

Knight Piésold CONSULTING

Our Reference: VA101-1/16-P.01
Continuity Nbr.: VA06-01198

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Mr. Ron Martel
Mount Polley Mining Corporation
P.O. Box 12
Likely, BC - V0L 1N0

Dear Ron,

Re: Formal Dam Safety Review of Tailings Dam

We are pleased to provide this proposal to conduct a formal Dam Safety Review for the Tailings Storage Facility at the Mt Polley Mine. The purpose of a Dam Safety Review (DSR) is to evaluate whether all aspects of the dam and its ancillary components meet the safety standards that are appropriate for the level of risk that the facility is operating under. The DSR will be carried out in accordance with Section 2.0 (Dam Safety Review) of the "Dam Safety Guidelines" of the Canadian Dam Association (CDA), and the "Inspection and Maintenance of Dams, Dam Safety Guidelines" of the Ministry of Environment, Lands and Parks Water Management Branch of B.C. The findings of the DSR will be presented in a report for submission to the Ministry of Energy and Mines.

KEY PERSONNEL

The Dam Safety Review will be carried out by Mr. Graham Greenaway, Specialist Geotechnical Engineer of Knight Piésold, with technical assistance and review provided by Mr. Jeremy Haile (President Knight Piésold) and Mr. Jaime Cathcart (Specialist Hydrological Engineer). Other staff engineers, technicians and clerical personnel will be utilized as necessary.

SCOPE OF WORK

The proposed work required to complete the Dam Safety Review will be conducted under the following task numbers.

Task 100 - Project Management

This task will include all activities necessary to ensure that the assignment is completed, on time and on budget, in a continuous process throughout the project duration. Primary activities will include the definition and ultimate delivery of scope, budgets and schedule, project administration, communications, progress meetings and monthly reports as required.

Task 0200 - Collection and Review of Information

All available information on the tailings facility design and operation will be collected and reviewed. The review will include, but not necessarily be limited to, the following:

- Engineering design and construction records for the dam, including embankment stability and seepage analyses.

- Monitoring instrumentation records (data and frequency assessment).
- Maintenance records.
- Annual inspection reports.

The existing hazard classification (consequence category) and corresponding design earthquake and flood events will be reviewed and recommendations on revising the hazard classification will be presented, if appropriate. A review of the existing dam design, its performance capabilities, stability and structural adequacy will be completed and compared to current standards to verify the operational safety of the dam.

Task 0300 - Site Inspection

A comprehensive site inspection will be undertaken for the tailings dam. The site inspection will include the following:

- A visual inspection of the dam to check for signs of distress, cracking, bulging or slumping of the embankment fill materials, seepage through or around the dam, and damage from animal burrowing.
- A review of instrumentation monitoring and surveillance records.
- Review and inspection of the tailings impoundment area.

The inspection will make note of any environmental conditions, such as stressed vegetation, discoloured ground and irregular topography/water courses. A compliance review of recommendations detailed in previous reviews/inspections will also be undertaken.

Any deficiencies and non-conformances will be identified and documented.

Task 0400 – Review of OMS and EPP documents

The Dam Operations, Maintenance and Surveillance (OMS) and Emergency Preparedness Plan (EPP) documents will be assessed for appropriateness, and recommendations will be provided, if necessary.

Task 0500 - Reporting

A Dam Safety Review Report detailing the above activities and findings will be prepared and submitted in draft for review and comment. The draft report will include a summary of the site inspection, stability assessment and prioritised list of recommendations for necessary remedial works required to confirm that the current safety standards are being met. The report will be revised following the reception of the review comments and a final report will be forwarded to the Ministry of Energy and Mines.

COST ESTIMATE AND SCHEDULE

Our estimated budget for completing the assignment described in this proposal is based on the estimated hours to complete the tasks and our standard charge rates. A detailed estimate of time charges is given in the attached Table 1 and the estimate of disbursements are given in the attached Table 2. A summary of our cost estimate is as follows:

Time Charges	\$28,741
Disbursements	\$ 2,661
Total	\$31,402

The site visit and inspection will be scheduled for early September. The date will be finalised following discussions with Mt Polley representatives. It is anticipated that a draft report will be submitted for review approximately 4-6 weeks after the site inspection. The final report will be issued once any review comments have been received and addressed.

We trust you find this proposal to conduct the formal Dam Safety Review acceptable.

Yours truly,

KNIGHT PIESOLD LTD.



Graham Greenaway, P.Eng.
Specialist Engineer



Jeremy Haile, P.Eng.
President

Enclosures: Table 1 r0 – Estimated Engineering Time Charges
Table 2 r0 – Estimated Disbursements

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TABLE 1
IMPERIAL METALS CORPORATION
MT POLLEY PROJECT
FORMAL DAM SAFETY REVIEW OF TAILINGS DAM
ESTIMATED ENGINEERING TIME CHARGES

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Task No.	Description	Project Disbursements - Table 2_r0										Total Manhours	Total Costs
		Project Principal (Halle) Vancouver	Project Manager (Greenaway) Vancouver	Specialist Engineer (Cathcart) Vancouver	Senior Engineer Vancouver	Project Engineer Vancouver	Staff Engineer Vancouver	Technician Drafting Vancouver	Clerical Vancouver	Specialized Software (Note 2)	Hours		
	Hourly Rate (Note 1)	\$182	\$154	\$154	\$132	\$109	\$94	\$80	\$57	\$25	Hours	C\$	
0100	Project Management	2	12						5		19	2,497	
0200	Collection & Review of Information	4	40	8	16			16		20	84	11,404	
0300	Site Inspection		20								20	3,080	
0400	Review of OMS & EPP Documents	2	16	2							20	3,136	
0500	Reporting	4	30	4			8	16	4	16	66	8,624	
TOTAL MANHOURS BY CATEGORY		12	118	14			24	32	9	36	209		
TOTAL MANHOURS									209		209		
ESTIMATED ENGINEERING TIME CHARGES (US\$)		2,184	18,172	2,156			2,256	2,560	513	900		28,741	

Notes:

1. All charge-out rates are in Canadian Dollars at 2006 Rates.
2. Computer time is only charged for the use of specialist engineering applications and AutoCAD.

TABLE 2

IMPERIAL METALS CORPORATION
MT POLLEY PROJECT
FORMAL DAM SAFETY REVIEW OF TAILINGS DAM

ESTIMATED DISBURSEMENTS

M:\1101\00001\16\PICorrespondence\MT Polley DSR - Budget Cost Tables.xls\Disbursements - Table 2_r0

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Task No.	Description	Item	Unit	Qty	Rate	Amount	Sub-total Amount
0100	Project Management	Manhour Load	Hrs	19	7	133	133
0200	Collection & Review of Information	Manhour Load	Hrs	84	7	588	588
0300	Site Inspection	Airfare (Vancouver-Williams Lake)	No.	1	500	500	
		Accommodation - Meals	Days	2	150	300	
		Car Rental + Fuel	Days	2	200	400	1,200
0400	Review of OMS & EPP Documents	Manhour Load	Hrs	20	7	140	140
0500	Reporting	Report Reproduction and Delivery	L.S.	1	-	600	600
							2,661

Notes:

1. Manhour Load includes all communications, printing and reproduction and local travel, etc. Used for estimating purposes only.
2. Actual disbursements will be invoiced at cost +15%.

Rev. 0 - Issued with Letter VA06-01198