

Our Reference: VA101-01/18-A.00  
Continuity Nbr.: VA07-00328

March 5, 2007

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

Dear Ron,

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

We have prepared a Scope of Work and Budget estimate for completing the Stage 6 design of the Tailings Storage Facility (TSF) to facilitate on-going cost optimization and to support permitting process of an expansion to the TSF above the permitted elevation of 951 m. The design and permitting costs for the facility can be reduced by incorporating the specific requirements for raising the embankment to allow for two years of operations rather than a single annual raise as conducted in previous years. Therefore, the Stage 6 embankment raise will incorporate a raise that is approximately 5 to 6 meters high, depending on the specific storage and freeboard requirements that will be confirmed during the design.

The Stage 6 design will include a review of the current design basis for the Tailings Storage Facility to identify possible ways to modify the design of the TSF to facilitate the construction program and potentially reduce the TSF construction costs. In particular, we envisage that it will now be practical to incorporate a reduced width for the core zone as access along the upstream Zone U and the downstream shell zone (Zone C) now provides additional flexibility in construction methods. We also intend to incorporate on-going hydraulic placement of spigoted sand within the upstream Zone U sand cells in order to minimize on-going construction costs for the embankments, and hope to assist in streamlining the construction methods for Zones S, F, T and C so that fill placement rates can be increased and the unit rates for fill placement can be reduced.

The Stage 6 design process will involve regular correspondence with MPMC to ensure that the design is consistent with MPMC's construction plan for the TSF.

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,

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reclamation plans, etc) and the updated Life of Mine ore production schedules recently developed by MPMC.

- 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 next two years 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. The filling schedule will also be updated to provide an ultimate TSF height estimate given the increase in the resource estimate as of January 1, 2007, which indicates that the remaining ore reserves have increased to 59.9 million tonnes.
- Embankment Design to Elevation 957m (elevation to be confirmed). The Stage 6 design of the TSF will incorporate a 'two year' embankment raise that will be constructed during 2007 and 2008 and provide incremental storage capacity for the next 2 years of operations. The Stage 6 design of the TSF embankment will consider reducing the width of the low permeability core zone (Zone S), which is currently 8 m wide, and may incorporate the addition of an upstream toe drain along 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.

The Stage 6 TSF design will continue to have a low permeability core zone, albeit a slightly narrower one. It may be possible to eliminate the core zone over a portion of the Perimeter Embankment over the last several meters of the embankment should the tailings beaches be managed effectively with the minimum required beach widths, and provided that this is consistent with updated water management plans both during operations and after closure/reclamation. Removing part of the core would result in an increase in the seepage rate from the TSF; however, the seepage water quality is likely to be of similar quality to the water currently discharging from the upstream toe drains and may be suitable for discharge should a permit be issued. Therefore the Stage 6 design will include for integration with environmental studies currently underway to address these water management issues.

- Develop the Stage 6 Schedule of Quantities for 2007 and 2008 construction programs.

### **Task 300 – Seepage and Stability Analyses**

Seepage analyses will be completed using SEEP/W to delineate the phreatic surface and pore pressures within the tailings mass and seepage gradients within the embankment fill materials based on the current location of the supernatant pond. The seepage analyses will be completed with varying low permeability core widths to establish the minimum width for the Stage 6 design. The seepage analyses will incorporate the planned upstream toe drain on the South Embankment. Foundation and Toe drain flow monitoring data will also be reviewed to allow calibration of seepage models.

The stability analyses will include 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. Sensitivity analyses have previously been conducted and will be updated for the Main Embankment, including incorporation of the displacement monitoring results from the slope inclinometers into back analyses of the existing angle-of-repose rockfill slope in the Zone 5 embankment. The implications of potential pre-sheared zones within the glaciolacustrine unit will be revisited as appropriate. The results of the sensitivity analyses will be used to verify the requirement and sizing of the Main Embankment closure stability 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

Knights Piésold has assumed that the design will be carried out in March and April, 2007. This schedule allows for 1 month of 'float' to facilitate reviews and modifications by MPMC in order for the final submission to the Agencies before the end of May.

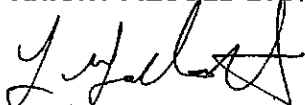
COST ESTIMATE

The basis for the estimate of fees and disbursements for the work described above are the category hourly rates and disbursement charges based on Knights 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 \$69,000.

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\VA\Quality System\Stage 6 TSF Budget Revised.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)
<b>100</b>	<b>PROJECT MANAGEMENT</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>\$2,813</b>	<b>\$2,813</b>
<b>200</b>	<b>DESIGN OF TAILINGS STORAGE FACILITY</b>	<b>11</b>	<b>66</b>	<b>10</b>	<b>75</b>	<b>24</b>	<b>0</b>	<b>24</b>		<b>\$23,119</b>
	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		15				\$4,789	
	Embankment Design	5	30	10	20	20		20	\$10,790	
	Stage 6 Schedule of Quantities	1	2		16	4		4	\$2,528	
<b>300</b>	<b>STABILITY/SEEPAGE ANALYSES</b>	<b>4</b>	<b>10</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>80</b>		<b>\$12,178</b>
	Seepage Analysis	2	5		40			40	\$6,089	
	Limit Equilibrium Stability Analyses (Static and Dynamic)	2	5		40			40	\$6,089	
<b>400</b>	<b>DRAWING PRODUCTION</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>16</b>	<b>98</b>	<b>0</b>	<b>98</b>		<b>\$13,911</b>
<b>500</b>	<b>REPORTING</b>	<b>4</b>	<b>30</b>	<b>0</b>	<b>56</b>	<b>45</b>	<b>7</b>	<b>45</b>		<b>\$16,214</b>
	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	24	121	12	229	169	10	249		
	TOTAL MAN-HOURS								565	
	TOTAL ENGINEERING TIME CHARGES									\$68,235

**Notes:**

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

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

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Revised: April 27, 2004

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

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## Contract Short Form

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**Project:** Mt Polley Project

**Assignment:** Mt Polley Stage 6 Design

**Knight Piésold Reference Number:** VA101-00001/18-A.00

**Your Reference Number:**

**The Following Item of Work:**

Stage 6 design of TSF

**Was Requested By:** Ron Martel

**Of:** Imperial Metals Corporation

**By:** Telephone

**Estimated Staff Hours:** 560

**The Hourly Rate is:** \$100.00 (CAD)

**Time Charges:** \$68,235.00 (CAD)

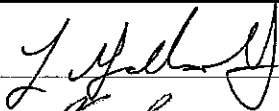
**Disbursements:** \$978.00 (CAD)

**The Estimated Cost of the Work is:** \$69,213.00 (CAD)

**The Work Will Be Completed By:** Jul. 2, 2007

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Reviewed By: \_\_\_\_\_



Date: \_\_\_\_\_

March 6/07

Approved By: \_\_\_\_\_



Date: \_\_\_\_\_

March 6/07

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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.

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## 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 to 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.
-