

IMPERIAL METALS CORPORATION

Price (February 18 close) \$13.55
52-Week Range \$16.93-\$2.01
Shares O/S 34.24 million
Market Cap \$464.0 million
Enterprise Value \$433.7 million
Enterprise Value Per Share \$12.66
50-day Average Volume 117,300
200-day Average Volume 62,200
Fiscal Year-End December 31
Symbol TSX: III
Website www.imperialmetals.com

Financial Data

	Year Ending Dec 31 2008	Last 12 Mos. Sep 30 2009
Selected Income/(Loss)		
General Income (Expense) Items	(141,066)	(151,695)
Non-Discretionary G&A Expense	(4,757)	(4,258)
Net Income (Loss)	80,876	(25,089)
Comprehensive Income (Loss)	59,617	(19,092)
Cash Flow	103,946	47,429
Selected Balance Sheet		
Cash & Equivalents	14,043	29,556
Mineral Properties	169,162	172,379
Shareholders' Equity	234,148	224,342
Total Assets	384,901	334,661
Key Ratios		
Monthly Cash Burn (\$)	396	355
Monthly Capex (\$)	3,895	2,060
Cash OpEx (months)	104.8	84.5
Cash/OpEx + Capex (mnts)	9.7	12.4
Per Share (PS)		
Net Income Per Share	\$1.83	(\$0.77)
Cash Flow Per Share	\$3.20	\$1.46
Cash Per Share	\$1.28	\$0.92
Mineral Properties Book Value PS	\$1.71	\$1.73
Net Asset Value (NAV) Per Share	\$5.14	\$5.04
Equity (Book Value) Per Share	\$7.20	\$6.92
Multiples		
Price/Cash (times)	1.70x	5.33x
Price/Cash Flow	0.68x	3.37x
Price/Mineral Properties (times)	1.27x	2.85x
Price/NAV (times)	0.42x	0.98x
Price/Book Value (times)	0.30x	0.71x

eResearch Corporation
56 Temperance Street, Suite 501
Toronto, ON M5H 3V5
Telephone: 416-643-7650
Toll Free: 877-856-0765

eResearch Analysts:

Anthony G. B. Hayes, B.Sc. (Hons.), DIA, CFA
 Bob Weir, BSc, B.Comm, CFA

Note: Report prepared with public information only.



Source: www.bigcharts.com

UPFRONT

The shares took off in November 2009 with the completion of the merger with Selkirk Metals Corp. and, particularly, with the announcement of favourable drilling results at the Red Chris copper-gold property. The continuation of drilling now underway adds prospects for further significant upside.

PROFILE

“Discover, develop, operate” is the defining mantra of Imperial Metals Corporation, a tightly-held Vancouver-based Canadian mineral exploration, mine development, and operating company. Imperial Metals’ key properties are: (1) the 100%-owned Mount Polley open-pit copper and gold mine; (2) the 50%-owned Huckleberry open-pit copper and molybdenum mine; (3) the 88%-owned development-stage Red Chris copper-gold property, all in British Columbia; and (4) the 100%-owned development-stage Sterling gold property in Nevada.

The Mount Polley and the Huckleberry operations generate significant cash flow. The funds are more than sufficient to meet planned exploration and development work on these properties, as well as on Red Chris.

KEY ACQUISITION

The merger with Selkirk Metals Corp., which became effective in early November 2009, adds a wealth of highly prospective exploration properties and expertise (including that of Gordon Keevil, a member of the famous mining family well-known for its involvement with Teck Resources) to this soundly financed and well managed corporation. Imperial Metals has grown organically since 1995, when the current president, Brian Kynoch, negotiated the merger between Bethlehem Resources Corporation and Imperial Metals at a time when Mr. Kynoch was President of Bethlehem.

INVESTMENT CONSIDERATIONS

Strengths

- Good cash flow from mining operations funds exploration and development; good cash position.
- Limited number of shares outstanding (34.2 million), with 60% tightly held, including institutional interest; share dilution not an issue.
- All properties in Canada and the USA - politically safe jurisdictions.
- Excellent new deep drill results from Red Chris copper-gold project (see below). Further 50,000-60,000 metres of drilling underway.
- Updated feasibility study on Red Chris in progress. Red Chris production start-up probable in 2013 at 30,000 tpd.
- Supreme Court of Canada dismisses challenges to Red Chris environmental permits.
- B.C. and federal governments agree to build hydro line to northwest B.C.

Challenges

- Copper and gold prices could retreat and diminish general market interest.
- Delays are always possible in the construction of new mines and mills.
- Possible unanticipated operational problems associated with mining and milling.
- Capex of (possibly) up to \$500 million for Red Chris needs to be financed.
- Small public float; low average daily trading volume.

CONCLUSION

The combined resources of Red Chris, Mount Polley and Huckleberry are 2.4 billion lbs of copper, 2.6 million ounces of gold and 1.3 million ounces of silver. Assuming a gold price of US\$1,100 per ounce for gold, US\$15.00 per ounce for silver, and US\$3.00 per lb for copper, the in-situ value of these resources amounts to \$10 billion. Since Imperial Metal's market capitalization is only \$480 million, it is selling in the market at less than 5% of the value of its metal in the ground.

Given that this is based solely on the published NI 43-101 resources, this is just the starting point. The recent excellent drill results at Red Chris suggest strongly that there could be a substantial increase in both the tonnage and grade of the Red Chris resource as this year unfolds. The shares of Imperial Metals, therefore, could be of interest to investors willing to speculate on better-than-anticipated exploration success.

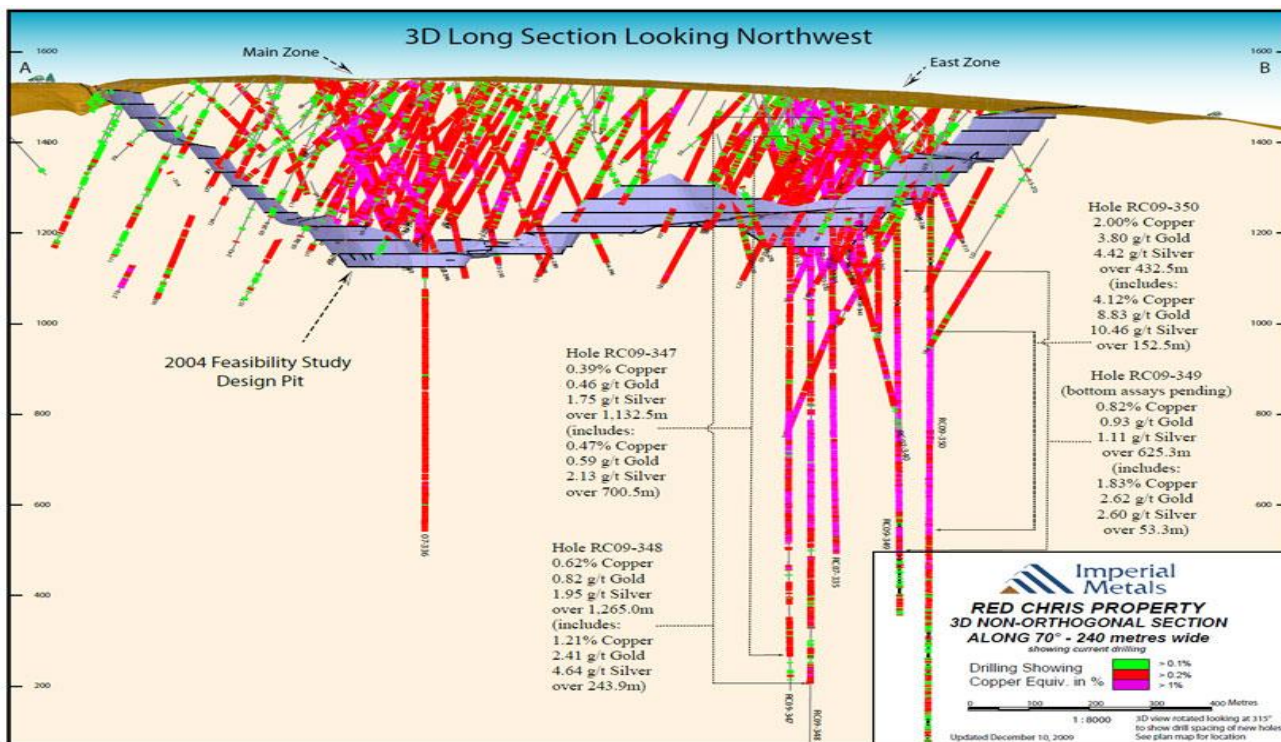
PROJECTS

(1) Red Chris

COMMENT: *Red Chris is a big part of Imperial Metal's future.*

With the approval of the permit for Red Chris, Imperial Metals is working towards production and is accelerating the deep exploration program, particularly in the area of the existing surface operations, as well as updating the 2005 feasibility study. It is in these two programs that there should be major positive changes in the value of Red Chris which, in turn, should positively affect the Company's share price as the year progresses.

Deep drilling carried out last year beneath the proposed pit shows that the ore body continues at depth. Both the lengths and grades of the intercepts are extremely impressive. The best of these was announced on December 10, 2009: Hole RC09-350 intercepted 352 metres grading 2.24% copper, 4.52 gpt gold, and 5.28 gpt silver, including 152.5 metres grading 4.12% copper, 8.83 gpt gold and 10.45 gpt silver. Results from the remainder of this hole are pending and further drilling is underway.



Source: The Company.

COMMENT: *It seems certain that Imperial Metals has discovered the main feeder system for the surface ore body, and work this year is to further define the magnitude of the system. As the topography of the property dips steeply to the south into a valley with a drop of some 700 metres, it is possible to envisage an adit being driven into the lower part of the feeder system in order to mine some of the high-grade ore to blend with the material from the open pit.*

The updated feasibility study will confirm whether this is a preferred route or, perhaps, it might suggest waiting until the eastern end of the open pit is sufficiently developed and then driving underground from there. Either way, the host rock is competent and should lend itself to bulk mining by block caving at very attractive costs.

The 2005 Feasibility Study

Red Chris already has an established NI 43-101 reserve along with a feasibility study that was completed in 2005. Proven and probable reserves amount to 276 million tonnes grading 0.349% copper and 0.266 gpt of gold, or 2.123 billion pounds of copper and 2.362 million ounces of gold in situ. The open-pit mine proposed in the 2005 study would have a stripping ratio of 1.1:1, and a concentrator with a capacity of a 30,000 tpd or 10.95 million tpy of ore for a mine life of 25 years.

Production in the first five years was expected to amount to 74.1 million tpy of copper and 47,500 oz gold per annum. Recoveries were calculated at 87.2% for copper and 50.3% for gold.

Updated Feasibility Study

The original feasibility study envisaged a capital cost of \$227.6 million and assumed prices of US\$1.10 per lb for copper and US\$375 per ounce for gold.

COMMENT: *In the updated feasibility study now underway, we anticipate a considerable increase in the capital expenditures to the \$500 million level, including about \$50 million for the hook-up to the newly-approved extension of the North-West B.C. hydro line.*

While capex will have increased over the past five years, this will have been more than offset by the improvement in metal prices to over US\$3.00 per lb for copper and US\$1,000 per ounce for gold. The metal price improvements should also result in an increase in the quantity of the reserves, as should the current drilling program. Operating expenditures are also expected to have risen from the original all-in estimate of \$5.30 per tonne. However, the project should remain extremely robust.

COMMENT: *The updated feasibility study and the results from an estimated 50,000-60,000 metres of drilling this year should substantially improve the economics and attractiveness of the Red Chris project.*

(2) Mount Polley

Located in south-central B.C., the Mount Polley open-pit copper/gold mine is Imperial Metals' principal operating mineral property. Production for 2009 is expected to total 42 million lbs of copper, 53,000 oz of gold, and 231,000 oz of silver. Proven and probable reserves in January 2009 were estimated at 46.2 million tonnes grading 0.34% copper, 0.29 g/t gold, and 0.95 g/t silver. While the current mine life is to the end of 2015, exploration continues in search of additional reserves.

(3) Huckleberry

Imperial Metals has a 50% interest in the Huckleberry open-pit copper/molybdenum mine in central B.C. Planned production for 2009 was 40 million lbs of copper, 2,400 oz of gold and 195,000 oz of silver, of which 50% is attributable to the Company. Known reserves are sufficient for another two years of operation, but exploration for additional reserves is ongoing.

SHAREHOLDERS

	Shares	%
Pierre Lebel	45,304	
Brian Kynoch	355,730	
Larry Moeller	1,032,515	
Edward Yurkowski	<u>4,581</u>	
Total Management	1,438,130	4.2%
Murray Edwards	12,468,779	36.4%
Fairholme Capital	<u>5,869,883</u>	<u>17.1%</u>
Total	19,776,792	57.7%

In addition, Murray Edwards owns \$9.00 million of the \$13.44 million convertible debenture that is exercisable at \$8.65 per share and due in March 2010. As the shares are trading at \$13.55, it appears highly probable that the debenture will be converted, giving Mr. Edwards an additional 1,040,442 shares or a 37.7% stake in the increased number of shares outstanding as a result of the conversion. A significant positive factor in the probable conversion is that the Company will have an additional \$13.44 million of unencumbered cash in the treasury.

COMMENT: With the current share price trading well above the conversion price, all of the convertible debenture is likely to be converted to common stock. Thus, the Company will have no debt.

With almost 60% of the 34.2 million shares outstanding being tightly held, we anticipate considerable interest from institutions as more positive results are announced - particularly as the Company has good cash flow, is well funded, and is reluctant to dilute its shareholders through the unnecessary issuance of more shares before the results of this year's program are known. With capital expenditures for Red Chris likely to be funded 40% equity to 60% debt, the Company would have to raise \$200 million of equity. A higher share price would obviously result in the issuance of fewer shares and less dilution. Hence, management is in no rush to go to market, despite the stock's recent healthy advance.

MANAGEMENT AND DIRECTORS

Pierre Lebel, Chairman and Director

Pierre Lebel has been Chairman since 2003, and was President from 1986-2003. He has extensive experience in managing public companies, and has served as a Director of a number of public companies.

J. Brian Kynoch, President and Director

Brian Kynoch has been President since 2003, and was Senior Vice President and Chief Operating Officer from 1995-2003. His experience over 28 years in the mining industry has involved the exploration, permitting, development, commissioning, operation and reclamation of numerous mines and mineral properties, including Mount Polley, Nickel Plate, Goldstream, Huckleberry, Castle Mountain and Sterling mines.

Larry G.J. Moeller, Director since March 2002

Larry Moeller is President of Kimball Capital Corporation and Vice President Finance of Edco Financial Holdings Ltd., private companies based in Calgary.

Ed Yurkowski, Director since May 2005

Ed Yurkowski is President of Procon Mining and Tunnelling Ltd, a Vancouver-based full-service mining contractor with operations in North America and other continents..

Ted Muraro, Director

Ted Muraro joined Imperial Metals' board following completion of the business combination transaction with Selkirk Metals Corp. in November 2009. Mr. Muraro has worked in the mineral exploration industry for more than 40 years, including over 30 years at Cominco Ltd. where his positions included Chief Geologist and internal Consulting Geologist to the Exploration Division.

CORPORATE INFORMATION

Imperial Metals Corporation
200 - 580 Hornby Street
Vancouver, B.C. V6C 3B6
Tel: 604-669-8959
Fax: 604-687-4030
Investor Relations: 604-488-2657
E-mail: info@imperialmetals.com



StockPotentials Reports

The eResearch StockPotentials reports are written on companies that eResearch believes have interesting prospects, are smaller in size and, therefore, have little or no following on the Street, and which would benefit from the exposure that eResearch can provide through the dissemination of the reports via our extensive electronic distribution network.

eResearch writes these reports solely from publicly-available information, and has not contacted or spoken with company management. Consequently, no Target Price or Recommendation is provided.

eResearch does not receive a fee for the preparation and publication of *StockPotentials* reports.