

PRESIDENT'S MESSAGE

Exploration success at Red Chris sets stage for growth.

Operating income of \$24.8 million in 2009 was close to the level achieved in 2008 (\$25.4 million). Non cash losses on derivative instruments pushed overall results into negative territory with a net loss of \$0.39 per share for 2009 compared to net income of \$1.83 per share in 2008 when falling metal prices had the reverse effect on derivative instrument accounting. Adjusted net income, a better reflection of overall results, was \$1.16 per share in 2009 compared to \$1.71 in 2008.

Gold production at Mount Polley reached 49 thousand ounces in 2009, the highest number of ounces produced since reopening the mine in 2005. However, the changeover from high grade mill feed from the mined out Wight pit to lower grade mill feed from the Springer pit reduced copper production in 2009. Going forward, copper production will gradually improve as less oxidized ores are mined with increasing Springer pit depth. By year end 2009, the strip ratio for the ore tonnes remaining in the Springer pit had declined to 1.55 to 1, from the strip ratio of 3.19 to 1 at the end of 2007. As a result the mining rate will begin to drop; the current mining rate of 85,000 tonnes per day will drop to 75,000 tonnes per day later this year. The projected improvement of recoveries and reduction of mining rate will reduce production costs at Mount Polley.

Copper production at the Huckleberry mine was 45 million pounds, up from 37 million pounds in 2008. Copper grades increased as production moved deeper in the Main Zone Extension pit. Huckleberry's 2010 copper production is expected to increase slightly as mining continues to move into the deeper, higher grade portions of the Main Zone Extension pit.

Exploration drilling at Red Chris continued to generate stellar results including a spectacular intercept of 152.5 metres of 4.12% copper, 8.83 g/t gold and 10.46 g/t silver in RC09-350. Drilling in 2009 totalled 14,172 metres in 11 holes. In 2009 the site was accessed by the 17 kilometre access road to the project site completed in 2008. The deep diamond drill rig count at Red Chris will be increased from the two rigs currently operating to six.

At the Sterling gold property in Nevada, work continued to expand the gold resource and develop the 144 zone with underground diamond drilling and underground development being completed. This work continues and in 2010 underground development will include a drift across the zone to gather further information on the mineability and metallurgy of the zone.

The Selkirk transaction completed in late 2009 added significant value to Imperial's management team and property portfolio. We look forward to building and expanding on the excellent results previously achieved with the Selkirk property package.

Exploration drilling at Mount Polley tested a number of areas. Highlights included additional high grade intercepts in the Boundary zone and the discovery of a new area of mineralization northwest of the Springer pit called the Junction zone. Work has started to establish a portal in the Wight pit, from which a 500 metre long ramp will be driven to provide underground access for further exploration and possible mining of Boundary zone mineralization.

The impact of higher copper and gold prices in 2009 was muted somewhat by the rising value of the Canadian dollar. Huckleberry and Mount Polley are expected to generate sufficient cash flow in 2010 at current metal prices and exchange rates to fund the significant exploration and development expenditures planned for 2010. These expenditures include a budget of \$27 million for exploration and development at Red Chris.

Provincial and Federal Government funding has been announced to complete the Northern Transmission Line, a power line designed to extend British Columbia's power grid to the northwest quadrant of the province up to Bob Quinn. The construction of this power line will enable economic development and power generation in this portion of the province and will allow Red Chris to be tied into the grid at Bob Quinn. With this addition to the province's infrastructure, and with the continued exploration success Red Chris, Canadian controlled and managed Imperial Metals Corporation is well positioned for growth

On behalf of the directors, I thank all stakeholders, and especially our employees, for their continued support and work for Imperial.



J. Brian Kynoch
President