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Apr. 25/04
Mount Polley
(@ Calgary)

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GOLD & PRECIOUS METALS: EMERGING COMPANIES

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Imperial Metals Corporation (III-TSX: \$6.09)

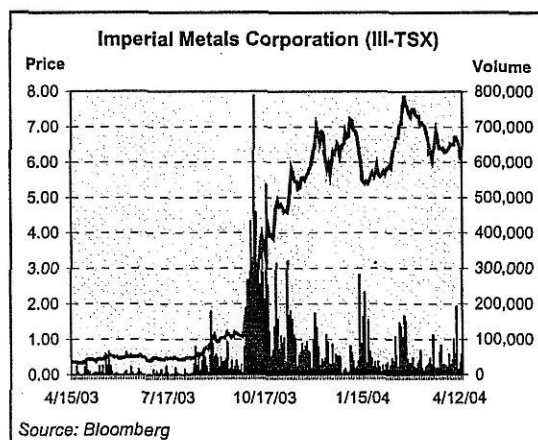
Sizing Up The Numbers at Mount Polley

Recommendation: BUY
12-Month Target Price: \$9.00 (from \$8.00)

Projected Return: 47.8%

Market Data			
52-Week Trading Range	\$7.85 - \$0.31		
Shares Outstanding, Basic (mm)	25.5		
Shares Outstanding, Fully Diluted (mm)	27.7		
Market Float (mm)	16.0		
Market Capitalization (mm)	\$155		
Enterprise Value (mm)	\$147		
Financial Data			
Cash and Cash Equivalents (mm)	\$8.5		
Debt (mm)	\$8.6		
Working Capital (mm)	\$8.0		
Estimated Two-year Expenditures (mm)	\$10.0		
Forecasts			
	2004E	2005E	2006E
Gold Price (US\$/oz)	425	450	450
Copper Price (US\$/lb)	1.33	1.20	1.20
US\$/C\$	1.32	1.33	1.33
EPS	-0.09	2.72	3.54
CFPS	-0.09	2.80	3.62
Net Asset Value (8% Discount, After-Tax)	9.01		
Valuation			
	2004E	2005E	2006E
P/E	nm	2.2x	1.7x
P/NAV	0.68x		

Source: Starquote, company reports and First Associates Investments Inc.



EXECUTIVE SUMMARY

Imperial Metals (III-TSX) has made several discoveries at the Mount Polley mine in British Columbia since mid-2003. The key discovery and driver of the share price over the past four months is the Northeast zone.

We believe that the Northeast zone is an integral part of the long-term development at the Mount Polley mine and anticipate production from this deposit in 2005.

We have updated our financial model for the Mount Polley mine and compared our

valuation to the Robinson mine owned by Quadra Mining Ltd. (QUA-TSX), a recently listed mining company. The Robinson mine has similar deposit and mining attributes to the copper and gold mineralization at Mount Polley.

A comparative analysis of the two operations highlights the importance of high margin rock expected from the Mount Polley mine. Using an 8% discount rate, this resulted in a higher net asset value (after-tax) for the Mount Polley mine at lower copper prices (more conservative) whereas at higher copper prices, the



There are no defined reserves or resources accorded to the Northeast zone. Diamond drilling since January has focused on having sufficient data for Imperial Metals to prepare a resource estimate, which we expect during the second quarter of 2004. Metallurgical test work is also underway and this work, together with a resource estimate reflecting the new data and higher metal price assumptions, should provide enough information for a scoping study. Handled expeditiously, this process and land use permit activities that are underway should enable Imperial Metals to re-start to the Mount Polley mine in early 2005.

HOW DOES MOUNT POLLEY STACK UP?

We felt it would be constructive to compare the Mount Polley mine with the Robinson mine in Nevada. The Robinson mine is an open pit copper and gold mine located in eastern Nevada. The property is a fully developed mine site owned by BHP Billiton Limited (BHP-NYSE). A modern mining and sulphide concentrating facility was built by a subsidiary of BHP Billiton in the mid-1990s. The operation was placed on care and maintenance due to low metals prices in 1999.

Quadra Mining Ltd., has agreed to purchase the Robinson mine and has recently raised sufficient capital to complete the acquisition through the placement of common equity. We estimate that Quadra Mining is paying approximately US\$0.06/lb of payable copper after factoring in its acquisition costs, environmental bonding and start-up capital requirements for the Robinson mine.

We have summarized the production schedule estimates for the Robinson mine in Figure 1. According to the Preliminary Prospectus for Quadra Mining, the Robinson mine has a mineral reserve of 104.4 million tonnes grading 0.72% copper and 0.29 g/tonne gold. We have also included our estimates for the Mount Polley mine property and reiterate our point that there are no mineral reserves at the Mount Polley mine. We understand that both operations are in good operating order and are expected to be in production within 12 months.

Figure 1: Production Schedule Estimates For The Robinson Mine and the Mount Polley Mine

Robinson Mine		2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Ore Mined	(mm tonnes)	1.40	13.78	13.91	13.93	13.91	13.91	13.91	13.91	5.98	104.64
Head Grade - Copper	(%)	0.55	0.58	0.73	0.69	0.63	0.70	0.90	0.83	0.78	0.72
Head Grade - Gold	(g/tonne)	0.22	0.29	0.27	0.28	0.37	0.37	0.27	0.24	0.24	0.29
Payable Copper	(mm lb)	7.40	113.20	179.80	169.70	154.60	172.60	219.90	203.70	82.30	1,303
Payable Gold	(oz)	2,800	45,600	49,200	51,200	66,800	66,800	49,200	43,900	18,900	394,400
Mount Polley Mine		2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Ore Mined	(mm tonnes)	0.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	55.00
Head Grade - Copper	(%)	0.00	0.90	1.00	0.63	0.45	0.45	0.45	0.45	0.45	0.53
Head Grade - Gold	(g/tonne)	0.00	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
Head Grade - Silver	(g/tonne)	0.00	7.50	6.00	0.50	0.35	0.35	0.35	0.35	0.35	1.97
Payable Copper	(mm lb)	0.00	97.62	126.55	79.73	56.95	56.95	56.95	56.95	56.95	589
Payable Gold	(oz)	0.00	46,860	54,671	54,671	54,671	54,671	54,671	54,671	54,671	429,554
Payable Silver	(oz)	0.00	944,767	881,783	73,482	51,437	51,437	51,437	51,437	51,437	2,157,219

Source: Company reports, First Associates Investments Inc.

Quadra Mining, in conjunction with a mining consultant, prepared a preliminary economic analysis of the Robinson mine. The data for the Mount Polley mine is based on our assessment of the project at this very early stage of exploration. Figure 2 summarizes the key operational parameters for each mine property as well as the assumptions used. Commodity prices, metal recoveries, tax rates and costs were kept constant where possible in order to compare the two operations on an equitable basis.

We considered the capital and operating parameters specific to each operation based on historical operating costs, discussions with management and public information. The Robinson mine is a larger mine complex than the Mount Polley mine and is expected to produce almost twice as much copper over an eight-year mine life. We estimate that the operating margins for the Mount Polley mine will be



Figure 3: Net Asset Values For The Robinson and Mount Polley Mine Operations

Base Case Net Asset Value					
	Copper (US\$/lb)	Gold (US\$/oz)	Silver (US\$/oz)		
Metal Price	1.20	450	7.00		
	(\$C Per Share)				
		Robinson	Mount	Robinson	Mount
Base Case NAV (US\$mm)		<u>Mine</u>	<u>Polley Mine</u>	<u>Mine</u>	<u>Polley Mine</u>
Discount Rate 0%		365	231	17.89	12.06
Discount Rate 8%		225	171	11.03	8.93
Conservative Net Asset Value (Using Lower Metal Price Assumptions)					
	Copper (US\$/lb)	Gold (US\$/oz)	Silver (US\$/oz)		
Metal Price	1.00	400	5.50		
	(\$C Per Share)				
		Robinson	Mount	Robinson	Mount
Net Asset Value (US\$mm) - Project		<u>Mine</u>	<u>Polley Mine</u>	<u>Mine</u>	<u>Polley Mine</u>
Discount Rate 0%		207	154	10.15	8.07
Discount Rate 8%		114	117	5.59	6.14

Source: Company reports, First Associates Investments Inc.

At lower metal (more conservative) prices and still using an 8% discount, the NAV for the Mount Polley mine is higher, which is mostly attributed to the difference in grade in the initial years of the operation. A high strip ratio (waste rock:ore mined) for the Robinson mine in the early years of the mine re-start suppresses the net asset value of the operation.

The risk profile for the Mount Polley mine is more significant as metallurgy and mineral resource evaluation work is currently in progress compared to the Robinson mine. The mine successfully operated up to September 2001 and we believe that Imperial Metals has a firm grasp of the mine and mill processing aspects at the Mount Polley mine.

VALUATION

Our base case NAV for Imperial Metals utilizes a copper price of US\$1.20/lb and US\$450/oz for gold. On a per share basis and using an after-tax discounted cash flow (8%), the net asset value for Imperial Metals is \$9.01 per share after factoring in the other assets and liabilities of the company (Figure 4). Imperial Metals is trading at 0.68 times its NAV using our base case metal price assumptions.



that will be the catalyst for the company to resume production in 2005. We feel that Imperial Metals will experience significant growth in production and in resources as additional mineralization is found. Prior to 2003, very little work has been done in the area of the Northeast zone. A continuation of the exploration program at Mount Polley with at least two surface drills through most of 2004 will provide investors with tangible evidence to gauge the progress and success of the work.

Imperial Metals is trading at a discount to its NAV of \$9.01 and at low multiples to its earnings and cash flows. Part of this relates to the early stage of work at this mine development as well as perceived mine life. We expect its lower trading multiples to increase over time as specific milestones are met at the Mount Polley mine.

We continue to rate shares of Imperial Metals as a BUY and have increased our 12-month target price to \$9.00 per share from \$8.00.



RATING SYSTEM

BUY: The stock's total return is expected to exceed a minimum of 15% over the next 12 months.

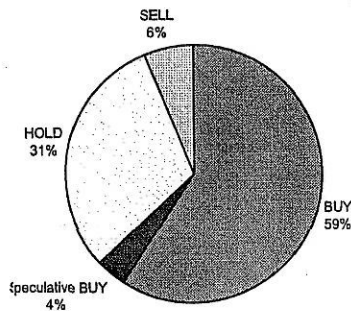
Speculative BUY: The stock's total return is expected to exceed 30% to 40% over the next 12 months. However, there exists a very high and unquantifiable risk in either the corporate or industry fundamentals associated with the investment that could result in a significant loss.

HOLD: The stock's total return is expected to be between 0% and 15% over the next 12 months.

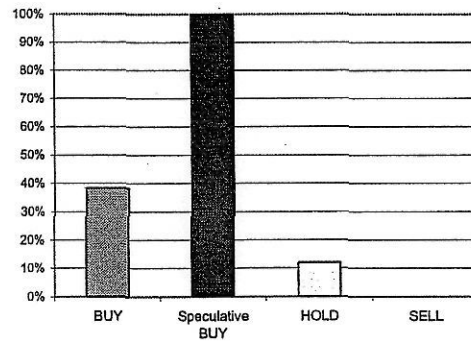
SELL: The stock's total return is expected to be negative over the next 12 months.

Under Review: The stock's rating is under review for 48 hours for either an upgrade or downgrade.

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TOS → Mount Polley
BL - Nov. 24/05

Mount Polley gold-copper mine, near Likely

Owned by: Imperial Metals Corporation.

Mine commissioned in September, 1997, with reserves of 82.3 million tonne grading 0.3% Cu and 0.417 gpt Au. Three open pits include Cariboo, Bell and Springer. Employed approx 240 workers

Placed on 'standby' in September, 2001.

Total metal production: 134 million lbs Cu; 370,300 oz Au

Milling rate: 18,000-20,000 tonnes/day

Remaining Probable Reserves: 18.7 million tonnes grading 0.397% Cu & 0.385 gpt Au

Geologic Setting

The Mount Polley deposit occurs with in the southern Quesnel Trough (Quesnellia), a belt of early Jurassic to Late Triassic intermediate volcanics (Nicola Group) and coeval intrusions. The deposit is made up of the Cariboo, Bell and Springer zones—they occur in a north-northwesterly trending belt of mineralized intrusion breccia that comprises part of the Early Jurassic Polley stock.

The Nicola Group in the area comprises a sequence of alkali basalt breccias and flows of Upper Triassic (Norian) age overlain by polyolithic breccias of Lower Jurassic. The stock that hosts the copper mineralization is a complex of several intrusive phases ranging in composition from diorite to syenite. Pyroxenite and gabbro have been intersected in drill holes while nepheline syenite dated at 201 Ma occurs to the west (the Bootjack stock) and presumably represents a more differentiated phase.

Alteration is zonal with an outer propylitic zone, consisting of a calcite-epidote-chlorite-pyrite assemblage, surrounding a potassic zone characterized by secondary biotite and pink orthoclase with diopside. There is excellent correlation between gold-copper grades and intensity of secondary K-feldspar(±albite)-magnetite-actinolite(±biotite) alteration.

Copper-gold mineralization occurs within a variety of breccias and extends into the surrounding volcanic rocks. The two dominant breccia types are crackle breccias, typical of porphyry systems, and intrusion breccias.

Hypogene minerals in ore zones include chalcopyrite (1 to 3 per cent), bornite (trace), magnetite (4 to 8 per cent) and minor pyrite while supergene minerals include malachite, native copper, cuprite, chalcocite, neodigenite and covellite. Gold occurs as microscopic inclusions in chalcopyrite.

Recent Exploration:

Drilling in 2000-01 identified several new zones (i.e. North Springer Extension & Southeast zones) prominent IP chargeability anomaly east of Pollyanna pit

IM assessed the economics of the Spanish Mountain gold prospect near Likely. If proved feasible, ore would be mined from two small gold-quartz stockwork zones (Madre and LE) on the CPW claim, owned by Eastfield Resources Ltd., and trucked to the Mount Polley mill to be blended with ore from the Cariboo and Bell pits. Not economically feasible at time.

Major trenching and estimated 10,000 m diamond drilling program in 2003. Led to discovery of Northeast zone.