Imperial Metals Corporation

December 1994
Annual Report

Corporate Profile

- Imperial Metals Corporation (IPM - TSE) is a Canadian mining company with operations in Canada and the United States.

- In February 1995, Imperial merged with Bethlehem Resources Corporation bringing together an expert and well regarded team of mine developers, operators and financiers.

- Imperial is the operator and 50% owner of the Goldstream Mine, near Revelstoke, British Columbia, in production since June 1991.

- Imperial holds 40% of affiliate Cathedral Gold Corporation which operates the Sterling Gold Mine near Beatty, Nevada, and has an advanced gold exploration project in Guyana, South America.

- In April 1995, Imperial reached agreement in principle with Sumitomo Corporation of Japan on a project financing agreement for the development of the Mount Polley mining project located near Williams Lake, British Columbia. Under the agreement, Sumitomo will acquire a 35% Joint Venture participating interest in the project by funding in excess of $85 million of project expenditures through a combination of project debt financing to Imperial, cost share payments and earn-in expenditures. Imperial will operate and will retain a 65% Joint Venture participating interest in the project.

- Imperial has substantial exposure to both copper and gold through its Goldstream mine, Sterling mine and Mount Polley development project, through other projects such as Giant Copper and Poison Mountain, and through 40% held Cathedral Gold Corporation.

- The Imperial Management Team is committed to a mission of personal and corporate growth through acquisition, development and operation of mining properties. The Management Team is recognized for lean and effective mine development and operating plans and continuously seeks opportunities where skills can be used to the greatest possible advantage in creating shareholder value.

Directors' Report to the Shareholders

Our continuing efforts to improve asset performance, engage in complimentary new initiatives and control costs are having a positive impact where it counts most, on shareholder value. At the commencement of the reporting period, Imperial shares were trading in the range of $0.70. By the end of the reporting period the share price had increased 64% to the $1.15 range on a total trading volume of 18,316,939 shares.

We are encouraged by the signficant progress which has been achieved and recognize that even greater opportunities for growth lie ahead.

The Year in Review

1994 was a very eventful year. On August 31st, control of the Company was acquired by a private financial corporation controlled by N. Murray Edwards of Calgary, Alberta, now the Company's Chairman.

Vested with a strong Board and shareholder mandate to move ahead on Mount Polley, the Company announced on November 29, 1994 its intention to merge with Bethlehem Resources Corporation for the purpose of acquiring the development and operating expertise required to put Mount Polley into commercial production. A highly experienced team of mine builders and operators, geologists and metallurgists, civil, mechanical and electrical engineers was then brought together to complete a revised feasibility study for the Mount Polley project.

The revised feasibility study and the merger with Bethlehem were both completed in February, 1995.

Experienced Team

Imperial has assembled a very experienced design, construction and mine operating team for the Mount Polley project drawing extensively on personnel from Bethlehem Resources Corporation. The Mount Polley project team is headed by Henry G. Ewanchuk, this year's recipient of the Edgar A. Scholz medal from the British Columbia and Yukon Chamber of Mines for excellence in mine development. Other key personnel involved in project implementation are: Brian Kynoch, Malcolm Swallow, Cliff Overton, Bill Ruffo, Don Parsons, Red Briscoe, Rad Pesalj and Bob MacDonald.

This report covers the nine month period ending March 31, 1994 to December 31, 1994 following a change in fiscal year end from March 31 to December 31.

Mount Polley Project Financing

On April 11, 1995, the Company reached agreement in principle with Sumitomo Corporation of Japan on a project financing arrangement for the development of Mount Polley as a 15,000 ton per day open pit copper-gold mine.

Sumitomo will make available to the Company project debt financing of up to $47.7 million. In addition, Sumitomo will cover its 35% share of the estimated $102 million development cost. Sumitomo's earn-in expenditures will comprise both fixed and contingent amounts. The fixed amount will total $5.6 million, to be invested directly into the project. The contingent amount, to be paid to Imperial over the life of the mine, could total more than $20 million depending upon a number of factors such as metal prices, operating costs, metal production and exchange rates.

Sumitomo will acquire a 35% joint venture participating interest in the project by funding in excess of $85 million of project expenditures, through a combination of project debt financing to Imperial, cost share payments and earn-in expenditures. Imperial will operate and will retain a 65% joint venture participating interest in Mount Polley.

As part of the financing arrangement, Imperial has agreed to grant 2 million common share purchase warrants to Sumitomo, exercisable until June 30, 1997 at a price of $1.40 per share for the first 1 million common shares and $1.70 for the next 1 million common shares. Also, Sumitomo will act as a concentrate sales marketing agent for the project.

All of the major process equipment required for the project has been purchased. The flowsheet arrangement is standard with three stage crushing followed by a two line, three stage rod/ball/pebble mill grinding circuit. Site construction is expected to commence early in May 1995 and should be completed by late 1996 with commercial production commencing early 1997.

The mineral resource at Mount Polley is well established, with some 535 holes totalling 62,482 metres. The geological reserve is approximately 231 million tonnes (254 million tons) grading 0.26% copper and 0.338 g/t (0.01 oz/t) gold. From this reserve the initial design pit contains 49 million tonnes (54 million tons) of higher grade material at 0.38% copper and 0.556 g/t (0.016 oz/t) gold. The initial pit has sufficient reserves for at least 10 years of mine life at the minimum projected rate of production of 5 million tonnes per year, and is increased to 14 years when the treatment of low grade material produced in the first 10 years of operation is included.

There is demonstrable ore reserve expansion potential within the projected pit limits and elsewhere on the property. Additional reserves will expand the mine life beyond its projected 14 year life and will significantly enhance the overall economics of the project with minimal additional capital requirement.

The project has received a Mine Development Certificate from the British Columbia Ministry of Energy, Mines and Petroleum Resources, with the concurrence of the Ministry of Environment, Lands and Parks. Other authorizations required to commence construction are expected to be in place shortly.

Mount Polley is not subject to any royalty, net profits or other underlying interests.

Assets Acquired Through The Bethlehem Merger

Goldstream Mine

Located near Revelstoke, British Columbia, the Goldstream mine is now 50% owned and operated by Imperial, through its wholly-owned subsidiary, Bethlehem Resources Corporation.

Goldstream was reactivated by Bethlehem in June 1991 with project debt financing of $6.36 million provided by Nippon Mining & Metals, Co., Ltd. and Sumitomo Corporation. The loan was completely repaid in October 1994.

Bethlehem's 50% share of production from the mine in 1994 amounted to some 14.9 million pounds of copper and 1.7 million pounds of zinc, in concentrates. The copper concentrate is sold under contract to Nippon Mining. Zinc concentrates are sold to Cominco Limited's smelter in Trail, British Columbia.

Poison Mountain

The Poison Mountain property, located near Lillooet, British Columbia, is held under lease with option to purchase. Previous drilling has concentrated on two main areas, the Copper Creek and Fenton Creek zones. Open pit reserves in the Copper Creek zone are estimated at approximately 281 million tonnes (310 million tons) grading 0.31% copper, 0.142 g/t (0.004 oz/t) gold and 0.007% molybdenum. In the Fenton Creek zone, reserves have been estimated at 18.3 million tonnes (20.2 million tons) grading 0.31% copper and 0.128 g/t (0.004 oz/t) gold.

Giant Copper

The Giant Copper property, located near Hope, British Columbia, consists of breccia hosted copper/gold/silver and silver/lead/zinc/copper shear zone occurrences. Since acquisition in 1988, approximately $2.1 million has been spent on the property which includes 171 claims and 8 crown grants covering some 4,000 hectares.

Underground mineable reserves for the northern zone of the AM Breccia are estimated at 3.35 million tonnes (3.7 million tons) grading 1.17% copper, 0.514 g/t (0.015 oz/t) gold and

20.67 g/t (0.6 oz/t) silver. Indicated open pit reserves in the AM Breccia zone are estimated at 20.7 millon tonnes (22.8 million tons) grading 0.75% copper, 0.411 g/t (0.012 oz/t) gold and 12.41 g/t (0.35 oz/t) silver at a stripping ratio of 4.5 to 1 in the central and northern zones.

Cathedral Gold Corporation

Imperial holds 40% (5.5 million shares) of Cathedral Gold Corporation, a public gold mining and exploration company listed on the Toronto Stock Exchange. In 1994, Cathedral completed approximately 8,000 metres (26,000 feet) of drilling at the Kaburi-Eldorado project in Guyana, South America. This work has outlined a significant gold deposit over a strike length of 1 mile and down to a depth of 500 feet. At present, detailed drilling is underway to define reserves. Several other large scale targets have also been delineated for drill testing in 1995.

In January 1995, Cathedral increased its interest in the producing Sterling Gold Mine to 90%. Imperial holds the remaining 10% interest. Sterling has been in production since 1980 and in that time, has continuously replaced ore mined. During March 1995, surface drilling was commenced with the objective of further expanding reserves at Sterling, which produced 13,290 ounces of gold in 1994.

In February 1995, Cathedral acquired an option to earn a 90% interest in the Tallman property, located 5 miles north of the Kaburi-Eldorado property. Tallman is similar to Kaburi-Eldorado in many respects, including ongoing small scale gold production at surface and the potential to contain a large deposit at depth. The producing structure at Tallman is 160 feet in width.

Cathedral enters 1995 with an excellent working capital position, a solid base of profitable gold production and drilling programs underway at both Kaburi-Eldorado and the Sterling Mine.

Financial

In November, 1994, Imperial changed its fiscal year end from March 31st to December 31st resulting in a nine month fiscal year. Earnings in the shorter nine month fiscal year ending December 31, 1994 were $827,000 ($0.02 per share) compared to net income of $1,145,000 ($0.02 per share) in the year ended March 31, 1994. Operating revenues declined from $7,531,000 in the year ended March 31, 1994 to $2,261,000 in the nine months ended December 31, 1994. Operating expenses decreased from $8,474,000 to $1,917,000. Operating income was $344,000 compared to operating losses of $942,000. Both operating revenues and expenses decreased in the nine months ended December 31, 1994 due to the deconsolidation of Cathedral as of March 31, 1994 and the sale of the uranium unit effective January 1, 1994. **At December 31, 1994, Imperial had cash and cash equivalents of $17,849,000 and begins 1995 with a strong balance sheet and no debt.**

Outlook

The merger with Bethlehem has transformed Imperial into a significant copper producer and, more importantly, into an operating mining company. Commencing January 1, 1995, the Company will report revenue and earnings from the sale of both copper and zinc from its 50% owned and operated Goldstream mine, with additional revenues from copper and gold anticipated from the 65% owned and operated Mount Polley project commencing in 1997.

With a copper price of US$1.25/lb, a gold price of US$375/oz and a $0.72 Canadian dollar, revenues in 1995 should reach $20 million. Net income under these assumptions would exceed $2.5 million and cash flow would be on the order of $5.6 million. This level of earnings and cash flow should be sustainable through 1996, increasing quite significantly in 1997 once Mount Polley comes on stream.

The first priority of the "new" Imperial is to put Mount Polley into commercial production. Mount Polley is a large project and represents a significant development for the Province of British Columbia, which has not seen a new large scale copper/gold mine go into production in more than a decade. Many industry observers are closely monitoring our progress. We are confident that our mine development team, which has been recognized in the past for lean and effective mine development and operating plans, will get the job done on budget and on time.

We are committed to a mission of personal and corporate growth through acquisition, development and operation of mining properties. While the mine development team focuses on Mount Polley, others in the company will be looking for new growth opportunities near existing operations and elsewhere.

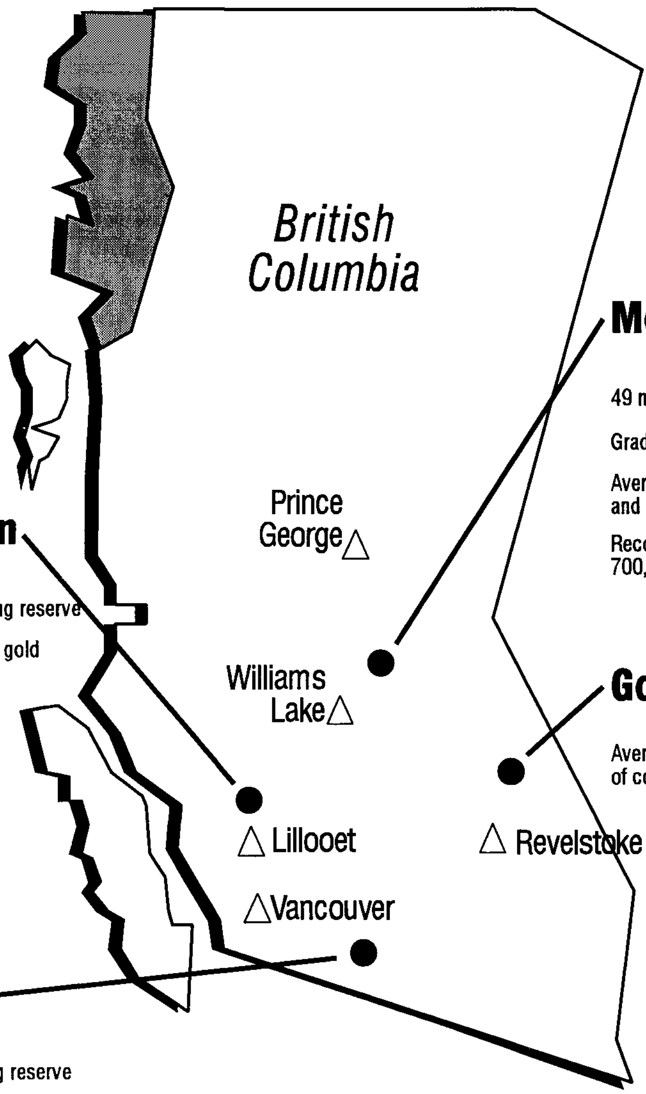
We are employing the very best evaluation criteria available to concentrate on opportunities which will have a significant, positive impact on the company and which will put to maximum use our financing, development and operating skills. We make this commitment to our shareholders that every initiative we pursue shall be driven by a single imperative: **THE CREATION OF SHAREHOLDER VALUE.**

No directors' report to the shareholders would be complete without recognizing the people whose commitment, dedication and hard work make it all possible. To our employees we say thank you for always coming to work with the idea of making a positive contribution and doing what it takes to get the company one step further along in reaching its objectives.

N. Murray Edwards,
Chairman

Pierre Lebel,
President

Project Location Map For IPM's Interests In B.C.



Mount Polley
(Development)

49 million tonnes open pit mining reserve

Grading 0.39% copper and 0.556 g/t gold

Average yearly production of 70,000 ounces of gold and 33 million lbs. of copper commencing in 1997.

Recoverable metal:
700,000 oz. of gold 370 million lbs. of copper

Poison Mountain
(Advanced exploration)

281 million tonnes open pit mining reserve

Grading 0.31% copper, 0.142 g/t gold and 0.007% Molybdenum

Goldstream Mine
(In Production)

Average yearly production of 30 million lbs. of copper and 3.5 million lbs. of zinc.

Giant Copper
(Advanced exploration)

21 million tonnes open pit mining reserve

Grading 0.75% copper, 0.41 g/t gold and 12.0 g/t silver

Report on Operations

Goldstream Mine

In calendar 1994, the Goldstream copper/zinc mine reported cash flow of $1,564,000, after capital, development and exploration costs. Significantly improved copper prices for the year helped offset the effects of lower production levels which were required to allow additional ramp development in the mine. Although production was decreased by the temporary halt of milling operations in March 1994 and the reduction in tonnage treated during October 1994, recovery, copper content of ore and concentrate grade compared favourably with the previous year.

Production Statistics
(Representing 100% of mine production)

	Year ended December 31 **1994**	**1993**
Ore milled - tonnes	351,312	428,527
Ore milled per calendar day - tonnes	962	1,174
Copper		
content of ore - % Copper	4.05	3.87
recovery - %	92.28	90.79
concentrates produced - tonnes	57,701	65,808
concentrate grade - %	23.44	23.15
produced - pounds	29,802,494	33,542,985
Zinc		
content of ore - % Zinc	2.70	2.81
recovery - %	16.80	15.35
concentrates produced - tonnes	3,342	3,886
concentrate grade - %	46.96	46.79
produced - pounds	3,453,985	3,566,253

Results from a diamond drilling program conducted in order to define and extend the known Goldstream orebody below the 350 metre elevation were used along with ongoing development to update mineable reserves as follows:

Mineable Reserves as at November 30, 1994
(Representing 100% of mine reserves)

	Mineable Reserves		
	Tonnes	**% Cu**	**% Zn**
Mined Out Panels - 830 to 400 metre levels	4,146	4.87	1.92
Developed Panels - 350 and 300 metre levels	119,793	4.39	2.87
Drill Indicated Panels - 250, 200, and 150 metre levels	339,885	4.16	2.18
Geologically Inferred - 100, 050 and 000 metre levels	234,405	4.15	2.21
TOTAL	**698,229**	**4.20**	**2.30**

The mine's original project debt of $6,360,000 was paid off in October 1994. In order to maintain ventilation and provide access to the lower levels of the mine, the excavation of an Alimak ventilation/emergency escape raise from the 350 metre block to surface began in November 1994. The raise and ventilation system should be completed and operational by mid-June, 1995, at an estimated cost of $1 million.

During the year, reclamation activities concentrated on the open pit and tailings impoundment areas. The crown pillar break-through and open pit ore pass were backfilled and the entire open pit area was resloped, seeded and fertilized. At the tailings impoundment, areas disturbed during the construction of the spillway in 1993 and the spillway overburden cut were resloped, seeded and fertilized as needed. Areas disturbed by the 1993 and 1994 diamond drilling programs were resloped, seeded and fertilized as required.

Management's Discussion and Analysis

General

Imperial is a mineral exploration and development company, currently focused on the development of the Mount Polley copper-gold project near Williams Lake, British Columbia. The acquisition of a 22.3% equity interest in Bethlehem Resources Corporation and subsequent merger with Bethlehem in early 1995 transformed Imperial into a significant copper producer and, more importantly, an operating mining company. Imperial controls, or has significant ownership interest in three public mineral exploration and development companies: Cathedral Gold Corporation, Colony Pacific Explorations Ltd., and Anglesey Mining plc. Imperial also holds non-operated, producing oil and natural gas properties and provides technical services to its affiliates.

The results of operations, balance sheet and changes in financial position are not directly comparable between the nine months ended December 31, 1994 and the twelve months ended March 31, 1994 due to the following events which occurred during these periods:

- change in fiscal year end from March 31 to December 31, 1994 resulting in a short nine month fiscal year.
- sale of uranium subsidiary effective January 1, 1994
- reduction of ownership interest in Cathedral to 40.4% from 57% due to the $9.2 million Cathedral financing in February, 1994 and return to equity accounting for Cathedral for the nine months ended December 31, 1994 from the full consolidation of Cathedral in the year ended March 31, 1994.

Results of Operations

Financial Results: In the nine months to December 31, 1994 the Company recorded operating income of $344,000 compared to an operating loss of $942,000 in the year ended March 31, 1994. Operating revenues decreased to $2,261,000 in the December 31, 1994 period from the $7,531,000 recorded in the March 31, 1994 period. Lower gold sales due to the fact that Cathedral's results are no longer consolidated for accounting purposes and the absence of uranium sales revenues due to the sale of the uranium unit in January, 1994, were not offset by increases in interest income and management fees. Operating expenses decreased from $8,474,000 to $1,917,000 in the current period due to lower gold and uranium production costs. In the nine months ended December 31, 1994, Imperial recorded net income of $827,000 ($0.02 per share) compared to a net income of $1,145,000 ($0.02 per share) in the twelve months ended March 31, 1994. Imperial recorded net income in the shorter nine month period at the same level as in the prior year due to improved operating margins, higher interest and management fee income, lower administration costs and the benefits of lower tax expenses.

Minerals: Gold operations encompassing 10% of the Sterling Mine (compared to 52% held through Cathedral Gold Corporation and 10% held directly in the year ended March 31, 1994) continued their positive contribution to earnings as gold prices were higher than prior year's level. A total of 1,010 ounces of gold were sold at an average of US$383 per ounce compared to 8,701 ounces at an average price of US$351 per ounce in the year ended March 31, 1994. Production costs averaged US$320 per ounce and depletion and depreciation charges totalled Cdn$22 per ounce in the nine months to December 31, 1994 compared to US$227 per ounce and Cdn$46 per ounce in the prior year.

The Company made a strategic decision to withdraw from the uranium business selling its uranium unit to Cameco Corporation for proceeds of $14,190,000, effective January 1, 1994.

Oil and Natural Gas: Revenues of $642,000 in the nine months ended December 31, 1994 and $1,038,000 in the year ended March 31, 1994 respectively were produced almost exclusively from Imperial's Canadian properties with revenue contribution percentage as follows:

	Nine Months Ended December 31, 1994	**Year Ended March 31, 1994**
Oil	14	31
Natural Gas	85	68
Other	1	1
Total	**100%**	**100%**

The shift in contribution from oil to natural gas is due to the continuing sale and rationalization of Imperial's oil and natural gas property portfolio which has seen a number of properties, mainly marginal oil producers, being sold during the past two years. Oil production decreased to 16 barrels per day in the nine months ended December 31, 1994 from 46 barrels per day in the year ended March 31, 1994 and prices increased to Cdn$19.18 per barrel from Cdn$17.54 per barrel. Natural gas production fell marginally from a volume of 1,078 mcf per day in the year ended March 31, 1994 to 1,075 mcf per day in the nine months ended December 31, 1994. Prices received increased to Cdn$1.76 per mcf compared to Cdn$1.66 per mcf in the previous year. Oil and natural gas unit production costs, excluding future site restoration cost provisions of $23,000 in the December, 1994 period and $63,000 in the March, 1994 period, fell to $2.74 from $4.25 per gross equivalent barrel of oil produced as a result of the sale of uneconomic properties. Depletion charges declined in line with the lower production volumes while the depletion rate per barrel of oil equivalent increased from $1.63 in the year ended March 31, 1994 to $2.07 in the nine months ended December 31, 1994.

Management Fees: Management fee revenues increased to $311,000 in the December 31, 1994 period from $64,000 in the year ended March 31, 1994 due to higher exploration overhead and management fees generated from increased levels of exploration expenditures on Imperial operated programs.

Interest Income and Expense: Interest income increased to $785,000 in the December 31, 1994 period from $297,000 in the year ended March 31, 1994 reflecting higher cash balances. Lower interest expense reflected the repayment of all debt during the year ended March 31, 1994.

Administration Costs: Administration costs decreased by 48% to $1,043,000 in the nine months to December 31, 1994 from $2,004,000 in the year ended March 31, 1994 due primarily to the exclusion o' Cathedral in the current period and overhead cost reductions.

Operations of Affiliates: Imperial has significant equity interests in three publicly listed affiliated companies, Cathedral Gold Corporation, Colony Pacific Explorations Ltd., and Anglesey Mining plc. Imperial recorded its share of the income and losses of these affiliates, being income of $138,000 in the nine months ended December 31, 1994 compared to a $27,000 loss in the year ended March 31, 1994.

The improvement is largely due to the fact that Cathedral was consolidated with Imperial for the year ended March 31, 1994 and therefore no equity income was recorded. In addition, higher income was realized by Colony Pacific Explorations Ltd. on the sale of an interest in a limited partnership. In the year ended March 31, 1994, Imperial also recorded a gain of $2,984,000 on the dilution of its holding in Cathedral upon Cathedral completing a $9.2 million financing in February, 1994.

In the nine months ended December 31, 1994, a gain of $187,000 was recorded on the disposition of all the advances receivable and the majority of the investment in Anglesey Mining plc for proceeds of $2,250,000. In the prior year the Company wrote down its investment in and advances to Anglesey by $2,347,000.

Income Taxes: An income tax recovery of $67,000 was recorded in the December, 1994 period on pre-tax income of $761,000 compared to an income tax expense of $2,420,000 in the year ended March 31, 1994 on pre-tax income of $3,785,000. The income tax recovery at a rate of 8.7% of pre-tax income in the nine months ended December 31, 1994 was primarily due to the realization of previously unrecognized tax deductions. The effective tax rate in the year ended March 31, 1994 was 63.9% compared to a statutory rate of 45.3%. This high rate was the result of a number of non-allowable deductions and not recognizing the benefits of tax losses. At December 31, 1994 the Company had sufficient unclaimed capital cost and resource pools to defer cash income taxes for the foreseeable future.

Liquidity and Capital Resources

Cash Flow from Operations: The Company's primary sources of cash flow from operations in the nine months ended December 31, 1994 were oil, natural gas and gold production operations, and interest income. Cash flow of $732,000 was recorded in the nine months ended December 31, 1994 versus $1,706,000 in the year ended March 31, 1994, principally because of lower contributions from gold operations.

Mineral and Oil and Natural Gas Expenditures: Mineral and oil and natural gas expenditures totalled $371,000 in the December, 1994 period and were primarily directed at the development of the Mount Polley project and equipment improvements on the Company's oil and natural gas properties. In the year ended March 31, 1994 exploration expenditures of $1,631,000 were incurred for testing a number of gold properties in the Company's consolidated affiliate, Cathedral, and $1,125,000 for producing uranium property additions.

Investments and Advances to Affiliates: In November 1994, Imperial acquired a 22.3% interest in Bethlehem at a cost of $2,139,000 concurrent with a merger offer. Subsequently, Bethlehem became a wholly owned subsidiary in February, 1995 on completion of the merger.

Pursuant to a financing by Cathedral completed in February 1994 the Company's interest in Cathedral fell to 40.4%. Accordingly, effective March 31, 1994, Cathedral was no longer consolidated with the accounts of the Company and was accounted for on the equity method during the nine months ended December 31, 1994. Imperial spent $370,000 acquiring additional shares of Cathedral during the nine months ended December 31, 1994.

Investment in and advances to Anglesey stood at $522,000 at December 31, 1994 versus $2,563,000 at March 31, 1994. The decrease is attributable to the sale of all the advances and the majority of the Company's interest in Anglesey for cash of $2,250,000 in November, 1994.

During the nine months to December 31, 1994 the investment in and advances to Colony Pacific decreased to $661,000 from $857,000 in 1994 as Colony repaid all the line of credit operating advances.

Working Capital: Working capital increased by $633,000 in the nine months ended December 31, 1994. Imperial had cash of $17,849,000 and non-cash working capital of $473,000 at December 31, 1994.

Accounts receivable decreased during the year, reflecting lower receivables due from affiliates, primarily Cathedral. Accounts payable fell due to lower activity levels.

Debt and Equity Financing: The Company had no debt as of March 31 and December 31, 1994. In the nine months ended December 31, 1994, Imperial issued 580,000 shares for cash proceeds of $290,000 on the exercise of stock options and the 171,532 shares held by the Company were cancelled on windup into the Company of the subsidiary that held the shares, at a loss of $88,000. No capital transactions occurred in the year ended March 31, 1994.

Outlook

Imperial's business development and operating results are significantly influenced by commodity prices (copper, gold, zinc, oil and natural gas), exchange rates (US dollars), and the cost and availability of development debt and equity financing.

The completion of the merger with Bethlehem providing an experienced mine development, construction and operating team, and the agreement in principle for the financing of the Mount Polley project with Sumitomo Corporation are significant events that occurred early in 1995 and will be the focus of our efforts during the year.

Cash flow from operations is expected to be higher as revenue, expenses and income from the Goldstream mine are included in Imperial's statements effective January 1, 1995.

Oil and natural gas production volumes are expected to be slightly lower than 1994 levels due to normal production declines. Management fees are also forecast to be slightly lower than 1994 levels.

Imperial Metals Corporation

Principal Resource Holdings

At January 1, 1995

Base and Precious Metals - Mineable Reserves

Project	Location	Interest IPM %		Reserves Tons	Au Oz/t	Ag Oz/t	Cu %	Zn %	Pb %	Oz Gold to IPM	Lbs Copper to IPM
Mount Polley*	B.C.	65		54,000,000	0.016		0.38			561,600	266,760,000
Goldstream**	B.C.	50		769,000			4.20	2.30		—	32,298,000
Sterling Mine	Nevada	46		173,500	0.214					17,079	—
Poison Mountain	B.C.	100		309,662,000	0.004	0.05	0.31			1,283,983	1,919,904,000
Giant Copper***	B.C.	100	UG	3,700,000	0.015	0.60	1.17			55,500	86,580,000
			OP	22,800,000	0.012	0.35	0.75			273,600	342,000,000
Blue Moon	California	28		2,699,000	0.061	2.85	1.06	8.87	0.53	46,099	16,021,000
Parys Mountain	U.K.	12		5,284,000	0.013	2.02	1.49	6.04	3.03	8,243	18,896,000
Total Mineable Gold (oz)										2,190,604	
Total Mineable Copper (lbs)											2,595,879,000
Total Mineable Zinc (lbs)											228,349,000

Base and Precious Metals - Geological Reserves

Project	Location	Interest IPM %	Reserves Tons	Au Oz/t	Ag Oz/t	Cu %	Zn %	Pb %	Oz Gold to IPM	Lbs Copper to IPM
Mount Polley*	B.C.	65	254,000,000	0.010		0.26			1,651,000	858,920,000
Goldstream**	B.C.	50	1,488,000			4.27	2.62		—	63,538,000
Sterling Mine	Nevada	46	483,000	0.191					42,436	—
Poison Mountain	B.C.	100	354,183,000	0.004	0.05	0.30			1,444,276	2,124,347,000
Giant Copper***	B.C.	100	67,635,000	0.008	0.26	0.48			541,080	645,238,000
Blue Moon	California	28	3,809,000	0.067	2.61	1.03	7.96	0.48	71,457	21,970,000
Parys Mountain	U.K.	12	6,990,000	0.017	2.02	1.46	5.94	2.99	14,260	24,493,000
El Dorado	El Salvador	25	2,909,000	0.275					200,000	—
Porcher Island****	B.C.	40	1,500,000	0.200					120,000	—
Takla Rainbow	B.C.	40	321,000	0.250					32,100	—
Total Geological Gold (oz)									3,470,736	
Total Geological Copper (lbs)										3,738,106,000
Total Geological Zinc (lbs)										308,425,000

* 35% interest held by Sumitomo (subject to completion of due diligence - May 26, 1995)

** As at November, 1994. Geological reserves of 1,488,000 tons includes 719,000 tons in pillars and unmineable blocks.

*** Up to 60% interest optioned to MBI Mining Brokers Inc., subject to Company's right to buy back 20%.

**** 50% interest optioned to Westmin Resources Limited

Auditors' Report

To the Shareholders of
Imperial Metals Corporation

We have audited the consolidated balance sheets of Imperial Metals Corporation as at December 31, 1994 and March 31, 1994 and the consolidated statements of income and deficit and cash flows for the nine months ended December 31, 1994 and the year ended March 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and March 31, 1994 and the results of its operations and the changes in its financial position for the nine months ended December 31, 1994 and the year ended March 31, 1994, in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Vancouver, British Columbia
April 7, 1995

IMPERIAL METALS CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31, 1994	March 31, 1994
ASSETS		
Current Assets		
Cash and cash equivalents	$17,849,354	$ 17,168,346
Marketable securities [Market value $796,138 (March 31, 1994 - $916,463)]	508,572	343,968
Accounts receivable	896,713	1,394,391
	19,254,639	18,906,705
Investments in and Advances to Affiliates (Note 2)	8,024,418	7,676,726
Oil and Natural Gas Properties (Note 3)	1,290,076	1,339,870
Mineral Properties (Note 4)	9,247,526	9,193,263
Equipment and Leasehold Improvements	166,406	121,738
	$37,983,065	$37,238,302
LIABILITIES		
Current Liabilities		
Accounts payable and accrued charges	$932,419	$ 1,217,448
Future Site Restoration Costs	199,890	206,138
Deferred Income Taxes	2,414,000	2,495,000
	3,546,309	3,918,586
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	35,549,594	35,377,327
Deficit	(1,112,838)	(1,851,950)
	34,436,756	33,525,377
Common Shares owned by Subsidiary, at Cost	-	(205,661)
	34,436,756	33,319,716
	$37,983,065	$37,238,302

Approved by the Board:

N. Murray Edwards
Director

Pierre B. Lebel
Director

IMPERIAL METALS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

	Nine Months Ended December 31, 1994	Year Ended March 31, 1994
REVENUE		
Oil and natural gas, net of royalties	$641,774	$1,037,987
Gold sales, net of royalties	522,810	3,979,925
Uranium sales, net of royalties	-	2,152,563
Management fees	310,877	63,634
Interest	785,134	297,051
	2,260,595	7,531,160
EXPENSES		
Oil and natural gas production	215,088	530,562
Gold production	445,828	2,609,886
Uranium production	-	1,858,502
Depletion, depreciation and amortization	209,218	1,404,118
Administration	1,042,903	2,003,956
Interest	3,714	66,485
	1,916,751	8,473,509
OPERATING INCOME (LOSS)	343,844	(942,349)
p		
Add (Deduct)		
Gain on dilution of interest in subsidiary	-	2,983,548
Gain on sale of uranium subsidiary (Note 1)	-	3,348,040
Writedown of investments and advances	-	(2,346,500)
(Loss) gain on sale and writedown and abandonment of oil and natural gas and mineral properties	(88,125)	31,420
Gain on sale of marketable securities	199,866	699,288
Other	304,948	12,519
	416,689	4,728,315
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	760,533	3,785,966
(Recovery of) income taxes (Note 6)	(66,507)	2,420,478
Minority interest in income	-	220,849
NET INCOME	827,040	1,144,639
Deficit, Beginning of Period	(1,851,950)	(2,996,589)
Loss on cancellation of common shares on wind-up of subsidiary	(87,928)	-
DEFICIT, END OF PERIOD	$(1,112,838)	$(1,851,950)
Income Per Share (Note 7)	$0.02	$0.02

IMPERIAL METALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31, 1994	Year Ended March 31, 1994
OPERATING ACTIVITIES		
Net income	$827,040	$1,144,639
Items not affecting cash flows		
Depletion, depreciation and amortization	209,218	1,404,118
Gain on dilution of interest in subsidiary	-	(2,983,548)
Gain on sale of uranium subsidiary	-	(3,348,040)
Writedown of investments and advances	-	2,346,500
Loss (gain) on sale and writedown and abandonment of oil and natural gas and mineral properties	88,125	(31,420)
Deferred income taxes	(81,000)	2,550,920
Minority interest in income	-	220,849
Other	(311,119)	402,162
	732,264	1,706,180
Future site restoration costs	29,642	319,790
Cash disposed of on deconsolidation of subsidiary	-	(9,500,094)
Net change in non-cash operating balances	48,045	(180,053)
Cash provided by (used in) operating activities	809,951	(7,654,177)
FINANCING ACTIVITIES		
Repayment of long term debt	-	(2,650,806)
Proceeds of shares issued by subsidiary to minority interest	-	9,781,631
Issue of common shares for cash	290,000	-
Cash provided by financing activities	290,000	7,130,825
CASH PROVIDED BY (USED IN) OPERATING AND FINANCING ACTIVITIES	1,099,951	(523,352)
INVESTMENT ACTIVITIES		
Decrease in advances and agreement receivable	-	(1,581,146)
Purchase of investments and change in advances to affiliates	2,293,885	8,492
Proceeds on sale of investment and advances	(2,250,000)	-
Proceeds on disposition of uranium subsidiary, net of cash of $42,092	-	(14,148,376)
Proceeds on sale of interest in subsidiaries	-	(500,996)
Acquisition and development of oil and natural gas and mineral properties	371,032	2,819,395
Other	4,026	106,202
Cash used in (provided by) investment activities	418,943	(13,296,429)
INCREASE IN CASH AND CASH EQUIVALENTS	681,008	12,773,077
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,168,346	4,395,269
CASH AND CASH EQUIVALENTS, END OF PERIOD	$17,849,354	$17,168,346

Notes to the Consolidated Financial Statements

December 31, 1994 and March 31, 1994

SIGNIFICANT ACCOUNTING POLICIES

During 1994 the Company changed its fiscal year end from March 31st to December 31st and therefore the consolidated financial statements of income, deficit and cash flows have been prepared for the nine month fiscal period ended December 31, 1994.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and partnerships; Albany Gold Corporation (formerly Geomex Development, Inc), E & B Mines Ltd., Minexco Energy Ltd., Minexco Energy Limited Partnership No.1 and Minexco Energy Limited Partnership No.2., Geomex Minerals, Inc. (to date of sale - Note 1), and E & B Explorations Ltd. (to wind-up on December 19, 1994).

During the year ended March 31, 1994 the Company held a majority ownership position in Cathedral Gold Corporation ("Cathedral") and therefore the financial position and results of operations of Cathedral were consolidated with the accounts of the Company during that year. During the nine months ended December 31, 1994, the Company accounted for Cathedral using the equity method as the Company no longer had majority control of Cathedral (Note 1).

Cash and Cash Equivalents

Cash equivalents include money market instruments which are readily convertible to cash or have maturities at the date of purchase of less than ninety days.

Investments

Investments in partnerships in which the Company is the general partner and does not have a material partnership share and corporations in which the Company exercises significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost and is adjusted to recognize the Company's share of earnings or losses and reduced by dividends and distributions received.

Other investments are accounted for using the cost method.

Investments are written down when a permanent and significant decline in their value has occurred.

Marketable Securities

Marketable securities are carried at the lower of cost and market value.

Inventory

Costs associated with gold ore under leach, bullion and supplies are valued at the lower of average cost and net realizable value.

Notes to the Consolidated Financial Statements

December 31, 1994 and March 31, 1994

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Oil and Natural Gas Properties

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Under this method, the initial acquisition costs and the costs of drilling and equipping development wells are capitalized. The costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to operations. All other exploration expenditures, including geological and geophysical costs and annual rentals on exploration acreage, are charged to operations as incurred. Lease acquisition costs, subsequently determined to be impaired in value, are charged to operations.

Depletion of the net capitalized costs of producing wells and leases is charged to operations on the unit-of-production method based upon estimated proven reserves.

Mineral Properties

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalized by property.

On the commencement of commercial production, net costs are charged to operations on the unit-of-production method by property based upon estimated recoverable reserves.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Producing Mining Property, Plant and Equipment

Producing mining property, plant and equipment is carried at cost less accumulated depletion and depreciation. Depletion and depreciation are computed by property on the unit-of-production method based upon estimated recoverable reserves.

Maintenance and repairs are charged to operations when incurred. Renewals and betterments which extend the useful life of the assets are capitalized.

Future Site Restoration Costs

The estimated costs for restoration of producing resource properties are accrued and charged to operations over commercial production based upon total estimated site restoration costs and recoverable reserves. The estimated costs for restoration of non-producing resource properties are accrued as liabilities when the costs of site clean-up and restoration are likely to be incurred and can be reasonably estimated. Actual site restoration costs will be deducted from the accrual.

Hedge Contracts

The Company enters into contracts as a hedge against currency and commodity price fluctuations for a portion of anticipated revenue and production. Any gains or losses on these contracts are recorded in sales when the hedged production is delivered and/or related revenue recognized.

Joint Ventures

A portion of the Company's exploration and operating activities is conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

Notes to the Consolidated Financial Statements

December 31, 1994 and March 31, 1994

1. DISPOSITIONS

A. SALE OF URANIUM SUBSIDIARY

Effective January 1, 1994 the Company sold for $14,190,468 in cash its wholly owned subsidiary, Geomex Minerals, Inc. which owned 30.802% of the Crow Butte Uranium Mine and interests in other uranium mineral exploration properties. The Company has agreed to indemnify the purchaser for a period of two years for possible claims, if any, existing as of the date of the sale resulting from environmental damage at the Crow Butte Mine. The Company disposed of assets of $12,498,669 and liabilities of $1,656,241 for proceeds of $14,190,468, resulting in a gain on sale of $3,348,040.

B. REDUCTION OF INTEREST IN CATHEDRAL GOLD CORPORATION

Pursuant to a financing by Cathedral Gold Corporation ("Cathedral") completed in February 1994 the Company's interest in Cathedral fell to 40.4%. Effective March 31, 1994 Cathedral was therefore no longer consolidated with the accounts of the Company and has been accounted for by the equity method during the nine months ended December 31, 1994 and shown as an investment in affiliate (Note 2). Net assets of Cathedral reclassified at March 31, 1994 included assets of $14,384,551, liabilities of $1,242,427, and minority interest of $8,885,165, resulting in a balance in investment in affiliate of $4,256,959.

2. INVESTMENTS IN AND ADVANCES TO AFFILIATES

	December 31, 1994		**March 31, 1994**	
Significant Influence	Ownership %		Ownership %	
Listed Corporate Securities				
Bethlehem Resources Corporation Common shares (Note 9(a))	22.3	$2,138,978	-	$ -
Cathedral Gold Corporation Common shares	41.4	4,702,570	40.4	4,256,959
Colony Pacific Explorations Ltd. Common shares	28.4	661,302	28.4	620,582
Advances receivable		-		236,500
		661,302		857,082
		7,502,850		5,114,041
Other				
Listed Corporate Securities				
Anglesey Mining plc				
Common shares	12.1	521,568	41.5	1,780,524
Advances receivable		-		782,161
		521,568		2,562,685
		$8,024,418		$7,676,726

3. OIL AND NATURAL GAS PROPERTIES

	December 31, 1994	**March 31, 1994**
Developed Properties	$5,283,810	$5,574,834
Less accumulated depletion and writedowns	3,993,734	4,234,964
	$1,290,076	$1,339,870

Notes to the Consolidated Financial Statements

December 31, 1994 and March 31, 1994

4. MINERAL PROPERTIES

	December 31, 1994	March 31, 1994
Producing mining property, plant and equipment, net of accumulated depletion and depreciation of $192,315 (March 31, 1994 - $170,107)	$77,862	$78,650
Preproduction Property - Mount Polley		
Acquisition, deferred exploration and development costs	8,939,742	8,856,877
Exploration Properties		
Acquisition and deferred exploration costs	229,922	257,736
	$9,247,526	$9,193,263

At December 31, 1994 the Company had commitments over the next five years aggregating $638,000 for mineral lease rental, option and exploration and assessment work.

5. SHARE CAPITAL

Authorized

1,000,000	Class A non-voting 6% cumulative preferred shares with a par value of $5 each.
1,000,000	Class B non-voting cumulative preferred shares with a par value of $10 each, convertible and redeemable at par.
99,828,468	(100,000,000 - March 31, 1994) Common shares with no par value.

Issued and Fully Paid	Nine Months Ended December 31, 1994		Year Ended March 31, 1994	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Common shares				
Balance, beginning of period	51,385,609	$35,377,327	51,385,609	$35,377,327
Issued during the period for cash on exercise of options	580,000	290,000	-	-
Cancelled on wind-up of subsidiary	(171,532)	(117,733)	-	-
Balance, end of period	51,794,077	$35,549,594	51,385,609	$35,377,327

At December 31, 1994, options were outstanding to certain directors, officers, and employees for the purchase of common shares as follows:

Number of Share Options	Exercise Price	Expiry Date	Number of Share Options Vested at December 31, 1994
1,125,000	$0.50	April 15, 2002	1,125,000
150,000	$0.60	April 15, 2002	150,000
2,500,000	$0.66	August 10, 2004	- *
100,000	$0.70	April 15, 2002	25,000 **

* Vesting in increments of 500,000 common shares on each of August 10, 1995, 1996, 1997, 1998 and 1999.

** Vesting in increments of 25,000 common shares on each of September 30, 1995, 1996 and 1997.

Notes to the Consolidated Financial Statements

December 31, 1994 and March 31, 1994

6. (RECOVERY OF) INCOME TAXES

The effective income tax rate differs from the Canadian federal and provincial statutory rates for the following reasons:

	Nine Months Ended December 31, 1994		Year Ended March 31, 1994	
	Amount	%	Amount	%
Income before income taxes:	$760,533	100.0	$3,785,966	100.0
Income taxes thereon at the basic statutory rates	344,521	45.3	1,711,711	45.2
(Decrease) increase resulting from:				
Non-taxable and non-allowable gains and expenses	(170,000)	(22.3)	135,000	3.5
Losses of foreign subsidiaries recovered at lower effective tax rates	7,000	0.9	356,000	9.4
Losses not tax affected	22,000	2.9	1,278,000	33.8
Adjustments due to higher tax cost basis of property in foreign subsidiary	-	-	(1,029,000)	(27.2)
Realization of previously unrecognised tax deductions	(287,000)	(37.7)	-	-
Other	16,972	2.2	(31,233)	(0.8)
(Recovery of) income taxes	$(66,507)	(8.7)	$2,420,478	63.9
(Recovery of) income taxes comprise the following:				
Current income taxes (recovery)	$14,493		$(130,442)	-
(Recovery of) deferred income taxes	(81,000)		2,550,920	-
(Recovery of) income taxes	$(66,507)		$2,420,478	-

7. INCOME PER SHARE

Income per common share is calculated on the basis of the weighted average number of common shares outstanding during the nine months ended December 31, 1994 of 51,479,259 (Year ended March 31, 1994 - 51,214,077).

8. RELATED PARTY TRANSACTIONS

Related party transactions and balances with affiliated companies not disclosed elsewhere in these consolidated financial statements are as follows:

	December 31, 1994	March 31, 1994
Accounts receivable	$177,154	$509,192
Accounts payable	16,247	13,913
Management fee revenues	246,748	54,413
Interest and other income	9,902	58,626

9. SUBSEQUENT EVENTS

Subsequent to December 31, 1994 the Company:

(a) Completed the merger with Bethlehem Resources Corporation ("Bethlehem")(Note 2) by acquiring the remaining 77.7% of Bethlehem not owned by the Company through a merger of a wholly owned subsidiary of the Company and Bethlehem pursuant to a plan of arrangement. The consideration totalled $6,534,868, paid by issuance of 3,963,516 common shares of the Company at an ascribed aggregate value of $4,359,868, cash of $2,000,000, and expenses related to the acquisition estimated at $175,000. This acquisition will be accounted for as a purchase of Bethlehem effective January 1, 1995.

(b) Reached agreement in principle with Sumitomo Corporation on a project financing arrangement for the development of the Mount Polley copper-gold project. The Company has estimated total project development costs at $102 million. The transaction with Sumitomo remains subject to completion of due diligence, Board approval and final documentation.

(c) Issued 900,000 common shares for an aggregate consideration of $1,170,000 to acquire an interest in a resource property.

(d) Issued 307,500 common shares and received cash proceeds of $153,750 on the exercise of stock options by officers and employees.

(e) Granted stock options to certain directors, officers, and employees to purchase 2,000,000 common shares at $1.05 per share vesting over a five year period and expiring on March 20, 2001.

10. SEGMENTED INFORMATION

The Company is involved in natural resource exploration, development and production in Canada. Substantially all sales and expenses in the nine months ended December 31, 1994 were from operations in Canada. In the year ended March 31, 1994 revenue, operating loss, identifiable assets, and capital expenditures were distributed geographically as follows:

	Canada	United States	Other	Total
Revenue	$ 1,325,519	$6,205,641	$ -	$ 7,531,160
Operating Loss	(179,610)	(315,297)	(447,442)	(942,349)
Income (Loss) Before Income Taxes and Minority Interest	$ 3,274,245	$3,316,346	$(2,804,625)	$ 3,785,966
Identifiable Assets	$31,932,925	$2,696,406	$2,608,971	$37,238,302
Capital Expenditures	$ 309,569	$1,220,658	$1,575,287	$ 3,105,514

Corporate Information

BOARD OF DIRECTORS

C. Channing Buckland*
Canaccord Capital Corporation
Vancouver, British Columbia

N. Murray Edwards*
Edco Financial Holdings Ltd.
Calgary, Alberta

Henry G. Ewanchuk
Imperial Metals Corporation
Vancouver, British Columbia

Dr. K. Peter Geib
Novis Investitions GmbH
Frankfurt, Germany

Pierre Lebel
Imperial Metals Corporation
Vancouver, British Columbia

Larry G.J. Moeller*
Edco Financial Holdings Ltd.
Calgary, Alberta

* Members of the Audit Committee

SENIOR OFFICERS

N. Murray Edwards
Chairman

Pierre Lebel
President

Brian Kynoch
Senior Vice-President
and Chief Operating Officer

André H. Deepwell
Chief Financial Officer,
Vice-President, Finance
and Corporate Secretary

Malcolm Swallow
Vice-President, Corporate Development

Patrick McAndless
Vice-President, Exploration

Michele Jones
Assistant Corporate Secretary
and Manager, Marketing

SHARES LISTED

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TRANSFER AGENT & REGISTRAR

Montreal Trust Company of Canada
Toronto and Vancouver

LEGAL COUNSEL

Hanna Heppell Bell & Visosky
Vancouver, B.C.

DuMoulin Black
Vancouver, B.C.

BANKERS

Bank of Montreal
Vancouver, B.C.

AUDITORS

Deloitte & Touche
Vancouver, B.C.

Annual General Meeting

2:00 p.m., Wednesday, June 14, 1995
Cheakmus Room, Waterfront Centre
900 Canada Place Way
Vancouver, British Columbia