

**IMPERIAL METALS
CORPORATION**

NEWS ARTICLES

As always, logging and mining dominated the economic news in the Cariboo in 1997. Here are our picks for the top six economic stories of the year:

Number 1

About 500 well wishers gathered near Likely in August to welcome the opening of Mount Polley, a gold and copper project. In attendance were contractors, Imperial Metals directors and senior officers. Representatives from Sumitomo, the mine's financial backer, mine employees and politicians also attended.

The crowd included Cariboo South MLA David Zirnheit and Dan Milles, minister of employment and investment. Miller said government has a responsibility to provide a strong economy and pledged to create more jobs in mining.

"The signal we want to send is that B.C. is a good place to do business in the mining sector," Miller said.

The first shipment of Mount Polley concentrates left port from Vancouver Wharves on Oct. 6 bound for the Sumitomo Metal Mines and the Nippon smelters in Japan. Almost 5,800 metric tonnes were shipped, containing 3,060,000 pounds of copper and 7,068 ounces of gold. Mount Polley employs 170 full time jobs and several contract positions.

Number 2

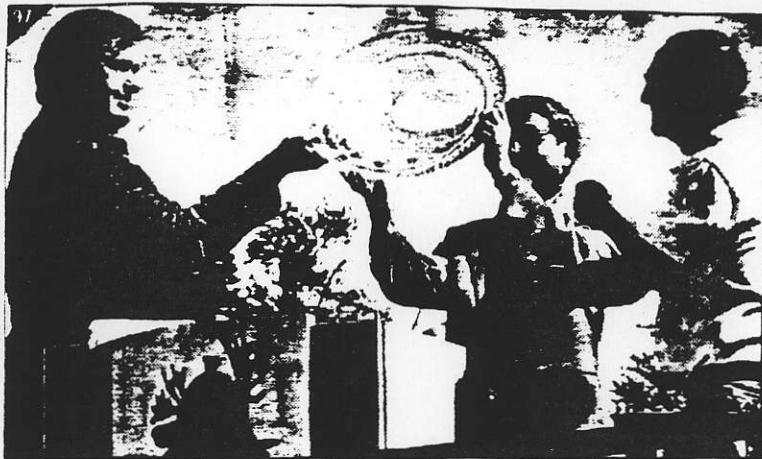
Gibraltar Mines, which began operations in 1972, celebrated its 25th anniversary in July. The mine at McLeese Lake produces copper and molybdenum from a large mineral deposit located 60 kilometres south of Williams Lake. It was supposed to produce for 18 years. The success is even more remarkable considering Gibraltar is one of the lowest grade copper mines in North America.

In 1997 Gibraltar spent \$350,000 on exploration drilling. This drilling identified an additional 3.3 years of ore in the area between its current pit, Gibraltar East and its next pit, Pollyanna, which was started this year.

Number 3

A harmonized environmental assessment review of the Taseko Mines Prosperity Project at Fish Lake started in 1997.

In April, the governments of British Columbia and Canada announced a 'cooperation agreement' to



Grand opening

Celebrating the grand opening of the Mount Polley gold and copper mine September 13 is Imperial Metals chairman Murray Edwards (left), Sumitomo general manager Mitsuharu Ishii, and Mount Polley general manager George Wight. More than 500 well-wishers gathered at the site near Likely during the celebration to welcome the mining project.

Angie Mindus photo

June after a letter from Ottawa confirmed the feds' interest in becoming involved. It is expected that Prosperity will become one of the first mine development proposals in British Columbia to receive regulatory and public review through this harmonized process.

The project committee, consists of representatives from various federal and provincial ministers, active groups and other stakeholders. Both federal and provincial environment ministers then have the right to approve it, kill it or send it to a public hearing. Company officials expect this will happen in 1998.

Taseko started presenting its findings of its environmental, technical and socioeconomic studies to all stakeholders and participants in the environmental review process in late 1997. Through public information meetings which are continuing in 1998, the public is being kept up to date on the process.

Number 4

Premier Glen Clark unveiled the Jobs and Timber Accord in Williams Lake in June. The plan calls for 22,000 direct jobs and 17,000 indirect jobs to be created. Negotiations between Victoria and forest companies had been taking place since the spring of 1996. Of the 22,000 direct jobs, 6,500 of them are to be created in small business and secondary industry. To help facilitate this, 16 per cent of the sawn lumber in the Interior is to be made available to small business. Another 5,000 direct and 5,000 indirect jobs are promised to the area of forest renewal.

chair Jake Kerr, the company will be one of six pilot projects and will allow the company to hire an additional 78 employees. These employees will be used to conduct silviculture work in the hopes of increasing the productivity of its land base.

Number 5

Three years after CORE wound up, the final draft in-

tegration report for the Cariboo-Chilcotin Land Use Plan was released in early December. The integration report addresses concerns for how land will be used in the region by tourism, commercial, forestry and wildlife needs. The board met Tuesday in Williams Lake.

"It is evident that this final draft integration report doesn't please all of the people on all of the details,"

said Brian Goodrich, chair of the Cariboo Communities Coalition.

"But sometimes people have to make a choice to stop bickering over minute details and interpretations and get on with the bigger picture items. Our approach is to take the tough medicine of the report and be constructive about getting it implemented," he added.

Dave Neads, president of the Cariboo-Chilcotin Conservation Society and Resource Centre, agreed some of the report was hard to keep down.

"It has to be swallowed by the industry as well though," he noted.

Number 6

In April, Riverside Forest Products became an even bigger player in the lakecity economy when it purchased the local TimberWest operations. With the TimberWest acquisition, Riverside became owners of a company which had about \$90 million in sales in 1996. TimberWest, at the time of purchase, had an annual capacity of 150 million board feet of lumber and licence to harvest 610,000 cubic metres per year.

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Are you a

You
BE THE JUDGE
By Claire Bernstein • Based on Actual Court
My English is Not Yet

"Husband, husband, come quickly."
Subramender Singh looked up from picking sweet corn on his farm. His wife, Manjeet was standing on the farmhouse porch frantically waving her arms.
Subramender, ran to the house.
"Trouble? Is there trouble?"
Subramender glanced quickly around the porch.
Sitting there was a man dressed in an ill-fitting suit, tightly holding his briefcase on his hip.
The man introduced himself.
"I'm Selwyn. I work for the city. Nice farm you people got here."
"We built it up with our bare hands when we immigrated from India to Canada. Please, can we help?"
Selwyn reached into his briefcase and pulled out some papers.
"You have a beautiful creek running through your property and down on the land of your neighbours.
"The city has to clean it and build a berm on the east side to keep the side from caving in. We need your per-

"Two weeks later India.
He took one lo-
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Scotia Capital Markets

GOLDS

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Number 140

3rd October 1997

Veins of Thought

The two newest mines in Canada are both of the notorious breed of British Columbia low-grade copper-gold porphyries. Imperial Metal's 55%-owned *Mount Polley* and Princeton's *Huckleberry* have officially opened in the last two weeks. We visited Mount Polley on a tour that was also supposed to have included Royal Oak's similar, and critical, Kemess operation, scheduled to enter production in April 1998. While the Kemess visit had to be cancelled due to bad weather, the visit to Mount Polley provided a valuable insight to this type of mine. For a junior company which has never before built a large-scale mine, Imperial Metals has done an extremely creditable job with proven technology. The initial reserve of 82.6 million tonnes grading 0.013 oz. Au/t and 0.30% copper has a recoverable value of only US\$7.50-\$9.00/tonne, equivalent to only 0.023 oz Au/tonne. Most companies would not even consider such a project, and there was a great deal of scepticism about this one. We are thus pleased to report that it appears to be working to plan. To be profitable at such grades requires agreeable circumstances and great operating efficiency.

For a 6.5 million tonne/year milling operation, construction was achieved remarkably fast, taking only fifteen months from ground-breaking to first production. This was due in large part to the flexibility offered by being financed by their 45% partner, Sumitomo Metals. Imperial acted as its own general contractor, which might not have been possible with bank financing. The mine is also only 14km from a paved road and 100km from the regional centre of Williams Lake, giving excellent infrastructure. The result was rapid building using select second hand equipment, coming in at a capital cost of C\$116 million, C\$9 million under budget. The mine is extremely well designed and was built in a modular manner, almost all units being pre-assembled elsewhere in B.C. and then plugged together on site, resulting in large savings in both time and capital. All facilities except crushing and concentrate storage are in one very large building, which houses the mill, offices, truck shop, laboratory, etc., and is even connected to the crusher house by an all-weather utility tunnel.

Mining the conventional open pit at 17,800 tonnes/day is achieved with a contract fleet of only four 100 tonne trucks. The life of mine strip ratio is a modest 1.4:1, but is considerably lower in the first few years. While mining costs are currently only US\$0.74/tonne, the company expects to start self mining soon and reduce the costs by at least 10%. Milling is the key in these very low-grade deposits, and the circuit is by no means the simplest possible. Three stages of crushing are used, with the only bottleneck in the mine being poor screening between the first and second stage, which is currently causing a lot of downtime and an average production rate of only 15,000 tpd. This is a purely mechanical problem and we

feel that it will be resolved soon. Grinding instead of using the more common arrangement of a SAG mill and ball mills, uses seven mills: two rod, two ball and three pebble. This gives the mine more tunability to deal with variable ore hardnesses and also increases availability. Final recovery is by flotation. The result is a milling cost of only US\$2.90/t. All up on-site costs are only US\$4.55/tonne, with another US\$0.95/tonne of smelter and transport charges. Copper recoveries are expected to be very low in the first years as a high proportion of oxide ore is mined, but the amount of oxide found in mining is less than expected, and already recoveries are well above plan.

The result is an operation which will initially produce 100,000 oz. Au and 17 million lb. Cu/year, becoming more copper-rich later in its 12-year life. While it cannot be categorized as a low cost operation, with gold-equivalent costs of US\$270-\$290/oz, we feel that the feasibility study numbers were sufficiently conservative to improve on this. There is also modest potential for near term reserve increases. Annual cash flows should be C\$7-\$10 million, or C\$0.14-C\$0.20/share for Imperial.

We have not yet derived a value for Imperial Metals (IPM), but, with a market capitalization of US\$58 million and equity holdings in Cathedral Gold and Colony Pacific worth US\$10 million as well as the interesting Silvertip Ag/Pb/Zn project in northern B.C., offset by US\$30 million of debt on Mount Polley, the company appears interesting. The NPV at \$335 gold is C\$1.89/share on a gold-equivalent basis, but would be somewhat lower on a split-revenue basis for Mt. Polley. Certainly its achievement in building the mine has been rarely paralleled by a junior producer.

Extrapolating Mount Polley to other similar situations leads one to realize that, due to economies of scale, it is at the smallest end of viability for such deposits. Kemess, which should produce 50,000 tonnes/day from an orebody of very similar grade (more gold but less copper) and strip ratio, but possibly slightly better metallurgy, should be able to come in with lower costs. Somewhat offsetting this is the need to pump tails uphill to the dam and the remoteness of the project. We hope to be able to complete our trip to Kemess before year end and give a better view on its economics then.

The Northern Miner

November 10, 1997

Page 3

Imperial's Silvertip yields solid results

VANCOUVER — Imperial Metals (IM-T) has completed 8,000 metres of drilling in search of additional mineralization at the Silvertip massive sulphide project in northern British Columbia.

The property, formerly known as Midway, is 80 km west of Watson Lake along the British Columbia-Yukon border. Intensive exploration and underground development work in the 1980s defined 1.4 million tonnes in reserves grading 8.3% zinc, 5.8% lead and 317 grams silver per tonne.

Imperial Metals describes Silvertip, which it acquired in late 1996, as a carbonate-hosted *manto*-type deposit, with silver-rich massive sulphide mineralization deposited in a series of irregularly shaped cave

systems. A second style of stratabound exhalative zinc-lead mineralization occurs in the shale overlying the limestone formation.

Drilling in 1997 resulted in the discovery of two new zones: the Silver Creek Extension, immediately northwest of the Silver Creek zone; and the Discovery North, 150 metres north of the Discovery zone.

Nineteen holes intersected significant mineralization in a 150-by-150-metre area of the Silver Creek Extension. Results ranged from 1.96 metres grading 6.41% zinc and 5.52% lead, plus 0.79 gram gold and 238 grams silver, at a downhole depth of 40.84 to 42.8 metres in hole 24, to 19 metres averaging 11.58% zinc, 10.64% lead, 2.16 grams gold and 496 grams silver at a depth of

57 to 76 metres in hole 61.

Other highlights include:

- 13.35 metres averaging 12.52% zinc, 6.9% lead, 2.09 grams gold and 302 grams silver at a depth of 44 to 57.35 metres in hole 14;

- 13.75 metres averaging 9.94% zinc, 3.61% lead, 1.8 grams gold and 164 grams silver at a depth of 58.75 to 72.5 metres in hole 21;

- 5 metres grading 15.89% zinc, 19.32% lead, 1.32 grams gold and 795 grams silver at a depth of 45.3 to 50.3 metres in hole 34; and

- 19.5 metres averaging 12.59% zinc, 10.81% lead, 1.05 grams gold and 449 grams silver at a depth of 93 to 112.5 metres in hole 39.

The Discovery North zone, a narrow, 350-long structure, is defined by five drill holes. Significant intervals included:

- 1.7 metres grading 28.46% zinc, 15.77% lead, 0.1 gram gold and 730 grams silver at a downhole depth of 17.9 to 19.6 metres, in addition to 3.25 metres of 4.5% zinc, 2.82% lead, 0.17 gram gold and 128 grams silver at a depth of 83.25 to 86.5 metres, in hole 4;

- 5.7 metres of 10.28% zinc, 7.84% lead, 0.4 gram gold and 470 grams silver at a depth 192.5 to 198.2 metres in hole 5;

- 2 metres grading 9.16% zinc, 4.47% lead, 0.11 gram gold and 234 grams silver at 190.9 to 192.9 metres in hole 60;

- 1.3 metres grading 8.74% zinc, 13.35% lead, 0.93 gram gold and 472 grams silver at 180.9 to 182.2 metres, in addition to 2.1 metres of 7.2% zinc, 6.67% lead, 0.45 gram gold and 309 grams silver at 186.3 to 188.4 metres, in hole 63; and

- 3.75 metres grading 3.16% zinc, 4.9% lead, 0.86 gram gold, 186 grams silver at 261.82 to 265.57 metres in hole 6.

Imperial Metals is calculating a new reserve estimate for Silvertip.

Calgary financier the talk of the oil patch

NEWSMAKER / Murray Edwards has enjoyed a meteoric rise to prosperity, with the value of his stake jumping 127% in the past year.

BY BRENT JANG
Alberta Bureau
Calgary

SEVEN companies linked to Calgary financier Murray Edwards are on a roll, pushing the value of his stake up 127 per cent in the past year to \$545-million.

That sizzling performance, including a \$45-million gain so far this month, has become the talk of the Canadian oil patch.

Four oil and gas companies in Mr. Edwards' portfolio hit 52-week highs earlier this week. Two others — one in the oil patch and another an aerospace concern — are still hovering near their highs reached in August. The weakest company of the bunch — a junior miner — remains well above its 12-month low.

It's been a whirlwind trip to prosperity for the 37-year-old bachelor, who started out with an investment of roughly \$100,000 in 1988.

Today, the seven publicly traded concerns that he holds have a combined stock market value of \$7.15-billion — a meteoric rise from penny stock status within the past decade. Mr. Edwards' stakes range from 1.5 to 30.5 per cent, and his \$545-million portfolio accounts for 7.6 per cent of the total, according to management proxy circulars and interviews with industry experts.

Despite a setback yesterday — when the share prices of five of the companies slipped on profit-taking by investors — his portfolio has enjoyed a red-hot year, adding \$305-million on top of the \$240-million in his kitty a year ago.

As president of his private investment company, Edco Financial Holdings Ltd., Mr. Edwards is a director of all seven firms. He joined their boards gradually from 1988 to 1995, and now serves as chairman and chief executive officer of two firms and chairman of two others.

By 1994, the young merchant banker was such a financial success that he was able to become a private co-owner of the National Hockey League's Calgary Flames, and he has been a frequent major contributor to many local charities in recent years.

In the past year in particular, Mr. Edwards has benefited from a boom in the oil patch and a shrewd move into the aerospace sector.

Amid his soaring fortunes, however, he has steered clear of promoting his stocks. The publicity-shy executive once avoided reporters by going through the Calgary Petroleum Club's kitchen exit.

Dubbed Mr. Smart Money by some observers, he was in business meetings yesterday and couldn't be reached for comment.

Observers describe him as a workaholic. They also attribute his success to shrewd timing, patience as an investor, a keen sense of strategy, his entrepreneurial skills, and surrounding himself with talented executives.

Analysts say Mr. Edwards deserves praise for his leading role in transforming basket cases into stars by cutting costs and boosting output. Mr. Edwards hasn't deviated from a simple formula: Buying into companies when they're languishing and building them up.

"He specializes in spotting near-defunct companies and turning them around," said Wilfred Gobert, a managing director at Calgary-based brokerage Peters & Co. Ltd.

Raised in Saskatchewan, Mr. Edwards graduated in 1983 from the University of Toronto law school. He honed his merchant-banking skills in the late 1980s in the corporate finance department at Peters & Co. He thrives on getting directly involved in his investments.

Martin Molyneaux, a managing director at Calgary brokerage FirstEnergy Capital Corp., said Mr. Edwards doesn't fixate on daily fluctuations in stock prices.

"He's very much into a buy-and-hold strategy, and likes to manage his investments. He doesn't want to be known as a magician" who disappears after making a quick profit, Mr. Molyneaux said.

Much of the meteoric rise in Mr. Edwards' assets is the result of rapid growth at two companies: Calgary-based Ensign Resource Service Group Inc., of which he is chairman, and Magellan Aerospace Corp. of Toronto, where he is both chairman and CEO.

He has amassed his vast holdings in relatively short order.

Please see *Calgary* / B7

Calgary financier sizzles

♦ From Page B1

He made his first major investment nine years ago by acquiring a minority stake valued at roughly \$100,000 in Canadian Natural Resources Ltd.

Canadian Natural treaded dangerously close to financial ruin in late 1988, when Mr. Edwards scooped up stock for pennies a share. It's now one of the country's largest oil and gas producers, trading at \$41.80.

The other four publicly traded companies in his stable are: Penn West Petroleum Ltd., Rio Alto Exploration Ltd., Foremost Industries Inc., and Imperial Metals Corp.

Industry watchers say it would be a mistake to describe Mr. Edwards as an overnight success because he prides himself on being a patient investor.

He invested in five of the seven companies in his portfolio from 1988 to 1992, when their shares fetched hamburger prices instead of filet mignon.

Mr. Edwards also has some entrepreneurial flair, joining several other investors to help finance privately owned brokerage FirstEnergy, a fast-growing oil and gas investment house in Calgary founded in 1993.

"Murray's always pulling me back to look at the forest and not the trees," FirstEnergy's Mr. Molyneaux said. "He makes an invaluable contribution, and he's got high-calibre people in all of his organizations. But he's a private guy who goes about doing his thing."

Mr. Molyneaux also notes that Mr. Edward has succeeded despite going against the political grain: he's a Liberal supporter in Tory-blue Alberta.

Mr. Edwards knows when to get good help. For instance, he supported Canadian Natural's move in 1989 to appoint a chemical engineer and oil



Observers describe Murray Edwards as a strategic investor with great timing and an entrepreneurial flair.

patch veteran, Allan Markin, as chairman of the company.

"Murray's a real strategist and a real stickler for details. He conceives things and he implements them," Mr. Molyneaux said.

Company documents indicate the scope of Mr. Edwards' assets. His top four holdings are in Ensign, Magellan, Canadian Natural and Penn West.

♦ Ensign: He owns a 20-per-cent interest in Canada's second-largest oil and gas driller with a stock market capitalization that has surpassed \$1-billion. His Ensign block is now worth about \$202-million, compared with \$57-million a year ago.

Ensign, which hit a 52-week high of \$54 earlier this week, closed at \$48.75 yesterday on the Toronto Stock Exchange. That was down 55 cents

on the day, but a big improvement from its year-earlier low of \$13.15.

♦ Magellan: The value of Mr. Edwards' 28-per-cent interest in the aerospace firm has risen to about \$125-million from \$50-million in the past year. The company, formerly known as Fleet Aerospace Corp., recently bought Winnipeg-based Bristol Aerospace Ltd. for \$62.5-million from Rolls-Royce Industries Canada Inc., part of the British giant.

Magellan was unchanged on the TSE yesterday at \$8.10 — not far off its yearly high of \$8.50 last month and a large leap from its 12-month low of \$2.55, taking a stock consolidation into account.

♦ Canadian Natural: Mr. Edwards owns about 2.3 per cent of this senior oil and gas producer valued at more than \$4-billion, including his \$92-million portion. Canadian Natural fell 30 cents yesterday to \$41.80 on the TSE.

♦ Penn West: He also controls 10 per cent of a mid-sized oil and gas producer that's worth about \$755-million, including his \$75-million stake. The company lost 15 cents yesterday to close at \$19 on the TSE.

♦ Rio Alto: His 1.5-per-cent slice of the company's \$740-million stock market capitalization works out to \$11-million. Rio Alto slipped 25 cents on the TSE to \$14.75.

All three Calgary-based producers — Canadian Natural, Penn West and Rio Alto — are still hovering near their 52-week highs, attained earlier this week. Based on yesterday's closes, Mr. Edwards' combined stakes in the companies have grown to about \$180-million — up 60 per cent from a year ago.

He is chairman of Penn West and serves as a director for Canadian Natural and Rio Alto.

Mr. Edwards' other holdings are

also making progress, notably oil rig equipment manufacturer Foremost Industries of Calgary and Vancouver-based junior miner Imperial Metals.

On the TSE yesterday, Foremost dropped 50 cents to \$12.50 — short of its 52-week high of \$15.70 reached last month but still double its low of \$6.20 a year ago.

Imperial Metals gained 2 cents to \$1.69. That's a steep drop from its 12-month high of \$2.80 in January but still above its low of \$1.24 a year ago.

Based on these closes, Mr. Edwards' 13-per-cent piece of Foremost is valued at about \$8.5-million, up from \$4.5-million a year earlier, and his 30.5-per-cent chunk of Imperial Metals is worth \$31-million, compared with \$23-million last year.

Mr. Edwards serves on Foremost's board and is chairman and CEO of Imperial Metals.

Analysts say Mr. Edwards has had a stellar career, except for a "black mark" in 1995 from being on the losing end of a court battle.

In that legal dispute, an Alberta court awarded \$4.63-million in damages to Stampeder Exploration Ltd., now owned by Gulf Canada Resources Ltd.

The judge ruled that investment banking firm Colborne Capital Corp. — run by Mr. Edwards and Calgary businessman James Grenon — interfered with Stampeder's business affairs. The judge said Colborne was "motivated by jealousy and greed."

But Mr. Edwards was only marginally involved in the case, according to some observers.

"Murray has always been a straight-shooter and a hard worker," said a lawyer who worked with the financier in the mid-1980s at Burnet Duckworth & Palmer, a large Calgary law firm.



IAN LINDSAY/Vancouver Sun

HANGING IN: with Mount Polley picture as backdrop, Pierre Lebel's office has become long-term digs

Imperial boss sticks with project

ROD NUTT
Sun Business Reporter

In 1986, Pierre Lebel was appointed president of Imperial Metals Corp. on condition he would be succeeded within 18 months by someone with a more technical background in the mining industry.

More than 10 years later, he's still at the helm of the company that Saturday will mark the grand opening of the Mount Polley copper-gold mine near Williams Lake.

"At the time, I was keen to continue my role in corporate development and as general counsel," he said in an interview. "I accepted on the basis that another individual with more technical credentials would be appointed."

Lebel was concerned his background as a lawyer would make it difficult to run a company.

"Lawyers are used to getting things done for clients and have to be self-reliant, whereas in a

corporate setting you need to delegate responsibility and work with a very strong team."

He says the transition was difficult at first but, "ultimately you get used to it."

Lebel was born Sudbury, Ont. in 1949 and educated at Jesuit French schools before gaining a BA from Laurentian University. This was followed by an MBA from McMaster University and a law degree from the University of Western Ontario.

"I was practising law in Sudbury when I got the opportunity to join E&B Explorations in Calgary."

E&B managed German-based drilling funds that were mainly interested in uranium.

"We were a very important player in the uranium exploration industry."

At E&B, Lebel became a student of the mining business, including the art of making a deal.

"I got to know the players and how deals were

Please see Mount, D2

Mount Polley is one of only three mines under development in B.C.

Continued from D1

done." In 1983, E&B rolled its assets into Imperial Metals and was paid in stock.

It was effectively a reverse takeover of Imperial Metals, which had a strong portfolio of properties, including coal, base and precious metals.

The drilling funds were wound up and Imperial Metals focused on gold and copper plays.

In 1994, Alberta resource entrepreneur Murray Edwards, president of Edco Financial Holdings Ltd., acquired control of Imperial Metals.

When a decision was made to develop the Mount Polley mine, there was a concern that Imperial Metals, although flush with exploration geologists and people who could spot good properties, didn't have mine-operating experience.

The problem was solved in February 1995 when Imperial Metals merged with Bethlehem Resources Corp.

Bethlehem's Goldstream mine was

running out of ore and in the process of being decommissioned. The company was also looking for a new project.

"It was a good fit," Lebel said.

The merger attracted the interest of Sumitomo Corp. of Japan which took a 45-per-cent interest in the Mount Polley mine, provided a \$54-million loan facility and agreed to market the output of copper concentrate.

A project team headed by Henry Ewanchuk was assembled to develop the \$115-million project 56 km north-east of Williams Lake.

Mount Polley is one of only three mines under development in the province along with Princeton Mining Corp.'s Huckleberry mine and Royal Oak Mines Ltd.'s Kemess project.

"Mount Polley was discovered in 1964 and a number of companies had looked at the property and worked on it," Lebel said. "The key that turned Mount Polley into a mine was the identification and importance of gold."

In the first four years, the mine will

produce 100,000 ounces of gold annually accounting for 50 to 60 per cent of the value of the mine's output.

It will also produce 29 million pounds of copper a year.

"After four years, copper will become the more important metal," Lebel said.

"Gold production will average 80,000 ounces a year over the mine's estimated 13-year mine life."

Don't bet against Lebel still heading Imperial Metals during that 13-year period.

[Faded, illegible text from the reverse side of the page, including a large 'I' and 'Imperial' watermark.]

B.C.'s newest mine opens while gold stays in dumps

By Paul Luke
Staff Reporter

Everything has been going well for B.C.'s newest mine — except the price of gold.

Vancouver-based Imperial Metals Corp. yesterday officially opened its Mount Polley gold-copper mine 65 kilometres north-east of Williams Lake.

Imperial completed the mine almost five months ahead of schedule in mid-June.

And its \$115-million cost was \$8.5 million under budget.

Imperial, which is paid for Mount Polley's production in U.S. dollars, is comfortable with the level of the Canadian dollar, currently just under 72 cents US.

But it's Mount Polley's misfortune to have opened at a time of softer-than-expected gold prices.

The company's feasibility study had budgeted for gold prices of \$380 US per ounce, senior vice-president Brian Kynoch said. Current gold prices are just under \$325 US an ounce.

Still, Mount Polley's cost of producing one ounce of gold is \$189 US an ounce when copper prices are \$1 US per pound — giving it a fair margin, even at current gold prices, Kynoch said.

And, at about 95 cents US per pound, copper

prices remain close to the \$1 US level for which the feasibility study budgeted, Kynoch said.

The open-pit mine, which began producing copper concentrate June 15, employs 170 people.

Through payroll and purchases of services, Mount Polley will feed \$30 million-\$40 million annually into the province's economy, he said.

Imperial owns 55 per cent of the mine and Sumitomo Corp. of Japan 45 per cent.

During its 12-year life, the mine is expected to produce an average of 71,500 ounces of gold and 29,000,000 pounds of copper annually.

The Vancouver Sun

Wednesday, August 13, 1997

Mount Polley set to roll

ROD NUTT

Sun Business Reporter

Imperial Metals Corp. said Tuesday its Mount Polley copper-gold mine is in the final stages of commissioning.

The \$115-million mine will reach its full, mill capacity rate of 18,000 tonnes of ore a day by mid-September.

"We are almost five months ahead of schedule and \$8.5 million under budget," said Imperial Metals president and chief executive officer Pierre Lebel.

The last mines to open in B.C. were the Eskay Creek gold mine in northeast B.C.

in 1994 and the Kinross QR gold mine southeast of Quesnel in 1995.

Mount Polley, in south-central British Columbia 56 km northeast of Williams Lake, is 55-per-cent owned by Imperial Metals and 45-per-cent by Sumitomo Corp. of Japan.

The Japanese trading house will market the copper and gold.

Mount Polley, one of only three mines currently under development in this province,

Please see 1,000, D14

1,000 tonnes of concentrate already stockpiled

Continued from D1

will produce about 100,000 ounces of gold and 24 million pounds of copper a year during the first four years and an average 71,500 ounces of gold and 29 million pounds of copper a year over the mine's 12-year life.

The deposit contains initial reserves of 1.1 million ounces of gold and 554 million pounds of copper.

The chief operating officer of Vancouver-based Imperial Metals, Brian

Kynoch, said the company already has 1,000 tonnes of concentrate stockpiled at Vancouver Wharves for shipment in early September to Japan.

"The mill will be processing full tonnage by mid-September," Kynoch said. "We've already had it at 900 tonnes an hour but couldn't sustain it."

At full tonnage, the mill will process the equivalent of 600 dump trucks each containing 30 tonnes of ore, or 18,000 tonnes a day,

"We're breathing a sigh of relief on

the metallurgy," Lebel said. "The grade and metallurgy of the ore is as predicted and anticipated in the feasibility study."

Mount Polley will produce an ounce of gold and gold equivalent at a cash cost of \$190 US an ounce.

Lebel said the current price of gold doesn't affect the viability of the mine.

"But obviously, a low gold price affects the profitability," he said.

Imperial Metals (TSE:IMP) lost two cents Tuesday in Toronto to close at \$1.63; volume was 5,500 shares.

The Vancouver Sun

Monday, May 26, 1997

Mount Polley mine months ahead of schedule

CEO Pierre Lebel says the company has not cut any corners to achieve this result.

ROD NUTT
Sun Business Reporter

Imperial Metals Corp. will complete the Mount Polley gold-copper mine within weeks, the company's president and chief executive officer said Friday.

"We are a full five months ahead of schedule and expect to be at least \$5 million under budget," Pierre Lebel told shareholders. "Equally important, we have not cut any corners to achieve this result."

Final capital cost of the mine will be about \$123 million.

Mount Polley, in south central British Columbia 56 km northeast of Williams Lake, is 55-per-cent owned by Imperial Metals and 45 per cent by Sumitomo

Corp. of Japan.

The Japanese trading house will market the copper and gold.

Mount Polley, one of only three mines currently under development in B.C., will produce about 100,000 ounces of gold and 24 million pounds of copper a year in the first four years of production.

Average production over its 12-year mine life will be 71,500 ounces of gold and 29 million pounds of copper a year. The deposit contains 1.1 million ounces of gold and 544 million pounds of copper.

Two other mines are currently under construction in this province.

Princeton Mining Corp. is developing the \$137-million Huckleberry copper mine near Houston and Royal Oak Mines Ltd. is constructing the Kemess gold-copper mine 240 km northeast of Smithers.

Imperial earned \$2.2 million, or four

cents a share, in the first quarter compared with \$5.4 million or nine cents a share in the year-earlier three months.

Revenues declined to \$466,000 from \$3.7 million.

The company recorded an operating loss of \$206,000 in the quarter ended March 31, 1997.

Lebel said the reduction in revenues and operating income was due to the termination of mining and mill operations at the Goldstream mine on Jan. 31.

In a full year, Imperial Metals' 55-per-cent stake in Mount Polley will provide the company with about \$7 million in pre-tax profit and \$14 million in cash flow based on copper at \$1.15 US a pound and a gold price of \$345 US an ounce.

Imperial Metals (TSE: IPM) closed Friday up nine cents at \$2.38 on volume of 50,000 shares.

MOUNT POLLEY WEEK

May 12-18

Mount Polley jumps to the starting line

BY PAUL SINKEWICZ
Tribune Staff Writer

Brian Kynoch admits to a feeling of excitement as the Mount Polley mine begins to take shape around him.

"Excitement, urgency, everything," he says. "We want to get this thing up and running."

Kynoch is the chief operating officer and senior vice president for Imperial Metals, Mount Polley's parent company. He makes his trip from Vancouver out to the Cariboo work site about every week.

Kynoch uses his trips to keep tabs on the mine's progress (it's five months ahead of schedule) and to do a little trouble-shooting with mine manager George Wright. With a steady stream of contractors and sub-contractors to consult with on a daily basis, getting the \$123 million gold and copper mine up and running at all is a major juggling act. Getting up and running so early is proof of his skill.

At lunchtime, Kynoch sits around the table with the contractors who are putting the mine together. They discuss water flows and wiring problems over a tray of sandwiches and a few jokes. For the vice president of a Vancouver-based mining company, Kynoch has a lot of dirt under his fingernails, so-to-speak. He comes by his career in mining honestly.

Kynoch's dad, Gordon, spent 19 years as a maintenance supervisor at the Bethlehem Copper mine in the Highland Valley of B.C.

"He looked after all the open pit equipment at the Bethlehem Copper mine," Kynoch says. "I never worked at the mine, but certainly when I was younger I spent a lot of time hanging around the mine because when he started working at Bethlehem Copper we actually lived right next to the mine, not in town. I could see it from our yard."

Kynoch never strayed very far from the life of a miner. He took civil engineering at UBC, but spent summers working for in Bethlehem in the ex-



Brian Kynoch

ploration field.

"I worked in the Yukon, all over B.C. -- that's why I know a fair amount about the exploration side of the business," Kynoch says. "Because I actually worked at the bottom rungs."

"I did soil sampling, helped with drill programs, split core -- all that kind of stuff."

After university Kynoch went to work for Wright engineers, working specifically in development of mines. He later worked for E and B Inc. in exploration between 1980 and 1985.

"That's when (Mount Polley project director) Henry Ewanchuk and I first got involved in Mt. Polley," Kynoch said. "We optioned it from a subsidiary of Tech Corp in 1981, so then we did some exploration-type work at Mount Polley."

Kynoch says he and Ewanchuk left their company, by then called Corona Corporation, and started Bethlehem Resources. They re-opened and ran the Goldstream underground copper mine near Revelstoke for five years.

In the meantime Imperial Metals had ended up with the rights to Mount Polley. When the Goldstream Mine was done, Kynoch and Ewanchuk merged Bethlehem Resources with Imperial Metals with the goal of getting Mount Polley into production.

"We were miners actually mining, not exploring," Kynoch says. "We had the

operating people that knew how to run a mine. Imperial had the property and the money. Together we made Mount Polley a reality."

One of the unique features of Mount Polley is the mix of old and new that make up the mine.

Much of the equipment to be used at the site is used. In fact all of the seven grinding mills come from other mines, including one from Kynoch's father's old workplace, Bethlehem Copper.

"We had out the other day a 1972 annual report from Bethlehem Copper," Kynoch said. "And it's got a picture of that mill in it."

The rotary drill at Mount Polley comes from a mine in New Mexico, and the shovel comes from a site in Nevada.

"We've had 12,000 tonnes of used equipment delivered this year," Kynoch says. "So this plant is kind of a huge recycling project."

But in other ways, the mine is state of the art. A room above the used gyratory crusher houses a computer system, with a tailor-made program, that allows the operator to watch, and control, all of the conveyors going in and out of the crushing building.

Another innovative feature of the mine is its use of prefabricated modules. Normal construction techniques call for contractors to come in and build wood and panel rooms right into the superstructure. Mount Polley uses pre-made modules that slide right into place. That's one reason, Kynoch says, for the speed of the construction of the mine. After the 12-year lifespan of the mine is exhausted, the modules can be taken right out and used at a new site.

Modules housing the electrical switches and panels come completely wired and pre-tested from a company in Penticton. Kynoch says they just have to be plugged in at either end and switched on.

And it looks like that equipment will be switched on soon. Started only a year ago, on May 29, 1996, the mine will be finished and

ready for tune-up in June. The actual commercial operation of the mine will begin in July, when it starts

processing its 82.3 million tonnes of ore.

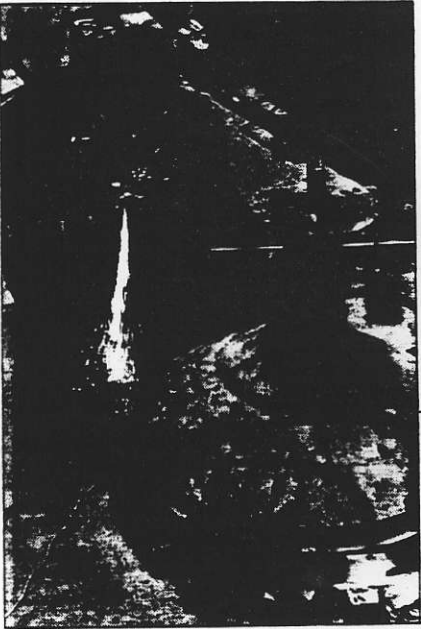
Kynoch says when the mine gets rolling in July it

will have up to 170 full-time employees and will spend up to \$50 million a year on wages, supplies,

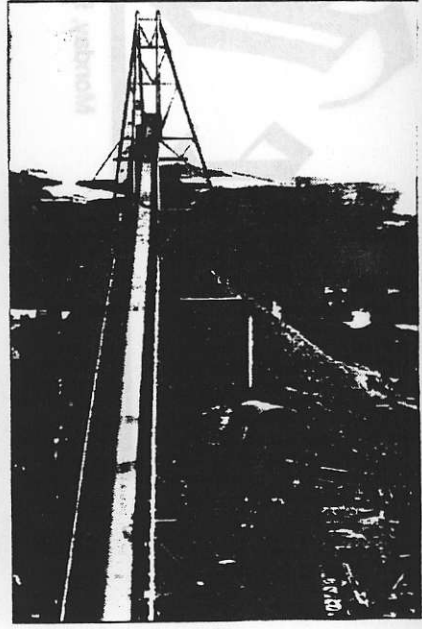
fuel and power. "So I think it's going to have an impact."



Grinding mills gearing up for production



Ray Lemay grinds a piece of equipment



Conveyors are tested and on line

The Financial Post

Canada's Business Voice

★ ★ ★ ★

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May 24-26, 1997

Imperial Metals to complete mine early

Reuter

VANCOUVER — Imperial Metals Corp. said Friday it expects to complete construction on its Mount Polley gold-copper mine within a few weeks and begin producing concentrates by July.

President Pierre Lebel said the mine in central British Columbia would be finished five months earlier than scheduled. He also told shareholders at the company's annual meeting that the project was "going to be materially under budget from our original targets."

The capital cost was originally estimated at \$123.5 million. Imperial has a 55% stake in the property and Japan's Sumitomo Corp. the remainder. Sumitomo will also be the marketing agent for the concentrate.

The mine is forecast to produce 100,000 ounces of gold and 24 million pounds of copper a year for the first four years.

Lebel predicted Mount Polley will generate \$14 million to \$20 million a year in cash flow when production begins.

B.C. Report

Producer premium gives Imperial momentum

BY JOHN SCHREINER
Vancouver Bureau Chief *The Financial Post*

When a mining exploration company brings a mine into production, the stock often trades at a different level, attracting what is called a "producer premium."

Vancouver-based Imperial Metals Corp. may have gained as much as five months in attaining that premium after accelerating development of its Mount Polley gold-copper mine in central B.C.

Construction on the \$123-million project started last May.

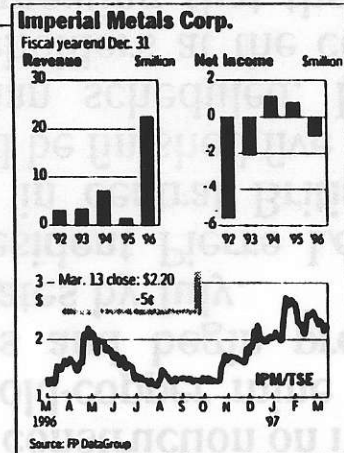
Next week, the mine is expected to start crushing ore, and by May the company expects to begin processing ore in the plant — a full five months ahead of schedule.

According to one estimate, the project's construction overheads run at about \$300,000 a month. That means Imperial will have shaved \$1.5 million from its budget.

The market has already been valuing Imperial higher this year, but more probably for its stakes in some hot junior exploration companies than in anticipation of production at Mount Polley.

The shares (IMP/TSE) have traded in a 52-week range of \$2.80 to \$1.16 and fell 5¢ yesterday to close at \$2.20. This is a stock that has spent much of the past decade trading under \$1.

Imperial president Pierre Lebel figures the company already is worth more than its current trading value. In a recent calculation — and he cautions that it is not audited — he values Imperial's assets at \$229 million,



or about \$3.40 a share, of which Mount Polley comprises \$1.48.

The company has been pursuing the Mount Polley project for about a decade and obtained its mine development certificate in 1992.

The Mount Polley deposit, originally discovered in 1964, has initial mineable reserves of 82 million tonnes, containing 1.1 million ounces of gold and 544 million pounds of copper.

After struggling to finance the project, Imperial last April attracted Sumitomo Corp. to take a 45% interest, make a project loan and market the concentrate.

During Sumitomo's copper trading crisis last June, the big Japanese trading company quickly assured its Canadian partner that the Mount Polley project would still go ahead.

In the mine's first four years,

planned output is 100,000 ounces of gold and 29 million pounds of copper, with cash costs of around US\$180 an ounce.

The current mine life is about 13 years but the property has exploration potential and there also is the possibility of other discoveries by neighboring juniors that could look to Imperial's mill for processing.

Mine revenue will begin to impact Imperial in the second half, although the company is projecting a modest 1¢ a share loss this year, compared with an estimated 11¢ profit last year (mostly the result of extraordinary gains on the sale of an asset). In 1998, the company, which has 67 million shares fully diluted, forecasts it should earn about 15¢ a share.

Imperial has a plate full of other exploration projects in B.C., including the Midway silver-lead-zinc deposit, not far from the Alaska Highway in northern B.C. The deposit is small (1.4 million tonnes) but so high grade that the ore has a gross value of more than US\$150 a tonne.

"It's got to be our No. 1 exploration property," Lebel says.

However, the recent impetus behind the company's stock has come chiefly from its 53% ownership of Colony Pacific Explorations Ltd., a junior that last year formed a joint venture in Indonesia with Inco Ltd. to explore on the Indonesian island of Sumatra. Colony's shares (CYX/TSE) have exploded from a 52-week low of 30¢ to a high of \$9.25, closing yesterday down 60¢ at \$7.50. Imperial owns nine million shares and Lebel also is president of Colony.

"Colony Pacific scores high on our qualitative scale," Goepel Shields & Partners analyst Rob Klassen wrote in an early February report in which he recommended the shares as a "hold-speculative buy for risk oriented investors."

Imperial also owns 40%, or 5.5 million shares, of Cathedral Gold

Corp. (CAT/TSE). Those shares have a 52-week range of \$3.10-\$1.75 and closed yesterday unchanged at \$1.85. Cathedral owns 90% of a small, high-cost Nevada gold producer (11,500 ounces last year). But the potential for the company hinges on its gold exploration programs in Guyana and Honduras.

"Mr. Patient Money:" Calgary's Murray Edwards has high standards, and a high success rate

How to succeed in business, by really trying

BY SYDNEY SHARPE

Calgary Bureau Chief *The Financial Post*

In 1989, George Ward's drilling company, Northeastern Energy Group, was on the verge of bankruptcy. Or as Ward so graphically puts it: "The company was in the toilet bowl, and the Royal Bank had its hand on the flush button."

Then Ward met a 29-year-old Calgary lawyer named Murray Edwards, who bought into the company and turned it around. Today it's a successful oilpatch player known as Ensign Resource Services Group. "Back then we had four drilling rigs and two service rigs," Ward recalls. "After six years, through acquisitions, we have 79 drilling rigs, 75 service rigs, 1,700 employees and revenues of \$175 million a year."

Ward, who is now a wealthy man as a result, knows a savior when he sees one. "I had been searching for some support, and by the grace of God, and answers to my prayers, I ended up with Murray Edwards," he says. "He gets behind what he believes in 100%. He doesn't waffle. And he has a mind that's unbelievable."

At 36, those qualities have made Edwards a major investor in nearly a dozen companies, a part owner of hockey's Calgary Flames, and a devout Liberal among Alberta Conservatives. He comes across as a tough-minded westerner, but a firm federalist, a fierce competitor with a legendary soft heart for friends, among whom he counts both Prime Minister Jean Chrétien and Alberta Premier Ralph Klein.

He is also highly successful, but in a very low-key way that begs imitation. "Guessing Murray Edwards' net worth is one of Calgary's favorite parlour games," says one oil insider. In Calgary, anything that interests him instantly attracts a following of loyal investors who usually profit.

Edwards recently reached into Ontario by acquiring a 43% stake in Toronto's Fleet Aerospace Corp., a nearly moribund maker of aircraft parts. Soon Fleet was announcing sales contracts, and two weeks ago the newly aggressive company bought Hawker Siddeley Canada Inc.'s aerospace business units for \$27 million.

Fleet is following a typical Edwards pattern. He buys into a company and then uses that vehicle to purchase related firms. The idea is to make the right acquisitions that will turn the original firm into a powerhouse.

"Fleet had been through difficult times. Now we see the aerospace industry returning to profitability," says Edwards. "Fleet has an outstanding and committed workforce, and has been a long-term supplier of the aerospace industry."

A colleague summarizes Edwards' style: "Murray is an astute investor who works with

corporate management to make the company realize its potential."

Securing the stake in Fleet is part of Edwards's drive to diversify out of oil, gas and mining companies. From the modest office of his main company, Edco Financial Holdings Ltd., Edwards has built powerful stakes in companies like Ensign, Imperial Metals Corp., Penn West Petroleum Ltd., Canadian Natural Resources Ltd., Foremost Industries Inc., Rio Alto Exploration Ltd., and the Flames.

His investment in the hockey team when it was struggling brought him much public notice, but typically, Edwards lay low. Today, not one Flames fan in a hundred would recognize him in a crowd at the Saddledome.

Although he has a wide circle of friends, the tall and burly Edwards seems to be an intensely private workaholic. "Happiness is a man who has his vocation for a hobby," says Edwards when asked what he does for relaxation.

Edwards prides himself on treating owners, executives and employees fairly when he gets involved in a company. In his long string of investments, there are few stories of layoffs and downsizing. If anything, once Edwards invests, the company starts growing.

"Murray has an uncanny ability to bring the best out of people and to help them realize their full potential," says colleague John Brussa. One way he does it is to ensure that most employees in his holdings are entitled to stock options and a stock-savings or profit-sharing plan. "You have to put in place a way to motivate people and reward excellence," he says.

But Edwards is uneasy when questions turn to his own success and its rewards. Subjects like personal worth are too ego-driven, he says.

He's equally reticent about confirming his reputation as a philanthropist. "Any organization nowadays has a number of constituent groups. There's a responsibility to the shareholders to provide maximum returns," he says. "But organizations also have an obligation to



At 36, Murray Edwards has built major positions in oil and gas, mining, the Calgary Flames, and now aerospace. These days, his biggest problem is avoiding the limelight.

employees, and to society at large."

Edwards says his attitudes were influenced by the powerful emotions he felt when a friend died of a brain tumor at age 27. "He exhibited such a passion for life," Edwards says. "Even when very ill, he came to work every day."

But like any aggressive businessman, Edwards has also been involved in his share of tangles. He was criticized when he made a profit in a few months after buying TroCana Resources Ltd. from Petro-Canada and then selling it to Penn West Petroleum Ltd., in which he held a 15.9% stake. In typical fashion, however, he put the profit into more shares of Penn West.

"Generally, Murray's a long-term investor in these companies," says an investor colleague. "He's Mr. Patient Money."

In 1993, Edwards and a former business partner, Jim Grenon, were involved in a nasty fight between their respective companies: Colborne Capital Corp. and Stampeder Exploration Ltd.

Both were vying for control of Westar Petroleum Ltd., and the dispute ended up in court.

Two years later, a judge awarded damages of \$4.6 million against Edwards's company, Colborne, which included the estimated decline in

Stampeder share value, share decline caused by the dispute, interest and court costs.

Edwards says he tried to resolve the dispute amicably and, like many in the oilpatch, felt it was the kind of problem that should have been settled over a beer rather than in court.

While the ruling is now under appeal, Edwards accepted the setback gracefully.

"To the extent that Stampeder won the decision," he said at the time, "it's their day to celebrate their success." Today, he says: "There are always disappointments. We all drill some dry holes in life, but we learn from them."

Born in Regina, Edwards studied commerce at the University of Saskatchewan and later took law at the University of Toronto.

He practised law for five years and gained more oil-industry experience with Rob Peters, the investment dealer who started Peters & Co.

Eventually he struck out on his own. "I left a stable income as a lawyer to [follow] an uncertain future," he says. "Now I guess I'm successful in terms of watching people grow and seeing people become managers."

This he achieves by employing a consistent management style. "I try to entrench in a company a flat organization where all the managers are part of decision-making," he says. "The style is not to preach from the pulpit. The style is consensus in decision-making."

His companies tend to grow very quickly and, over the years, they've grown complex, but he seems to have no trouble keeping the details straight even though he operates mainly from his office at Edco Financial.

"He's a guru in the oil and gas business," says colleague Allan Markin, chairman of Canadian Natural Resources Ltd. "He knows intuitively where the oil and gas is." Edwards and Markin kickstarted Canadian Natural into a huge national petroleum player.

The latest Murray Edwards parlour game in Calgary is speculating about his political ambitions, either on the podium or behind the scenes. He does express interest to the extent that he has firm ideas on his region's role in Canada.

"The West is not looking for special treatment, but will be firm about being treated as an equal," he says. "We will accept nothing less than that."