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contractor can be hired. Construction of a 1,200 metre underground ramp to access the 144 Zone commenced in late 2006. The underground development is expected to be completed by the fourth quarter of 2007 and will be followed by underground drilling with the overall objective being to outline sufficient reserves to restart mine operations. Mineral resources for the 144 Zone drilled to date are 194,640 tonnes, grading 7.41 g/t gold containing over 45,000 ounces of gold. Sterling's land package was greatly expanded over the last two years and exploration is ongoing to determine the best targets for drilling.

Giant Copper

At the 100% owned Giant Copper property in southwest British Columbia two holes were drilled in 2006 with encouraging results. The Company is planning to drill a further 10,000 metres on the Giant Copper property during 2007 at a cost of approximately \$1.2 million.

**Huckleberry Mines Ltd.**

The financial results of Huckleberry have a significant impact on Imperial. Huckleberry generated \$33.7 million in equity income to Imperial in 2006 compared to \$29.9 million in 2005. Equity income in 2005 included a one time future income tax recovery of \$9.6 million while the 2006 equity income included a deduction of \$9.8 million of future income tax expense. Note 4 to the audited consolidated financial statements of the Company discloses the impact of Huckleberry operations on the financial position and results of operations of Imperial.

The Company owns 50% of Huckleberry Mines Ltd, the owner and operator of the Huckleberry mine. Huckleberry started the year 2006 with cash and cash equivalents and short term investments of \$66.3 million and generated \$96.9 million in cash from operations in 2006. These cash resources were applied to fully repay \$121.4 million in long term debt in 2006 and as a result Huckleberry is debt free.

Exploration efforts in 2005 were directed at delineation of the copper mineralization that extends directly north of the Huckleberry Main Zone Pit. During 2006 Huckleberry confirmed the economic viability of mining this zone and made the decision to commence mining the Main Zone Pit extension extending the mine life until 2010. A limited drilling program was also completed in 2006 at Whiting Creek, an exploration property owned by Huckleberry. Exploration at Huckleberry will continue in 2007 with the goal of locating additional resources to extend its mine life.

Whiting CK

Effective January 1, 2007 Imperial regained joint control of Huckleberry and therefore in accordance with generally accepted accounting principles the Company will account for Huckleberry on the proportionate consolidation basis commencing January 1, 2007.

As a result of the change in accounting for Huckleberry to the proportionate consolidation basis commencing January 1, 2007 movement of cash between Huckleberry and Imperial via payment of dividends will not be reflected in Imperial's consolidated financial statements because Imperial will have recorded its proportionate share of Huckleberry cash effective January 1, 2007.

**bcMetals Corporation**

In mid 2006 the Company launched a takeover bid for bcMetals Corporation, owner of the Red Chris project located in northern British Columbia. The Red Chris project has received Federal and Provincial environmental approvals for mine development. A bcMetals feasibility study on the Red Chris property indicates a 25 year mine life at 30,000 tons per day with reserves of 276 million tonnes grading 0.349% copper and 0.266 g/t gold.

To December 31, 2006 the Company acquired a 19% interest in bcMetals at a cost of \$7.1 million. As of March 5, 2007 the Company owned 97.8% of bcMetals at a cost of approximately \$68.7 million. The acquisition of bcMetals was funded from cash on hand and a \$40.0 million short term loan facility. The remaining shares of bcMetals are expected to be acquired by the Company in accordance with securities regulations.

The development of the Red Chris project into a mine is dependant upon a number of factors including on the construction of a power line to service the northwest portion of British Columbia.

**RISK FACTORS**

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee or assurance that other factors will or will not adversely affect the Company.

**Risks Inherent in the Mining and Metals Business**

The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non productive for reasons that cannot be anticipated in advance. Title Claims can impact the exploration, development, operation and sale of any natural resource project. Availability of skilled people, equipment and infrastructure (including roads, ports, power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.