092 NE 012 012

*Mount Polley
Trenching the
Central Zone*

Total estimated capital costs were calculated by Wright Engineers at $131.4 million current Canadian dollars. These include $13 million earmarked for contingencies and $5 million for working capital required to bring the project to full production. The total operating costs for the project are estimated at CDN$6.52 per metric ton. Production would begin within 20 months of commencing development.

Extensive environmental surveys for the project have been completed. Since much of the Mount Polley site has been clearcut logged recently, forest and wildlife environmental factors will be fully mitigated.

The Mount Polley deposit should contribute significantly to the B.C. copper mining industry at a time when production is declining significantly.

A variety of factors have led to this situation, the principal one being that low copper prices between 1982 and 1987 discouraged the search for new reserves. Consequently there are very few copper projects now ready for development to replace those which will soon be depleted.

AJAX

In June 1989, Teck Corporation commenced production at the Ajax project near Kamloops, B.C. Imperial holds a 1.8% net profits interest (Imperial Group 9%). The nearby Afton Mill was modified and expanded to treat the new Ajax ore. Ajax ore reserves are estimated at 23.4 million tonnes (27 million tons) grading 0.46% copper and 0.011 oz of gold per ton.

IMPERIAL METALS CORP.
4 ANNUAL REPORT 1990.

TAKEN FROM IMPERIAL METALS CORP. ANNUAL REPORT 1990

MINEABLE RESERVES

	PROBABLE	POSSIBLE	LOW GRADE	TOTAL
Metric Tonnes	48,771,000	2,631,000	27,200,000	78,602,000
Short Tons	53,760,000	2,900,000	30,000,000	86,660,000
Total Cu %	0.383	0.322	0.22	–
Au g/t	0.556	0.461	0.240	–
Au oz/t	0.016	0.013	0.007	–
Strip Ratio	1.76	–	–	–
Contained Cu: lbs.	411,800,000	18,600,000	132,000,000	562,400,000
Contained Au: oz.	860,000	37,000	210,000	1,107,000

The mill will produce between 50,000 and 60,000 tonnes (55,000 and 66,000 tons) per year of concentrate containing 25% copper and 30-75 grams of gold per ton (1-2 oz/t Au).

During the past two years, Imperial has concentrated mostly on defining mineable reserves. Preliminary exploration drilling has also identified four areas outside of the proposed open pit which have potential for extending mine life well into the next century. Total geological reserves are currently estimated to be in excess of 105 million tonnes (116 million tons) grading 0.34% copper and 0.471 g/t gold (0.013 oz/t). These provide excellent potential for expanding the operation and extending its life.

Discussion of the Mount Polley project economics must focus on two major points. Firstly, operating and capital costs can be confidently predicted. The wealth of experience of the professional engineers and consultants who have worked at many comparable operations in the Province of British Columbia lends a high level of confidence to their estimates and assessments. Secondly, the project is very sensitive to the metal prices obtained for its products and to the exchange rate of the Canadian dollar. Thus, any discussion of feasibility must address future metal prices and exchange rates. At Mount Polley, revenues from gold and copper are roughly equal. Historically, the two metals have not moved in parallel so that price fluctuations have tended to offset each other. At the base case prices of US$0.95 copper and US$425 gold, Mount Polley ore has a recoverable metal value of US $701 million. It is most significant to note

that since 1980 the historic value of Mount Polley ore has only varied from US$865 million in 1980 to US$567 million in 1985. This clearly demonstrates the cross support and advantage of a mine with more than one product regardless of considerable fluctuations in the price of the individual metals.

At present and likely long term metal prices, the project will pay back capital in approximately four years. Sophisticated markets exist for both copper and gold, thus providing full opportunity for comprehensive hedging and forward selling programs.

MOUNT POLLEY OPEN PIT OUTLINE