



**Ivernia
West Inc.**

Ivernia West Reports Third Quarter Results

Magellan Project Feasibility Confirms Robust Returns

(all dollar amounts are expressed in US dollars)

Third Quarter Highlights

- Earnings of \$7.5 million, or \$0.05 per share
- Includes one-time gain of \$8.0 million on the sale of Ivernia's interest in the Lisheen Mine
- Working capital surplus of \$2.6 million compared with a deficiency of \$24.7 million at year end 2002
- Lisheen sale closed for cash proceeds of \$1.8 million and elimination of debt of \$73.2 million
- Magellan final feasibility study completed in November, confirming robust returns from lead project
- Positive results from Cano infill drilling
- Native Title Agreement signed for exploration access to Yandil property

Toronto, November 24, 2003: Ivernia West Inc. (TSX: IVW) today reported earnings of \$7.5 million or \$0.05 per share for the third quarter, compared with a loss of \$18.7 million or \$0.13 per share for the third quarter of 2002. The primary reasons for the increased earnings compared to the same period in 2002 were a one-time gain of \$8.0 million on the sale of Ivernia's 50% interest in the Lisheen Mine in Ireland, the reduction in interest charges expensed during the period due to lower interest rates and reduced debt, reduced general and administrative costs following the closure of the Irish office, and an increase in the foreign exchange gain due to the weakening of the US dollar against the Euro and the Australian and Canadian dollars. The comparable period in 2002 had a \$17.0 million write-down of investments. Excluding the one-time gain on the Lisheen sale, the loss for the quarter is \$0.44 million or \$0.00 per share.

Net cash utilised in investing activities during the quarter was \$1.1 million, representing additions of \$2.6 million to property, plant and equipment at the Company's lead project, Magellan in Western Australia, less \$1.5 million of net proceeds received on the Lisheen sale. \$1.3 million of the additions to property, plant and equipment at Magellan related to the acquisition by Ivernia of the remaining 5% of the shares of its Polymetals subsidiary not previously held by it following the exercise of a secondary call option for A\$2 million (\$1.3 million). As a result of this acquisition, Ivernia's effective interest in the Magellan project increased by 2.53% to 60%. The balance of \$1.3 million related to Ivernia's 60% share of project engineering, final feasibility study expenditures and the purchase of equipment for the mill. The net cash utilised in investing activities in the 2003 quarter is compared to net cash generated of \$1.1 million in the same period in 2002.

Ivernia now owns a 60% interest (which can reduce to 51%) in the Magellan project, with the Sentient Global Resources Fund holding 40%. Sentient has the right to increase its share to 49% on conversion of debt at the project level.

Net cash generated from financing activities during the quarter was \$4.0 million of which the main components were net loans of \$3.7 million being principally Ivernia's \$4.1 million share of loans from Sentient to the Magellan Project less the offset on the completion of the Lisheen sale of \$500,000 of advance proceeds previously received as a loan from Anglo American plc. This net cash generated from financing activities compares to a nil net-cash change in the same period of 2002.

At September 30, 2003 the Company had a working capital surplus of \$2.6 million, including cash of \$3.5 million, compared to a working capital deficiency at December 31, 2002 of \$24.7 million, which included cash of \$191,000.

On July 18, 2003, Ivernia signed a definitive agreement with joint venture partner Anglo American plc for the purchase by Anglo of the Company's 50% participating interest in the Lisheen Mine. Consideration consisted of a cash purchase price of \$1.8 million and the assumption by Anglo of all the Company's existing debt and other obligations relating to the mine, including outstanding loans from the project's lenders to an Ivernia subsidiary of \$73.2 million. Of the \$1.8 million purchase price, \$0.5 million had been previously advanced by Anglo in May 2003, and the balance was received on completion. Lisheen was sold because of its increasing debt burden and the lack of foreseeable cash flow from the operation. The sale received Ivernia shareholder approval on August 28 and closed on September 29.

Also during the quarter, Ivernia's management team was streamlined, with Alan De'ath who was previously Chief Financial Officer taking over as President and Chief Executive Officer and Ken Sangster being appointed as Executive Vice Chairman while retaining his responsibilities to develop the Magellan project. In addition, the Company's Irish office was closed, following the sale of the Lisheen Mine.

A New Direction

Commenting on the quarter, Ivernia's new CEO, Alan De'ath, said, "This was an exciting quarter during which we saw the efforts of many months of work come together in creating a new direction for Ivernia. We have moved away from the millstone of Lisheen around the neck of our balance sheet and on to the expectations of Magellan's robust returns for our future."

Magellan Project, Western Australia

Significant progress was made during the quarter on the Magellan lead project in which Ivernia holds a 60% interest. This interest will reduce to 51% when joint venture partner, Sentient, converts a portion of its debt at the project level.

Magellan Bankable Feasibility Completed

On November 14, completion of a bankable feasibility study was announced, confirming the expected robust returns of the project with an estimated net present value of \$65 million at a 7.5% discount rate and an internal rate of return of 43%, assuming an LME lead price of US\$625 per tonne or US\$0.28 per pound and an Australian dollar exchange rate of US\$0.70. This study updated the 2001 feasibility study and incorporated additional design and engineering work, additional information regarding reserves and resources at the Cano deposit adjacent to the Magellan deposit, and the recent pyrometallurgical and refinery pilot plant tests.

The capital cost of Phase 1 is estimated to be US\$20.5 million, with the mine expected to be producing lead in concentrate in the first quarter of 2005 at an average annual rate of 70,000 tonnes of lead. Phase 2, incorporating the capital-intensive refinery, is expected to be producing lead metal of 99.95% purity at a capital cost of US\$13.1 million by 2008. Over the currently anticipated 12-year life of the property, total operating costs are estimated to be US\$0.17 per pound.

Strong Interest for Project Financing

The feasibility study has been presented to a shortlist of commercial banks with the objective of raising US\$16 million in project financing. Strong interest has been expressed by those banks, and negotiations are continuing.

Feasibility Based on Substantial Engineering Work

The feasibility study estimates are based on 60% of the required engineering work needed to complete the project, and by mid November approximately 80% had been completed for a total of 14,000 man-hours. The work has been carried out by recognised consultants and most areas, including all critical ones, have been independently audited.

Magellan's Design Throughput Capacity Appears Conservative

During the quarter, a review by two independent consultants of the potential grinding performance of Cano ore concluded that the assumptions on throughput used in the feasibility study were conservative. The review concluded that up to 1.5 million tonnes of ore per annum could be processed versus the nominal design capacity of 1.2 million tonnes used in the study.

Concentrator Plant Already Purchased

Site preparation work progressed during the quarter and the purchase of redundant equipment from other mine sites continued. The accommodation village and all the major plant items to produce concentrate, namely the primary crusher, ore feeder, fine ore feed conveyor, primary SAG ball mill, rougher scavenger and cleaner flotation cells, and concentrate filters, have all been acquired from other mines at substantial discounts to the equivalent new equipment prices.

Drilling Program Increases Cano Lead Grade

An extensive geophysical survey along with a drilling programme comprising 112 holes was completed in September. The drill programme was to infill the Cano deposit to approximately 50-metre drill spacing and to assess the potential for enlargement of the Magellan deposit to the west and towards the Gama mineralization to the east.

The preliminary results indicate an increase of the Cano lead resource grade from 5.5% to 6.7% at a similar tonnage and confirm that mineralization at Magellan is open to the east and west. A new statement of reserves and resources for Cano is expected to be released in December, slightly behind our previously announced schedule due to adding a reserve estimate to the program.

Following the success of the recently completed drill programme, the joint venture partners are embarking on a further drilling programme to confirm the recent indications of an extension of the Magellan orebody to the west and east of the current orebody.

A number of mineralized targets have yet to be explored including the highly prospective 21.5 square-kilometre Yandil property 30 km to the northwest of Magellan. The Native Title Agreement permitting exploration access to the Yandil property was signed in mid-November. It is anticipated that the project's estimated 12-year mine life, which is based on the current Magellan and Cano reserves and resources, will be expanded when further exploration identifies additional resources.

Strong Smelter Interest Expressed in Magellan's Concentrate

Commensurate with the plan to develop Magellan in two phases, with the production of concentrates in Phase 1 and lead metal in Phase 2, marketing visits were made to Chinese smelters during the quarter. Two smelters and four international traders have expressed strong interest in purchasing the lead concentrates on favourable terms when shipments begin, which is expected in the first quarter of 2005. Negotiations are continuing with those traders and smelters. Lead concentrate is in short supply on the world market.

Optimizing Phase 2 Refinery Location

The project team continues to examine means to optimize the Magellan feasibility study. One area under review is the location of the lead refinery, which is expected to be constructed in 2006 or 2007 dependent on concentrate market terms. The Company is weighing the natural gas cost differences at certain points against the logistical costs of transporting concentrate and other supplies to these locations. A location midway between site and the port of Geraldton is currently under consideration.

A Buoyant Lead Market

Fundamentals for the lead market have continued to strengthen, with prices moving from a low of US\$0.19 per pound during the year to end the third quarter at US\$0.24, which is a 20 month high. Lead closed at US\$0.28 per pound on November 21. While this is good news for the Magellan project, a substantial part of the increase has been offset by the strengthening Australian dollar. The feasibility study confirms the project's expected robust returns at current lead prices and exchange rates.

London Metals Exchange Ave. Prices	Three months to September 30		Nine months to September 30	
	2003	2002	2003	2002
Lead US\$/lb	0.23	0.20	0.22	0.21

CEO Alan De'ath concluded, "Ivernia is a totally different company from the one that started the third quarter. We now have our balance sheet on a strong footing, the Magellan project is moving steadily ahead, financing for its development is coming together, and we have the people to make it all happen. I would like to express my appreciation to the team for their effort that has brought us to this point in our evolution."

Ivernia West is an international base metals mining and exploration company whose principal asset is a 60% interest (which can reduce to 51%) in the low-cost Magellan lead project in Western Australia. The project is expected to be in production in the first quarter of 2005, producing an average of 70,000 tonnes of lead a year. Ivernia's shares are traded on the Toronto Stock Exchange under the symbol IVW.

Forward Looking Information

This document contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "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 forward-looking statements reflect the current internal projections, expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties, including those detailed from time to time in filings made by the Company with securities regulatory authorities, that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.

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Consolidated Financial Statements and Notes attached

IVERNIA WEST INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Interest income	(25)	(33)	(78)	(75)
Expenses (income)				
General and administrative	259	343	924	929
Irish office closure	-	-	268	-
Magellan transaction fees	-	-	304	-
Foreign exchange (gain)/loss	(18)	133	(431)	(78)
Exploration	-	2	-	47
Interest expense	228	1,081	2,021	3,389
Writedown of investments	-	16,992	-	16,992
Gain on loan settlement	-	-	(768)	-
Gain on Lisheen Sale (note 3)	(7,971)	-	(7,971)	-
Other expenses (income) net	-	141	7	51
	(7,502)	18,692	(5,646)	21,330
Earnings (Loss) for the period	7,527	(18,659)	5,724	(21,255)
Deficit - beginning of period	(82,575)	(60,621)	(80,772)	(58,025)
Deficit - end of period	(75,048)	(79,280)	(75,048)	(79,280)
Earnings (Loss) per share	0.05	(0.13)	0.04	(0.15)
 Weighted average number of common shares outstanding (000s)	 144,999	 144,868	 144,912	 139,451

IVERNIA WEST INC.
CONSOLIDATED BALANCE SHEET

(in thousands of United States dollars)

	<u>September 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
	\$	\$
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	3,524	191
Accounts receivable	86	65
	<u>3,610</u>	<u>256</u>
Investment in Lisheen joint venture (note 3)	-	73,192
Other investments	16	16
Property, plant and equipment	10,803	8,184
Restricted cash and cash equivalents	-	3,474
Deferred charges	87	51
	<u>14,516</u>	<u>85,173</u>
Liabilities		
Current liabilities		
Current portion of long term debt (note 4)	-	22,723
Accounts payable and accrued liabilities	1,019	2,275
	<u>1,019</u>	<u>24,998</u>
Long-term debt (note 4)	7,610	53,631
Minority interest	-	52
	<u>8,629</u>	<u>78,681</u>
Shareholders' Equity		
Share capital (note 5(a))	80,574	80,359
Equity component of debt (note 4(d))	206	-
Contributed surplus	97	97
Deficit	(75,048)	(80,772)
Cumulative translation adjustments (note 3)	58	6,808
	<u>5,887</u>	<u>6,492</u>
	<u>14,516</u>	<u>85,173</u>

IVERNIA WEST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of United States dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in)				
Operating activities				
Earnings (loss) for the period	7,527	(18,659)	5,724	(21,255)
Non-cash items:				
Depreciation and amortization	-	-	-	-
Writedown of investments	-	16,992	-	16,992
Gain on Lisheen Sale (note 3)	(7,971)	-	(7,971)	-
Gain on loan settlement (note 4(c))	-	-	(848)	-
Other	2	133	109	355
Changes in non-cash working capital:				
Accounts receivable, inventories and other current assets	(96)	139	(109)	250
Accounts payable and accrued liabilities	(353)	133	1,524	47
Change in restricted cash and cash equivalents	(23)	(47)	(415)	(1,120)
	<u>(914)</u>	<u>(1,309)</u>	<u>(1,986)</u>	<u>(4,731)</u>
Investing activities				
Additions to property, plant and equipment	(2,604)	(129)	(5,371)	(1,330)
Proceeds on sale of short term investment	-	264	-	797
Net proceeds on Lisheen Sale (note 3)	1,461	-	1,461	-
Decrease in equity investment	-	963	935	10,614
	<u>(1,143)</u>	<u>1,098</u>	<u>(2,975)</u>	<u>10,081</u>
Financing activities				
Net cash proceeds on issue of shares	215	-	215	1,257
Increase (Decrease) in long-term debt, net	3,655	-	6,609	(6,654)
Contribution from joint venture partner (note 3)	-	-	1,700	-
Increase (Decrease) in deferred charges	153	-	(50)	-
	<u>4,023</u>	<u>-</u>	<u>8,474</u>	<u>(5,397)</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	<u>203</u>	<u>(3)</u>	<u>(180)</u>	<u>(321)</u>
Net increase(decrease) in cash and cash equivalents	2,169	(214)	3,333	(368)
Cash and cash equivalents - Beginning of period	<u>1,355</u>	<u>476</u>	<u>191</u>	<u>630</u>
Cash and cash equivalents - End of period	<u>3,524</u>	<u>262</u>	<u>3,524</u>	<u>262</u>

IVERNIA WEST INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended September 30, 2003 and 2002

(in thousands of United States dollars, except number of shares and per share amount)
(unaudited)

1. Significant accounting policies

The interim consolidated financial statements of Ivernia West Inc. and its subsidiaries (collectively the "Company" or "Ivernia") have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and basis as those disclosed in note 3 (Summary of significant accounting policies) to the Company's audited consolidated financial statements for the year ended December 31, 2002.

These interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2002, and the interim consolidated financial statements for the three month periods ended March 31, 2003 and June 30, 2003.

2. Magellan project

Refer to notes 5 and 13(b) to the Company's audited consolidated financial statements for the year ended December 31, 2002.

Deferred expenditure on the Magellan project during the three month and nine month periods ended September 30, 2003 was \$2.60 million and \$5.37 million respectively.

On June 19, 2003 the Company signed definitive agreements with The Sentient Global Resources Fund (together with its related entities, "Sentient") for a joint venture to develop the Magellan Project (the "Magellan Transaction"). Pursuant to the Magellan Transaction, Sentient agreed to provide \$4.60 million in financing to the Company's subsidiary Magellan Metals Pty. Limited ("Magellan Metals"). This amount was advanced by way of a \$1.70 million subscription for 40% of the shares of Magellan Metals, \$2.40 million in secured loans (the "Magellan Priority A Loans") (note 4(f)), and \$0.50 million in notes (the "Magellan Notes") which are convertible into shares of Magellan Metals (note 4(e)). The total amount provided by Sentient under these arrangements was used to extinguish the First Sentient Loan and the Second Sentient Loan (each as defined in note 4(b)).

On an ongoing basis, 40% of the funding for the Magellan Project will be provided by Sentient, with 60% to be funded by or on behalf of Ivernia (the "Magellan Progress Loans"). If Sentient acquires additional Magellan Metals shares upon the conversion of Magellan Notes (as described in note 4(e)), Sentient's share of the funding requirement will be increased, with retroactive effect from June 19, 2003, to the extent of its percentage share ownership following such conversion. In the event that the Company is unable to fund its share of contributions to the Magellan Project, Sentient will make contributions on the Company's behalf under an interim funding arrangement (the "Cash Flow Note"). Such contributions will be repaid by Magellan Metals to Sentient out of Ivernia's share of project cash flow with interest at a rate that provides Sentient with a 30% internal rate of return.

The obligations of Magellan Metals under the Magellan Priority Loans (as defined in note 4(f)), the Magellan Notes, the Magellan Progress Loans and the Cash Flow Note are secured by a charge over the assets of Magellan Metals. In addition, Ivernia Australian Holdings Limited ("IAHL") and Polymetals Pty. Ltd. ("Polymetals") have guaranteed Magellan Metals' obligations under these facilities. The guarantees are secured by equitable mortgages over the Company's shares of IAHL, Magellan Metals and Polymetals. The events of default which would entitle Sentient to

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increase its ownership of Magellan Metals to 51% would also entitle Sentient to exercise its security.

On August 25, 2003, the Company paid A\$2 million in settlement of an option exercised in January 2002 to purchase the remaining 5% of Polymetals it did not hold (which represents a 2.53% interest in the Magellan Project). Following payment of that A\$2 million to acquire the outstanding 2.53% minority interest in the Magellan Project, the Company holds a 60% interest in Magellan Metals. The payment was funded from a drawdown on the Magellan Priority Loans (the "Magellan Priority B Loan").

Following the Magellan Transaction the Company now accounts for the Magellan joint venture by the proportional consolidation method. Under this method the Company has included in its balance sheet at September 30, 2003 its 60% share of the Magellan assets and liabilities.

3. Lisheen Sale

On July 18, 2003, the Company signed a definitive agreement with Anglo American plc ("Anglo") for the purchase by Anglo of the Company's 50% participating interest in the Lisheen Mine (the "Lisheen Sale"). The Lisheen Sale was completed on September 29, 2003.

The completion of the Lisheen Sale was conditional upon, amongst other things, obtaining certain required consents and regulatory approvals, including the consent of the Toronto Stock Exchange, and such consents and approvals were received prior to completion. The Lisheen Sale was also subject to the approval of the Company's shareholders which was sought and received at the Company's annual and special shareholders meeting held on August 28, 2003.

Pursuant to the Lisheen Sale, Anglo purchased all of the shares of the Company's subsidiary Ivernia West Limited ("IWL") and its other subsidiaries holding the Company's interest in the Lisheen Mine for consideration consisting of an aggregate cash purchase price of \$1.8 million and the assumption by Anglo of all the Company's existing debt and other obligations relating to the Lisheen Mine, including outstanding loans from the project's lenders to IWL's subsidiary Ivernia Lisheen Finance Limited in the amount of \$73.19 million.

The gain on the Lisheen Sale comprised of the following:

	<u>\$</u>
Purchase price	1,800
Legal and other expenses	(354)
Release of investment carrying value	(71,889)
Release of Project Loan assumed by Anglo	73,192
Forgiveness of interest on Project Loan	2,770
Release of restricted cash assumed by Anglo	(4,298)
Release of cumulative translation adjustment	<u>6,750</u>
Net Gain	<u>\$ 7,971</u>

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Of the \$1.8 million purchase price, \$0.5 million was advanced to the Company by Anglo in May 2003 and the remaining \$1.3 million was received on completion.

In order to facilitate the Lisheen Sale, prior to closing the Company completed a reorganization of certain of its non-operating subsidiaries with the result that its only subsidiaries which were acquired by Anglo upon closing of the Lisheen Sale were those which were connected with the Lisheen joint venture.

Following the completion of the Lisheen Sale the Company has closed its office in Limerick, Ireland as part of the Company's previously announced cost reduction program.

4. Long-term debt

Refer to notes 4(c), 7, 13(a), 13(b), 13(c) and 13(d) to the Company's audited consolidated financial statements for the year ended December 31, 2002.

	September 30, 2003	December 31, 2002
	\$	\$
Project Loan (note 4(a))	-	73,192
Sentient Loans to IAHL (note 4(b))	-	-
Standby Facility (note 4(c))	-	2,762
Advance proceeds against convertible notes (note 4(d))	-	400
Convertible Notes (note 4(d))	1,744	-
Magellan Notes (note 4(e))	300	-
Magellan Priority A Loans (note 4(f))	1,440	-
Magellan Priority B Loan (note 4(g))	1,342	-
Magellan Progress Loans/Cash Flow Note (note 4(h))	2,784	-
	7,610	76,354
Less current portion:		
Project Loan	-	19,961
Standby Facility	-	2,762
	7,610	53,631

(a) Non-recourse project loan within Lisheen joint venture

Refer to notes 4(c) and 13(c) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

In February 2003, the Company was advised that (i) the Project Lenders had transferred all of the outstanding Project Loan, together with the Anglo Project Loan, to a single financial institution which was one of the Project Lenders, and (ii) a subsidiary of Anglo had entered into a sub-participation agreement with such financial institution with the result that Anglo had effectively become the lender under the Project Loan and the holder of the related

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security. On September 29, 2003, Anglo assumed the Project Loan on the completion of the Lisheen Sale (see note 3).

(b) Sentient loans to IAHL

Refer to note 13(b) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

In February 2003, the Company's subsidiary Ivernia Australian Holdings Ltd. ("IAHL") entered into a loan agreement with Sentient for a \$2.10 million twelve month interest free secured loan to IAHL (the "First Sentient Loan"). Of this amount, \$2.08 million was applied in March 2003 to settle in full Ivernia's obligations in the amount of \$2.85 million under the Company's Standby Facility with an Irish financial institution (note 4(c)). Pursuant to a March 2003 amendment to the loan agreement, Sentient advanced by way of secured loan an additional \$2.50 million (the "Second Sentient Loan") to IAHL from March through June 2003. Proceeds from the Second Sentient Loan were used to fund feasibility study and detailed engineering work on the Magellan Project, and were also applied in May 2003 by Magellan Metals to terminate an existing royalty on the project held by an Australian mining company (note 2). Pursuant to the Magellan Transaction (note 2), on June 19, 2003 the \$4.60 million of Sentient financing to Magellan Metals was used to extinguish the First Sentient Loan and Second Sentient Loan.

(c) Standby facility

Refer to notes 7(a) and 13(d) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

In February 2003 the Company entered into a settlement agreement with an Irish financial institution for the early repayment of a Euro 2.64 million (\$2.85 million; December 31, 2002 - \$2.76 million) Standby Facility which would have matured on June 30, 2003. The Standby Facility was settled on payment of Euro 1.92 million (\$2.08 million) in March 2003 giving rise to a \$0.77 million gain on settlement. The settlement was funded out of the proceeds of the First Sentient Loan (note 4(b)).

(d) Private placement of convertible notes

Refer to notes 7(b) and 13(a) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

As at June 30, 2003, the Company had received total advance subscription proceeds of \$1.95 million (December 31, 2002 - \$400,000) against the private placement of convertible notes and warrants.

On August 29, 2003 the Company issued the \$1.95 million of convertible notes to the purchasers. The convertible notes will pay interest at 10% per annum payable semi-annually in March and September and will mature on August 29, 2006 (the "Convertible Notes"). The Convertible Notes will be convertible into Common Shares at a conversion price of US\$0.065 per share at any time on or prior to maturity.

The Convertible Notes are accounted for in accordance with CICA Section 3860 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, representing the present value allocated to the liability at inception, discounted at 15% per annum, is recorded as a long-term liability. The

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remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "equity component of convertible notes". Over the term of the Convertible Notes, the debt component will be accreted to the face value of the Convertible Notes by the recording of additional interest expense.

The balances at September 30, 2003 are analysed as follows:

	\$
Liability component of convertible notes - current portion	nil
- long-term portion	1,744
Equity component of convertible notes	<u>206</u>
	<u>1,950</u>

(e) Magellan notes

Pursuant to the Magellan Transaction (note 2), Magellan Metals issued \$0.50 million of Magellan notes, which are non-interest bearing and which are convertible into shares of Magellan Metals. Of the \$0.50 million principal amount of the Magellan Notes, \$0.40 million is convertible at Sentient's option into an additional 9% of the shares of Magellan Metals. If certain default events occur, then the final \$0.10 million of Magellan Notes will become convertible into a further 2% of the shares of Magellan Metals. These default events include the inability of the Company to arrange, by January 31, 2004, project financing for Magellan Metals from a financial institution. As at September 30, 2003 the Company's 60% proportional share of the Magellan Notes was \$0.30 million.

(f) Magellan priority A loans

Pursuant to the Magellan Transaction (note 2), Magellan Metals has received \$2.40 million of Magellan Priority A Loans from Sentient. The Magellan Priority A Loans bear interest at the rate of 15% per annum and are repayable from Magellan cash flow and must be repaid by June 19, 2012 or such earlier date on which Sentient ceases to be a shareholder. As at September 30, 2003 the Company's 60% proportional share of the Magellan Loans was \$1.44 million.

(g) Magellan priority B loan

On August 25, 2003, the Company paid A\$2 million in settlement of an option exercised in January 2002 to purchase the remaining 5% of Polymetals it did not hold (which represents a 2.53% interest in the Magellan Project). Following payment of that A\$2 million to acquire the outstanding 2.53% minority interest in the Magellan Project, the Company holds a 60% interest in Magellan Metals. The payment was funded from a drawdown on the Magellan Priority B Loan from Sentient. The Magellan Priority B Loan was drawdown under the same terms and conditions as the Magellan Priority A Loan. The full value of the Magellan Priority B loan is consolidated by the Company.

(h) Magellan progress loans/ cash flow note

Pursuant to the Magellan Transaction (note 2), Magellan Metals has received \$4.64 million of Magellan Progress Loans including \$2.78 million of contributions by Sentient on behalf of the Company under the terms of the Cash Flow Note. The Magellan Progress Loans bear interest at the rate of 15% per annum and are repayable from Magellan cash flow and must be repaid by June 19, 2012 or such earlier date on which Sentient ceases to be a shareholder. Contributions by Sentient on behalf of the Company under the terms of the Cash Flow Note

IVERNIA WEST INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three month periods ended September 30, 2003 and 2002

(in thousands of United States dollars, except number of shares and per share amount)
(unaudited)

will be repaid by Magellan Metals to Sentient out of Ivernia's share of project cash flow with interest at a rate that provides Sentient with a 30% internal rate of return. As at September 30, 2003 the Company's 60% proportional share of the Magellan Progress Loans and Cash Flow Note contributions was \$2.78 million.

5. Share Capital

Refer to note 8 to the Company's audited consolidated statements for the year ended December 31, 2002.

(a) Issued and outstanding shares

Details of issued and outstanding shares are as follows:

	Number of common shares (000)	Amount \$
Outstanding as at June 30, 2003	144,868	80,359
Issued in payment for services (i)	3,000	215
Outstanding as at September 30, 2003	<u>147,868</u>	<u>80,574</u>

- (i) In September 2003, the Company issued 3,000,000 shares at a notional price of C\$0.10 per share to the Company's financial adviser in payment of services provided in connection with the Sentient negotiations. See note 13(f) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

(b) Employee stock options

At September 30, 2003 there were outstanding options to purchase 9,080,000 common shares of the Company, of which 8,232,500 were exercisable at that date. During the quarter 400,000 options expired and 230,000 new options were granted.

(c) Share warrants

As at September 30, 2003 the Company has outstanding 39,134,017 share purchase warrants (December 31, 2002 – 9,134,017) which can be converted into 39,134,017 common shares of the Company. (see note 4(d)).

6. Subsequent events

(a) Issuance of common shares

On October 1, 2003, the Company issued a further 1,000,000 common shares at a notional price of C\$0.10 per share to the Company's financial adviser in payment of services provided in connection with the negotiation of the Lisheen Sale. See note 13(f) to the Company's audited consolidated financial statements for the year-ended December 31, 2002.

Also on October 1, 2003, the Company issued 1,000,000 common shares at a notional price of C\$0.10 per share to David Hough, the Company's former President and Chief Executive, in lieu of a cash amount under the terms of his Severance Agreement.