milling operations, the results of any discussions with the holders of the Secured Facility respecting the extension of the maturity date of the Secured Facility or any restructuring thereof metal price volatility, lead concentrate treatment charges, exchange rates, regulatory proceedings and litigation, single mineral property, resources and reserves, health and safety, environmental factors, mining risks, metallurgy, labour and employment regulations, government regulations, insurance, refinancing risk, dependence on key personnel, constraints on cash flow and nature of mineral exploration and development. While we consider these assumptions to be reasonable based on information currently available to us, 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. Other risks and factors that could cause actual results to differ are described in Management's Discussion and Analysis ("MD&A") for the most recently completed year end under the heading "Risks and Uncertainties", and in the Company's most recently filed Annual Information Form under the heading "Risk Factors". Our MD&A, Annual Information Form and additional information on Ivernia are available on the Company's website at [www.ivernia.com](http://www.ivernia.com) and on Ivernia's SEDAR profile at [www.sedar.com](http://www.sedar.com). All of the forward-looking statements made in this document are based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.*

November 14, 2008