

## 1996 Highlights

- Mount Polley gold-copper mine financed in April 1996. Construction commenced in May 1996 and advanced rapidly with completion now scheduled for May 31, 1997 **on budget and 5 months ahead of schedule!**
- Fifty three percent held (9 million shares) Colony Pacific Explorations Ltd. is refocused. Strategic Alliance entered into with Inco Limited for exploration on island of Sumatra, Indonesia. Acquisition of Karang, Gedang, Ranau and Aceh properties covering over 13,000 square kilometres. \$8.6 million raised at \$6 per share.
- Acquisition of Regional Resources Ltd., giving Imperial a 100% interest in the Silvertip project, a silver-lead-zinc deposit having a gross value per tonne of ore **on the order of US \$160**. The project has considerable potential for reserve expansion at similar ore values.
- Successful exploration programs completed at Invermay and Chaco Bear in British Columbia and at M'Banga in Niger, West Africa.
- Forty percent held (5.5 million shares) Cathedral Gold Corporation completes a \$1.275 million financing for exploration in Honduras and Guyana.
- Sale of 25% interest in El Dorado property yields \$8.8 million.



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# To The Shareholders

## Mount Polley

Construction of the Mount Polley open pit gold-copper mine commenced on May 29, 1996. Original estimates called for the 18,000 tonne per day plant to be completed in October 1997 at a cost of \$123.5 million. We are pleased to report that construction will be completed by the end of May 1997, within budget and almost five months ahead of schedule! Plant tune-up and commissioning will begin in June followed by commencement of commercial production in July.

Acceleration of the project schedule by nearly five months is a remarkable achievement considering the many challenges faced by the construction team. The rapid pace of construction was made possible by comprehensive planning, good relations and cooperation between the various contractors, advanced construction techniques, offsite refurbishing, prefabrication, assembly and testing, and most importantly by the experience and expertise of Imperial's strong and well motivated mine development team headed by Imperial Director Henry G. Ewanchuk, Senior Vice President and Chief Operating Officer Brian Kynoch and Vice President, Development Malcolm Swallow.

Mount Polley is located 56 kilometres northeast of Williams Lake in central British Columbia. Imperial is the operator with a 55% interest. Sumitomo Corporation of Japan holds a 45% interest and is the concentrate marketing agent for the joint venture. Initial mineable reserves are 82.3 million tonnes grading 0.417 g/t (0.012 oz/t) gold and 0.3% copper, containing 1.1 million ounces of gold and 544 million pounds of copper. This will provide an initial mine life of 12 years, with potential for reserve expansion within the property boundaries. The stripping ratio is 1.16 to 1 and the project is not subject to any royalty, net profits or other underlying interests.

Project debt financing for Imperial's cost share was arranged through Sumitomo Corporation, which has provided to Imperial a project loan facility of up to \$54 million.

## Silvertip

In November, Imperial acquired a 100% interest in the Silvertip (formerly Midway) silver-lead-zinc deposit located on the British Columbia-Yukon Territory border approximately 75 miles west of Watson Lake, Yukon Territory. The Silvertip property covers approximately 227 square kilometres and is accessible by road from the Alaska Highway. Mineable reserves are presently estimated at 1.4 million tonnes grading 317 g/t (9.3 oz/t) silver, 5.8% lead and 8.3% zinc having a gross value of US\$160/tonne of ore at current metal prices. Preliminary metallurgical test work indicates that good quality silver, lead and zinc concentrates can be produced from Silvertip ore.

Silvertip was discovered in 1982. First thought to be a shale hosted zinc-lead deposit, it subsequently developed into a major precious-base metal find when spectacular silver rich mineralization was intersected in the underlying limestone formation.

Intensive exploration followed the discovery of this silver rich mineralization and over \$15 million was spent on the property in the period 1982 through 1985. The estimated mineral resource fluctuated during this time as a result of the irregular shape of the deposit. At one point reserves were estimated to be as high as 6 million tonnes.

Underground exploration programs carried out in 1985, 1989 and in 1990 revealed that the mineralization was deposited in a network of irregular shaped cave systems in the limestone formation. Although this work reduced the mineable ore reserve estimate, Imperial believes that much larger cave systems may exist on the Silvertip property based on a study of comparable deposits located in Colorado, Tennessee and Mexico. Work in 1997 will be focused on finding these larger precious metal rich deposits.

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## Exploration Activities

Over the past twelve months, the Company waged an aggressive exploration campaign to advance its most promising projects toward feasibility stage. Encouraging results from 4,710 metres of diamond drilling on four silver-gold-copper projects in British Columbia and at the M'Banga gold property in Niger, West Africa provide the impetus for further work in 1997.

Exploration in 1997 will focus on the 100% owned Silvertip property, where diamond drilling will be employed to expand reserves and test new targets. Exploration work will also continue on the Company's suite of high quality properties including Chaco Bear, Invermay (formerly Giant Copper), Beekeeper, Mitchell Bay and M'Banga.

## Financial

Revenues in 1996 were \$6.1 million, derived mainly from the Goldstream mine which shut down in January 1996. Cash flow was \$617,000, operating income was \$505,000 and net income was \$6,627,000.

During the year \$31.5 million was invested in Mount Polley. A further \$4.7 million was invested in other initiatives with the result that year end cash and working capital were \$11.2 million and \$8.7 million, respectively as compared to 1995 year end levels of \$7.3 million cash and \$10.0 million working capital.

## Outlook

The Company looks forward to an extraordinary year of growth in 1997. The Mount Polley mine will be in production by July 1997 producing 100,000 ounces of gold during each of the first four years of operations. Copper production will average over 28 million pounds per year during the entire mine life. Mount Polley will provide Imperial with a strong and steady source of operating cash flow.

Total exploration expenditures within the Imperial Metals Corporation Group including Colony Pacific Explorations Ltd. and Cathedral Gold Corporation affiliates will exceed \$10 million in 1997. The primary focus of Imperial's exploration effort will be on the 100% owned Silvertip property. Exploration programs will also be carried out at the 100% owned Chaco Bear, Mitchell Bay and Invermay properties as well as at the 50% owned Beekeeper and 48% owned M'Banga properties.

Fifty three percent held (9 million shares) Colony Pacific Explorations Ltd. and forty percent held (5.5 million shares) Cathedral Gold Corporation will provide additional exploration exposure in other parts of the world. Colony Pacific is presently carrying out major exploration programs under a Strategic Alliance with Inco Limited on four properties located on the island of Sumatra in Indonesia. Cathedral plans to follow up on promising work carried out in Guyana, Honduras and Nevada.

Imperial is committed to a mission of growth through acquisition, development and operation of mining properties. Once again we renew our commitment to you, our shareholders, that every initiative we pursue shall be driven by the single imperative, **the creation of shareholder value.**

We take this opportunity to recognize our contractors, consultants and especially our employees for their efforts and achievements during the past year. Thank you for a job very well done.



N. Murray Edwards,  
Chairman

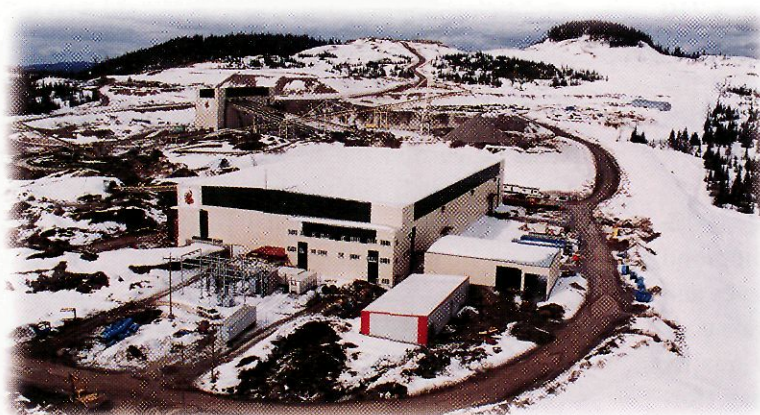


Pierre Lebel,  
President

# Mount Polley

→ Mount Polley  
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(Imp. Metals).

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View of mill and concentrator buildings

## Construction History

In mid 1995 a limited program of soil stripping was carried out, allowing completion of final plans and permitting for the start of site construction in the spring of 1996. Construction commenced on May 29, 1996 with Imperial acting as Project Manager. By June, mill concrete foundations and footings were being poured with all concrete produced on site using a mixer truck system. Results were excellent enabling steel erection to commence in August with the crusher and mill building shells erected by mid September.

By the end of September, crews were pushing hard to complete both the crusher and mill buildings before the onset of winter in

order to shelter equipment installation work from the elements. This goal was achieved at the end of October and installation of crushers, mills, flotation cells and related facilities and equipment took place during the winter months.

Other work during this period included pre-production stripping and mining of two benches in the Cariboo pit which was

completed in September, generating 300,000 tonnes of ore. Work on the tailings dam commenced in June, but because of inclement weather, work on this front proceeded at a reduced rate for most of the summer. Work on the tailings dam proceeded through winter and was completed in March 1997. Construction of a 58 kilometre 69kv power line proceeded through the fall months and was completed in January 1997.

The plant will utilize up to 35,000 horsepower to crush, grind and process ore at the rate of 18,000 tonnes per day. Major process equipment and facilities at Mount Polley include (see chart below):

2	13 1/2' x 18' rod mills	6	12' column cells
2	13 1/2' x 28' ball mills	26	1000 ft <sup>3</sup> Agitair mechanical cells
3	17 1/2' x 25' pebble mills	8	300 ft <sup>3</sup> Agitair mechanical cells
1	16 1/2' x 32' regrind mill	1	5' high capacity thickener
1	42" x 65" gyratory crusher	2	PF-19 Larox pressure filters
1	7' standard crushers	2	50 ton cranes
3	7' shorthead cone crushers	1	10 ton crane

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At the time of writing, the plant was 90% complete. All crushers were operational together with 10 of the 13 conveyors. All mills have been installed and crews are now completing electrical and piping work, aiming at mechanical completion by the end of May 1997, some 12 months after the start of construction, 5 months ahead of schedule and within budget.

During the first four years of operation, the production cost per ounce of gold with copper as a credit, is US\$189.



Conveyor #2 feeding the primary stockpile at Mount Polley

The deposit will be developed in three pits: Cariboo, Bell and Springer. The Cariboo pit, which will be mined first, has the highest gold grade, lowest stripping ratio and highest oxide copper ratio.

Total capital cost is estimated at Cdn\$123.5 million. Under the terms of the financing arrangement with Sumitomo, Imperial made an equity contribution of \$14 million. The remainder of Imperial's cost share is being financed through a project loan facility from Sumitomo of up to \$54 million.

# British Columbia Project Location Map

