



## **IVERNIA REPORTS SECOND QUARTER 2004 RESULTS; MAGELLAN ON SCHEDULE FOR LEAD PRODUCTION FIRST QUARTER 2005**

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

### **Second Quarter Highlights**

- Magellan Project construction commenced in May and is on schedule
- Reserve and resource base significantly increased, extends mine life
- Examining tenders for open-pit contract mining and for supply of on-site power
- Lead supply deficit gives strong support to buoyant lead market
- Management team strengthened by appointment of an experienced COO
- Consolidated shares on a one-for-five basis, effective June 30

**Toronto, Ontario, August 11, 2004:** Ivernia Inc. (TSX: IVW) today reported a net loss of \$239,000 or \$0.00 per share for the second quarter, 2004 compared with a loss of \$1,243,000 or \$(0.04) per share for the second quarter of 2003. The Company's principal asset is a 51% operating interest in the high-grade Magellan lead project in Western Australia, which is being developed for production in the first quarter of 2005.

### **Summary of Operations – Magellan Project, Western Australia**

#### Partners Agreed to Financing Package for Development

As announced on May 5, 2004, Ivernia and its 49% joint-venture partner, Sentient Global Resources Fund (together with its affiliates, "Sentient"), have agreed to fund the construction and development of the Magellan lead project (the "Magellan Project") by up to a further \$26.6 million of partner progress loans (the "Progress Loans") in addition to the \$7.2 million of Progress Loans already provided for work done to date. The funding will finance the Magellan Project's remaining estimated Phase 1 capital expenditure program (as at March 31, 2004) of A\$25.9 million (\$18.6 million) and its start-up costs, including initial mining, project commissioning and production build-up, estimated at A\$7.5 million (\$5.4 million) for a total of A\$33.4 million (\$24.0 million). The \$2.6 million balance of the funding is intended to ensure an adequate contingency is in place.

Also as announced on May 5, Pechiney World Trade (USA) Inc, was appointed during the quarter as exclusive sales agent for Magellan lead concentrate sales. As part of the agreement, Pechiney will provide to Magellan a \$10 million inventory/trade financing facility to substantially finance lead concentrates in inventory and while in shipment to smelters. This facility will finance the most significant element of Magellan's ongoing working capital requirements.

### Construction on Schedule, Commenced in May

The procurement, construction and management contract for the main processing facilities and related infrastructure was awarded to Roche Mining (JR) Pty Ltd, one of the leading providers of services to the mining and mineral processing industry in Australia. Construction activities commenced in mid-May and are on schedule at both the Magellan site and at the Tuckabianna Mine, also in Western Australia, from where the previously purchased crushing and milling plant was removed during June for refurbishment and installation at the Magellan site. As of August 2, 9 weeks into the 28 week construction schedule, the project is on time and within budget. Progress to date includes:

- Site clearing and base compaction – completed
- Earthworks – 90% completed
- Concrete placement – 70% completed
- Steel erection – commenced

Photos of construction progress can be seen on the Company's website homepage at [www.ivernia.com](http://www.ivernia.com).

### Mining Contract to Be Awarded in August

Tenders were received from five companies for a full-service mining contract and three were short listed. Revised tenders are being sought based on an updated mine plan which takes into account the significant increase in reserves announced July 12. It is anticipated that the mining contract will be awarded by the end of August, with physical activity commencing in October.

### Power Supply Contract Being Finalised

An on-site power-supply contract request was issued to five prospective suppliers and five bids have been received. The selected bid will provide better value, shortest lead time, flexibility to supply the Phase 2 refinery power requirements and a practical compromise between diesel and natural gas usage. A contract is being finalised.

### Other Supplies, Services and Employee Recruitment

Other major supply and service contracts are under negotiation. The employee recruitment process is well underway with Cadden Crowe appointed as recruitment consultants and a regional advertising campaign commenced during the quarter.

### Reserves and Inferred Resources Increased Significantly

As announced on July 12, the first quarter's drilling program has increased contained lead in reserves by 22% to 1.00 million tonnes and has identified significant new inferred resources with contained lead of 0.57 million tonnes. The A\$0.7 million drilling program increased the drilling data to 659 drill holes for this resource and reserve update compared to the 2003 estimates which were based on 281 drill holes. The drilling data incorporates 318 drill holes on the Magellan deposit, 232 drill holes on the Cano deposit and 109 drill holes on the Pinzon deposit.

The prime purpose of the drilling program was to adequately define the initial mining plan, so it was restricted to the plateau containing the Magellan and Cano deposits as well as the Pinzon deposit to the southeast of Magellan. For the first time an inferred resource has been established at the Pinzon deposit of 6.9 million tonnes at 4.4% lead grade and this area is still open. The best news was at the Magellan deposit where reserves of contained lead have increased 26% to 0.77 million tonnes. In addition a new inferred resource of 6 million tonnes at 4.2% lead grade has also been identified. The earlier projection of a 12-year mine life was very conservative and the potential for a 20-year mine life at the current planned annual throughput rate of 1.4 million tonnes of ore now appears feasible.

Though the additional reserves in the Magellan orebody are at a lower grade than the very high grades seen in its centre, this is still high-grade material overall. Following the definition of a larger deposit, the Magellan orebody's waste-to-ore strip ratio has improved by 25% from 3.6:1 to 2.7:1. This significantly reduces the mining costs per tonne of ore produced. The Cano orebody has a strip ratio of 2.1:1.

Over the next 18 months the Company is planning to conduct more comprehensive drilling in the adjacent Pizarro, Drake and Cortez prospects together with further drilling in the areas categorized as inferred resources at Magellan and Pinzon.

#### **Total Lead Resources (100%) (inclusive of Reserves) <sup>1</sup>**

<b>Resource Category</b>	<b>31-Dec-03</b>			<b>9-Jul-04</b>		
	<b>Tonnes (million t)</b>	<b>Lead (%)</b>	<b>Contained Lead (000 t)</b>	<b>Tonnes (million t)</b>	<b>Lead (%)</b>	<b>Contained Lead (000 t)</b>
Measured (M)	8.5	7.3	621	<b>10.6</b>	<b>7.1</b>	<b>740</b>
Indicated (I)	6.6	5.3	346	<b>8.0</b>	<b>4.5</b>	<b>358</b>
<b>Total – M+I</b>	15.1	6.4	967	<b>18.6</b>	<b>5.9</b>	<b>1098</b>
Inferred	-	-	-	<b>13.0</b>	<b>4.3</b>	<b>565</b>

#### **Total Lead Reserves (100%) <sup>1</sup>**

<b>Reserve Category</b>	<b>31-Dec-03</b>			<b>9-Jul-04</b>		
	<b>Tonnes (million t)</b>	<b>Lead (%)</b>	<b>Contained Lead (000t)</b>	<b>Tonnes (million t)</b>	<b>Lead (%)</b>	<b>Contained Lead (000t)</b>
Proven	7.9	7.4	586	<b>10.3</b>	<b>7.1</b>	<b>732</b>
Probable	4.1	5.6	237	<b>5.9</b>	<b>4.6</b>	<b>270</b>
Total	12.0	6.8	823	<b>16.2</b>	<b>6.2</b>	<b>1002</b>
Increase				<b>4.2</b> <b>[+35%]</b>		<b>179</b> <b>[+22%]</b>

**Note 1.** Further details of reserves and resources by deposit and by category together with the underlying economic assumptions can be found in the Company's news release of July 12, 2004.

Resources are based upon studies prepared by CSA Australia Pty Ltd ("CSA") under the supervision of Jeffrey Elliot of CSA with some assistance and limited review by Snowden Mining Industry Consultants Pty

Ltd (“Snowden”) under the supervision of Vivienne Snowden of Snowden. Reserves are based upon studies prepared by Snowden under the supervision of Allan Blair. Table entries (other than contained lead) are rounded to two significant figures.

All reserves and resources are reported in accordance with the 1999 update of the JORC Code. Qualified persons for purposes of National Instrument 43-101 have verified the above reserve and resource figures and the underlying sampling and analytical data. Jeffrey Elliot and Lorry Hughes of CSA and Allan Blair of Snowden are the qualified persons for the purpose of National Instrument 43-101.

### A Buoyant Lead Market

The global lead market has been characterised by the tight supply of mine concentrates since 2000, which, combined with increasing demand for lead products such as batteries, has led to a sharp decline of nearly 80% in the London Metal Exchange-held metal stocks since the end of 2002 when inventories totalled 184,000 tonnes. Inventories declined to 110,000 tonnes at the end of 2003 and to below 40,000 tonnes on August 11, 2004. As a result, the LME lead price increased from US\$0.19 per pound at the end of 2002 to a cash settlement price of US\$0.43 per pound on August 11, 2004.

The significant global lead metal market deficit that was forecast for this year is being realized, with general consensus that the 2004 market deficit will be of the order of 100,000 to 150,000 tonnes. The strong lead market fundamentals indicate that we are bringing Magellan into production at an opportune time.

London Metals Exchange Ave. Lead Prices	Three months June 30		Six months June 30	
	2004	2003	2004	2003
US\$/lb	0.37	0.21	0.38	0.21

### Appointment of Chief Operating Officer

On June 24, in a move to add further depth to the management team, the Company announced the appointment of Kevin J. Ross as Senior Vice President and Chief Operating Officer, effective September 1. He will report to President and CEO Alan De’ath and will be based in Toronto, though spending most of his time in Western Australia until Magellan is commissioned. The appointment of Kevin Ross will allow Executive Vice Chairman Ken Sangster to increasingly focus his efforts on the Magellan Phase 2 refinery project and, importantly, to search out more growth opportunities for Ivernia.

Kevin Ross has held several senior mining positions during his over 25 years experience in the industry, latterly as CEO of ARCON International Resources, where he will remain a director. He is well known to the senior members of Ivernia’s management team, having worked extensively with Alan De’ath and Ken Sangster at Rio Tinto and TVX Gold.

“We have made excellent progress at Magellan during the second quarter and the momentum continues,” said Alan De’ath. “Magellan phase one is financed, construction is underway and on schedule, mining contracts are being negotiated, all the permits we need for production are well in hand and there is a ready market for our lead concentrates. Add to all this a first class development and operations team in Western Australia, supported by Ken Sangster and now Kevin Ross, and I believe we are well positioned to achieve our goal of being in production in the first quarter of 2005. I look forward to reporting progress in the months ahead.”

## Results of Operations

### Selected Financial and Operating Highlights

#### Statement of Operations

<i>(in thousands of US dollars except per share data)</i> <sup>(1)</sup>	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
Net revenues-interest income	70	30	83	53
Loss for the period	(239)	(1,243)	(637)	(1,803)
Basic loss per share	(0.00)	(0.04)	(0.01)	(0.06)

<sup>1</sup>: Per share data was calculated on the weighted average shares outstanding for the relevant period using post-consolidation weighted average number of common shares outstanding.

The following table identifies the sources of changes in net income between the three and six month periods June 30, 2004 and 2003:

#### Changes in 2004 Net Loss compared to 2003

<i>(thousands of US dollars)</i>	Change in Second Quarter	Change in Six months
Increased interest income	40	30
(Increased) decreased general and administrative	(49)	49
Group restructuring costs in 2003	552	572
Increased stock options costs	(222)	(541)
Increased (decreased) foreign exchange gain	(147)	54
Decreased interest expense	823	1,763
Gain on loan settlement in 2003	-	(768)
Decrease in other expenses	7	7
Decrease in net loss compared to 2003	1,004	1,166

The primary reasons for the reduced net loss during the second quarter compared to the same period in 2003 were a reduction in interest expense due to significantly reduced debt following the sale of the Lisheen Mine in Ireland in September 2003, as well as a further reduction in interest expense following the conversion into common shares of the

Company's \$1.95 million principal amount of convertible notes (the "Convertible Notes") in February 2004. This was partially offset by an increase in costs related to stock options granted in 2003 and 2004 (note 4(b)) and a reduced foreign exchange gain. The comparable period in 2003 had a \$552,000 charge for group restructuring costs (see note 3 to the company's audited consolidated financial statements for the year-ended December 31, 2003).

The primary reasons for the reduced net loss during the six months compared to the same period in 2003 were a reduction in interest expense for the reasons stated above for the second quarter. This was partially offset by an increase in costs related to stock options granted in 2003 and 2004 (note 4(b)). The comparable period in 2003 had a \$768,000 gain realised on a settlement of the Company's standby facility with an Irish financial institution and a \$572,000 charge for group restructuring costs.

## Liquidity and Financial Condition

### Statement of Cash Flows

<i>(thousands of US dollars)</i>	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
Cash (used in) provided by operating activities	1,003	282	653	(1,072)
Cash (used in) investing activities	(2,345)	(2,606)	(3,162)	(1,832)
Cash (used in) provided by financing activities	(38)	3,847	11,985	4,451
Increase (decrease) in cash	(1,446)	1,266	9,324	1,164

Net cash used in investing activities during the second the quarter was \$2.35 million, primarily representing additions to property, plant and equipment at the Magellan Project. This net cash used in investing activities in the quarter compared to net cash used of \$2.61 million in the same period in 2003.

Net cash used in investing activities during the six month period was \$3.16 million, primarily representing additions to property plant and equipment at the Magellan Project. This net cash used in investing activities in the six month period compared to net cash used of \$1.83 million in the same period in 2003.

Net cash used by financing activities during the second quarter was \$38,000 for additional costs incurred on the issue of shares in the first quarter. This net cash used in financing activities compared to net cash generated of \$3.85 million in the same period in 2003.

Net cash generated by financing activities during the six month period was \$11.99 million, the main components of which were net proceeds of \$14.86 million on the issue of shares (note 4(a)) less the net payment of long term debt of \$2.87 million. This net cash generated from financing activities compared to net cash generated of \$4.45 million in the same period in 2003.

On March 31, 2004 all of the Magellan Notes were converted into Magellan Metals shares or replaced with Magellan Loans, with the result that Sentient increased its equity interest in Magellan Metals from 40% to 49% (note 2). Ivernia holds the remaining 51% equity of Magellan Metals and remains the operator of the Magellan Project. Ivernia and Sentient also agreed that all obligations of Ivernia under an interim funding arrangement entered into with Sentient in June 2003 (the "Cash Flow Note") pursuant to which Sentient advanced certain funds to Magellan Metals on the Company's behalf to finance the development of the Magellan Project will be repaid by Ivernia and the Cash Flow Note terminated with effect from March 31, 2004. Ivernia has deposited with Sentient the \$4.13 million outstanding (including interest) on the Cash Flow Note as of March 31, 2004. The parties have committed to enter into definitive documentation providing for the repayment of the Cash Flow Note and amending the remaining joint venture agreements accordingly. This documentation is to be entered into not later than August 31, 2004 failing which all of Sentient's rights under the Cash Flow Note will be extinguished in any event on such date in consideration of the release of the \$4.13 million deposit to Sentient. The definitive documentation will also terminate equitable mortgages held by Sentient over the Company's shares of Magellan Metals, provided that these equitable mortgages will terminate with effect from March 31, 2004 in any event if such documentation is not entered into by August 31, 2004.

On May 4, 2004 the Company, Sentient and certain of their related parties amended the Magellan joint venture agreements to increase their commitments to provide Progress Loans to fund the development of the Magellan Project from an aggregate of \$10 million to \$33.7 million (inclusive of \$7.2 million funded prior to March 31, 2004 by the joint venture partners), in proportion to their respective joint venture interests. They also created a contingency facility under which, if the Company is for any reason unable to fund its share of Progress Loans beyond \$14.7 million (inclusive of \$3.7 million funded prior to March 31, 2004 by Ivernia), then at the Company's request Sentient will provide up to \$5.0 million in Magellan Loans to Magellan Metals to cover the Company's and Sentient's respective portions of such remaining required funding. These additional Magellan Loans are convertible into Progress Loans upon the Company paying to Magellan Metals the amount advanced on its behalf by Sentient.

### **Balance Sheet**

(thousands of US dollars)	As at	
	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Cash and cash equivalents	13,133	3,809
Working capital	11,711	3,246
Total assets	27,692	15,528
Total long-term financial liabilities	2,634	8,004

As at June 30, 2004 the Company had a working capital surplus of \$11.71 million including cash of \$13.13 million, compared to a working capital surplus at December 31, 2003 of \$3.25 million, which included cash of \$3.81 million.

## **Outstanding Share Data**

On June 30, 2004 at the Company's annual and special meeting, the shareholders approved a special resolution authorizing the consolidation of the Company's issued and outstanding common shares on the basis of one consolidated common share for each five old common shares. As at August 11, 2004 following the share consolidation, the company had 59,798,780 common shares and no preference shares issued and outstanding.

As at August 11, 2004, following the share consolidation, the Company has outstanding instruments comprising common share purchase warrants and broker warrants, which are ultimately exercisable in one or more steps into 9,404,000 common shares of the Company (note 4(c)).

The complete quarterly report and financial statements are available on the Company's website at [www.ivernia.com](http://www.ivernia.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About Ivernia**

Ivernia is an international base metals mining and exploration company whose principal asset is a 51% interest in the low-cost Magellan lead project in Western Australia. The project is expected to commence production in the first quarter of 2005. Phase 1, which is fully financed, is estimated to produce an annual average of 70,000 tonnes of lead in concentrates, increasing to 90,000 tonnes of lead metal in 2007 in conjunction with completing the Phase 2 refinery.

## **Forward-Looking Statements**

*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", "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 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 the considerations discussed herein and in the Company's annual information form and in other documents filed from time to time by the Company with Canadian securities regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Company's control. 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 Ivernia. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Company expressly disclaims any obligation to update or revise any such forward-looking statements.*

For further information, please contact:

Alan De'ath

President & CEO

Tel: +1 416 867 9298

e-mail: [info@ivernia.ca](mailto:info@ivernia.ca) Website: [www.ivernia.com](http://www.ivernia.com)