

IEI Energy Inc.

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02060951

November 28, 2002

U.S Securities and Exchange Commission  
International Corporate Finance  
Mailstop 0302  
450 - 5<sup>th</sup> Street N.W.  
Washington DC  
20549

SUPPL

02 DEC -9 AM 10:03

Dear Sir/Madam:

Re: IEI Energy Inc. (formerly Imperial Metals Corporation) #82-1032

Enclosed is the Third Quarter Report for IEI Energy Inc. for the nine months ended September 30, 2002.

Yours truly,

IEI Energy Inc.

  
Meg Bregazzi, CA  
Controller

PROCESSED

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FINANCIAL

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# **IEI ENERGY INC.**

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## **Third Quarter Report**

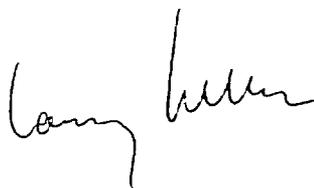
For the Nine Months Ended September 30, 2002

## To Our Shareholders

### Third Quarter Summary (Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2002	2001	2002	2001
	(\$000's, except per share amounts)			
<b>Financial</b>				
Oil and natural gas sales, net of royalties	\$691	\$1,155	\$235	\$332
Cash flow from continuing operations	\$178	\$623	\$52	\$180
Cash flow per share				
Basic and fully diluted	\$0.01	\$0.08	\$0.00	\$0.02
Income from continuing operations	\$876	\$254	\$80	\$241
Income per share				
Basic and fully diluted	\$0.06	\$0.03	\$0.01	\$0.03
Average shares outstanding (000's)	15,769	8,060	15,769	8,066
Net capital expenditures	\$212	\$1,046	\$155	\$88
Long term debt	\$3,000	\$1,400	\$3,000	\$1,400
Total assets	\$4,764	\$6,116	\$4,764	\$6,116

	Nine months ended September 30,	
	2002	2001
<b>Operational</b>		
(boe based on 6 mcf of natural gas equal to 1 barrel of oil)		
<b>Daily Production</b>		
Natural gas (mcf/d)	761	751
Oil and liquids (bbl/d)	12	12
Barrel of oil equivalent (boe/d)	139	137
<b>Average Prices</b>		
Natural gas (\$/mcf)	\$3.15	\$5.96
Oil and liquids (\$/bbl)	\$34.81	\$40.28
Per boe (\$/boe)	\$20.31	\$36.15
Operating costs (\$/boe)	\$3.38	\$4.37



Larry G. Moeller  
President

## **Quarterly Management's Discussion and Analysis**

### **OPERATIONS REVIEW**

#### **Financial Results**

Net revenues decreased to \$691,000 for the nine months ended September 30, 2002 compared to \$1,155,000 for the nine months ended September 30, 2001. The decrease is primarily due to lower natural gas prices in the period ended 2002.

Interest expense of \$321,000 for the nine months ended September 30, 2002 did not substantially change from \$305,000 for the same period in 2001.

For the nine months ended September 30, 2002, IEI recorded net income of \$876,000 (\$0.06 per share) from continuing operations compared to a net income of \$254,000 (\$0.03 per share) for the same period last year. The net income figures include a gain on the sale of marketable securities of \$907,000 for the nine months ended September 30, 2002. In 2001, losses of \$241,000 on security transactions and losses in the former affiliates of the Company are included in net income.

### **LIQUIDITY & CAPITAL RESOURCES**

#### **Cash Flow from Operations**

Cash flow from operations for the nine months ended September 30, 2002 decreased to \$178,000 from \$623,000 in the prior period

#### **Working Capital**

At September 30, 2002, IEI had a working capital deficiency of \$574,000. This has improved when compared to the working capital deficiency of \$2,314,000 at September 30, 2001 due to proceeds on the sale of marketable securities.

#### **Property Expenditures**

Property development expenditures totaled \$212,000 for the nine months ended September 30, 2002 compared to \$1,046,000 at September 30, 2001.

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**CONSOLIDATED BALANCE SHEETS**

	as at September 30, 2002	as at December 31, 2001
<b>ASSETS</b>		
Current assets		
Cash	\$ 101,310	\$ 3,666
Marketable securities ( <i>Market value \$4,319,397; December 31, 2001 - \$3,808,617</i> )	2,887,416	3,505,306
Accounts receivable	181,269	295,327
	<u>3,169,995</u>	<u>3,804,299</u>
Property, plant and equipment, net	1,593,971	1,590,065
	<u>\$ 4,763,966</u>	<u>\$ 5,394,364</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 221,088	\$ 303,059
Marketable securities loan	3,522,572	4,947,349
	<u>3,743,660</u>	<u>5,250,408</u>
Long-term debt (Note 3)	3,000,000	1,400,000
Site restoration and abandonment	205,607	205,667
Liabilities of discontinued operations before implementation of the Plan, net (Notes 1 and 2)	-	6,477,186
	<u>6,949,267</u>	<u>13,333,261</u>
<b>SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)</b>		
Share capital (Note 4)	27,185,199	17,364,804
Share purchase warrants (Note 4)	303,177	303,177
Equity component of convertible debenture (Note 4)	-	2,188,029
Deficit	(29,673,677)	(27,794,907)
	<u>(2,185,301)</u>	<u>(7,938,897)</u>
	<u>\$ 4,763,966</u>	<u>\$ 5,394,364</u>

CONTINUING OPERATIONS (Note 1)

See accompanying notes to the consolidated financial statements.

(UNAUDITED - PREPARED BY MANAGEMENT)

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT**

	Three months ended September 30		Nine months ended September 30	
	2002	2001	2002	2001
<b>REVENUES</b>				
Oil and natural gas, net of royalties	\$ 235,384	\$ 332,283	\$ 690,756	\$ 1,155,202
<b>EXPENSES</b>				
Operating	47,974	38,396	128,659	163,424
Depletion and depreciation	45,575	50,002	208,075	128,102
General and administrative	27,313	18,407	63,914	64,535
Interest	107,922	95,214	320,559	304,632
	<u>228,784</u>	<u>202,019</u>	<u>721,207</u>	<u>660,693</u>
	6,600	130,264	(30,451)	494,509
<b>OTHER ITEMS</b>				
Equity loss in affiliates	-	-	-	(77,449)
Loss on dilution of interest in affiliates	-	-	-	(279,581)
Gain on sale of marketable securities	73,404	731,635	906,862	808,945
Writedown of marketable securities	-	(621,082)	-	(692,628)
	<u>73,404</u>	<u>110,553</u>	<u>906,862</u>	<u>(240,713)</u>
<b>Net income before taxes and discontinued operations</b>	80,004	240,817	876,411	253,796
Taxes	-	-	-	-
<b>Net income from continuing operations</b>	80,004	240,817	876,411	253,796
<b>Net loss from discontinued operations</b>	-	(5,656,202)	-	(10,192,220)
<b>NET INCOME (LOSS)</b>	80,004	(5,415,385)	876,411	(9,938,424)
Deficit, beginning of period	(29,753,681)	(12,903,373)	(27,794,907)	(8,380,334)
Distribution of shares of subsidiary to shareholders (Note 2)	-	-	(2,755,181)	-
<b>Deficit, end of period</b>	<u>\$ (29,673,677)</u>	<u>\$ (18,318,758)</u>	<u>\$ (29,673,677)</u>	<u>\$ (18,318,758)</u>
Net income per share from continuing operations*	\$ 0.01	\$ 0.03	\$ 0.06	\$ 0.03
Net loss per share from discontinued operations*	-	(0.70)	-	(1.26)
Net income (loss) per share*	<u>\$ 0.01</u>	<u>\$ (0.67)</u>	<u>\$ 0.06</u>	<u>\$ (1.23)</u>

**Supplemental Disclosure of Outstanding Shares**

Common and fully diluted shares outstanding at September 30 and November 28, 2002: 15,769,410

\* adjusted for implementation of the Plan and 1 for 10 consolidation in April 2002

See accompanying notes to the consolidated financial statements.

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

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**1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS**

The interim consolidated financial statements of IEI Energy Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles. This basis of presentation is consistent, except as disclosed in these notes, with the presentation and disclosure in the most recent audited annual financial statements and notes thereto for the year ended December 31, 2001 and these statements should be read in conjunction with the 2001 annual report.

In April 2002, IEI Energy Inc., formerly Imperial Metals Corporation ("Imperial"), was reorganized under a Plan of Arrangement (the "Plan") pursuant to the Company Act of British Columbia and the Companies' Creditors Arrangement Act. The Plan was approved by the creditors and shareholders of Imperial on March 7, 2002 and by the Supreme Court of British Columbia on March 8, 2002, and implemented in April 2002.

Under the Plan the convertible debentures and a portion of the long term debt were exchanged for common shares and unsecured creditors received cash of \$1,000,000 with the balance due to the unsecured creditors paid in common shares (Note 3).

Under the Plan, Imperial divided its operations into two distinct businesses, one focused on oil and natural gas and the other focused on mining. All of Imperial's existing oil and natural gas and investment assets were retained in Imperial, which was renamed IEI Energy Inc. All of Imperial's mining assets including the name "Imperial Metals Corporation" were transferred to a new company that has now been renamed Imperial Metals Corporation ("New Imperial")(Note 2).

The continuation of the Company is dependent on its ability to generate positive cash flow from its oil and gas operations and other investments, obtain additional financing from shareholders or third parties to meet obligations as they come due and ultimately to achieve profitable operations.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then significant adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

**2. DISCONTINUED OPERATIONS**

The disposition of the mining business to New Imperial was recorded in the accounts of the Company as of January 1, 2002 as this date provides the most meaningful presentation for both businesses as the reorganization occurred with entities under common control.

The assets and liabilities of the mining business sold to New Imperial effective January 1, 2002 in exchange for 15,769,410 common shares of New Imperial are as follows:

Working Capital	
Cash	\$ 1,433,784
Accounts Receivable	6,615,777
Inventory	4,848,071
Accounts payable and accrued liabilities	(6,363,341)
Current portion of limited recourse long term debt	<u>(31,507,776)</u>
	(24,973,485)
Mineral properties	69,085,490
Future site reclamation deposits	7,665,075
Other assets	5,796,609
Limited Recourse Long Term Debt and Accrued Interest	(46,036,627)
Future Site Reclamation Costs	<u>(8,781,881)</u>
<b>NET ASSETS OF DISCONTINUED OPERATIONS</b>	<u><b>\$ 2,755,181</b></u>
Consideration received on sale of the mining business to New Imperial:	
15,769,410 common shares of New Imperial at carrying value of net assets sold	<u>\$ 2,755,181</u>

The mining assets and liabilities sold were transferred at the Company's book values at January 1, 2002 before adjustments to conform to the accounting policies of New Imperial. These adjustments are for the new accounting standard for recording foreign exchange gains and losses on translation or settlement of long term monetary items and the new accounting standard for revenue recognition to record mineral sales revenues when concentrate is shipped from port and the Company no longer bears risk of passage. These adjustments, which are not incorporated above or in the financial information of the discontinued operations of the Company, will result on the financial statements of New Imperial in an increase in the opening values of inventory and a decrease in accounts receivable, deferred foreign exchange, accounts payable and accrued liabilities of \$2,060,138, \$2,541,316, \$4,172,805 and \$232,852 respectively, and a charge to deficit of \$4,421,131 as at January 1, 2002.

(UNAUDITED – PREPARED BY MANAGEMENT)

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

A summary of the Balance Sheet and Statements of Loss and Cash Flows of discontinued operations are as follows:

<b>BALANCE SHEET</b>	September 30, 2002	December 31, 2001
Current assets	\$ -	\$14,160,356
Mineral properties	-	69,085,490
Other	-	13,286,136
	<u>\$ -</u>	<u>\$96,531,982</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ -	\$10,990,167
Current portion of long-term debt	-	31,507,776
	-	42,497,943
Long-term debt and accrued interest	-	49,036,627
Other	-	11,474,598
	-	103,009,168
<b>NET ASSETS OF DISCONTINUED OPERATIONS</b>	-	(6,477,186)
	<u>\$ -</u>	<u>\$96,531,982</u>
 <b>STATEMENT OF LOSS</b>		
	Nine months ended September 30, 2002	2001
<b>REVENUES</b>	<u>\$ -</u>	<u>\$94,300,975</u>
<b>OPERATING LOSS</b>		7,241,460
Other expense (income)	-	2,484,942
<b>LOSS BEFORE TAXES</b>	-	9,726,402
Income taxes	-	465,818
<b>NET LOSS FROM DISCONTINUED OPERATIONS</b>	<u>\$ -</u>	<u>\$10,192,220</u>

(UNAUDITED - PREPARED BY MANAGEMENT)

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

**STATEMENT OF CASH FLOWS**

	September 30 2002	September 30 2001
<b>OPERATING ACTIVITIES</b>		
Net (loss) from discontinued operations	\$ -	\$(10,192,220)
Items not affecting cash flows	-	18,935,781
	-	8,743,561
Net change in non-cash operating balances	-	4,191,769
Cash (used in) provided by operating activities	-	12,935,330
<b>FINANCING ACTIVITIES</b>		
	-	(3,000,556)
<b>INVESTMENT ACTIVITIES</b>		
	-	(8,346,485)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</b>	<b>\$ -</b>	<b>\$1,588,289</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest expense paid	\$ -	\$1,315,909
Taxes paid	\$ -	\$530,358

**3. LONG TERM DEBT**

(a) Credit Facility

Credit facility of \$3,000,000 (2001 - \$Nil) from a company controlled by a shareholder, repayable on October 1, 2003 with interest of 10% per annum secured by a fixed and floating charge on all of the Company's assets including a pledge of the Company's interest in zed.i solutions inc.

(b) Advances Payable

Advances of \$Nil (2001 - \$1,400,000) from a company controlled by a shareholder, repayable on June 30, 2003 with interest at 10% per annum. This debt was settled for 14 million pre-consolidation common shares of the Company under the terms of the Plan (Notes 1 and 4).

(UNAUDITED - PREPARED BY MANAGEMENT)

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

**4. SHARE CAPITAL**

**Share Capital (after completion of the Plan)**

Authorized

Unlimited number of First Preferred shares issuable in series with rights and restrictions to be determined by the directors.

Unlimited number of Second Preferred shares issuable in series with rights and restrictions to be determined by the directors.

Unlimited number of common shares with no par value.

**Issued and Fully Paid**

	2002		2001	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Common shares				
Balance, beginning of period	-	\$ -	-	\$ -
Transferred under the Plan from old common shares	15,769,410	27,185,199	-	-
Balance, end of period	15,769,410	\$27,185,199	-	\$ -

**Share Capital (prior to completion of the Plan)**

Authorized

1,000,000 Class A non-voting 6% cumulative preferred shares with a par value of \$5 each.

1,000,000 Class B non-voting cumulative preferred shares with a par value of \$10 each, convertible and redeemable at par.

500,000,000 Common shares with no par value.

**Issued and Fully Paid**

	2002		2001	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Common shares				
Balance, beginning of period	80,793,609	\$17,364,804	80,536,385	\$17,320,462
Issued pursuant to ESPP:	-	-	257,224	\$44,342
Issued under the Plan:				
For settlement of trade creditors	15,653,143	3,521,957	-	-
For settlement of long term debt	14,000,000	1,400,000	-	-
For settlement of convertible debenture, including accrued interest	47,242,488	4,898,438	-	-
For rounding under the Plan	479	-	-	-
Consolidation 1 for 10 under the Plan	(141,920,309)	-	-	-
Transfer effected under the Plan to new common shares	(15,769,410)	(27,185,199)	-	-
Balance, end of period	-	\$ -	80,793,609	\$17,364,804

(UNAUDITED – PREPARED BY MANAGEMENT)

**IEI ENERGY INC.**  
(formerly Imperial Metals Corporation)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Nine Months Ended September 30, 2002

**Equity Component of Convertible Debentures**

	2002	2001
Balance, beginning of period	\$2,188,029	\$ -
Transferred to share capital on issuance of shares to settle debentures (Note 1)	(2,188,029)	-
Balance, end of period	\$ -	\$ -

**Options**

As part of the Plan, all options were cancelled and new options were authorized to directors, officers and employees to purchase up to 1,500,000 post consolidation shares of the Company. None of these options have been granted and the terms thereof have not been specified.

Effective January 1, 2002 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants for stock based compensation and other stock based payments. The new recommendations require that stock based payments to non-employees be accounted for using a fair value based method of accounting. No stock based awards are made available to non-employees. The recommendations encourage, but do not require, the use of a fair value based method to account for stock based compensation to employees. The Company has elected to not use the fair value based method to account for stock based compensation to employees, however it will disclose the proforma effect of the stock based compensation on its financial results. No options were outstanding at September 30, 2002.

**Share Purchase Warrants**

	2002		2001	
	Number of Shares	Issue Price or Attributed Value	Number of Shares	Issue Price or Attributed Value
Balance, beginning of period	2,000,000	\$303,177	2,000,000	\$303,177
Adjustment for consolidation of common shares under the Plan	(1,800,000)	-	-	-
Balance, end of period	200,000	\$303,177	2,000,000	\$303,177

At September 30, 2002, 200,000 (2,000,000 pre-consolidation) common share purchase warrants were outstanding to the Mount Polley lender. These share purchase warrants were issued as compensation for rescheduling and extending the repayment terms on the Mount Polley Construction Loan during the year ended December 31, 1999. Each share purchase warrant is exercisable at a price of \$10.00 per share (\$1.00 pre-consolidation) until December 31, 2001 and at a price of \$12.50 (\$1.25 pre-consolidation) after December 31, 2001 up to December 31, 2002.

**5. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the presentation format adopted in the current year.

(UNAUDITED – PREPARED BY MANAGEMENT)

**Board of Directors**

John A. Brussa  
Burnet, Duckworth & Palmer  
Calgary, Alberta

Pierre B. Lebel  
Imperial Metals Corporation  
Vancouver, British Columbia

Larry G.J. Moeller  
Edco Financial Holdings Ltd.  
Calgary, Alberta

**Management**

Larry G.J. Moeller  
President

Meg C. Bregazzi  
Controller

John A. Brussa  
Corporate Secretary

**Share Listing**

TSX Venture Exchange  
Symbol: IEN

**Corporate Office**

1700, 333 – 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 2Z1  
Tel: 403-303-3813  
Fax: 403-303-3810

**Transfer Agent & Registrar**

Computershare Trust Company of Canada  
530 – 8<sup>th</sup> Avenue SW, 6<sup>th</sup> Floor  
Calgary Alberta T2P 3S8  
Tel: 403-267-6800  
Fax: 403-267-6529

**Auditors**

PricewaterhouseCoopers LLP  
111 – 5<sup>th</sup> Avenue SW, Suite 3100  
Calgary, Alberta T2P 5L3

**Solicitors**

Burnet, Duckworth & Palmer  
350 – 7<sup>th</sup> Avenue SW, Suite 1400  
Calgary, Alberta T2P 3N9