AUDITORS' REPORT

To the Shareholders of Imperial Metals Corporation

We have audited the consolidated balance sheets of Imperial Metals Corporation as at December 31, 2003 and 2002 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, 2003 and 2002 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
April 6, 2004

CONSOLIDATED BALANCE SHEETS

December 31, 2003 and 2002

	2003	2002
ASSETS		
Current Assets		
Cash and cash equivalents	$ 11,188,135	$ 2,591,585
Marketable securities [Market value – $561,454 (2002 - $1,538,705)]	358,754	1,056,152
Accounts receivable	529,940	2,481,264
Inventory (Note 5)	9,352	8,002,762
	12,086,181	14,131,763
Mineral Properties (Note 6)	10,954,868	49,140,467
Future Site Reclamation Deposits	2,106,561	7,352,584
Other Assets (Note 7)	144,626	1,392,341
	$ 25,292,236	$ 72,017,155
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,050,106	$ 7,920,064
Current portion of limited recourse long term debt (Note 8)	-	37,797,335
	1,050,106	45,717,399
Limited Recourse Long Term Debt and Accrued Interest (Note 8)	5,891,809	41,908,279
Future Site Reclamation Costs	3,607,988	8,646,811
Share of Deficit and Advances to Huckleberry Mines Ltd. (Note 4)	23,949,840	-
	34,499,743	96,272,489
CAPITAL DEFICIENCY		
Share Capital (Note 9)	14,427,459	2,755,182
Deficit	(23,634,966)	(27,010,516)
	(9,207,507)	(24,255,334)
	$ 25,292,236	$ 72,017,155

Approved by the Board:

Larry G.J. Moeller
Director

J. Brian Kynoch
Director

See accompanying notes to these financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

Years Ended December 31, 2003 and 2002

	2003	2002
REVENUES		
Mineral, net of royalties	$ 46,513,146	$ 46,603,195
Other	657,639	635,548
	47,170,785	47,238,743
EXPENSES		
Mineral production, treatment and transportation	44,676,939	44,653,877
Depletion, depreciation and amortization	8,487,760	8,658,453
Administration	932,410	933,268
Capital taxes	247	47,007
Interest on long term debt	2,861,024	3,256,466
Other interest	10,864	227,147
Foreign exchange gain on long term debt	(11,344,625)	(495,085)
Other foreign exchange (gain) loss	(1,046,035)	114,824
	44,578,584	57,395,957
INCOME (LOSS) BEFORE UNDERNOTED	2,592,201	(10,157,214)
Add (Deduct)		
Equity income in Huckleberry Mines Ltd. (Note 4)	1,016,986	-
Writedown of mineral exploration properties	(1,525,937)	(4,816,514)
Writedown of mining property, plant and equipment	-	(8,354,000)
Gain on sale of subsidiaries	489,697	222,332
Other	495,942	304,251
	476,688	(12,643,931)
INCOME (LOSS) BEFORE TAXES	3,068,889	(22,801,145)
(Recovery of) income and mining taxes (Note 10)	(306,661)	166,938
NET INCOME (LOSS)	3,375,550	(22,968,083)
Deficit, Beginning of Year	(27,010,516)	-
Adjustment to conform the accounting policies of the Mining Business acquired from Old Imperial to the accounting policies of the Company (Notes 1 and 3)	-	(4,042,433)
Deficit, End of Year	$ (23,634,966)	$ (27,010,516)
Basic and Diluted Income (Loss) Per Share (Note 11)	$ 0.16	$ (1.46)

See accompanying notes to these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2003 and 2002

	2003	2002
OPERATING ACTIVITIES		
Net income (loss)	$ 3,375,550	$ (22,968,083)
Items not affecting cash flows		
Depletion, depreciation and amortization	8,487,760	8,658,453
Equity income in Huckleberry Mines Ltd.	(1,016,986)	-
Writedown of mineral exploration properties	1,525,937	4,816,514
Writedown of mining property, plant and equipment	-	8,354,000
Foreign exchange gain on long term debt	(11,344,625)	(495,085)
Accrued interest on long term debt	2,590,029	2,890,845
Gain on sale of subsidiaries	(489,697)	(222,332)
Future income taxes	(507,734)	-
Other	(59,736)	1,709
	2,560,498	1,036,021
Reduction in cash on change in method of accounting for Huckleberry Mines Ltd. (Note 4)	(815,654)	-
Net change in non-cash operating balances (Note 16)	(1,708,233)	2,029,448
Cash provided by operating activities	36,611	3,065,469
FINANCING ACTIVITIES		
Repayment of long term debt	-	(565,929)
Issue of share capital	12,168,636	-
Cash provided by (used in) financing activities	12,168,636	(565,929)
INVESTMENT ACTIVITIES		
Acquisition and development of mineral properties	(5,336,741)	(3,755,813)
Proceeds on sale of mineral properties	357,830	2,207,936
Decrease in future site reclamation deposits	1,158,599	111,491
Other	211,615	94,647
Cash used in investment activities	(3,608,697)	(1,341,739)
INCREASE IN CASH AND CASH EQUIVALENTS	8,596,550	1,157,801
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,591,585	-
CASH AND CASH EQUIVALENTS ACQUIRED ON ACQUISITION OF THE MINING BUSINESS (Note 3)	-	1,433,784
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,188,135	$ 2,591,585

See accompanying notes to these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2003 and 2002

	2003	2002
OPERATING ACTIVITIES		
Interest expense paid	$ 10,864	$ 414,203
Income and mining taxes paid	$ 376,310	$ 352,020

SUPPLEMENTAL INFORMATION ON NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2003 the Company issued 25,000 common shares with a value of $11,375 in connection with the acquisition of a mineral property.

During the year ended December 31, 2002:

(a) the Company acquired, pursuant to the Plan (Note 1), the mining business from its parent company effective January 1, 2002 in consideration for common shares of the Company (Note 3) with a book value of $2,755,181.

(b) the Company sold its wholly owned subsidiary that owned the shutdown Goldstream Mine. Concurrent with the sale, the Company paid $400,000 to purchase 800,000 common shares of the purchaser, Orphan Boy Resources Inc.

(c) the Company sold an interest in a mineral property and received part of the proceeds in common shares of the purchaser valued at $50,000, the market value of the shares received.

(d) the Company sold a mineral property and received part of the proceeds in common shares of the purchaser valued at $605,000, the market value of the shares received.

See accompanying notes to these financial statements.

December 31, 2003 and 2002

1. BASIS OF PRESENTATION

Imperial Metals Corporation ("Imperial" or the "Company"), formerly IMI Imperial Metals Inc., was incorporated in December 2001.

In April 2002, IEI Energy Inc. ("Energy"), formerly Imperial Metals Corporation ("Old Imperial"), was reorganized under a Plan of Arrangement (the "Plan") pursuant to the Company Act of British Columbia and the Companies' Creditors Arrangement Act. The Plan was approved by the creditors and shareholders of Old Imperial on March 7, 2002 and by the Supreme Court of British Columbia on March 8, 2002, and implemented in April 2002.

Under the Plan, Old Imperial divided its operations into two distinct businesses, one focused on oil and natural gas and the other focused on mining. All of Old Imperial's existing oil and natural gas and investment assets (the "Energy Business") were retained in Old Imperial, which was renamed IEI Energy Inc. All of Old Imperial's mining assets and related liabilities (the "Mining Business") including the name "Imperial Metals Corporation" were transferred to the Company that was then renamed Imperial Metals Corporation.

The acquisition of the Mining Business by Imperial was recorded in the accounts of Imperial as of January 1, 2002 as the reorganization occurred with entities under common control. Details of the assets and liabilities acquired and the adjustment to conform the accounting policies of the Mining Business to those of the Company can be found in Note 3.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a significant net loss in the year 2002, its first year of operation, and recorded a small net income in the year 2003. Property holding and operating costs, and exploration and administration costs are expected to be in excess of revenues until the restart of the Mount Polley mine or until the Company achieves commercial production from its other mineral properties. In the interim, the Company's ability to continue as a going concern is dependent on its ability to obtain the necessary financing to meet its obligations and pay its liabilities when they become due. At December 31, 2003 the Company had substantial cash resources however additional financing will be required to develop its mineral properties to commercial production and to finance operations of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, all its wholly owned subsidiaries and its proportionate share of joint ventures.

Cash and Cash Equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days.

Marketable Securities

Marketable securities are carried at the lower of cost and market value.

Inventory

Gold, copper and molybdenum concentrates are valued at the lower of production cost to produce saleable metal and net realizable value. Stores and supplies inventories are valued at the lower of cost and replacement cost.

Investments

Investments in corporations in which the Company exercises significant influence are accounted for using the equity method, whereby the investment is initially recorded at cost and is adjusted to recognize the Company's share of earnings or losses and reduced by dividends and distributions received.

Other investments are accounted for using the cost method.

Investments are written down when a permanent and significant decline in their value has occurred.

December 31, 2003 and 2002

Mineral Properties

Mining Property, Plant and Equipment

Mining property, plant and equipment is carried at cost less accumulated depletion and depreciation. Depletion and depreciation are computed primarily by property on the unit-of-production method based upon estimated recoverable reserves excluding certain assets at a cost of nil (2002 - $7,176,097) which are depreciated on a straight line basis as follows:

Mobile mine equipment and vehicles	3-8 years
Office, computer and communications equipment	3-10 years

Maintenance and repairs are charged to operations when incurred. Renewals and betterments, which extend the useful life of the assets, are capitalized.

Pre-production and Exploration Properties

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development are capitalized by property. Capitalized costs include interest and financing costs for amounts borrowed for mine development and plant construction, and operating costs, net of revenues, prior to the commencement of commercial production. On the commencement of commercial production, net costs are charged to operations on the unit-of-production method by property based upon estimated recoverable reserves.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Assessment of Impairment

Management reviews the carrying value of mineral properties at least quarterly for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest and, in the case of producing mining property, plant and equipment estimates of future cash flows to be realized from production. When the results of this review indicate that an impairment exists, the Company estimates the net recoverable amount of pre production properties by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of rights. The net recoverable amount of producing mining property, plant and equipment is determined based on undiscounted estimates of future cash flows. When the carrying values of mineral properties are estimated to exceed their net recoverable amounts, a provision is made for the decline in the value.

Future Site Reclamation Costs

The estimated costs for reclamation of producing mineral properties are accrued and charged to operations over commercial production based upon total estimated reclamation costs and recoverable reserves. The estimated costs for reclamation of non-producing mineral properties are accrued as liabilities when the costs of site clean-up and reclamation can be reasonably estimated.

Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method future income tax liabilities and future income tax assets are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantially enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

The tax deduction for the expenditures incurred related to flow through share financings has been assigned to the related shareholders, resulting in a future income tax liability which has been recorded as a charge to share capital. Any change in the valuation allowance relating to this future income tax liability is recorded as a future income tax recovery in the statement of income.

December 31, 2003 and 2002

Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the concentrate transfers to the customer. The estimated revenue is subject to adjustment upon final settlement, which is usually four to five months after the date of shipment.

These adjustments reflect changes in metal prices, changes in currency rates and changes in quantities arising from final weight and assay calculations.

Hedge Contracts

The Company may enter into contracts as a hedge against currency and commodity price fluctuations for a portion of anticipated revenue and production. Any gains or losses on these contracts are recorded in sales when revenues from the hedged production is recognized.

Joint Ventures

A portion of the Company's exploration and operating activities was conducted jointly with others and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

Foreign Currency Translation

The Company uses the temporal method to translate transactions and balances denominated in foreign currencies. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at average exchange rates in the month they occurred except for depletion, depreciation and amortization of assets which are translated using the same rates as the related assets. Gains and losses on translation are recorded in the statement of income.

Segmented Information

The Company operates substantially in Canada and in one segment, the mining industry.

Stock Based Compensation

Stock based payments to non employees are accounted for using a fair value based method of accounting. The Company has elected to not use the fair value based method to account for stock based compensation to employees and directors, however it has disclosed the proforma effect of using a fair value based method for such stock based compensation in the notes to its financial statements. Compensation expense is determined when stock options are issued to non-employees and non-directors and is recognized over the vesting period of the option. The compensation expense is determined as the fair value of the option at the date of grant using an option pricing model.

Earnings Per Share

Diluted earnings per share are computed using the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares exercisable upon the exercise of stock options and are excluded from the computation if their effect is anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

December 31, 2003 and 2002

3. ACQUISITION OF THE MINING BUSINESS

The assets and liabilities of the Mining Business were acquired by Imperial effective January 1, 2002 in exchange for 15,769,410 common shares of the Company and were recorded at Energy's book values at that date. Details of the net assets acquired are as follows:

Working Capital	
Cash	$ 1,433,784
Accounts Receivable	6,615,777
Inventory	4,848,071
Accounts payable and accrued liabilities	(6,363,341)
Current portion of limited recourse long term debt	(31,507,776)
	(24,973,485)
Mineral properties	69,085,490
Future site reclamation deposits	7,665,075
Other assets	5,796,609
Limited recourse long term debt and accrued interest	(46,036,627)
Future site reclamation costs	(8,781,881)
Net Assets acquired before change in accounting policies noted below	$ 2,755,181
Consideration for the purchase of the mining business of Energy:	
Issue of 15,769,410 common shares of Imperial	$ 2,755,181

Effective January 1, 2002 the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants whereby foreign exchange gains and losses on translation of long term monetary items are now recognized when incurred. Previously such translation gains and losses in Old Imperial were deferred and recognized over the term of the related monetary item. Also, the Company has a different accounting policy for revenue recognition than that of Old Imperial. The Company's accounting policy is to record mineral sales when title to the concentrate transfers to the customer. Old Imperial recognized mineral sales when concentrate is loaded onto trucks at the mine site and therefore, revenue as recorded by Old Imperial had to be adjusted to conform with the accounting policy of the Company.

These adjustments, which are not incorporated in the book values of assets and liabilities acquired from Energy at January 1, 2002 are as follows:

	Increase (Decrease)
Accounts Receivable	$ (2,541,316)
Inventory	$ 2,060,138
Mineral properties	$ 378,698
Deferred foreign exchange	$ (4,172,805)
Accounts payable and accrued liabilities	$ (232,852)
Deficit	$ 4,042,433

4. SHARE OF DEFICIT AND ADVANCES TO HUCKLEBERRY MINES LTD.

The Company has a 50% interest in Huckleberry Mines Ltd. ("Huckleberry") which is engaged in copper mining operations in British Columbia ("Huckleberry Mine"). Prior to December 1, 2003 the Company had joint control of Huckleberry and accounted for Huckleberry as an incorporated joint venture and recognized its proportionate share of the assets, liabilities, revenues and expenses of Huckleberry in these financial statements (Note 12).

Pursuant to an agreement dated December 1, 2003, the Company and the shareholders of Huckleberry restructured the management of the Huckleberry Mine such that the mine is now operated by Huckleberry and Imperial has relinquished certain elements of joint control and been released from all liability under the terms of a prior management agreement between Huckleberry and Imperial. As a result of this restructuring, the Company on December 1, 2003 ceased recording the results of operations and financial position of Huckleberry on a proportionate consolidation basis and commenced accounting for its interest in Huckleberry using the equity method. The effect of this change was the recognition of the Company's share of Huckleberry's deficit in the amount of $27,466,826 as a deferred credit in the Company's balance sheet. This deferred credit will be realized if the Company sells its interest in Huckleberry or to the extent that any subsequent equity earnings of Huckleberry reduce the Company's share of this deficit. The Company continues to have significant influence on Huckleberry and acts in an advisory capacity on mine operations.

The Company's share of deficit and advances to Huckleberry is comprised of the following:

	2003	2002
Loan receivable with interest calculated at bank prime rate plus 1.2%, secured by a $2.5 million demand fixed and floating charge debenture containing a charge on specific assets and a floating charge on all other assets of Huckleberry. Repayments of principal, and payment of interest, are due June 15th and December 15th of each year and are subject to available cash flow.	$ 2,500,000	$ -
Share of deficit of Huckleberry at December 1, 2003 the date of restructuring of management of Huckleberry	(27,466,826)	-
Equity income since December 1, 2003	1,016,986	-
	$(23,949,840)	$ -

December 31, 2003 and 2002

Summarized financial information for Huckleberry is as follows:

Balance Sheet	**2003**	**2002**
Current Assets		
Cash	$ 2,888,654	$ 2,598,855
Other current assets	15,892,075	17,143,620
	18,780,729	19,742,475
Mineral property	68,843,419	78,815,498
Future site restoration deposits and other	809,227	236,467
	$ 88,433,375	$ 98,794,440
Current Liabilities		
Accounts payable and other current liabilities	$ 5,856,691	$ 10,345,374
Current portion of long term debt and accrued interest and capital lease obligations	79,579,389	75,594,671
	85,436,080	85,940,045
Long term debt and accrued interest and capital lease obligations	53,456,465	75,074,930
Future site restoration costs and other long term liabilities	2,486,000	2,329,427
	141,378,545	163,344,402
Share Capital	57,595,611	57,595,611
Deficit	(110,540,781)	(122,145,573)
	(52,945,170)	(64,549,962)
	$ 88,433,375	$ 98,794,440
Statement of Income (Loss)		
Revenues	$104,207,363	$ 91,181,074
Expenses	92,602,571	129,341,581
Net Income (Loss)	$ 11,604,792	$ (38,160,507)
Statement of Cash Flows		
Operating activities	$ 8,951,432	$ 8,395,814
Financing activities	-	(1,131,856)
Investment activities	(8,661,633)	(6,964,794)
Increase in cash and cash equivalents	$ 289,799	$ 299,164

Since 1998 Huckleberry has been unable to meet its scheduled obligations for payment of interest and principal on its long term debt and has been operating under a financial restructuring package whereby payments of principal and interest are dependent on available cash. Huckleberry has been receiving quarterly extensions of the repayment date from the debt holders ("Lenders") with the current extension expiring June 30, 2004.

Huckleberry's ability to meet or renegotiate its debt obligations as they become due is dependent on the continued support of the Lenders, the ability to obtain other financing and/or the achievement of sufficient cash flow from operations. If Huckleberry was unable to meet or renegotiate this obligation and the Lenders realized upon their security, then Huckleberry may be unable to continue as a going concern and material adjustments would be required to Huckleberry's carrying value of assets and liabilities. Such adjustments would not have a material effect on the ongoing operations of the Company as the Company is not contingently liable for any share of the Huckleberry debt. Huckleberry is continuing to negotiate with the Lenders to restructure the loan, however there is no assurance that the negotiations will be successfully concluded.

December 31, 2003 and 2002

5. INVENTORY

	2003	2002
Concentrate and bullion work in process	$ -	$ 3,559,438
Supplies	9,352	4,443,324
	$ 9,352	$ 8,002,762

6. MINERAL PROPERTIES

	Cost	Accumulated Depletion, Depreciation, Writedowns and Other	2003 Net Book Value	2002 Net Book Value
Mining property, plant and equipment				
Mineral properties	$ 24,390,518	$ 22,347,625	$ 2,042,893	$ 2,537,400
Buildings, machinery and equipment	49,574,041	43,711,707	5,862,334	26,267,576
Tailings and reclaim facilities	14,579,794	12,973,384	1,606,410	17,778,112
Land	36,093	-	36,093	70,490
	88,580,446	79,032,716	9,547,730	46,653,578
Exploration Properties				
Acquisition and exploration costs	2,933,075	1,525,937	1,407,138	2,486,889
	$ 91,513,521	$ 80,558,653	$ 10,954,868	$ 49,140,467

Proceeds from the sale of Mount Polley mining property, plant and equipment in excess of carrying value is recorded as a reduction of the carrying value of the capitalized cost of the Mount Polley mine until such time as the mine recommences operation.

	December 31 2002	Additions	Depletion, Depreciation & Amortization	Writedowns	Other [(1)]	December 31 2003
Mount Polley	$ 5,850,147	$ 1,351,771	$ -	$ -	$ -	$ 7,201,918
Sterling	1,334,214	827,333	-	-	-	2,161,547
Nak	13,847	482,833	-	-	-	496,680
Huckleberry	39,407,303	3,984,591	(8,441,429)	-	(34,950,465)	-
Other properties	2,534,956	85,704	-	(1,525,937)	-	1,094,723
	$ 49,140,467	$ 6,732,232	$ (8,441,429)	$ (1,525,937)	$(34,950,465)	$ 10,954,868

[(1)] *Other consists of the change in basis of accounting for Huckleberry as described in Note 4.*

Mount Polley

The Company owns 100% of the Mount Polley open pit copper-gold mine 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley mine is currently on standby as mining and milling operations were suspended in September 2001 because of continuing low metal prices. The Mount Polley property consists of a mineral lease, 25 mineral claims and one fractional claim. Costs of maintaining the Mount Polley mine on standby are expensed in the statement of income. In accordance with the Company's accounting policy for exploration, these costs are capitalized to mineral properties.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine operated as both an underground and open pit mine from 1980 to suspension of mining operations in 1997. Certain parts of the Sterling property are being reclaimed. The Sterling property consists of 149 lode mining claims plus one water well site. Net smelter royalties of 2.25% are payable on production with minimum advance royalties on a small portion of this total.

During the year 2003 the Company optioned via a lease agreement 29 additional claims adjacent to the Sterling property. Advance royalty payments of US$1,000 per month are payable monthly and the property is subject to a 2% net smelter royalty. A portion of the property is also subject to advance royalty payments of US$400 per month and a 5% royalty to a maximum of US$250,000. The previously noted 2% royalty is not payable on these claims until after the royalty cap has been reached.

Nak

In the year ended December 31, 2002 the Company staked one claim and in 2003 staked an additional two claims comprising the 100% owned Nak property. The Nak property is located 75 kilometres southeast of Atlin, British Columbia. Additionally, in July 2003 the Company acquired via option the Joss'alun claims which are surrounded by the Company's Nak property. Under the terms of the option, the Company could acquire a 100% working interest in the Joss'alun claims by paying $10,000 to the optioners and issuing 100,000 common shares of the Company to the optioners within one year of signing the option agreement. The agreement contained other terms and conditions however in view of the limited exploration success on the Joss'alun claims the Company terminated the Joss'alun option agreement in early 2004 reducing its holdings from 1,550 hectares to 1,200 hectares. The Company will continue to explore the remaining claims owned 100% by the Company.

Other Exploration Properties

The Company has interests in various other early stage exploration properties located primarily in Canada. These properties have primarily been acquired by staking and therefore the cost to maintain ownership of these properties is not significant.

7. OTHER ASSETS

	2003	2002
Loan receivable	$ -	$ 1,250,000
Equipment and leasehold improvements	144,626	142,341
	$ 144,626	$ 1,392,341

The loan receivable represents the other venturers' share of a credit facility provided by the Company to its 50% investee, Huckleberry. At December 31, 2003 this loan in the aggregate amount of $2,500,000 has been included in the share of deficit of Huckleberry (Note 4).

8. LIMITED RECOURSE LONG TERM DEBT AND ACCRUED INTEREST

	Note	2003	2002
Mount Polley Mine Construction Loan	(a)	$ 5,891,809	$ 5,620,814
Huckleberry Mine Construction Loan	(b)	-	47,388,000
Huckleberry Mine Infrastructure Loan	(b)	-	7,248,763
Huckleberry Mine Accrued Interest	(b)	-	19,448,037
		-	74,084,800
		5,891,809	79,705,614
Less portion due within one year		-	(37,797,335)
		$ 5,891,809	$ 41,908,279

(a) Mount Polley Mine Construction Loan

Loan from a company related to the former joint venture partner of the Mount Polley mine in the amount of $6,300,000 (2002 - $6,300,000) secured solely by and limited in recourse to the Company's interest in the mining lease and other assets of the Mount Polley mine.

	2003	2002
Payments due in sixty monthly installments of $116,667 limited to a maximum of ten installments per year commencing April 1, 2001. Monthly installments are payable only if the mine and mill are in operation during the month. If the Company has not paid the sum of $7.0 million by December 31, 2010 as a result of postponements of monthly payments on the basis described above, the obligation to make payments will cease on that date.	$ 6,300,000	$ 6,300,000
Less portion representing deemed interest	(408,191)	(679,186)
	5,891,809	5,620,814
Less portion due within one year	-	-
	$ 5,891,809	$ 5,620,814

The obligation was originally recorded on a present value basis with deemed interest calculated at 7% per annum under the original repayment terms. As a result of the suspension of mining and milling operations at the Mount Polley mine during the year ended December 31, 2001 the repayment dates on this debt are not determinable.

(b) Huckleberry Loans

The Huckleberry Mine loans and accrued interest at December 31, 2002 represent the Company's 50% interest in long term debt and accrued interest of Huckleberry, are repayable solely by Huckleberry, and have been reclassified due to the change in basis for accounting for Huckleberry (Note 4).

9. SHARE CAPITAL

Authorized

50,000,000	First Preferred shares without par value
50,000,000	Second Preferred shares without par value issuable in series with rights and restrictions to be determined by the directors
100,000,000	Common Shares without par value

Issued and Fully Paid

	2003		2002	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Common shares				
Balance, beginning of year	15,769,411	$ 2,755,182	1	$ 1
Issued for cash pursuant to a rights offering, net of issue costs of $130,601	3,942,353	1,249,213	-	-
Issued for cash on the exercise of options	155,000	77,500	-	-
Issued for cash pursuant to private placement flow through share issue, net of issue costs of $34,579	3,000,000	1,465,421	-	-
Future income tax effect of flow through share expenditures	-	(507,734)	-	-
Issued for cash pursuant to private placement bought deal financing, net of issue costs of $713,748	2,353,000	9,286,502		
Issued for cash on exercise of share purchase warrants	250,000	90,000		
Issued for acquisition of mineral property	25,000	11,375	-	-
Issued on acquisition of the mining business of Energy (Note 3)	-	-	15,769,410	2,755,181
Balance, end of year	25,494,764	$ 14,427,459	15,769,411	$ 2,755,182

December 31, 2003 and 2002

Share Option Plan

Under the Share Option Plan the Company may grant options to its directors, officers and employees for the purchase of up to 1,500,000 common shares of the Company. No options were outstanding prior to July 22, 2002. Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three year period.

On July 22, 2002 the Company granted to employees and directors options to purchase 1,495,000 shares at an exercise price of $0.50 per share. These share options have a term of five years and expire in 2007. On April 30, 2003 the Company granted to an employee options to purchase 15,000 shares at an exercise price of $0.50 per share. These share options have a term of four years and three months and expire in 2007.

Had the Company followed the fair value method of accounting, the Company would have recorded a compensation expense of $115,318 (2002 - $60,137) in respect of these share options. Proforma earnings information determined under the fair value method of accounting for stock options is as follows:

	2003	2002
Net Income (Loss)		
As reported	$ 3,375,550	$ (22,968,083)
Proforma compensation expense	115,318	60,137
Proforma Net Income (Loss)	$ 3,260,232	$ (23,028,220)
Basic and diluted income (loss) per share		
As reported	$ 0.16	$ (1.46)
Proforma	$ 0.16	$ (1.46)

The fair value of the share options issued on July 22, 2002 was estimated to be $0.22 per share option at the date of grant using the Black-Scholes option pricing model, based on the following assumptions:

Dividend yield	0%
Risk free interest rate	4.3%
Expected life	5 years
Expected volatility	55%

The fair value of the share options issued on April 30, 2003 was estimated to be $0.29 per share option at the date of grant using the Black-Scholes option pricing model, based on the following assumption:

Dividend yield	0%
Risk free interest rate	4.09%
Expected life	4.23 years
Expected volatility	75%

Forfeitures of options are accounted for in the period of forfeiture.

The determination of expected volatility contained in the option pricing model is based on highly subjective assumptions which can materially affect the fair value estimate of the option at the date of grant.

A summary of the status of the Company's Share Option Plan as of December 31, 2003 and changes during the years is presented below:

	2003		2002	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,495,000	$ 0.50	-	-
Granted	15,000	$ 0.50	1,495,000	$ 0.50
Exercised	(155,000)	$ 0.50	-	-
Lapsed	(290,000)	$ 0.50	-	-
Outstanding at end of year	1,065,000	$ 0.50	1,495,000	$ 0.50
Options exercisable at end of year	653,333	$ 0.50	498,333	$ 0.50

December 31, 2003 and 2002

The following table summarizes information about the share options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.50	1,065,000	3.6 years	$ 0.50	653,333	$ 0.50

Subsequent to December 31, 2003 the Company granted to employees options to purchase 30,000 shares at a price of $6.80 per share. These options have a term of approximately 6 years and expire on December 31, 2009.

Share Purchase Warrants

On December 31, 2003 1,176,500 common share purchase warrants were outstanding. Each warrant entitles the holder to acquire one common share of the Company at a price of $5.50 per share until December 1, 2005. After December 1, 2004 the Company is entitled to accelerate the expiry date of the warrants if the closing price of the common shares of the Company is at or above $8.50 per share for 10 consecutive trading days, by giving the holders of the warrants not less than 30 days notice in writing of such accelerated expiry date.

10. INCOME AND MINING TAXES

The reported income tax provision differs from the amounts computed by applying the Canadian federal and provincial statutory rates to the net loss before income taxes due to the following reasons:

	2003		2002	
	Amount	%	Amount	%
Income (Loss) before taxes:	$ 3,068,889	100.0	$ (22,801,145)	100.0
Income taxes (recovery) thereon at the basic statutory rates	1,153,902	37.6	(9,029,253)	(39.6)
Increase resulting from:				
Tax losses and future tax assets not recognized in the period they arose	1,011,000	32.9	9,285,887	40.7
Amounts for which no tax asset has been recognized	(626,000)	(20.4)	-	-
Resource allowance and earned depletion	(267,000)	(8.7)	(279,416)	(1.2)
Reduction in valuation allowance	(1,889,000)	(61.6)	-	-
B.C. mineral taxes	118,000	3.9	101,000	0.4
Large corporation taxes	83,000	2.7	74,000	0.3
Other	109,437	3.6	14,721	0.1
Income and mining taxes	$ (306,661)	(10.0)	$ 166,938	0.7
Current taxes	$ 201,073		$ 166,938	
Future income taxes	(507,734)		-	
	$ (306,661)		$ 166,938	

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

	2003	2002
Mineral properties	$ 23,535,000	$ 49,484,000
Net operating tax losses carried forward	2,490,000	10,909,000
Share of deficit and advances to Huckleberry	7,416,000	-
Other	626,000	556,000
Net future tax asset	34,067,000	60,949,000
Less: valuation allowance	(34,067,000)	(60,949,000)
	$ -	$ -

11. INCOME (LOSS) PER SHARE

Income (loss) per common share is calculated on the basis of the weighted average number of common shares outstanding during the year ended December 31, 2003 of 20,623,985 (2002 – 15,769,411). The effect of the incremental common shares exercisable upon the exercise of stock options and share purchase warrants (Note 9) is not substantial enough to cause a change in the basic income (loss) per share.

12. JOINT VENTURE

The consolidated financial statements of the Company are comprised of the following amounts which include the Company's share of joint venture assets, liabilities and results of operations from Huckleberry up to December 1, 2003, the date the management of Huckleberry was restructured (Note 4):

	2003		
	Huckleberry (50% interest) (11 months)	Imperial (excluding Huckleberry)	Consolidated Total
Statement of Income (loss)			
Revenues	$ 46,154,423	$ 1,016,362	$ 47,170,785
Expenses	(41,363,259)	(3,448,962)	(44,812,221)
Equity income from Huckleberry	-	1,016,986	1,016,986
Net Income (Loss)	$ 4,791,164	$ (1,415,614)	$ 3,375,550
Statement of Cash Flows			
Cash flow from operations	$ 4,477,996	$ (1,917,498)	$ 2,560,498
Net change in non cash operating balances	(696,842)	(1,827,045)	(2,523,887)
Operating activities	3,781,154	(3,744,543)	36,611
Financing activities	-	12,168,636	12,168,636
Investment activities	(4,264,927)	656,230	(3,608,697)
Increase (decrease) in cash and cash equivalents	$ (483,773)	$ 9,080,323	$ 8,596,550

	2002		
	Huckleberry (50% interest) (11 months)	Imperial (excluding Huckleberry)	Consolidated Total
Balance Sheet			
Cash and cash equivalents	$ 1,299,427	$ 1,292,158	$ 2,591,585
Other current assets	8,585,476	2,954,702	11,540,178
Mineral properties	39,424,740	9,715,727	49,140,467
Other assets	104,568	8,640,357	8,744,925
	49,414,211	22,602,944	72,017,155
Accounts payable and accrued charges	(5,172,687)	(2,747,377)	(7,920,064)
Long term debt, including current portion	(75,334,800)	(4,370,814)	(79,705,614)
Other liabilities	(1,164,714)	(7,482,097)	(8,646,811)
Net assets	$ (32,257,990)	$ 8,002,656	$(24,255,334)
Statement of Loss			
Revenues	$ 45,590,537	$ 1,648,206	$ 47,238,743
Expenses	(61,766,675)	(8,440,151)	(70,206,826)
Net Loss	$ (16,176,138)	$ (6,791,945)	$(22,968,083)
Statement of Cash Flows			
Cash flow from operations	$ 3,112,567	$ (2,076,546)	$ 1,036,021
Net change in non cash operating balances	983,175	1,046,273	2,029,448
Operating activities	4,095,742	(1,030,273)	3,065,469
Financing activities	(565,929)	-	(565,929)
Investment activities	(3,380,232)	2,038,493	(1,341,739)
Increase in cash and cash equivalents	$ 149,581	$ 1,008,220	$ 1,157,801

December 31, 2003 and 2002

The Company's share of related party transactions and balances with the Company's joint venture partners to November 30, 2003 are as follows:

	2003	2002
Accounts receivable	$ -	$ 972,386
Accounts payable and accrued liabilities	$ -	$ 81,388
Accrued interest on long term debt	$ -	$ 15,152,183
Mineral revenue earned	$ 45,412,981	$ 43,761,806
Mineral production costs incurred	$ 10,964,208	$ 11,304,505
Interest on long term debt	$ 1,711,395	$ 2,058,822

13. RELATED PARTY TRANSACTIONS

Related party transactions and balances by the Company with Huckleberry Mines subsequent to November 30, 2003 are as follows:

	2003	2002
Accounts receivable	$ 43,020	$ -
Other revenue earned	$ 157,177	$ -

14. COMMITMENTS AND GUARANTEES

At December 31, 2003 the Company is committed to future minimum operating lease payments as follows:

2004	$ 112,000
2005	102,000
2006	94,000
2007	78,000
	$ 386,000

At December 31, 2002 the Company had secured the reclamation bond for the Mount Polley mine with a cash deposit. During the year 2003 the cash deposit was reduced by $1,370,567 as a result of the Company pledging to the Province of British Columbia certain mining equipment and supplies inventory at the Mount Polley mine as substitute security for the cash released from the reclamation bond.

15. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

At December 31, 2003 the carrying value of cash and cash equivalents, accounts receivable, future site reclamation deposits, and accounts payable and accrued liabilities approximates their respective fair values. The payment date and ultimate payment amount of long term debt on the Mount Polley mine (Note 8(a)) is not known and therefore the fair value of this debt is not readily determinable.

Interest rate risk is the risk to the Company's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Company's long term debt bears deemed interest at a fixed rate of 7%. Huckleberry's US Dollar denominated long term debt bears interest at 1.2% above the 6 month Libor rate and the majority of the Cdn Dollar denominated long term debt bears interest at Canadian Bank prime rate plus 4%.

The Company's Canadian mineral revenues have historically been dependent on selling concentrates to one or two smelters. However, as these customers are large, well capitalized and diversified multinationals, credit risk is considered to be minimal.

The Company is exposed to fluctuations in commodity prices and exchange rates and from time to time enters into contracts to hedge or manage its exposure.

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL BALANCES

The net change in non-cash operating working capital balances consists of the following:

	2003	2002
Marketable securities	$ 697,398	$ (1,152)
Accounts receivable	(1,447,550)	1,578,113
Inventory	2,759,042	(1,144,553)
Accounts payable and accrued liabilities	(3,717,123)	1,597,040
	$ (1,708,233)	$ 2,029,448