MANAGEMENT'S DISCUSSION & ANALYSIS

The Company began operations on January 1, 2002 when it acquired the metals business of IEI Energy Inc. as part of the reorganization of that company. In the reorganization, IEI Energy Inc. retained the oil and natural gas and investment assets and sold the metals business to Imperial Metals Corporation.

Certain liabilities of the mining business were assumed and discharged by IEI Energy Inc. pursuant to the reorganization with the result that the financial condition of the Company, exclusive of the Company's interest in Huckleberry Mines Ltd., as of January 1, 2002 was significantly improved from that of the comparative proforma financial position of the mining business as at December 31, 2001.

The financial position of the Company, excluding its share of Huckleberry Mines Ltd., is stronger at the present time than at any time over the past three years. The Company will build on this strength and maintain a balanced approach to exploration while continuing to develop projects within our financial reach into profitable mines.

The financial statements of the Company in this Management's Discussion and Analysis are compared to the proforma financial statements of the mining business as carried on by IEI Energy Inc. after adjustment for the changes in accounting policies as described further in Notes 1 and 3 to the financial statements.

Huckleberry Mines Ltd.

The financial position and results of operations of the Company are primarily influenced by the results of Huckleberry Mines Ltd., the Company's 50% joint venture accounted operating mine. Note 14 to the financial statements discloses the impact of Huckleberry Mines Ltd. on the financial position and results of operations of Imperial and although the Company owns 50% of Huckleberry Mines Ltd. all the debt and other obligations of Huckleberry Mines Ltd. are non recourse to Imperial. Therefore on a consolidated basis the Company's financial results and financial position are substantially dependent on those of Huckleberry Mines Ltd. but Imperial's financial exposure is limited to its $2.5 million loan to Huckleberry Mines Ltd.

Huckleberry Mines Ltd. continues to face challenges in generating cash flow at the current copper price and exchange rate. Huckleberry Mines Ltd. will not be able to meet a loan interest and principal payment of $64 million due on June 30, 2003 and therefore continues to negotiate with its lenders to restructure the loan payment schedule. The outcome of these negotiations is uncertain and could result in the Company losing its interest in Huckleberry Mines Ltd. The ongoing operations of the Company would not be materially affected if it lost its 50% interest in Huckleberry Mines Ltd.

Business Focus

Prior to 2002, the mining business was primarily focused on becoming a profitable operator of a number of mines in North America producing primarily copper and gold as well as applying its expertise to bring other advanced stage projects into production. The general weakness in metal prices during the last few years have made this a considerable challenge, resulting in the suspension of operations at the Mount Polley mine and restructuring the mining business of IEI Energy Inc. and the formation of the Company.

A review of the Company's advanced stage development projects, ranking them in order of priority for profitable production and ability of the Company to raise the necessary finances to place them into production, has led us to focus on the Sterling project. The resurgence in the price of gold has given the Company further encouragement to focus on the Sterling project, a small heap leach producer of gold which was in production for 20 years before ceasing production in early 2002. Since the greatest increase in shareholder value occurs in the discovery phase, the Company is committed to exploring more fully the Sterling project and has commenced further drilling to follow up on a discovery made in 2001.

The other major development project of the Company, the Silvertip silver-lead-zinc project, would have required a long period of time and significant capital to advance it to the production stage. The weak outlook for the prices of the metals contained at Silvertip, led the Company to sell the property to Silver Standard Resources Inc. for $1.8 million in cash and marketable securities. These funds can be more profitably used to advance other near term production projects such as Sterling and Mount Polley.


André Deepwell, Chief Financial Officer and Corporate Secretary

The restructuring of the mining business, formation of the Company, and improvement in the cash resources of the Company from the sale of the Silvertip property, and the rights offering in early 2003 has given the Company the financial base to make it possible to proceed in this new direction.

The Company continues to operate the Huckleberry mine to maintain positive cash flow during this time of low copper prices. The expertise gained from operating a mine is valuable in our plans to bring further projects into production. During 2003 the Company will work to advance the use of new heap leach technology to improve copper recoveries at the Mount Polley mine, currently held on care and maintenance. Successful completion of test work and complimentary copper and gold prices and exchange rates could see the Mount Polley project back in production in a relatively short period of time.

Risk Factors

Exploration programs, development prospects and mining operations are affected by a number of factors that can significantly impact the operations and financial position of the Company.

Exploration and development prospects are affected by the price of copper and more importantly for the Company, the price of gold. Exploration and development requires significant amounts of capital and even if the funds were available, the outcome is dependent on finding sufficient quantities of minerals, permitting the project, constructing the processing and ancillary facilities and starting commercial production. This process takes time and many factors, including commodity prices and economic conditions, may change, affecting the viability of the project. The Company has expertise in managing these risks and will conduct its exploration and development activities to maximize returns for its shareholders.

The price of copper is a key determinant of revenues from mining operations as the Huckleberry mine is primarily a copper producer. Copper is sold in US dollars and therefore the US/Cdn dollar exchange rate is also a key factor in determination of revenue. Most of the debt of Huckleberry Mines Ltd. is denominated in US dollars and this affects the interest paid in Cdn dollars as well as the ultimate repayment amount of the debt. The Company's interest expense on its debt is based on floating rates, which vary with a number of factors, including international economic and political events. In addition, mining operations face various operating risks, including environmental risks. The Company minimizes risks from mine operations through prudent operating practices, using well trained and knowledgeable staff, obtaining insurance for certain risks, and hedging copper production and exchange rates.

Based on its 50% interest in the Huckleberry mine, the effect on the 2003 operating income of the Company for the following key indicators is as follows:

If the Copper price changes by US$0.01 per pound	$393,000
If the Gold price changes by US$10 per ounce	$66,000
If the US/Cdn Dollar Exchange Rate changes by US$0.01	$581,000
If the LIBOR rate changes by 1%	$586,000
If the Bank Prime Rate changes by 1%	$115,000

RESULTS OF OPERATIONS

Financial Results

Operating revenues decreased to $47.2 million in the year ended December 31, 2002 from $111.2 million in the year ended December 31, 2001. The majority of revenues in the year ended December 31, 2002 originated from the Huckleberry mine as operations at the Mount Polley mine were suspended in September 2001.

In the year ended December 31, 2002 Imperial incurred a loss of $23.0 million ($1.46 per share) compared to a net loss of $20.2 million ($2.51 per share) in the prior year.

The revenues and financial results of the Company are closely tied to those of the Huckleberry mine. The Company's share of Huckleberry's losses during 2002 totaled $16.2 million with the writedown of mineral exploration properties totaling a further $4.8 million. The remaining $2.0 million in losses was comprised of holding costs for mines on care and maintenance and corporate administration costs, net of other revenues.

The Company does not expect to return to profitable operations in 2003 as the Company's share of losses from the Huckleberry mine are projected to be about $11 million based on current assumptions. Cash requirements are considerably less than the loss due to the inclusion of non cash items therein however Huckleberry continues to face challenges in continuing operations at these low metal prices. Imperial is not obligated to fund its share of these losses which are obligations of Huckleberry Mines Ltd.

The financial future of Huckleberry Mines Ltd. is at the discretion of its lenders who continue to work with Huckleberry Mines Ltd. and its shareholders to find a way to meet Huckleberry's obligations to all its stakeholders.

Mineral Operations

Mineral revenues decreased to $46.6 million in 2002 from $110.0 million in the prior year. After deduction of mineral production and treatment and transportation but before financing charges, depletion and depreciation, Imperial's cash flow from its mining operations declined to $1.9 million in the year 2002 from $9.9 million in prior year. This decline is the result of a number of factors including the suspension of operations at the Mount Polley mine in September 2001, higher operating costs and lower sales volumes of copper concentrate from the Huckleberry mine. Copper prices continued to be weak and averaged slightly lower in 2002 compared to 2001.

Interest Expense

Interest expense on long term debt decreased to $3.3 million in 2002 from $5.6 million in 2001. Interest costs on long term debt were lower in 2002 due to lower interest rates in 2002 on Huckleberry mine debt and lower corporate non project debt levels. Interest expense on short term debt decreased as a result of lower average levels of short term debt including $3.0 million of short term debt that was transferred effective January 1, 2002 as part of the reorganization Plan from the mining business to IEI Energy Inc.

Foreign Exchange on Long Term Debt

Foreign exchange movements on US dollar denominated long term debt resulted in a gain of $0.5 million in the year 2002 compared to a loss of $3.5 million in the prior year when the Cdn dollar weakened significantly against the US dollar.

Writedown of Mineral Exploration Properties

The Company evaluates its mineral exploration property holdings on a regular basis. During 2002 the Company wrote down the carrying value of one of its exploration properties by $4.8 million to adjust the carrying value to market conditions. In late 2002 the Company sold the exploration property for proceeds of $1.8 million. In 2001 the Company recorded a writedown of $2.8 million on a number of exploration properties as conditions at that time indicated an impairment to future development prospects for these projects.

Writedown of Mining Property, Plant and Equipment

The Company also evaluates the carrying value of its producing property, plant and equipment. The continued weakness in the price of copper, uncertainty regarding the timing of a marked increase in the price of copper and the recent trend in the appreciation of the Cdn dollar versus the US dollar, have all impacted the future mining plans at the Huckleberry mine, resulting in a shortening of the expected life of the Huckleberry mine by about two years. Using these updated estimates the Huckleberry mine is now expected to close in the latter part of 2007 if no new sources of ore are found. As a result of these factors the recorded value of the Huckleberry mine had a carrying value in excess of its expected recoverable amount, requiring the Company to record an $8.4 million writedown to reduce the carrying value to the recoverable value.

In June 2001 the Company announced the suspension of mining and milling operations at Mount Polley mine for the end of September 2001. During the year ended December 30, 2001 the Company recorded a loss of $3.1 million on the writedown of the Mount Polley mine, net of cost reductions resulting from the suspension of mining and milling operations.

Taxes

In both 2002 and 2001, the effective tax recovery rate was significantly less than the expected tax rate of 39.6% in 2002 and 44.6% in 2001 due to a valuation allowance provided against tax recoveries originating from operating loss carry forwards, as well as, the recording of mineral and large corporation tax expense.

LIQUIDITY & CAPITAL RESOURCES

Cash Flow from Operations

The Company recorded a net loss of $23.0 million in 2002 compared to a net loss of $20.2 million in 2001, while cash flow from operations declined to $1.0 million in 2002 from $8.2 million in the prior year. Reduced operating margins from lower sales volumes of copper and gold as a result of the suspension of the Mount Polley mine and higher production costs at the Huckleberry mine negatively impacted cash flow from operations.

Working Capital

Working capital at December 31, 2002, excluding current portion of long term debt of $37.8 million, was greatly improved to $6.2 million from the working capital deficiency of $2.9 million at December 31, 2001. This improvement was as a result of the reorganization plan of IEI Energy Inc. which discharged $4.5 million in amounts owed to unsecured creditors of the mining business. All long term debt, including the current portion, is non recourse to Imperial, and the repayment terms of the long term debt on the Huckleberry mine are being renegotiated. The presentation in the financial statements is based on the repayment terms as they existed at December 31, 2002.

Property Expenditures and Other Investment Activities

Property acquisition and development expenditures totaled $3.8 million in 2002 versus $7.5 million in 2001. The expenditures in 2002 were primarily for Huckleberry mine ongoing capital projects totaling $3.2 million compared to $5.1 million in 2001. In 2001 the Company also spent $1.7 million on capital additions at the Mount Polley mine. Capital expenditures at Huckleberry are expected to be about $4.0 million in 2003.

Exploration expenditures were $0.6 million in 2002 and $0.7 million in 2001, primarily for drilling at the Sterling exploration project in Nevada. Expenditures on exploration projects is expected to be in excess of $1.0 million during 2003, primarily for drilling at Sterling.

In line with its new focus, the Company reduced its holdings of projects it does not consider key to its future. During the year 2002 the Company sold the Goldstream mine which had been on care and maintenance since 1996. In February 2003 the Company also sold the Similco mine which also ceased operations in 1996. Proceeds from the sale of the Goldstream mine and mineral properties and mining equipment other than the Silvertip project totaled $1.5 million in the year 2002 compared to $0.5 million in 2001.

Debt and Equity Financing

All of the Company's long term project debt is non recourse to the Company as it is secured only by the mining properties on which the funds were invested. Repayment of long term debt was $0.6 million during the year ended December 31, 2002 compared to a net $6.0 million in the prior year.

Net proceeds of $4.6 million were received by the mining business in April 2001 from the issuance of convertible debentures. These funds were used to repay short term debt used to purchase the additional interest in the Mount Polley mine from Sumitomo effective December 31, 2000. The convertible debentures were repaid in April 2002 with common shares of IEI Energy Inc. as part of the reorganization Plan of IEI Energy Inc.

Principal and interest payments on all of Huckleberry's debt are governed by the financial restructuring package negotiated in 1999 and are dependent on available cash. All long term project debt and related accrued interest deferred pursuant to the financial restructuring package for Huckleberry is due on June 30, 2003. Huckleberry continues discussion with its lenders to restructure the fixed payments due under its loans to payments to be made as and when cash is available during the remaining mine life. As Huckleberry may be unable 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.

Payments of the long term debt on the Mount Polley mine are only due if the mine and mill are in operation during the particular month and any payments deferred due to non operation of the mine and mill are carried forward to the ensuing month. Since the suspension of operations in September 2001, the Company is not required to make payments on the long term debt on the Mount Polley mine totaling $5.6 million.

In February 2003 the Company completed a rights offering and realized net proceeds of $1.3 million. These funds will be used primarily for drilling at the Sterling exploration project. In April 2003 the Company further improving its working capital via securitizing of certain assets and releasing $1.4 million of cash included in future site reclamation deposits to pay $1.4 million in overdue property taxes for the Mount Polley mine.

Ongoing exploration expenditures, project holding costs, and general corporate costs will be financed from cash flow from operations, sale of assets, or joint venture arrangements and equity financings, when appropriate.