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TGS → Mount Polley
→ Huckleberry

2004 Ann. Rpt.

Outlook

Operations, Earnings and Cash Flow

Overall production levels for copper and gold will increase in 2005 with the restart of the Mount Polley mine, generating positive cash flow to the Company.

Based on a March 2005 startup and the current mine plan, the Mount Polley mine is expected to produce about 32 million pounds of copper, 38,000 ounces of gold and 162,000 ounces of silver during 2005. Until July 2005, production will be from the previously mined Bell pit and existing ore stockpiles. Ore from the higher grade Wight pit is expected to be mined and milled commencing July. By the end of 2005, Wight pit ore will represent about 50% of the feed to the mill.

Huckleberry is expected to produce about 75 million tonnes of copper and 580,000 pounds of molybdenum during 2005. Equity income from Huckleberry during 2005 is expected to be approximately \$1.5 million based on a copper price of US\$1.30 per pound, a US/CDN Dollar exchange rate of \$1.25 and the current mine plan for the Huckleberry mine, excluding the impact of US/CDN Dollar exchange rate on Huckleberry's long term debt. Every US\$0.01 change in the US/CDN Dollar exchange rate on Huckleberry's long term debt from the December 31, 2004 US/CDN Dollar exchange rate of 0.8308 impacts Imperial's 50% equity income from Huckleberry by \$598,000.

Exploration

The Company will spend at least \$5.0 million on exploration at Mount Polley in 2005 aimed at expanding known deposits and discovering new deposits. Upwards of \$1.0 million will be spent at Huckleberry to follow up on the discovery of copper-molybdenum mineralization discovered in 2004. The Company plans to carry out exploration at its wholly owned Sterling mine property near Beatty, Nevada in the latter part of 2005. This program will include a 1,200 metre ramp, underground and drilling. The Company continues to evaluate exploration opportunities both on currently owned properties and on new prospects.

Development

Development in 2005 will be limited to the Mount Polley mine.

Financing

Debt repayment and working capital requirements for 2005 are expected to be met from proceeds of the convertible debenture financing completed in March 2005, the planned mobile mine equipment lease financing, cash flow from operations at Mount Polley and other debt or equity financings as may be required.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements. Deloitte & Touche LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee, which is comprised of a majority of non management Directors, meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



J. Brian Kynoch
President
March 4, 2005



Andre Deepwell
Chief Financial Officer

Auditors' Report

To the Shareholders of Imperial Metals Corporation

We have audited the consolidated balance sheets of Imperial Metals Corporation as at December 31, 2004 and 2003 and the consolidated statements of income and deficit and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Vancouver, British Columbia
March 4, 2005