

MOUNT POLLEY MINE

The Mount Polley open pit gold/copper mine is located 56 kilometres northeast of Williams Lake in central British Columbia. The mine was built by Imperial in 1996-97 with a design capacity of 18,000 tonnes per day and began production in June 1997.

At year end, Imperial completed an agreement with Sumitomo Corporation that resulted in a restructuring of the mine's term debt and Imperial acquiring 100% ownership of the Mount Polley mine. The purchase price, including the restructuring of term debt, consists of fixed and conditional payments totaling \$11.5 million payable over ten years.

During 2000, 16.5 million tonnes of material were mined from the Cariboo and Bell Pits, of which 7.85 million tonnes were ore. The mine continued to segregate low-grade material in response to low metal prices. This material is defined as that which is uneconomic at current metal prices, but would be economic at Feasibility Study metal prices. At the end of the year, 2.0 million tonnes of low-grade material grading 0.22% copper and 0.31 g/t gold, and 0.65 million tonnes of higher grade material grading 0.34% copper and 0.52 g/t gold, had been stockpiled for future processing.

Approximately 24.0 million tonnes of ore grading 0.575 g/t gold and 0.330% copper have been mined at Mount Polley.

Probable Ore Reserves (as of April 30, 2001)

	Ore (tonnes)	Copper (% Cu)	Oxide Ratio (%)	Gold (g/t)	Strip Ratio
Cariboo Pit	1,687,227	0.269	15.20	.487	0.48
Bell Pit	5,099,907	0.355	3.54	.370	1.88
Springer Pit	23,457,988	0.367	20.70	.367	2.09
Total	30,245,122	0.360	17.61	.374	1.96

These reserves have been calculated and reviewed by Greg Gilstrom, P. Eng., Chief Geologist, an employee of Imperial Metals Corporation, and who has been designated as its Qualified Person for this purpose. The reserves are calculated at metal prices of US\$1.00 per pound of copper and US\$300 troy ounce of gold, along with the anticipated costs and recoveries of metals based on the operating history at Mount Polley.

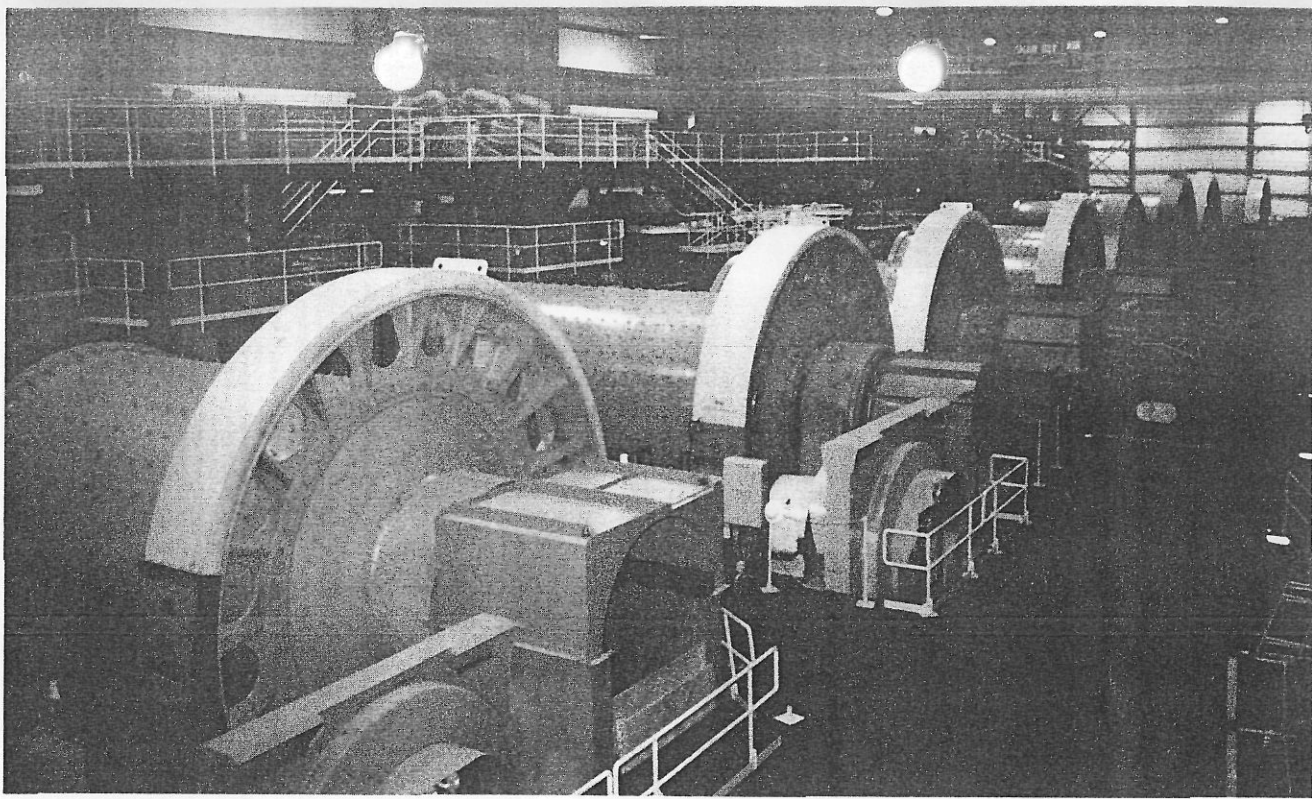
The Mount Polley concentrator processed a total of 6.95 million tonnes for the period January 1 to December 31, 2000, a 2% decrease from the 7.09 million tonnes milled during the same period in 1999. This throughput was achieved despite reduced production during a two month period. On May 8, Ball Mill No. 1 was taken off line due to the failure of the feed-end head and not returned to service until July 7, 2000. Metal recoveries during the year were 70% for copper and 75% for gold.

Reclamation research initiated in 1998 at the Mount Polley mine continued during the year. The first phase evaluates various soil applications for reclamation of the surface of the Rock Disposal Sites (RDS). During the year, phase two was initiated to evaluate reclamation prescriptions on a re-sloped section of the RDS. Phase three of the research program will see reclamation trials at the Tailings Storage Facility (TSF) in 2001.

Construction of wrap around sections for the RDS began in 2000. By utilizing this type of construction technique, reclamation costs for re-sloping of the RDS will be significantly reduced.

Permits were obtained for the construction of two additional RDS on the west side of the proposed Springer Pit. These newly permitted areas will decrease the cost of developing the Springer Pit, as rock haulage distances will be reduced.

The capacity of the TSF was increased by raising the height of the two existing embankments by 1.5 metres to an elevation of 942.5 metres. A third embankment



Grinding floor, Mount Polley Mine
 Photo: George Wight, General Manager

was constructed and also raised to the 942.5 metre elevation. The embankments were constructed from a combination of quarried rock, cycloned sand and glacial till. Further expansion of the TSF is planned for 2001 by increasing the embankments by an additional 2.5 metres to the 945 metre elevation.

Production statistics, as shown below, represent 100% of mine production, 52.5% of which was allocable to Imperial in 2000. Production in 2001 will be 100% allocable to Imperial.

	2000	1999
Ore milled (tonnes)	6,949,600	7,090,465
Ore milled per calendar day (tonnes)	18,988	19,426
Ore milled per operating day (tonnes)	20,683	21,299
Grade (%) – Copper	0.317	0.343
Grade (g/t) – Gold	0.493	0.566
Recovery (%) – Copper	70.39	69.35
Recovery (%) – Gold	75.46	77.40
Copper produced (lbs)	34,180,843	37,100,904
Gold produced (ounces)	83,194	99,585

Break Even Requirement

*Au @ 280
 Cu @ 65 4/16*

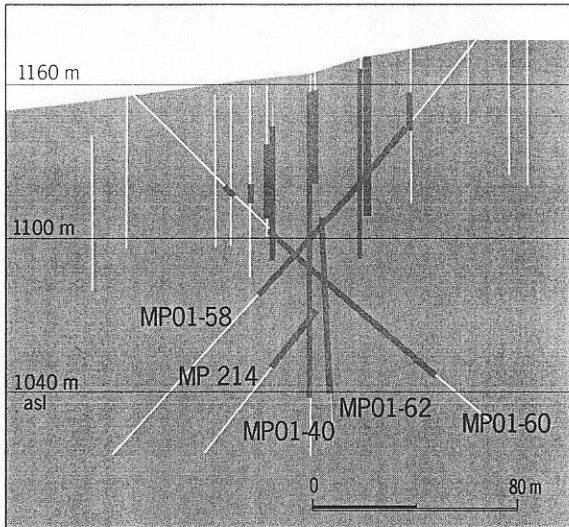
The 2000 exploration program at Mount Polley included percussion and core drilling in the following areas: 207, Bell, C2, Cariboo Pit, Southeast and Springer.

A total of 226 percussion holes for 10,652 metres and 26 core holes for 4,875 metres were completed. This drilling successfully defined previously known copper and gold mineralization in the C2, 207 and Southeast zones, and revealed higher grade copper and gold mineralization north of the proposed Springer Pit.

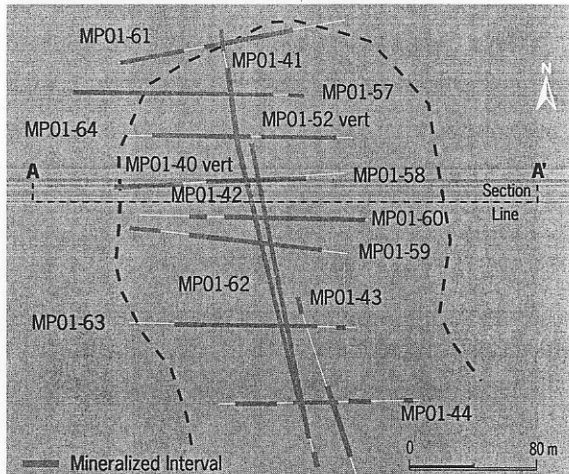
Fourteen core holes for 689 metres and ten percussion holes for 831 metres were drilled in the C2 zone, and five core holes for 901 metres and three percussion holes for 224 metres were drilled in the 207 zone. Both of these zones are located just south of the Cariboo pit. Drilling in the C2 and 207 zones increased the geological resource to approximately five million tonnes at 0.257% total copper and 0.337 g/t gold at an oxide ratio of 20.2%.

Ninety-nine percussion holes for 4,177 metres and three core holes for 411 metres were drilled in the Southeast zone that lies approximately two kilometres southeast of the Cariboo Pit. Drilling in this area added a geological resource of one million tonnes at 0.333% total copper, 0.239 g/t gold at an oxide ratio of 29.0%. There is room for expansion of this zone to the north, east and south.

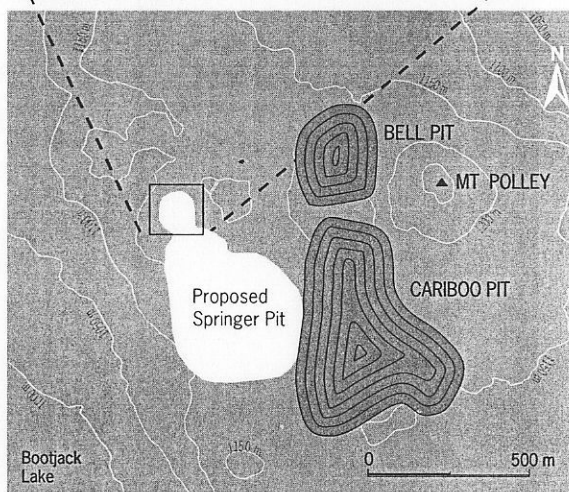
Mount Polley Mine
 Year 2000 North Springer Extension Zone
 Phase 1 Diamond Drilling



Section View A - A'



North Springer Extension Zone Plan View



Mount Polley Open Pit Plan

Thirty-nine percussion holes for 1,670 metres were drilled in and north of the proposed Springer Pit. The program was successful in defining new near-surface copper-gold mineralization that has been named the North Springer Extension Zone. Early in 2001 a core-drilling program was approved to follow-up this discovery. Phase 1 drilling has intersected significant mineralization, and the initial results from this program were released on March 7, 2001. The significant results from 2001 Phase 1 drilling in the North Springer Extension Zone are summarized below.

North Springer Extension Zone Significant Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Cu Oxide (%)	Au (g/t)	
MP-01-40	6.1	128.3	122.2	0.620	28.5	1.55	
MP-01-41	11.0	110.0	99.0	0.562	31.7	0.54	
MP-01-42	7.9	88.0	80.1	0.609	39.3	0.73	
	and	15.0	245.5	95.5	6.0	0.41	
MP-01-43	96.5	158.6	62.1	0.440	74.5	0.16	
MP-01-44	48.0	63.9	15.9	0.438	61.1	0.13	
	and	90.8	118.5	27.7	48.9	0.15	
MP-01-52	5.5	22.0	16.5	0.405	39.9	0.36	
	and	26.0	80.6	54.6	21.4	0.64	
	and	86.9	106.0	19.1	21.0	0.28	
	and	126.5	166.5	40.0	16.6	0.26	
MP-01-57	32.0	116.0	84.0	0.420	20.6	0.47	
MP-01-58	42.0	130.0	88.0	0.645	12.5	0.77	
	and	181.5	195.0	13.5	8.5	0.36	
	and	201.0	212.3	11.3	0.309	22.7	0.52
MP-01-59	25.0	138.0	113.0	0.489	13.3	0.28	
	and	178.0	200.0	22.0	0.362	25.2	0.48
MP-01-60	79.9	170.0	90.1	0.660	13.6	1.05	
MP-01-62	57.7	177.0	119.5	0.514	18.1	0.63	
MP-01-63	43.0	63.3	20.3	0.348	76.5	0.39	
	and	68.7	118.4	49.7	67.8	0.34	
	and	123.5	148.0	24.5	0.369	66.9	0.17
MP-01-64	32.5	53.0	20.5	0.329	67.9	0.33	
	and	65.0	107.0	42.0	0.432	23.3	0.22

To Our Shareholders

The comparative financial results for the three months ended March 31, 2001 and March 31, 2000 are summarized below:

<i>(unaudited)</i>	March 31, 2001	March 31, 2000
Revenues	\$35,168,000	\$24,978,000
Net Loss	\$(1,621,000)	\$(238,000)
Net Loss Per Share	\$(0.02)	\$(0.00)
Cash Flow	\$4,853,000	\$4,419,000
Cash Flow Per Share	\$0.06	\$0.06

Operations – Mount Polley Mine

Imperial is operator and 100% owner of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake, B.C. Production results for the three months ended March 31, 2001 are summarized below:

	March 31, 2001
Ore milled (tonnes)	1,711,496
Ore milled per calendar day (tonnes)	19,017
Ore milled per operating day (tonnes)	20,183
Grade (%) – Copper	0.310
Grade (g/t) – Gold	0.581
Recovery (%) – Copper	72.8
Recovery (%) – Gold	74.8
Copper produced (lbs)	8,509,762
Gold produced (ounces)	23,918

Operations – Huckleberry Mine

Imperial is operator and 50% owner of the Huckleberry open pit copper/molybdenum mine located 123 kilometres southwest of Houston, B.C. Production results for the three months ended March 31, 2001 are summarized below:

	March 31, 2001
Ore milled (tonnes)	1,785,628
Ore milled per calendar day (tonnes)	19,840
Ore milled per operating day (tonnes)	21,294
Grade (%) – Copper	0.544
Grade (%) – Molybdenum	0.016
Recovery (%) – Copper	94.3
Recovery (%) – Molybdenum	77.4
Copper produced (lbs)	20,170,949
Molybdenum produced (lbs)	502,050

Exploration – Sterling (Nevada)

Imperial has discovered deep high grade gold mineralization at its Sterling property, located near Beatty, Nevada, 185 km northwest of Las Vegas.

Historically, mining and exploration at Sterling have been concentrated on a gently dipping horizon, the Sterling thrust, from which approximately 200,000 ounces of gold have been produced from underground and open pit ore grading on average 7 grams per tonne (0.22 ounces per ton Au).

IM-AR - '00

L E T T E R T O S H A R E H O L D E R S

The Mount Polley and Huckleberry mines continued to operate efficiently in 2000. While both mines have been a technical success, they have yet to generate the financial returns that were expected when they were given the go ahead for construction in 1996, on the assumption that long term metal prices would be US\$1/lb for copper and US\$380/oz for gold.

Copper and gold prices on the London Metal Exchange averaged US\$0.82/lb and US\$279/oz respectively in 2000. While copper fared better in 2000 than in 1999, when it averaged US\$0.71/lb, gold was essentially flat, having averaged just under US\$279/oz in 1999. The current economic slowdown coupled with the continuing strength of the US dollar have had a negative impact on both metals, with copper averaging approximately US\$0.79/lb and gold averaging approximately US\$262/oz in the first quarter of 2001.

MOUNT POLLEY

At year end 2000, Imperial acquired Sumitomo Corporation's 47.5% interest in Mount Polley for \$4.5 million cash, increasing Imperial's holding to 100%. The transaction also involved the restructuring of Mount Polley's outstanding term debt which was converted to a \$7 million non-recourse and non-interest bearing loan, repayable over a period of up to 10 years at a maximum rate each year of 10 monthly payments of \$116,667 each, conditional on the mine continuing to operate.

The unexpected failure of one of the ball mills in May 2000 reduced productive capacity while repairs were carried out over a two month period. Notwithstanding this extended period of curtailed production, mine operations on the whole were excellent and tonnes milled were down only 2% from the level achieved in 1999.

The average grade of both copper and gold mined during the year was down from 1999 levels resulting in lower metal production. In 2000, 34.2 million pounds of copper and 83,194 ounces of gold were produced, compared to 37.1 million pounds of copper and 99,585 ounces of gold in 1999.

Imperial has been actively exploring at Mount Polley since acquiring 100% ownership of the mine. This work is ongoing and to date, a total of 65 shallow percussion holes have been drilled to identify new prospective areas and add to existing resources. This work led to the discovery, announced in March 2001, of a new high grade zone called North Springer Extension Zone which is immediately adjacent to the proposed Springer Pit. Evaluation of this new zone is ongoing, as is work to further define the mineralization within the currently designed Springer Pit. Imperial intends to prepare the Springer Pit for mining in 2001.

HUCKLEBERRY

Huckleberry enjoyed an excellent year winning the B.C. Ministry of Mines Edward Prior Safety Award and increasing the mill throughput rate by 3% as a result of improvements in the grinding circuit. The average grade of copper mined during the year fell from 0.586% in 1999 to 0.502% in 2000 resulting in the production of 73.8 million pounds of copper during the year compared to 81.7 million pounds in 1999. Molybdenum grades were also lower, but substantially improved recoveries pushed production to 1.3 million pounds in 2000 compared to 977,000 pounds in 1999.

The financial restructuring package agreed upon in 1999 by Imperial and the Japan Group, a consortium made up of Marubeni Corporation, Mitsubishi Materials Corporation, Dowa Mining Co. Ltd. and Furukawa Co. Ltd., continued to shelter Huckleberry from payment of principal and interest on its loans to the Japan Group during the year. These loans are non-recourse to

Imperial. All amounts deferred will be repayable on January 1, 2002. As Huckleberry is unlikely to be able to generate sufficient free cash flow to make this payment, the lenders may choose to exercise their security or make a new loan restructuring arrangement. This could result in Imperial forfeiting, reducing or otherwise changing its economic interest in the Huckleberry mine.

FINANCIAL

Improved copper prices and a weaker Canadian dollar were not sufficient to offset lower metal production in 2000. Operating revenues were \$94.4 million and operating loss was \$9.6 million compared to operating revenues of \$95.1 million and operating loss of \$2.4 million in 1999. Cash flow from operations was positive at \$8.9 million down from \$18.0 million in 1999. The net loss decreased to \$2.5 million compared to \$6.1 million in 1999. A gain of \$9.0 million was recorded on the restructuring of interest in Mount Polley Mine and related long term debt.

OUTLOOK

There is good support for the view that copper and gold prices will cycle back to higher levels. On the copper front, dramatically higher energy prices in the United States are putting pressure on US based production. There are fewer new sources of supply coming on stream compared to a few years ago and demand continues to grow even in the face of the current economic downturn. In British Columbia, where both the Mount Polley and the Huckleberry mines are located, power prices are now among the lowest in North America.

Gold remains an important element of global monetary reserves. The limitations on gold sales and gold

lending agreed to by key central banks as part of the September 1999 "Washington Accord" has put gold on a stronger footing. Jewelry demand continues to grow and many analysts believe that the price of gold will respond positively to the anticipated weakening of the US dollar as economic growth in the US slows down, interest rates decline and the US money supply continues to increase.

Our objective at Mount Polley and at Huckleberry will be to maintain production while carrying out sufficient exploration to replace mined reserves so that productive capacity and resources are available when metal prices turn up.

Imperial is a proven mine developer and operator and while remaining focused on its operations will continue to look for new opportunities for growth in the mining business.

We thank our employees for their dedication and commitment in what continues to be a difficult period in the mining industry. The significant achievements of the past year would not have been possible without their remarkable efforts. We also thank our shareholders for their support and interest in Imperial.



N. Murray Edwards
Chairman and Chief Executive Officer



Pierre Lebel
President

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Year 2000 revenues were \$94.4 million and cash flow was \$8.9 million. Loss was reduced to \$2.5 million.

Acquisition of Sumitomo Corporation's 47.5% interest in Mount Polley increased Imperial's interest to 100% and reduced long term debt by \$40.5 million.

The Mount Polley and Huckleberry mines continued to operate efficiently.

New exploration targets were identified at the 100% owned Sterling mine. Additional ground was staked and early drilling expanded the Panama zone.

New exploration targets were identified at the 100% owned Silvertip project. Follow-up geophysical work is planned for the 2001 field season.

Discovery of copper-zinc massive sulphide mineralization near 100% owned Goldstream mill facility. Follow-up drilling is planned for the 2001 field season.