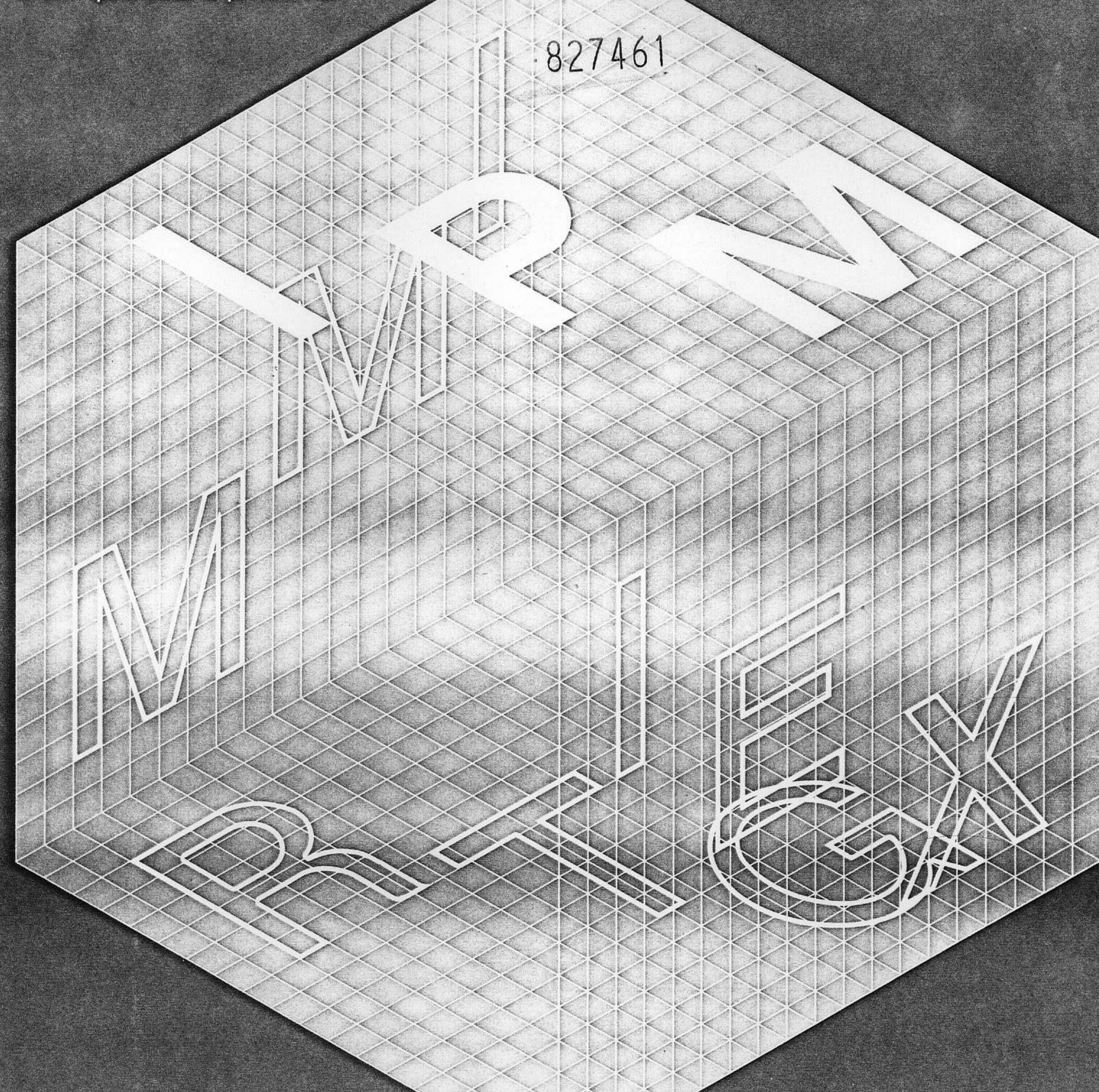
Imperial Metals Corporation

ANNUAL REPORT 1982

IEX, IMM and RTG are the Vancouver Stock Exchange ticker symbols of the companies which amalgamated December 1, 1981 to form Imperial Metals Corporation, IPM.



Imperial Metals Corporation combines the assets and income of several predecessor companies. These companies were drawn together through the efforts of Invex Resources Limited between the years 1978 and 1981. The several companies are listed below together with their incorporation dates:

Invex Resources Ltd., incorporated 1978 (originally incorporated as Invex Resources Ltd., the company changed its name to Invex Resources Limited after amalgamating with Western Rolling Hills on September 29, 1980.)

Resoursex Ltd., incorporated 1969

Western Rolling Hills Mines & Oils Ltd., incorporated 1964
(originally incorporated as Rolling Hills Copper Mines Limited in 1964, the company consolidated its capital 1 for 4 and changed its name to Western Rolling Hills Mines & Oils in December, 1973.)

Imperial Metals & Power Ltd., incorporated 1959

Risby Tungsten Mines Ltd., incorporated 1969

The chronology of events which led to the formation of Imperial Metals Corporation is as follows:

Invex Resources Ltd., incorporated February 16, 1978 acquired 100% of Resoursex Ltd. in January of 1979. It also acquired voting control of Imperial Metals & Power Ltd. and Western Rolling Hills Mines & Oils Ltd. during spring and summer respectively of 1979. In September of 1980, Invex and Western amalgamated and Invex changed its name to Invex Resources Limited.

In March of 1981, Invex Resources Limited acquired control of Risby Tungsten Mines Ltd. and increased its ownership of Imperial Metals & Power Ltd. to 51%. In September, Invex proposed amalgamation of the three companies into a single entity — Imperial Metals Corporation. The amalgamation received court approval on December 1, 1981. Resoursex Ltd. remains a 100% subsidiary of the new company.

ANNUAL MEETING

Please take note that the annual meeting of the shareholders of the Corporation is scheduled for 10:00 in the forenoon on September 14, 1982 in the Okanagan Room of the Four Seasons Hotel, 791 West Georgia Street, Vancouver, B.C.

President's Report to the Shareholders

The cover of our 1982 annual report takes its theme from the amalgamation of Invex Resources Limited with its two controlled subsidiaries, Imperial Metals and Power Ltd. and Risby Tungsten Mines Ltd. We are pleased to present this, the first annual report of the amalgamated company: IMPERIAL METALS CORPORATION.

The main achievement of the amalgamation has been the creation of a financially strong company whose shares represent investment in the major mineral and energy growth commodities of Western Canada. A number of these resource assets are discussed together with schematic drawings of several significant mineral deposits in the Operations Report herein. Shareholders who would seek to fully appreciate their company's strength and potential will profit from reading in its entirety this Operations Report. Equally, they should review the Financial Report on Page 6.

In spite of near crisis conditions in the Canadian economy your company has continued to expand since the December 1, 1981 amalgamation. This expansion has been enabled by the conservative financial management which has characterized your company and its principal predecessor, Invex Resources Limited, since inception. As a result, Imperial has been able to capitalize on the current adversity in capital and commodity markets. We have continued to expand and are therefore confident that the fiscal year to March 31, 1983 will be concluded with a significant increase in resource assets as well as in resource revenue.

Imperial is primarily a mining exploration and development company. However, your management realizes that the company must have access to continuing cash flow and has therefore been active in Canadian and U.S. oil and gas exploration and production. The cash flow resulting from this activity has been directed partially toward maintaining oil and gas reserves while the balance has been directed toward the mineral industry.

The combination of conservative financial management with internally-generated sources of cash has resulted in a very active 1982 exploration season, primarily along the massive sulphide belts of coastal British Columbia as more particularly described in the Operations Report.

In large part, the outstanding quality and scope of our 1982 field season is a direct reflection of the efforts of the company's staff, while the financial capacity of the company to execute the programs is a reflection of the commitment of the shareholders who voted in favor of the December 1, 1981 amalgamation. Your management thanks both groups and feels confident that 1982 will reward your separate commitments to the company.

Respectfully submitted,

Alan C. Savage,
President

Operations Report

ANYOX JOINT VENTURE

Imperial Metals Corporation's land status with respect to favorable geological contacts and other significant mineralized occurrences.

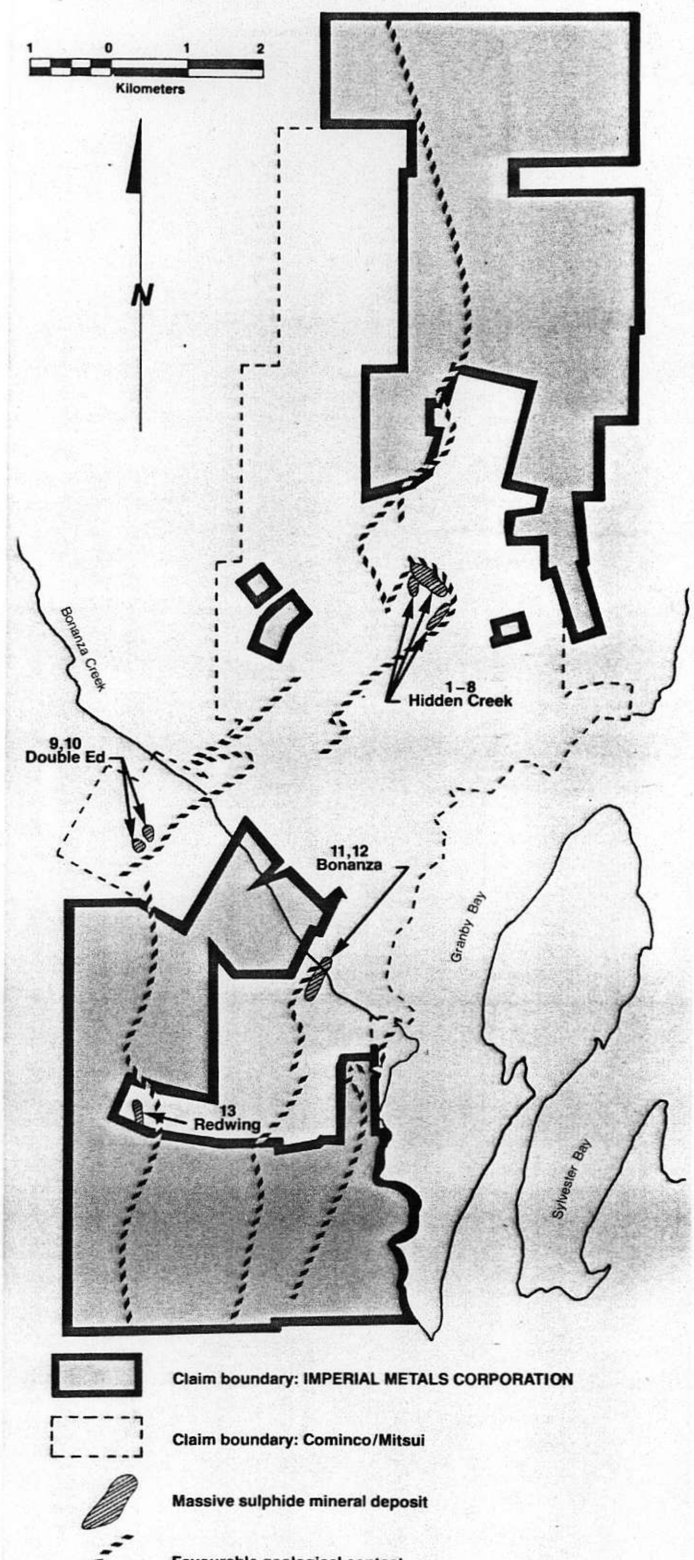
In this report I will briefly review last year's principal operations and then turn to the exciting prospects for 1982-83 exploration which will include an overview of some of the important resource assets pooled in Imperial by the amalgamation.

The two main mineral exploration activities of the company during the 1982 fiscal year took place at the Kelly Creek copper-silver deposit in which we hold a 15% net profits interest and the Groundhog coal field along the Upper Skeena River in British Columbia in which we held a 10% net profits interest. Groundhog received exploration expenditures of $518,000 funded by Procan Exploration Company, the results from which were disappointing. While considerable coal was found to be in place, the seams were narrow and shaly and the ground was badly faulted. It was agreed that the licenses be dropped, leaving $282,000 of Procan promissory note exploration funds unspent and accruing to joint exploration efforts of Imperial and Procan.

At Kelly Creek, near Terrace, B.C., a considerable diamond drilling program modestly increased ore-grade reserves to a drill-indicated 300,000 tons of 2.23% copper and 1.34 ounces silver per ton with an equivalent amount geologically inferred. The possibilities of fault-displaced strike extension are favorable. Total expenditures including adit extension and underground bulk sampling were $815,749, funded by Procan. In spite of the seemingly satisfactory results, the deposit, as presently delineated, is marginal in today's political and economic climate. As is the case with the Groundhog promissory note funds, Imperial and Procan have agreed to divert the $685,000 balance of Kelly Creek promissory note monies toward new exploration targets. Should Procan not spend an additional $200,000 on Kelly Creek prior to June, 1985 the property will revert to Imperial and its 50% joint venture partner, Cathedral Minerals Ltd.

As a result of the availability of $967,000 of Procan funding diverted from last year's programs, two new Procan-funded exploration targets form part of our 1982-83 exploration activities. The first of these is the "Big Bulk" property, a copper-gold porphyry located near Alice Arm, B.C. where Imperial holds a 7½% net profits interest and a 12½% working interest. Surface outcrop sampling has yielded high copper-gold values. The potential area of economic mineralization is very large. The continuity between mineralized outcrop and the depth potential will be investigated by diamond drilling during this season. A total of $685,000 is available for this program over a two year period.

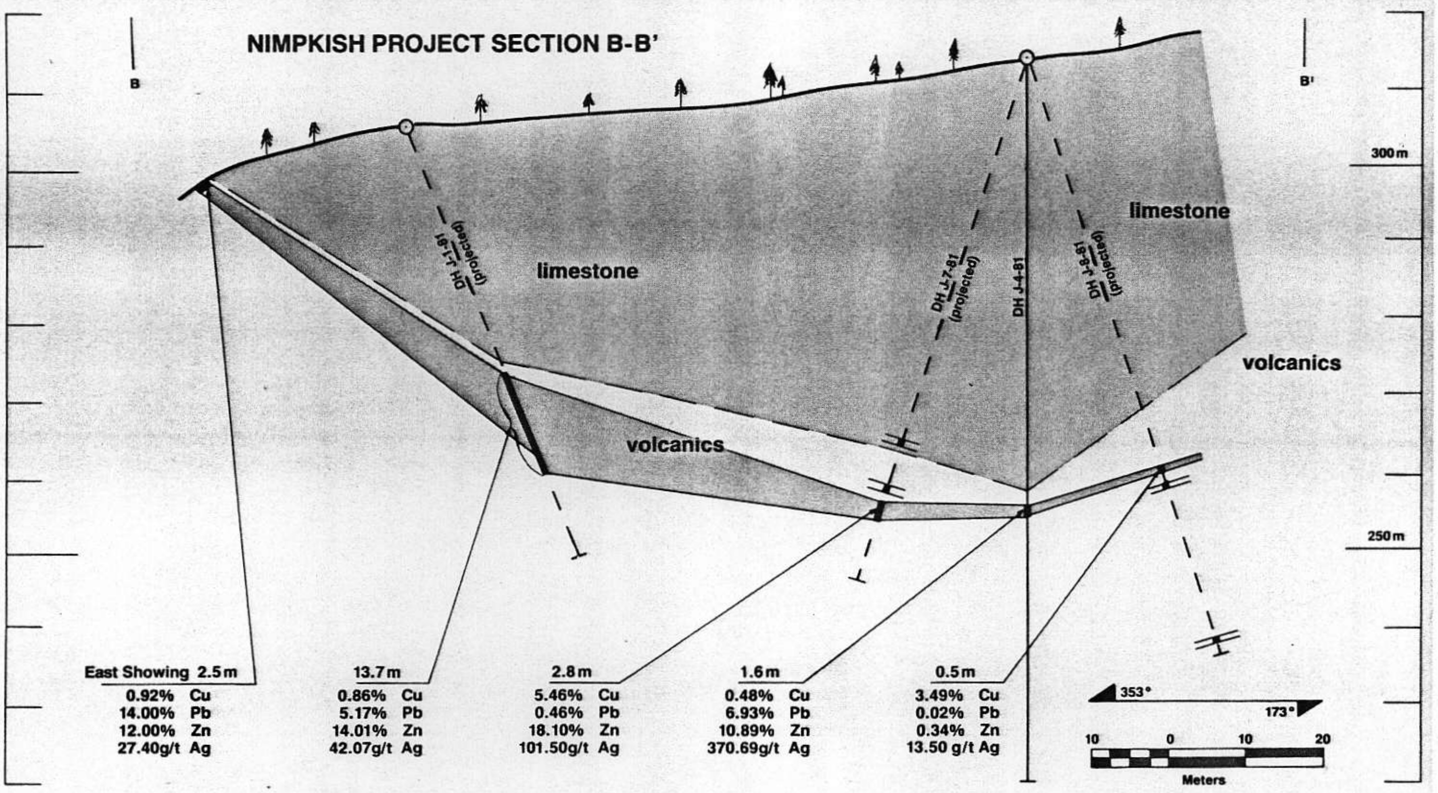
Secondly, Imperial has assembled a major land position around and along the historic, massive sulphide belt at Anyox, B.C., once the site of B.C.'s largest copper mine, mill and smelter complex. This well-mineralized area will receive geophysical, geological and geochemical investigation to be followed by diamond drilling. Imperial has farmed its 41 square kilometer land position to Procan and retains interests of from 10% to 20% in net profits. Procan has agreed to fund $282,000 in exploration expenditures during 1982-83. A claim map of the Anyox area is shown on Page 2.



ANYOX JOINT VENTURE

NIMPKISH PROJECT SECTION B-B'

A simplified cross-section of the mineralized horizon within volcanics, as defined by diamond drilling, showing averaged assays for copper, lead, zinc and silver.



While the Anyox is known to be well-mineralized by massive sulphide occurrences, the several orebodies discovered to date have outcropped or were adjacent to outcrop. The potential for deeper, blind deposits has not been investigated in any detail and the application of recently developed airborne geophysical technology followed by diamond drilling of resulting anomalies gives the best chance for new discoveries. The Anyox massive sulphide orebodies of the past held a combination of copper, silver, gold, zinc and lead. Such is our objective.

The two large programs at Anyox and Alice Arm are complemented by additional massive sulphide programs which we consider to be extremely significant. The first of these is a regional property investigation based on geochemical and geophysical occurrences on Vancouver Island. Imperial's staff has been developing this program for some time and has located claims over areas on which studies of Government airborne maps and surface reconnaissance combine with favorable geology to suggest the presence of massive sulphide mineralization. Again, approximately 50 square kilometers of claims have been staked over eight such locations.

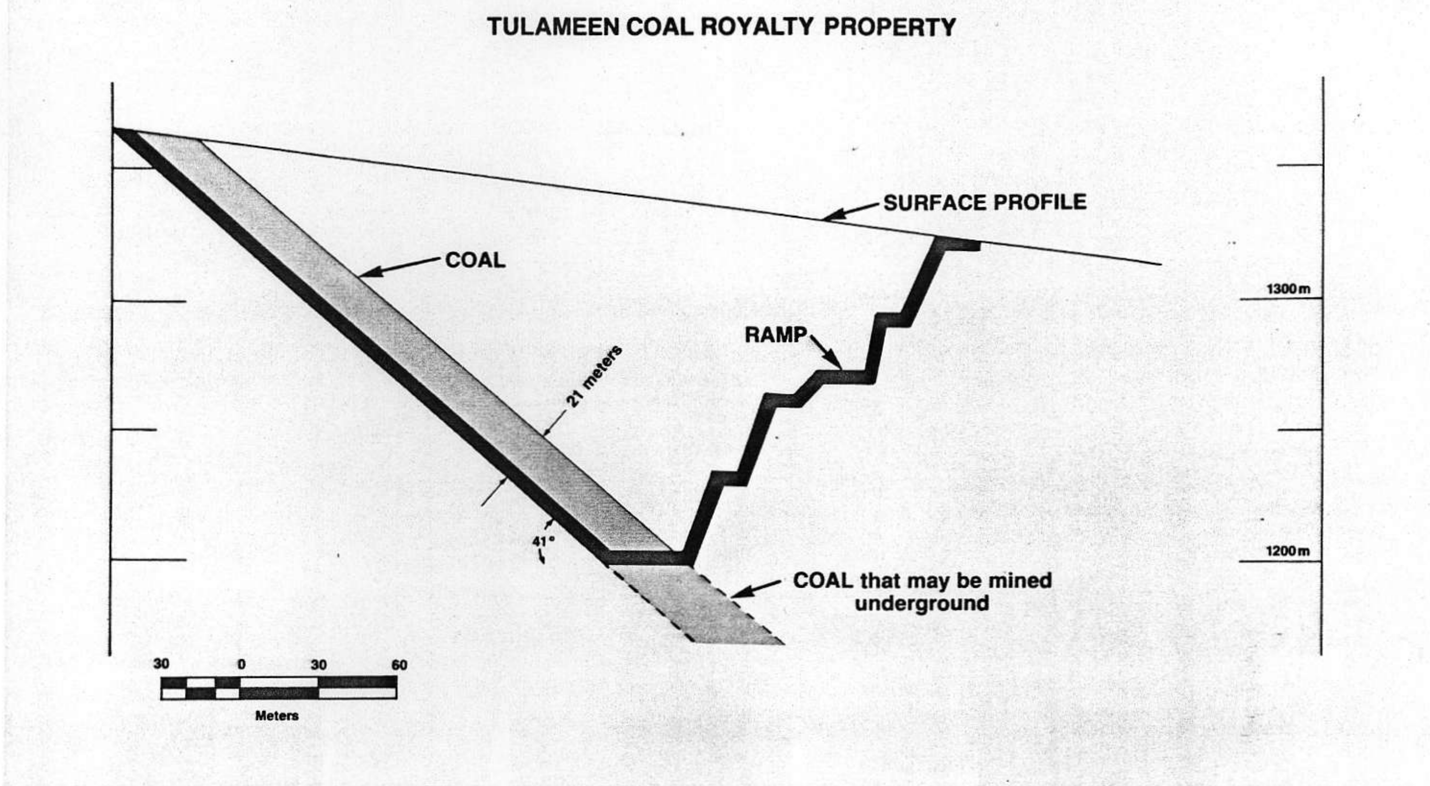
Preliminary investigation is to be by helicopter-mounted geophysics of the most sophisticated type available: INPUT-EM and MAG. Able to detect mineral deposits to depths of 300 meters, this sensitive equipment will respond well to the volcanogenic, poly-metallic massive sulphide-type orebody which we seek. This is the same airborne system that we will be employing at Anyox. A budget of $60,000 has been allocated for airborne geophysics and ground follow-up.

Yet another massive sulphide program ought to be of particular interest to shareholders as it is a very promising exploration and development program on a recently negotiated property option wherein Imperial may spend $1.1 million over four years to earn a 55% working interest. This property is comprised of the Andy and Joe Mineral Claims owned by Mar-Gold Resources Ltd. near Nimpkish Lake on Vancouver Island. This, the Nimpkish project, hosts mineralization similar to that of the Westmin orebodies at Buttle Lake, further south on the Island.

The deposit has been partially explored by Mar-Gold with nine diamond drill holes, only one of which was barren. A number of the drill intersections on this promising property are spectacular from a cost-of-mining approach, even at today's price. DDH J-1-81 intersected 13.7 meters averaging 0.86% copper, 5.17% lead, 14.01% zinc and 42.07 grams silver (1.22 oz) per metric ton. Given the apparent good continuity of the sections and the areal extent of the favorable geological environment, Imperial believes that the potential for further reserves of a mining width of oregrade material sufficient to reach and surpass economic threshold is excellent. Presently-indicated reserves are approximately 80,000 metric tons averaging 1.69% copper, 3.7% lead, 12.5% zinc and 64.68 grams silver (1.886 oz) per metric ton. A schematic of a number of drill intersections is included in this report. Shareholders will appreciate that it will not require a great many more successful drill intersections to begin to contemplate production from this property.

TULAMEEN COAL ROYALTY PROPERTY

A schematic cross-section of the Tulameen coal seam with an outline of the proposed open pit.



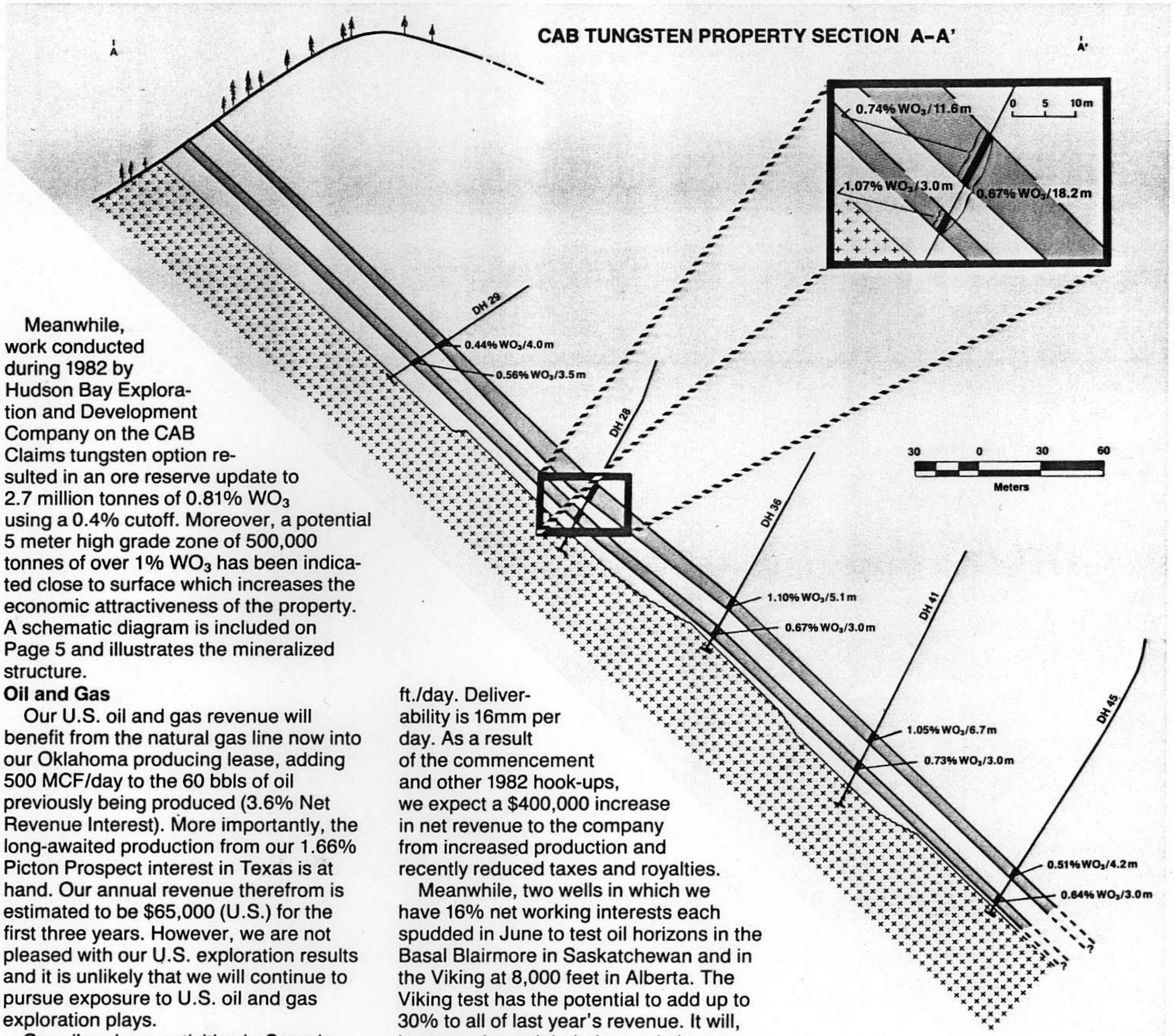
Once again, the initial approach to the Mar-Gold claims will be the airborne INPUT-EM and MAG system which ought to give an indication of direction and areal extent of the deposit, followed by detailed mapping, road construction and diamond drilling. We expect expenditures to fiscal year-end, 1983, to be in the range of $150-$200,000 and we anticipate good results.

Another new mineral property acquisition was the addition of coal royalty lands which lie contiguous to our lands at Ram River and Nordegg in the Alberta Foothills. These were acquired from Rio Alto Exploration Ltd. for a consideration of $100,000 down and $50,000 a year for three years. Our Ram River coal royalty lands now comprise 17,320 acres underlain by 440 million tons of metallurgical quality coal in two flat lying seams of 8 and 12 feet in thickness. These seams are essentially undisturbed and the indicated tonnage has been provided by 400 drill holes. Consolidation Coal Company of Canada owns this coal subject to our right to receive pre-production royalties of $30,000 per year and a production royalty of 12¢ per ton mined. The production royalty represents an undiscounted future income of $52.8 million. We are presently in discussions to further increase our interest in this excellent coal asset.

While new mineral property additions offer substantial speculative appeal, our existing properties continue to undergo advancement and development toward production decisions. The Tulameen Coal Project under development by Cyprus Anvil in which we are entitled to royalties on production has been the subject of a feasibility study by Wright Engineers wherein, at suggested production rates, our annual income from the project would be $525,000. A drawing of the proposed open pit with an indication of how the coal beds lie is presented on Page 4.

CAB TUNGSTEN PROPERTY SECTION A-A'

A schematic cross-section of the two mineralized zones encountered by diamond drilling, showing the thickness and averaged grade of the zones.



Meanwhile, work conducted during 1982 by Hudson Bay Exploration and Development Company on the CAB Claims tungsten option resulted in an ore reserve update to 2.7 million tonnes of 0.81% WO_3 using a 0.4% cutoff. Moreover, a potential 5 meter high grade zone of 500,000 tonnes of over 1% WO_3 has been indicated close to surface which increases the economic attractiveness of the property. A schematic diagram is included on Page 5 and illustrates the mineralized structure.

Oil and Gas

Our U.S. oil and gas revenue will benefit from the natural gas line now into our Oklahoma producing lease, adding 500 MCF/day to the 60 bbls of oil previously being produced (3.6% Net Revenue Interest). More importantly, the long-awaited production from our 1.66% Picton Prospect interest in Texas is at hand. Our annual revenue therefrom is estimated to be $65,000 (U.S.) for the first three years. However, we are not pleased with our U.S. exploration results and it is unlikely that we will continue to pursue exposure to U.S. oil and gas exploration plays.

Our oil and gas activities in Canada were highlighted by the May, 1982 commencement of production from the Unigas Sousa gas unit. This unit covers an area of over 200 square miles. Imperial has a net 5.03% working interest in the many gas wells comprising the unit. Production is currently 8 million cu. ft./day. Deliverability is 16mm per day. As a result of the commencement and other 1982 hook-ups, we expect a $400,000 increase in net revenue to the company from increased production and recently reduced taxes and royalties.

Meanwhile, two wells in which we have 16% net working interests each spudded in June to test oil horizons in the Basal Blairmore in Saskatchewan and in the Viking at 8,000 feet in Alberta. The Viking test has the potential to add up to 30% to all of last year's revenue. It will, however, have tight hole restrictions on news releases.

In summary, the potential for a substantial upward revision of Imperial's resource assets is present in this year's exploration activities. There is every reason for the shareholders of Imperial to view 1982 with utmost optimism.

John P. McGoran, Secretary

Consolidated Financial Report

Imperial Metals Corporation was formed on December 1, 1981, by amalgamation of Invex Resources Limited with its two controlled subsidiaries, Imperial Metals and Power Ltd. and Risby Tungsten Mines Ltd.

The accompanying audited financial statements are the consolidated financial information for the twelve month period for Invex Resources and Imperial Metals & Power only. Risby Tungsten's consolidation of results would have increased revenue by $90,386. Accounting convention dictates that Risby's contribution be included under "Equity in income of a subsidiary company" where shareholders will see a reference to $4,394.

Before discussing the financial results for the year I should advise shareholders that our accounting policies differ from those of most junior resource companies and are much more conservative. Our policy is to account for our activities as an operating company rather than as an exploration company. Under our system all costs pertaining to exploration, development and investment are written off in the year in which they are incurred, rather than capitalized in the present against hoped for earnings in future years. It is our income from operations which we use to explore for an economic mineral deposit and against which we charge all costs incurred in that search. Should we find such a deposit or should our oil and gas exploration efforts add substantially to our income, our books will not be saddled by years of capitalized expenses which will have to be written off before we can report earnings.

Equally, during the fiscal year to March 31, 1982, the company chose to write off certain assets long carried on the books of the amalgamating companies as we were uncertain of their future economic value. This does not mean that we no longer own the assets, nor that they are worthless, it simply means that where it is not possible to accurately identify sufficient future income to recover incurred costs it is preferable to be conservative.

As a result of the above accounting policies our consolidated statement of income reports a substantial loss of $988,282, or 14¢ per share for the year. It should be pointed out that several non-recurring charges in the amount of $437,545 were applied against earnings while a further $295,202 in non-cash charges are shown in the "expense" account.

The year 1982 was not an inexpensive one for the company. Amalgamation costs alone were on the order of $80,000 (including a $50,000 consulting fee to establish fair value for the share exchange), and the costs of three audits, three Vancouver Stock Exchange listings. three legal accounts, indeed three of just about everything, became very expensive. Now, however, we look to a new year and a new corporation with all its assets under one roof.

Had Risby's results been included in those of Imperial's, 1982 revenue would have been $659,808. We expect the year to March 31, 1983 to benefit from a $200,000 increase in Canadian gas revenue, an $80,000 increase in U.S. gas revenue, a $25,000 increase in mineral royalty revenue and an increase in Province of Alberta royalty rebates of approximately $40,000. We see no reason why results should not, therefore, exceed $1,000,000 in revenue for the current year.

Turning to the balance sheet, we have maintained our liquidity and show a positive working capital position of $513,920. Our previously detailed write offs and write downs in our income statement have transferred sufficient previously capitalized costs to deficit to reduce our book value to $4,785,176.

The company receives most of its revenue in the fall and winter months, so in order to smooth out cash flow, it has established a substantial line of credit with a major Canadian bank. The line of credit is also available to enable the company to act quickly should attractive investment opportunities arise.

Both the current and long term notes receivable and future exploration commitments are the result of an agreement made between Invex and Procan Exploration in 1981. In addition, in April, 1982 the company purchased the rights to an additional $343,000 of exploration funds from its co-venturer in the Kelly Creek property. There is now $1,686,000 receivable from Procan Exploration with $968,000 of these funds committed to exploration projects.

Even though the loss recorded this year was high as discussed earlier, your company is in excellent financial shape. The company did not borrow heavily to invest in any one particular resource or any one particular area, but rather spread its exploration funds over oil and gas, coal and mineral targets in both Canada and the U.S.A.

The results are a company that is not heavily in debt, is highly liquid and has the strength to search out and develop a property or properties that will enable it to stand alongside other established successful resource companies in B.C.

Colin K. Campbell, C.G.A.
Treasurer

Consolidated Balance Sheet

March 31, 1982

		1982	1981
Assets			
	Current assets		
	Cash and term deposits	$ 130,175	$1,380,209
	Marketable securities	56,016	250,915
	Accounts receivable		
	Trade	144,902	140,032
	Associated company	—	73,000
	Notes receivable (Note 4)	942,982	1,000,000
	Prepaid expenses	2,445	6,089
		1,276,520	2,850,245
	Notes receivable (Note 4)	400,000	700,000
	Investments (Note 5)	206,900	416,382
	Oil and gas properties and interests (Note 6)	1,284,041	1,183,183
	Mineral properties and interests (Note 7)	1,465,129	1,181,899
	Equipment and leasehold improvement (Note 8)	28,845	39,451
	Goodwill (Note 9)	1,330,644	1,606,453
		$5,992,079	**$7,977,613**
Liabilities			
	Current liabilities		
	Bank loans (Note 10)	$ 150,000	$ 695,900
	Accounts payable and accrued charges	187,855	135,689
	Future exploration commitments (Note 4)	424,745	650,000
		762,600	1,481,589
	Future exploration commitments (Note 4)	200,000	900,000
	Deferred income taxes	100,000	100,000
	Deferred revenue	144,303	120,655
	Minority interest	—	1,091,110
		1,206,903	3,693,354
Shareholders' Equity			
	Share capital (Note 11)	6,006,243	4,573,461
	Deficit	(1,221,067)	(289,202)
		4,785,176	4,284,259
		$5,992,079	**$7,977,613**

Approved by the Board:

Director,
ALAN C. SAVAGE

Director,
HOWARD WRIGHT

Consolidated Statement of Loss

Year Ended March 31, 1982

	1982	1981
Revenue		
Oil and gas	$ 346,676	$ 415,014
Interest and other	132,968	156,450
Option payments	12,000	12,000
Royalties	77,778	12,500
	569,422	595,964
Expenses		
Oil and gas production	135,813	148,512
Exploration and development	225,141	148,336
Depreciation	10,112	10,810
Depletion	98,676	52,397
Administration	391,914	228,333
Consultant fees	118,752	—
Interest and bank charges	26,731	24,214
Amortization of goodwill	186,414	187,575
Other	501	3,936
	1,194,054	804,113
(Loss) Before the following	(624,632)	(208,149)
Gains on sale of marketable securities	50,381	122,016
Write down of investments and properties	(437,545)	—
Equity in income of subsidiary company (Note 1)	4,394	181,858
Minority interest	19,120	(6,351)
	(363,650)	297,523
(Loss) Income before extraordinary items	(988,282)	89,374
Extraordinary items		
Equity in recovery of deferred income taxes	—	148,027
Write-off of incorporation and other costs	—	(12,079)
Write-down of investments and properties	—	(76,746)
	—	59,202
Net (loss) income	**$ (988,282)**	**$ 148,576**
(Loss) Earnings per share (Note 12)		

Consolidated Statement of Changes in Financial Position

Year Ended March 31, 1982

	1982	1981
Sources of working capital		
Operations		
Income before extraordinary items	$ —	$ 89,374
Items not affecting working capital		
Amortization of goodwill	—	187,575
Depreciation and depletion	—	63,803
Equity in income of subsidiary	—	(181,858)
Minority interest	—	6,351
	—	165,245
Proceeds from sale of equipment	5,646	—
Proceeds from sale of share capital for cash	510,660	703,604
Reclassification of deferred revenue to long-term	—	120,655
Issue of share capital for acquisition of and amalgamation with:		
Imperial Metals and Power Ltd.	794,078	—
Risby Tungsten Mines Ltd.	371,876	—
Western Rolling Hills Mines and Oils Limited	—	246,188
Exploration expenditures required in future years	—	500,000
Increase in deferred revenue	23,648	—
Reclassification of notes receivable to current	300,000	—
Reduction of goodwill on amalgamation	262,493	—
Acquisition of subsidiary	64,414	—
	2,332,815	1,735,692
Uses of working capital		
Operations		
Loss before extraordinary items	988,282	—
Items not affecting working capital		
Amortization of goodwill	(186,414)	—
Depreciation and depletion	(109,020)	—
Equity in income of subsidiary	(4,394)	—
Minority interest	19,120	—
Write down of investments and properties	(437,545)	—
	270,029	—
Acquisition of subsidiaries	—	24,709
Reduction of exploration expenditures required in future years	700,000	—
Increase in notes receivable	—	200,000
Repurchase and cancellation of share capital	187,415	—
Goodwill on amalgamation	78,116	18,205
Reduction of minority interest on amalgamation	1,374,279	237,609
Purchase of investments	81,958	229,444
Reclassification of investment to long-term	20,000	—
Purchase of oil and gas and mineral properties and interests	471,680	342,430
Purchase of equipment	4,074	17,042
	3,187,551	1,069,439
(Decrease) Increase in working capital	(854,736)	666,253
Working capital, beginning of year	1,368,656	702,403
Working capital, end of year	**$ 513,920**	**$1,368,656**

Consolidated Statement of Deficit

Year Ended March 31, 1982

	1982	1981
Deficit, beginning of year	$ 289,202	$ 437,778
(Loss) Income for the year	(988,282)	148,576
	1,277,484	289,202
Discount on repurchase and cancellation of shares	56,417	—
Deficit, end of year	**$1,221,067**	**$ 289,202**

Auditor's Report

To the Shareholders of Imperial Metals Corporation:

We have examined the consolidated balance sheet of Imperial Metals Corporation as at March 31, 1982 and the consolidated statements of loss, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE HASKINS & SELLS
Auditors

June 24, 1982

Notes to the Consolidated Financial Statements

March 31, 1982

1. Business acquisition and amalgamation

Under an agreement dated September 1, 1981 and effective December 1, 1981, Invex Resources Limited amalgamated with its subsidiary companies, Imperial Metals and Power Ltd. and Risby Tungsten Mines Ltd., with the continuing company adopting the name of Imperial Metals Corporation.

These financial statements have been prepared on the basis that Imperial Metals and Power Ltd. and Invex Resources Limited had been a combined entity since the date of acquisition of the majority of the shares of the former company by the latter in March, 1981. The comparative figures are therefore the previously reported consolidated amounts.

Invex Resources Limited acquired a 34% interest in Risby Tungsten Mines Ltd. in March 1981 and acquired the balance of the shares by cash purchases and a one-for-two share exchange at the date of amalgamation. Details of this acquisition are:

Working capital	$109,697
Investment	35,000
Mineral property	340,417
Other	1,310
	486,424
Minority interest	(8,529)
Equity in income to November, 1981	(4,394)
Net assets acquired	473,501
Goodwill	173,098
Total consideration	646,599
Cash consideration	274,723
Share consideration (Note 11)	**$371,876**

The activities of Risby Tungsten Mines Ltd. for the period April 1, 1981 to the date of amalgamation which are not included in these financial statements, other than the equity in net income, were:

Option payments received	$ 75,000
Interest income	15,386
Exploration and development expenditures	(39,732)
Administration expenditures	(37,731)
Net income	12,923
Less minority interest therein	8,529
Company's share of net income	**$ 4,394**

The minority interest in Imperial Metals and Power Ltd. was acquired as a result of the amalgamation.

2. Basis of consolidation

The consolidated financial statements include the accounts of the company, and its wholly-owned subsidiaries, Resoursex Ltd. and Imex Explorations Inc., and have been prepared using the purchase method of accounting whereby the difference between the cost of the company's interest in its subsidiaries and the fair value of identifiable assets acquired is accounted for as goodwill.

The consolidated financial statements also include the company's 50% interest in the Kelly Creek and 70% interest in the Alexis Creek Joint Ventures.

3. Other significant accounting policies

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

Marketable securities

Marketable securities are carried at cost and written down to market value when declines below cost occur. Market value approximates cost at March 31, 1982.

Investments

Investments are accounted for at cost. The investments are written down to market value if the decline in value is significant and permanent.

Resource Operations

Oil and gas properties and interests

The company uses the successful efforts method of accounting for its oil and gas properties and interests on a field basis whereby all costs related to the exploration for, and development of oil and gas reserves are initially capitalized and subsequently written off when a particular property or interest is evaluated as being non-productive. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, cost of drilling wells and all technical and administrative overhead directly associated with exploration and development. Proceeds received from disposal of properties are credited against accumulated costs except when the sale represents a significant disposal of reserves in which case a gain or loss is recorded. Depletion of net costs is provided by a composite unit-of-production method based on estimated proven reserves of oil and gas determined primarily by independent consulting engineers. The company accounts for its oil and gas exploration and development activities as a separate business from its activities in the mining industry.

Mineral properties and interests

Mineral properties and interests are recorded at acquisition cost. All exploration and development costs are expensed as incurred and all option payments and royalties received are included in income.

The carrying values of oil and gas properties and interests and mineral properties and interests are not intended to reflect present or future values.

Depreciation and amortization

Equipment is depreciated on the declining-balance basis at the rates of 20% for office equipment and 30% for exploration equipment and vehicles.

Leasehold improvements are amortized on a straight-line basis over the term of the related lease.

Goodwill is amortized on a straight-line basis over ten years.

Deferred revenue

The company records revenue from oil and gas operations as reserves are produced and sold. Payments received attributable to gas contracted for but not delivered are recorded as deferred revenue until delivery is made.

Translation of foreign currency

The accounts of the company's United States subsidiaries have been translated into Canadian dollars as follows:

Current assets and current liabilities at the rate of exchange prevailing at the balance sheet date.

Other assets, accumulated depreciation and depletion and other liabilities at the rate of exchange prevailing at the time of acquisition of the assets or assumption of the liabilities.

Revenue and expenses (other than depreciation and depletion) at rates approximating the rates of exchange prevailing on the dates of the transactions.

Gains and losses on translation are included in income.

4. Notes receivable and future exploration commitments

During the previous year the company entered into agreements for the sale of the following royalty interests in its mineral properties:

Kelly Creek Joint Venture	$ 750,000
Groundhog Coal Licenses	1,750,000
Gross proceeds	2,500,000
Less: Future exploration expenditures required under the agreements	
Kelly Creek Joint Venture — by March 31, 1984	750,000
Groundhog Coal Licenses — by December 31, 1982	800,000
	1,550,000
Net Proceeds	**$ 950,000**

The gross proceeds of $2,500,000 were payable $800,000 in cash and notes receivable of $1,700,000, of which $357,018 have been paid to date. The notes are unsecured, interest free, irrevocable and non-transferrable, and the unpaid balance is receivable as follows:

	1982	1981
March 31, 1981	$ —	$ 250,000
March 31, 1982 (received subsequently)	642,982	750,000
March 31, 1983	300,000	300,000
March 31, 1984 - 1987 at $100,000 annually	400,000	400,000
	1,342,982	1,700,000
Current portion	942,982	1,000,000
Long-term	**$ 400,000**	**$ 700,000**

Management estimates that the required future exploration expenditures will be made according to the following schedule:

Exploration Season	Amount
1982	$ 424,725
1983	200,000
	624,745
Exploration expenditures during the year	925,255
Total exploration expenditures required under the agreements	**$1,550,000**

The company has reached an agreement in principle with the purchaser of the royalty interests to transfer the required future exploration expenditures and the rights under the agreements from the Kelly Creek and Groundhog properties to other mineral properties because the former properties have been evaluated as being currently uneconomic.

Subsequent to March 31, 1982, the company purchased the rights to the unexpended funds and the right and title to resource discoveries made with these funds under the Kelly Creek agreement from its co-venturer.

5. Investments

	1982		1981
	Cost	Estimated Market Value	Cost
Cathedral Minerals Ltd.	$ 46,401	$ 39,500	$ 12,182
Cima Resources Limited	33,000	30,000	150,000
Dayton Creek Silver Mines Ltd.	107,499	98,000	24,760
Pageant Petroleums Ltd.	20,000	12,500	—
Risby Tungsten Mines Ltd.	—	—	229,440
	$206,900	**$180,000**	**$416,382**

Cathedral Minerals Ltd. acquired all the outstanding shares of Pageant Petroleums Ltd. subsequent to the year-end.

The investments in Cathedral Minerals Ltd. and Dayton Creek Silver Mines Ltd. include 400,000 and 250,000 escrowed shares respectively. In accordance with industry practice, the quoted market value of these shares has been discounted by 80% in computing the estimated market value of the investments.

6. Oil and gas properties and interests

	Canada		United States		Total	
	1982	1981	1982	1981	1982	1981
Accumulated costs	$1,153,292	$914,842	$645,438	$421,666	$1,798,730	$1,336,558
Less:						
costs written off	—	—	266,474	—	266,474	—
	1,153,292	914,842	378,964	421,666	1,532,256	1,336,558
Less:						
Accumulated depletion	245,908	152,313	2,307	1,062	248,215	153,375
	$ 907,384	**$762,579**	**$376,657**	**$420,604**	**$1,284,041**	**$1,183,183**

7. Mineral properties and interests

	1982	1981
Interests in and advances to joint ventures	$ 1	$ 46,001
Mineral properties and interests, at acquisition cost		
CAB claim group, Yukon	331,673	—
Tulameen, B.C.	231,800	231,800
Merritt, B.C.	388,600	388,600
Lodestone Iron, B.C.	357,599	357,599
Kamloops, B.C.	75,083	75,083
Cache Creek, B.C.	39,625	39,625
Cunningham Creek, B.C.	23,100	23,100
Kelly Creek, B.C.	8,615	8,615
Aspen Grove, B.C.	7,500	7,500
Other	1,533	3,976
	$1,465,129	**$1,181,899**

A survey has not been made of all the company's mineral claims, and therefore, in accordance with the laws of the jurisdiction in which such properties are situated, the location and area of the unsurveyed mineral claims could be in doubt.

The company has granted an option on the Kamloops property to Cominco Ltd. The option agreement requires that certain exploration costs be incurred annually and that annual option payments of $25,000 be made from 1985 to 2000, if the property has not been put into production by that time.

The company granted an option on 128 mineral claims in the CAB claim group, to Hudson Bay Exploration and Development Company Limited. The option agreement provides for a series of payments to the company and minimum expenditures to be made on the property by the optionee over the balance of the option period in order to earn up to an 80% participating and net profit interest in the property. If the option is fully exercised the company will receive $400,000 in varying amounts over five years from May 1, 1979, of which $175,000 has been received to date ($75,000 was received in the current year). The optionee has spent approximately $1,334,000 on the property, fulfilling the requirements of the agreement. If the optionee exercises the option and develops a producing mine, the optionee can acquire, or the company can cause the optionee to acquire, the company's residual 20% participating interest for $1,000,000. The company will then hold only a 20% net profit interest in the property.

The company has granted an option on one of its other resource properties to Consolidated Coal Co. of Canada Ltd. and receives $12,000 annually. Should the option be exercised, the amounts received to date will reduce the future royalty payments which will accrue on production. Subsequent to March 31, 1982, the company acquired an additional 10,000 acres which are subject to the same agreement for $250,000, entitling it to receive additional annual option payments of $18,000.

The company has entered into an option agreement, which can be terminated at any time, on the Tulameen property with Cyprus Anvil Mining Corporation for which it has received option payments of $197,778 and is to receive advance royalties of $77,778 per year.

8. Equipment and leasehold improvements

	1982			1981
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Exploration and office equipment	$54,288	$36,111	$18,177	$20,015
Vehicles	24,423	15,205	9,218	17,114
	78,711	56,316	27,395	37,129
Leasehold improvements	3,486	2,036	1,450	2,322
	$82,197	**$58,352**	**$28,845**	**$39,451**

9. Goodwill

	1982	1981
Arising on the acquisition of and subsequent amalgamation with Western Rolling Hills Mines and Oils Limited	$1,017,439	$1,017,439
Less accumulated amortization	301,591	199,847
	715,848	817,592
Arising on acquisition of Imperial Metals and Power Ltd.	876,512	876,512
Less reduction on amalgamation	262,493	—
	614,019	876,512
Less accumulated amortization	166,551	87,651
	447,468	788,861
Arising on acquisition of and subsequent amalgamation with Risby Tungsten Mines Ltd.	173,098	—
Less accumulated amortization	5,770	—
	167,328	—
	$1,330,644	**$1,606,453**

10. Bank loans

The bank loans are payable on demand and are secured by an assignment of book debts and certain of the company's oil and gas properties and interests located in Alberta.

11. Share capital

Authorized
250,000 cumulative preferred shares with a par value of $20 each, redeemable at par
20,000,000 common shares with no par value

Issued and fully paid *Common shares*	Number of shares	Issue price or attributed value
Balance, beginning of year	$6,055,705	$4,573,461
Issued during year		
For cash	325,000	510,000
On the exercise of options	500	659
For shares on amalgamation with:		
Risby Tungsten Mines Ltd.	526,251	371,876
Imperial Mines and Power Ltd.	1,134,047	794,078
For purchase of interest in oil and gas property	20,000	1
	8,061,503	6,250,075
Less shares repurchased and cancelled by the company	(314,500)	(243,832)
Balance, end of year	**$7,747,003**	**$6,006,243**

Subsequent to the year-end, the company repurchased an additional 70,500 shares for $35,120.

The company is in the process of obtaining the necessary regulatory approvals in order to issue options for 538,000 shares to directors, officers and employees.

12. (Loss) Earnings per share

	1982	1981
(Loss) Earnings per share before extraordinary items	**$(0.14)**	**$0.01**
(Loss) Earnings per share after extraordinary items	**$(0.14)**	**$0.02**

(Loss) Earnings per share are calculated on the basis of the weighted average shares outstanding during the year of 6,836,440 (1981 - 6,055,705).

13. Segmented information

The company is involved in the exploration for and development of oil and gas and mineral properties and investing in companies involved in similar enterprises.

	Canada		United States		Eliminations		Consolidated	
	1982	1981	1982	1981	1982	1981	1982	1981
Revenue generated from outside the enterprise								
Oil and gas properties and interests	$ 320,820	$ 410,438	$ 25,856	$ 4,576	$ —	$ —	$ 346,676	$ 415,014
Mineral properties and interests	89,778	24,500	—	—	—	—	89,778	24,500
Investments and other	132,968	156,450	—	—	—	—	132,968	156,450
	$ 543,566	**$ 591,388**	**$ 25,856**	**$ 4,576**	**$ —**	**$ —**	**$ 569,422**	**$ 595,964**
Segment operating income (loss)								
Oil and gas properties and interests	$ (301,557)	$ (18,178)	$(255,326)	$ 2,366	$ —	$ —	$ (556,883)	$ (15,812)
Mineral properties and interests	(295,626)	(133,444)	(46,421)	—	—	—	(342,047)	(133,444)
Investments and other	(89,352)	238,630	—	—	—	—	(89,352)	238,630
	$ (686,535)	**$ (87,008)**	**$(301,747)**	**$ 2,366**	**$ —**	**$ —**	**$ (988,282)**	**$ 89,374**
Identifiable assets								
Oil and gas properties and interests	$2,265,958	$1,862,857	$ 307,559	$420,604	$(387,446)	$(136,565)	$2,186,071	$2,146,896
Mineral properties and interests	3,437,834	3,690,775	—	—	—	—	3,437,834	3,690,775
Investments and other	368,174	2,139,942	—	—	—	—	368,174	2,139,942
	$6,071,966	**$7,693,574**	**$ 307,559**	**$420,604**	**$(387,446)**	**$(136,565)**	**$5,992,079**	**$7,977,613**
Depletion, depreciation and amortization								
Oil and gas properties and interests	$ 195,339	$ 151,258	$ 1,209	$ 1,062	$ —	$ —	$ 196,548	$ 152,320
Mineral properties and interests	94,940	94,988	—	—	—	—	94,940	94,988
Investments and other	3,714	3,474	—	—	—	—	3,714	3,474
	$ 293,993	**$ 249,720**	**$ 1,209**	**$ 1,062**	**$ —**	**$ —**	**$ 295,202**	**$ 250,782**
Capital expenditures								
Oil and gas properties and interests	$ 283,091	$ 71,139	$ 177,700	$159,153	$ —	$ —	$ 460,791	$ 230,292
Mineral properties and interests	362,417	1,022,269	83,684	—	—	—	446,101	1,022,269
Investments and other	218,428	596,503	12,000	12,543	—	—	230,428	609,046
	$ 863,936	**$1,689,911**	**$ 273,384**	**$171,696**	**$ —**	**$ —**	**$1,137,320**	**$1,861,607**

14. Income taxes

As at March 31, 1982 the company had exploration and development expenses of approximately $700,000 available under the provisions of the Income Tax Act to reduce taxable income in future years. The potential future tax benefits which may arise from these deductions have not been reflected in these consolidated financial statements.

15. Other subsequent events

In addition to the events which occured after March 31, 1982 disclosed elsewhere in these consolidated financial statements, the company agreed to enter into an option agreement to acquire a 55% working interest in mineral claims located on Vancouver Island for $200,000 cash payable over four years and a commitment to spend $1,100,000 on the claims by June 1, 1986.

The company also agreed to acquire a 16½% working interest in an oil prospect for estimated expenditures of $212,000.

16. Comparative figures

Deferred revenues at March 31, 1981 amounting to $120,655 have been reclassified from current to non-current liabilities in accordance with industry practice. Working capital at March 31, 1981 has been increased accordingly.

The comparative figures have also been reclassified where necessary to conform with the presentation used in the current year.

Directors and Officers

Directors

Alan C. Savage
President

John P. McGoran
Corporate Secretary

Colin K. Campbell, C.G.A.
Treasurer

Howard Wright
President, Howard Wright & Associates Ltd.

David Chiu
Retired

Dr. Charles F. Michener
Partner, Derry, Michener & Booth

Dean Lapointe
President, Lapointe Wiebe & Associates

Corporate Information

Bankers

Bank of Montreal
First Bank Tower
595 Burrard Street
Vancouver, B.C. V7X 1L7

Registrar and Transfer Agent

Guaranty Trust Company of Canada Ltd.
Toronto and Vancouver

Auditors

Deloitte Haskins & Sells
Chartered Accountants
Suite 2000
1055 Dunsmuir Street
Vancouver, B.C. V7X 1P4

Solicitors

Russell & DuMoulin
Suite 1700
1075 West Georgia Street
Vancouver, B.C. V6E 3G2

Stock Exchange Listing

Vancouver Stock Exchange
Symbol: IPM

Head Office

Imperial Metals Corporation
Suite 709
744 West Hastings Street
Vancouver, B.C. V6C 1A9
(604) 669-8959
Telex 04-55590

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Kerry Jackson Graphic Design,
Craig Aspinall & Associates Ltd.
Vancouver B.C.