



Our Reference: VA101-01/18-P.01
Continuity Nbr.: VA07-00172

Knight Piésold Ltd.

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Mr. Ron Martel
Mount Polley Mining Corp.
P.O. Box 12
Likely, B.C. V0L 1N0

Dear Ron,

Re: Scope of Work and Budget Estimate for Stage 6 Design of the Tailings Storage Facility

Knight Piésold Ltd has prepared a Scope of Work and Budget estimate for completing the Stage 6 design of the Tailings Storage Facility (TSF) to support the permitting process to expand the TSF above the currently designed and permitted elevation of 951 m. A work plan has been prepared that separates the work into specific Tasks, which are described below.

Task 100 - Project Management

An allowance has been included for routine project management activities including internal task allocation, scheduling, cost tracking and reporting, and internal project meetings.

Task 200 – Stage 6 Design of the Tailings Storage Facility

The Stage 6 design of the Tailings Storage Facility has been subdivided into the following sub tasks for cost control purposes:

- Update Design Basis. The Design Basis will be updated and forwarded to MPMC for review for confirmation prior to proceeding with the Stage 6 design of the TSF. The Design Basis will be updated to incorporate the recommendations resulting from the formal Dam Safety Review conducted in the fall of 2006 (TSF classification, freeboard requirement, design storm event, reclamation plans, etc).
- Review Site Water Management Plan and Water Balance. It is recognized that the mine site is currently operating in a water surplus situation and this has resulted in the on-going accumulation of water at the site. Mine development activities have necessitated the transfer of some of the water currently stored in the Cariboo Pit into the TSF. This additional water storage, plus Agency Delays in allowing for discharge of excess site water, will result in additional water storage within the TSF. The Site Water Management Plan and Water Balance will be updated to confirm that they are consistent with the current Mine Plan, and the design and operating requirements for the tailings facility adjusted as appropriate to accommodate these changes to the design basis.
- Update Depth-Area-Capacity Curves and Filling Schedule. The Depth-Area-Capacity and Filling Schedule will be updated based on the storage requirements for the TSF, which includes the storage of tailings and water, while maintaining the minimum freeboard requirements. The filling schedule will include the anticipated TSF pond volume from the updated water balance and will conservatively assume that there will be no discharge from the TSF in the upcoming year to



ensure that there is adequate storage and freeboard in the TSF at all times as it is anticipated that there will be delays in receiving a discharge permit.

- Embankment Design to Elevation 954m (elevation to be confirmed). The Stage 6 design of the TSF will incorporate an embankment raise which will increase the storage capacity of the TSF corresponding to 1 year of operations. The Stage 6 design of the TSF embankment will also include a review of the required low permeability core zone width (Zone S), which is currently 8 m wide, and will also consider the addition of an upstream toe drain on the South Embankment, which, in addition to draining and consolidating the tailings mass near the embankment, will also potentially increase the volume of filtered water available for discharge should a discharge permit be granted to MPMC.
- Develop the Stage 6 Schedule of Quantities.

Task 300 – Seepage and Stability Analyses

A seepage analyses will be completed using SEEP/W to delineate the phreatic surface and pore pressures within the tailings mass and the embankment fill materials based on the current location of the supernatant pond. The seepage analyses will incorporate the planned upstream toe drain on the South Embankment. Toe drain flow monitoring data will also be reviewed to allow calibration of seepage models.

The stability analyses will include simple Limit Equilibrium analyses using material parameters that have been established during previous field and laboratory testing programs. Limit equilibrium stability analyses will be completed using SLOPE/W to confirm the stability of the Stage 6 tailings embankments under both static and pseudostatic (earthquake) loading conditions. The stability analyses will also include a review of the material parameters for the glaciolacustrine foundation materials encountered at the Main Embankment. A stability sensitivity analyses will also be completed for the Main Embankment that models a potential pre-sheared zone within the glaciolacustrine unit, as proposed in the Dam Safety Review. The results of the sensitivity analyses will be used to verify the requirement and sizing of the Main Embankment closure berm.

Task 400 –Design Drawings

A series of Stage 6 design drawings will be developed to support the permitting process. It is estimated that 16 drawings will be included in the Stage 6 design report.

Task 500 – Reporting

The Stage 6 design of the TSF will initially be presented in a draft report to Mount Polley Mining Corporation for review. The report will be revised as required prior to issuing the report to the Agencies for review and approvals.

SCHEDULE

Knight Piésold has assumed that the design will be carried out in February and March, 2007.

COST ESTIMATE

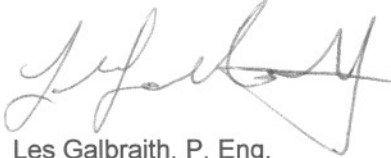
The basis for the estimate of fees and disbursements for the work described above are the category hourly rates and disbursement charges based on Knight Piésold's 2007 Scale of Fees. Man-hours for each separate activity are presented on Table 1 with disbursements presented in Table 2. The total cost for the design of the tailings storage facility is projected to be approximately \$76,000.

Knight Piésold
CONSULTING

We trust that this meets your requirements at present. Please call me at the office if you have any questions. A contract short form is attached. We would appreciate it if you could sign and return a copy to us at your earliest convenience.

Yours truly,

KNIGHT PIÉSOLD LTD.



Les Galbraith, P. Eng.
Senior Engineer



Ken Brouwer, P.Eng.
Managing Director

Encl: Table 1 Rev 0 Estimated Engineering Time Charges
Table 2 Rev 0 Estimated Disbursements
Contract (Short Form)

cc: Mr. Don Parsons - Imperial Metals Corporation (+ attachments)

/ljg

TABLE 1
MOUNT POLLEY MINING CORPORATION
MT POLLEY MINE
STAGE 6 DESIGN OF THE TAILINGS STORAGE FACILITY
ESTIMATED ENGINEERING TIME CHARGES

M:\1101\00001\18\PI\Quality System\Project Management\[Stage 6 TSF Budget.xls] Budget

Revised: 30-Sep-04

TASK	DESCRIPTION	Principals	Senior Engineer	Project Engineer	Staff Engineer	Drafting	Clerical	Computer	Task Costs	Sub-Total Costs
		\$202	\$145	\$119	\$99	\$88	\$61	\$25	(\$ Cdn)	(\$ Cdn)
100	PROJECT MANAGEMENT	4	8	2	2	2	3	2	\$2,813	\$2,813
200	DESIGN OF TAILINGS STORAGE FACILITY	11	56	10	110	24	0	24		\$25,134
	Update Design Basis	2	8		8				\$2,356	
	Depth-Area-Capacity Curves and Filling Schedule	1	6		16				\$2,656	
	Review Site Water Management Plan and Water Balance	2	20		20				\$5,284	
	Embankment Design	5	20	10	50	20		20	\$12,310	
	Stage 6 Schedule of Quantities	1	2		16	4		4	\$2,528	
300	STABILITY/SEEPAGE ANALYSES	4	10	0	80	0	0	80		\$12,178
	Seepage Analysis	2	5		40			40	\$6,089	
	Limit Equilibrium Stability Analyses (Static and Dynamic)	2	5		40			40	\$6,089	
400	DRAWING PRODUCTION	4	8	0	32	116	0	116		\$18,244
500	REPORTING	4	30	0	56	45	7	45		\$16,214
	Draft Report	2	20		40	25	5	25	\$10,394	
	Final Report	2	10		16	20	2	20	\$5,820	
TOTAL MAN-HOURS BY CATEGORY		27	112	12	280	187	10	267		
TOTAL MAN-HOURS									628	
TOTAL ENGINEERING TIME CHARGES										\$74,583

Notes:

1. Above unit rates are based on 2007 fee schedule.

Rev 0 - Issued with Letter VA07-00172

TABLE 2
MOUNT POLLEY MINING CORPORATION
MT POLLEY MINE
STAGE 6 DESIGN OF THE TAILINGS STORAGE FACILITY
ESTIMATED DISBURSEMENTS

M:\1\01\00001\18\P\Quality System\Project Management\[Stage 6 TSF Budget.xls]Disbursements

Revised: April 27, 2004

TASK	DESCRIPTION	COST ITEM	NUMBER	UNIT	UNIT COST	AMOUNT	SUB-TOTAL COSTS +15%
100	PROJECT MANAGEMENT	Communications/Courier	1	L.S.	\$100	\$100	
		Printing & Reproduction	1	L.S.	\$50	\$50	
		Sub-Total				\$150	\$173
200	DESIGN OF TAILINGS STORAGE FACILITY	Printing & Reproduction	1	L.S.	\$100	\$100	\$115
300	SEEPAGE AND STABILITY ANALYSES	Printing & Reproduction	1	20	\$100	\$100	\$115
400	DRAWING PRODUCTION	Printing & Reproduction	1	L.S.	\$100	\$100	\$115
500	REPORTING	Printing & Reproduction	1	L.S.	\$400	\$400	\$460
						TOTAL	\$978

Contract Short Form

Project: Mt Polley Project
Assignment: Mt Polley Stage 6 Design
Knight Piésold Reference Number: VA101-00001/18-P.01
Your Reference Number:
The Following Item of Work:
Stage 6 design of the TSF
Was Requested By: Ron Martel
Of: Imperial Metals Corporation
By: Telephone
Estimated Staff Hours: 600
The Hourly Rate is: \$115.00 (CAD)
Time Charges: \$74,583.00 (CAD)
Disbursements: \$978.00 (CAD)
The Estimated Cost of the Work is: \$75,561.00 (CAD)
The Work Will Be Completed By: Mar. 31, 2007

Reviewed By: *K. Brown* Date: Jan 30, 2007
Approved By: *K. Brown* Date: Jan 30, 2007

On behalf of Imperial Metals Corporation I hereby direct Knight Piésold to proceed with the work described above and agree to the Terms and Conditions contained hereunder.

Signed:* _____ Date: _____

Position: _____

* Please sign and return this form to the originating Knight Piésold office.

GENERAL CONDITIONS OF CONTRACT

1. **EXTENT OF AGREEMENT** - This Agreement is incorporated into and forms part of the proposal from Knight Piésold Ltd. to the Client for rendering consulting services for the project described thereunder ("Project"). Unless otherwise agreed in writing and signed by authorized representatives of both Client and Knight Piésold, the terms and conditions of the proposal and these General Conditions shall govern the rights and obligations of the parties with respect to the provision of services by Knight Piésold pursuant to the proposal and any additional services provided to the Client (collectively the "Services"). In the event of any inconsistency between the proposal and these General Conditions, the terms of the proposal shall govern.
2. **STANDARD OF CARE** - Knight Piésold shall perform its Services with the level of engineering care, skill and diligence ordinarily exercised by members of the profession for services of a similar nature under similar conditions in the vicinity and at the time the services are performed. This agreement neither makes nor intends any warranty or guarantee, express or implied.
3. **TERMS OF PAYMENT** - Knight Piésold shall invoice the Client for Services performed under this Agreement and the Client shall pay such invoice upon receipt. Invoices not paid within 30 calendar days of the invoice date shall be subject to an interest charge of 1.5% per month from date of billing until paid. No deduction or set-off shall be made by the Client from the fee payable to Knight Piésold.
4. **COMPENSATION** - Client shall compensate Knight Piésold for all hours worked and other costs incurred at the rates and terms set forth herein. Should the need for work beyond the scope of the Project or rework through no fault of Knight Piésold arise, Knight Piésold will notify the Client of the revised estimate for the Client's approval. Knight Piésold reserves the right to withhold continued performance subject to the approval of additional funding. Taxes and similar assessments, other than income taxes assessed on Knight Piésold, imposed by any federal, provincial, municipal or similar taxing authority, in connection with the Services will be charged in addition to fees and disbursements.
5. **USE OF SUBCONTRACTORS AND SUBCONSULTANTS** - At any stage of the Services, Knight Piésold reserves the right to engage subcontractors and sub-consultants to perform services as Knight Piésold believes are in the best interests of the Client in performance of the Services.
6. **USE OF MATERIALS** - All reports, other documents and information provided by Knight Piésold Ltd. to the Client shall only be used by the Client for the purpose for which Knight Piésold Ltd. has prepared them and are not to be used by the Client on any extensions or modifications of the Project or any other project without the prior written authorization of Knight Piésold Ltd.
7. **ASSIGNMENT** - Without the prior written agreement of the other party, neither party shall be entitled to assign its interest in this Agreement.
8. **INSURANCE** - Knight Piésold shall carry the following insurance for this Project, subject to such insurance being available to Knight Piésold on commercially acceptable terms: 1) worker's compensation insurance, 2) comprehensive general liability insurance with limits of not less than \$2,000,000 per occurrence, 3) automobile bodily injury liability and property damage liability insurance covering owned automobiles with a \$1,000,000 limit per occurrence, and 4) professional liability insurance (unless the proposal provides for the Client to obtain single project professional liability insurance including Knight Piésold as a named insured).
9. **INDEMNITY** - The Client shall indemnify and hold harmless Knight Piésold, its officers, employees and agents from any and all claims, liabilities, damages or expenses arising from, but not limited to, delay of the Project, reduction of property value, fear of or actual exposure to or release of toxic or hazardous substances, and any consequential damages of whatever nature which may arise directly or indirectly, to any party, as a result of the Services provided by Knight Piésold under this Agreement unless such injury or loss is caused by the sole negligence of Knight Piésold.
10. **EXCLUSION OF LIABILITY** - Knight Piésold shall not be responsible for: 1) any claims arising from the errors, omissions or negligent acts of the Client, its other consultants, contractors or any other persons, 2) the design of or defects in equipment provided by the Client for incorporation into the Project, 3) cross-contamination resulting from subsurface investigations, 4) damage to subsurface structures and utilities identified and located by the Client, 5) Project decisions made by the Client without the advice of Knight Piésold or contrary to or inconsistent with the advice of Knight Piésold, 6) any special, indirect or consequential loss, injury or damages suffered by the Client, including but not limited to loss of use, earnings, business interruption, expected savings or other commercial or economic losses of any kind, even if Knight Piésold has been advised of the possibility of such damage, or 7) the unauthorized distribution of any confidential document prepared by or on behalf of Knight Piésold for the exclusive use of the Client.
11. **LIMITATION OF LIABILITY** - Notwithstanding any other provision of this Agreement, the officers, employees or agents of Knight Piésold shall have no personal liability to the Client, its directors, officers or employees in respect of any claim whether arising in contract, tort, statute or otherwise. The liability of Knight Piésold with respect of the Services shall be limited to the lesser of the amount of any professional liability insurance available to Knight Piésold and the fees for Services actually paid by the Client to Knight Piésold. All claims by Client shall be deemed relinquished unless filed within one year after substantial completion of Services.
12. **FORCE MAJEURE** - If either party to this Agreement is prevented from, or delayed in, performing any of its obligations by reason of force majeure, then such party shall not be liable to the other for its failure to perform, or for its delay in the performance of, its obligations hereunder and shall be excused punctual performance of such obligation for the period of time that the event of force majeure remains in effect. As used herein, "force majeure" shall include, but not be limited to war, hostilities, acts of foreign enemy, invasion, warlike operations, acts of terrorism, civil war, bad weather, earthquake, flood, fire or other natural physical disaster, and strike, lock out or other industrial concerted action by workers. In no event shall lack of finances or inability to perform because of the financial condition of either party constitute force majeure on the part of such party.
13. **TERMINATION** - This agreement may be terminated by either party upon 14 days written notice to the other upon which Knight Piésold shall perform no further services other than those considered necessary by Knight Piésold to close out its Services and place its files in an order satisfactory to protect its professional liability.
14. **RESPONSIBILITY** - Knight Piésold shall not be responsible for the design or completion of work that is dependent upon or completed by the Client or third parties not under the direct control of Knight Piésold nor is Knight Piésold responsible for any damages resulting therefrom.
15. **MUTUAL RESPECT** - Parties hereby agree to mutually respect the relationship between the employer and all employees of either Party. In recognition of this, both Parties agree that, in the event that either Party offers employment to any employee of the other Party during and within 6 months of the completion of all work carried out under this Contract, such Party shall be liable for and shall pay to the other Party an amount equal to 6 months salary of the relevant employee.