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Annual Report 1996 International Precious Metals

Auditors' Report

TO THE SHAREHOLDERS OF INTERNATIONAL PRECIOUS METALS CORPORATION

We have audited the consolidated balance sheet of International Precious Metals Corporation as at December 31, 1996 and 1995 and the consolidated statement of loss and deficit and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1996 and 1995 and the results of its operations and changes in its financial position for the years then ended in accordance with accounting principles generally accepted in Canada (which differ in certain material respects from accounting principles generally accepted in the United States—see Note 16).

Stern Cohen

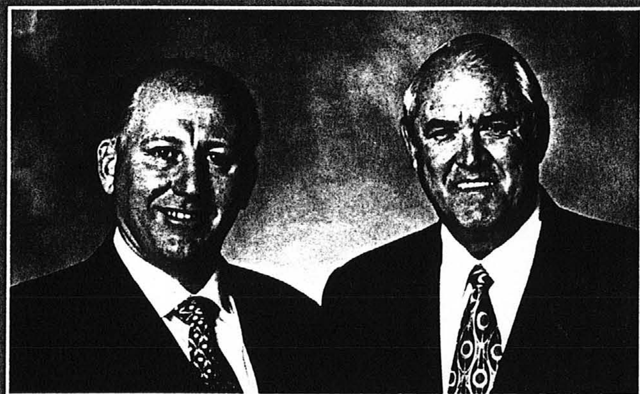
Chartered Accountants.
February 24, 1997. Toronto, Canada.

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING CONFLICTS

In the United States, reporting standards for auditors require the addition of explanatory paragraphs, following the opinion paragraph, when the financial statements are affected by significant uncertainties such as those referred to in the attached consolidated balance sheet as at December 31, 1996 and 1995 as described in Note 1 to the consolidated financial statements. Our report to the shareholders dated February 24, 1997 is expressed in accordance with Canadian reporting standards which do not permit a reference to such uncertainties in the Auditors' Report when uncertainties are adequately disclosed in the financial statements.

STERN COHEN
CHARTERED ACCOUNTANTS

Letter to the Shareholders



As we formally thank all those who have helped make 1996 a successful year, we must first thank you, the shareholder. The long-term commitment by a majority of the shareholder base has consolidated and strengthened the share price. We also thank the increasing number of institutional investors that have taken a position with IPM. Finally, We welcome John Blaikie to the board of directors. John replaces Dave Powell, who sadly passed away last year. John's knowledge and experience will serve him well in the work commenced by Dave Powell in Toronto. ● IPM achieved a great deal in 1996. Two private placements provided US$6.5 million for the development of the Black Rock Project. We achieved major advances in the recovery of precious metals from Black Rock. Several new professionals joined the company, and we will soon move into new premises in Phoenix to accommodate the growth we expect during the next two years. Many in the industry view your company as innovative, with sound and lateral thinkers in its management team. ● We are committed to the US markets, and have completed our initial 10K report and accordingly are prepared to file quarterly 10Qs. These actions will help move IPM into a fully qualified NASDAQ listed and SEC filing corporation. ● We have growth in mind for 1997. Most important among our goals is our commitment to achieve resource status for the original Black Rock one-square-kilometer grid. This effort will give the company a measured, tangible asset, a milestone we eagerly anticipate. In addition, we have acquired 100 percent ownership in the Black Rock property, and will undertake a bankable feasibility study in conjunction with major international consulting companies. Concurrently, using the Black Rock geological model, IPM will generate new exploration prospects. ● We take a long-term view of the growth of IPM. We intend to advance the company both corporately and technically, utilizing sound and professional management practices. We believe that this practice is providing security of investment and stock price for the shareholders. We look forward to an exciting 1997 and beyond, and we thank all those who helped get us this far.

A. Doyle — Bill Allred

ALAN DOYLE
Chairman of the Board

BILL ALLRED
CPA VP Administration & Finance

Consolidated Statements of Loss and Deficit

	Year ended Dec. 31, 1996	Year ended Dec. 31, 1995
Expenses		
Administrative	$ 1,674,000	$ 1,198,000
Mineral exploration expenditures written off (Note 4)	–	1,788,000
Debenture and demand note interest	102,000	43,000
Amortization	140,000	30,000
Loss for the year	1,916,000	3,059,000
Deficit, beginning of year	29,189,000	25,973,000
Costs of issuing shares	536,000	157,000
Deficit, end of year	$31,641,000	$29,189,000
Loss per share (Note 9)	$ 0.15	$ 0.36

See accompanying notes.

Consolidated Balance Sheet

	Year ended Dec. 31, 1996	Year ended Dec. 31, 1995
ASSETS		
Current assets		
Cash	$ 2,644,000	$ 480,000
Other (Note 3)	1,340,000	367,000
Total current assets	3,984,000	847,000
Deferred mineral exploration expenditures (Note 4)	13,050,000	9,658,000
Capital assets (Note 5)	1,030,000	184,000
Total assets	$18,064,000	$10,689,000
LIABILITIES		
Current liabilities		
Accounts payable	$ 553,000	$ 1,141,000
Debentures (Note 6)	798,000	3,524,000
Vehicle and equipment loans (Note 7)	69,000	–
Total current liabilities	1,420,000	4,665,000
Vehicle and equipment loans (Note 7)	231,000	–
Deferred premium on flow-through shares (Note 8)	464,000	464,000
Total liabilities	2,115,000	5,129,000
SHAREHOLDERS' EQUITY		
Share capital (Notes 8 and 9)	47,590,000	34,749,000
Deficit	(31,641,000)	(29,189,000)
Total shareholders' equity	15,949,000	5,560,000
Total liabilities and shareholders' equity	$18,064,000	$10,689,000

Contingencies, commitments and other information (Notes 1, 12, 14, and 15)

See accompanying notes.

Approved on behalf of the Board:

L. Furlong A. Doyle

LEE FURLONG
Director

ALAN DOYLE
Director

Notes to Consolidated Financial Statements

The company is amalgamated under the laws of the Province of Ontario, Canada. In 1995 the company changed its name from International Platinum Corporation to International Precious Metals Corporation. On October 23, 1995, the company consolidated (reverse split) its issued and outstanding capital by changing each common share into one-tenth of a common share. Information pertaining to share capital, options, warrants and loss per share for 1995 and 1996 have been stated on a post consolidated (reverse split) basis.

1. CONTINUATION OF BUSINESS

These consolidated financial statements have been prepared on a going concern basis which assumes the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The company is a development stage corporation and as all of the company's properties are presently in the exploration stage, the continuation of the company as a going concern is dependent upon its ability to obtain equity financing to permit the further exploration and development of its properties.

As well, it is the intention of the company's management to seek joint venture partners for several of the company's properties. To achieve this end, management has prepared detailed reports on each of the properties and engaged independent consultants to market the company's properties.

The consolidated financial statements do not give effect to adjustments, if any, that may be necessary should the company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities in other than the normal course of business. In this event, the amounts realized on disposal of its assets may be substantially less than their recorded amounts.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of financial statement presentation

The accompanying consolidated financial statements are prepared in accordance with the accounting principles generally accepted in Canada. These consolidated financial statements include the accounts of its subsidiary, 1020632 Ontario Inc. (Georgia Lake). Additionally, the accounts of Hellens-Eplett Mining Inc., Jamestone Platinum (Pty) Limited and South Africa Mining (Pty) Limited, corporate exploration joint ventures, have been included using the proportionate consolidation method. The exploration operations of these joint ventures were discontinued in 1995.

(b) Deferred mineral exploration expenditures

All direct expenditures related to the exploration and development of mineral properties in which the company has a continuing interest are deferred, pending the determination of the economic viability of the project. Costs related to projects terminated or abandoned are written-off; costs related to successful projects will be capitalized and amortized over the estimated life of the projects using a unit of production method.

(c) Deferred premium on flow-through shares

The premium received on flow-through shares, representing the excess of the price paid by an investor for flow-through shares over the market value stipulated in the offering memorandum with respect to such shares, has been deferred and is written-off or amortized as the related projects on which the flow-through funds were expended are written-off or amortized.

(d) Amortization

Capital assets are stated at cost. Amortization is recorded at rates calculated to charge the cost of vehicles and office equipment and fixtures to operations over their estimated useful lives of five years on a straight-line basis. Amortization relating to machinery and equipment used directly in the exploration of projects has been deferred. Maintenance and repairs are charged to operations as incurred. Gains and losses on disposals are calculated on the remaining net book value at the time of disposal and included in income.

(e) Foreign currency translation

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Other assets and liabilities, revenue and expenses arising from foreign currency transactions have been translated at the exchange rate prevailing at the date of the transaction. Gains and losses arising from these translation policies are included in income.

Consolidated Statement of Changes in Financial Position

	Year ended Dec. 31, 1996	Year ended Dec. 31, 1995
Cash from (required by):		
Operating activities		
Net loss for the year	$(1,916,000)	(3,059,000)
Items not involving cash:		
Administrative services provided in exchange for common shares	27,000	1,083,000
Mineral exploration expenditures written-off	–	1,788,000
Amortization-expensed	140,000	30,000
Amortization-deferred	59,000	–
Working capital required by operations	(1,690,000)	(158,000)
Changes in non-cash working capital balances related to operations:		
Prepaids, deposits, and sundry receivables	(261,000)	(41,000)
Accounts payable	(588,000)	(646,000)
	(849,000)	(687,000)
Mineral exploration expenditures	(3,392,000)	(5,056,000)
Cash required by operations	(5,931,000)	(5,901,000)
Investing activities		
Related parties–advances	(303,000)	(135,000)
Related parties–shares	(409,000)	–
Purchase of capital assets, net	(1,045,000)	(154,000)
	(1,757,000)	(289,000)
Financing activities		
Shares issued for cash	12,814,000	2,977,000
Debentures	(2,726,000)	3,274,000
Costs of issuing shares	(536,000)	(157,000)
Vehicle and equipment loans	300,000	–
	9,852,000	6,094,000
Change in cash during the year	2,164,000	(96,000)
Cash beginning of year	480,000	576,000
Cash end of year	$ 2,644,000	$ 480,000

See accompanying notes.

Notes to Consolidated Financial Statements

Upon commencing mining and processing operations the company will have earned a combined 50% interest in the Black Rock properties.

(ii) The company may earn an additional interest in the properties by demonstrating that it can sustain a mining throughput rate of more than 1,000 tons per day. The maximum additional interest that can be earned is 20% in pro-rata increments of sustained production of between 1,000 and 10,000 tons per day. Additionally, at any time up to 3 months after the completion of a feasibility study or April 1997 which ever is earlier, the company may purchase a further 10% interest from Phoenix by paying 10,000 ounces of gold or cash equivalent. This option can be extended until October 1998 at a penalty of 1% per month.

Subsequent to the year end, the company renegotiated its agreement with Phoenix to acquire the remaining 20% interest in the Black Rock properties and to remove all of the conditions precedent to the company's right to earn up to an 80% interest in such properties. After the completion of the purchase of Phoenix's 20% interest, the company will own outright all of the Black Rock properties unconditionally.

Under the terms of the purchase transaction, the company will pay an aggregate of US$27,000,000 to Phoenix, consisting of US$17,000,000 in cash and one million common shares valued at US$10.00 per common share. The cash portion of the payment will be made in two stages: US$500,000 upon the closing of the purchase transaction, presently contemplated for May 1, 1997, and US$16,500,000 on July 15, 1997. Coincidentally with the payment of the US$500,000, the company will also issue 4 million common shares as security for the payment of the aforesaid US$16,500,000, of which 3 million common shares will be returned to the company for cancellation upon the receipt by Phoenix of the US$16,500,000 payment.

Additionally, Phoenix and the company agree to negotiate the terms and conditions of a formal escrow agreement relating to the balance of the 1 million common shares of the company to be retained by Phoenix, providing restrictions on Phoenix's right to sell or otherwise dispose of the shares.

(c) Gold Hill
In 1995 the company entered into a four year agreement for the rights to explore the Gold Hill property. Additionally, within the terms of the agreement the company may purchase the rights to the property for US$1,000,000.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	Net 1996	Net 1995
Machinery and equipment	$ 408,000	$ 71,000	$ 337,000	$ 66,000
Vehicles	353,000	42,000	311,000	83,000
Office equipment and fixtures	447,000	65,000	382,000	35,000
	$1,208,000	$178,000	$1,030,000	$184,000

6. DEBENTURES

The company has not paid the amount outstanding on a debenture of $250,000 by its due date and is negotiating the settlement of this amount. This amount remains outstanding as at December 31, 1996.

Relating to the Black Rock properties, the company issued in 1995 to "Phoenix," debentures totalling $3,274,000 (US$2,400,000). These debentures were convertible into common shares and bear interest starting in 1996 as disclosed in Note 4(ii). During 1996, the company repaid $2,726,000 (US$2,000,000) of debentures using cash of $2,026,000 (US$1,500,000) and issuing 303,000 common shares for $700,0000.

Accounts payable includes $186,000 (1995–$168,000) unpaid debenture interest, including interest on a debenture discharged in 1994.

7. VEHICLE AND EQUIPMENT LOANS

Repayable monthly at US$1,343 principal and interest at 11.5% per annum, due April 1999	$ 46,000
Repayable monthly at US$975 principal and interest at 21.5% per annum, due January 2001	43,000
Repayable monthly at US$2,706 principal plus interest at 7% per annum, due October 2001	211,000
	300,000
Current portion	69,000
	$231,000

The loans are secured by the related vehicles and equipment.

Notes to Consolidated Financial Statements

3. OTHER ASSETS

	1996	1995
Related parties (Note 11)		
Advances	$ 598,000	$ 295,000
Investment in common shares, at cost		
Namibian Copper Mines Inc., 1% interest	409,000	–
Prepaids, deposits and sundry receivables	333,000	72,000
	$1,340,000	$ 367,000

The advances to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

4. DEFERRED MINERAL EXPLORATION EXPENDITURES

	Balance, beginning of year	Expenditures for the year	Expenditures written-off in the year	Balance, end of year
North America				
Big Trout Lake	$1,732,000	$ –	$ –	$ 1,732,000
Eagle Lake	1,172,000	87,000	–	1,259,000
Georgia Lake	115,000	–	–	115,000
Black Rock	6,615,000	3,290,000	–	9,905,000
Gold Hill	24,000	15,000	–	39,000
1996	$9,658,000	$3,392,000	$ –	$13,050,000
1995	$6,390,000	$5,056,000	$1,788,000	$ 9,658,000

From the company's inception on July 22, 1980, $17,051,000 of mineral exploration expenditures have been written-off.

(a) Big Trout Lake

The company is party to a platinum joint venture agreement with respect to certain of its own claims whereunder the company's joint venture partners, Degussa A.G. ("Degussa") and Jenkim Holdings (Canada) Ltd. ("Jenkim"), earned a 60% interest in the claims by making contributions to the joint venture to December 31, 1989. In 1991, Degussa withdrew from the joint venture, thereby forfeiting its interest in the joint venture property. As at December 31, 1996, the company exercises joint control of the venture property. No joint venture company is in place owning the property and as such all joint venture partners own their respective shares in the property directly. In 1995 and 1996 there were no expenditures made in connection with this property.

(b) Black Rock and Black Rock Extended (the "Black Rock properties")

The company's initial agreement to earn an interest in the Black Rock properties was renegotiated during 1995 to provide that the company can earn its interest directly from Phoenix International Mining Corporation ("Phoenix"). With respect to the work accomplished to date, the company has earned a 25% interest in the Black Rock properties.

Under terms of the renegotiated agreement, the company issued to Phoenix debentures totalling US$2,400,000 comprised of four amounts of US$500,000 with due dates in 1996 of January 1, April 1, July 1 and October 1, which amounts were discharged in the year, and one US$400,000 with a due date of January 1,1997. Each debenture bears interest beginning on its due date at the prime rate of the company's bank in Phoenix, Arizona, plus 2%. As at December 31, 1996, the January 1, 1997 debenture remained outstanding, which debenture was repaid on January 7, 1997.

Under the existing agreement, the company has the right to earn up to an 80% interest in the Black Rock properties conditional upon the company completing the following:

(i) By October 1998, the company must have commenced construction of a mining and processing facility capable of 1,000 tons per day throughout capacity.

Notes to Consolidated Financial Statements

9. SHARE OPTIONS AND WARRANTS

Under the terms of the Employee Stock Option Plan (the "Plan"), the company may issue options to eligible employees to purchase an aggregate of 2,400,000 common shares of the company at prices not lower than the market price of the shares at the date prior to the grant. Changes to options during 1995 and 1996 are as follows:

	Plan	Price range
Options outstanding–December 31, 1994	5,550,871	$0.084 - $0.328
10.1 conversion	555,087	$ 0.84 - $ 3.28
Options granted in 1995		
February 9	5,000	$ 1.30
March 6	115,000	$ 1.50
March 24	45,000	$ 1.50
May 24	395,000	$ 2.50
November 3	475,000	$ 1.45
November 27	10,000	$ 2.75
Options exercised	(500,094)	$ 0.84 - $ 3.28
Options expired or cancelled	(5,000)	$ 0.88
	539,906	
Options outstanding–December 31, 1995	1,094,993	$ 0.84 - $ 3.28
Options granted in 1996		
July 10	760,000	$ 6.00
August 16	160,000	$ 2.80 (or US$2.125)
Options exercised	(440,219)	$ 1.30 - $ 3.28
Options expired or cancelled	(56,171)	$ 3.28
	423,610	
Options outstanding–December 31, 1996	1,518,603	$ 1.50 - $ 6.00

Options outstanding at December 31, 1996 expire at various dates from March 6, 1997 to March 14, 2001.

Warrants providing the right to purchase an aggregate of 2,700,000 common shares at prices ranging from US$2.82 to US$4.40 (or to US$6.00) per common share were issued in connection with private placements in the year, of which, 120,000 were exercised during the year. The remaining warrants outstanding of 2,580,000 have expiry dates of February 23, 1997 and November 1, 1997 (or May 1, 1998). Additionally, warrants issued in 1995 providing the right to purchase an aggregate of 200,000 common shares at prices ranging from $1.20 to US$1.20 per common share remain outstanding with expiry dates from January 10, 1997 to January 17, 1997.

10. INCOME TAXES

The company has income tax loss carry-forwards which may be available to reduce income taxes otherwise payable in future years.

The loss carry-forwards, if unused, will expire as follows:

1998–$35,000, 1999–$50,000, 2000–$400,000
2001–$900,000, 2002–$700,000

Notes to Consolidated Financial Statements

8. SHARE CAPITAL

The company's authorized share capital comprises an unlimited number of common shares. A summary of the share transactions during 1995 and 1996 is as follows:

	Number of shares	Amount
Balance, December 31, 1994	72,190,004	$30,689,000
10 shares exchanged for 1	7,219,000	30,689,000
Issued for cash under private placements (at prices ranging from $1.35 to $2.00 per share)	1,700,000	2,869,000
Issued for cash on exercise of warrants (at prices ranging from $1.20 to $1.35 per share)	77,000	98,000
Issued for cash under stock options (at a price of $2.12 per share)	5,000	10,000
Issued for services under stock options (at prices ranging from $0.84 to $3.28 per share)	495,098	1,083,000
	2,277,098	4,060,000
Issued balance, December 31, 1995	9,496,098	34,749,000
Issued for cash under private placements (at prices ranging from $3.00 to $3.45 per share)	2,484,000	8,245,000
Issued for cash on exercise of warrants (at prices ranging from $1.00 to $3.80 per share)	2,103,000	3,004,000
Issued under private placement and on exercise of warrants to retire debentures and interest (at prices ranging from $1.20 to $3.00 per share)	336,000	792,000
Issued for cash under stock options (at a price of $1.45 to $3.28 per share)	424,475	773,000
Issued for services under stock options (at prices ranging from $1.45 to $2.50 per share)	15,834	27,000
	5,363,309	12,841,000
Issued balance, December 31, 1996	14,859,407	$47,590,000

Prior to 1991, the company has financed a significant portion of its exploration activities in Canada through the issue of flow-through shares. Under the term of the flow-through share agreements, the funds so received are to be expended on Canadian Exploration Expenditures ("CEE"), as defined in the Income Tax Act, Canada. The CEE, so incurred is deductible for income tax purposes only by investors and is not available for deduction by the company. Generally, the share prices for flow-through shares represent the market price of the company's common shares on dates stipulated in the agreements, plus a premium attributable to the tax benefit transferred to the investor. The company includes the appropriate market price of the flow-through shares in its share capital account and accounts for the premium on flow-through shares in accordance with the policy set out in Note 2.

Notes to Consolidated Financial Statements

14. MINIMUM PROPERTY COMMITMENTS

In order to keep its property leases in good order, the company is committed to the following amounts:

	1997	1998	1999	2000 and subsequent years
Black Rock	$300,000	$300,000	$300,000	$300,000
Eagle Lake	103,000	103,000	103,000	103,000
Big Trout Lake	60,000	89,000	89,000	89,000
Gold Hill	20,000	20,000	20,000	20,000
	$483,000	$512,000	$512,000	$512,000

Additionally, the company leases office and warehouse premises under leases expiring up to the year 2000 at an annual base rental of approximately $55,000.

15. OTHER INFORMATION

(a) Subsequent events

On various dates between January 1, 1997 and February 24, 1997, options and warrants were exercised to purchase 1,600,000 common shares at various prices, ranging from $1.45 to $6.00 per share, for cash consideration of $5,700,000.

On February 14, 1997 the company issued options to purchase 890,000 common shares at $6.25 per share (or US$4.53 per share) expiring February 14, 2001.

(b) Fair value

The fair value of the company's financial assets and liabilities such as investments and advances in corporations, sundry receivables, accounts payable, vehicle and equipment loans and debentures is approximated by its carrying value.

The estimated fair value is made at a specific point in time, based on information provided by management. These estimates are subjective in nature and involve certain uncertainties and therefore cannot be determined with precision. Changes in assumptions could significantly alter the estimates.

16. DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN CANADA AND THOSE IN THE UNITED STATES

The financial statements are prepared in accordance with accounting principles generally accepted in Canada. In these financial statements, the major differences between accounting principles generally accepted in Canada ("Canadian GAAP") and those in the United States ("U.S. GAAP") are as follows:

(a) The company follows the practice of charging share issue cost to the deficit account. Under U.S. GAAP, such costs would be charged to the share capital account. Although this difference does not affect net shareholders' equity, under U.S. GAAP the company's share capital and deficit accounts would be reduced as indicated below.

(b) The company follows the practice of accounting for the premium on flow-through shares as a deferred credit which is written-off or amortized as the related project expenditures, on which the flow through funds are expended, are written-off or amortized. Under U.S. GAAP, this premium would be treated as a reduction of deferred mineral exploration expenditures. Although this difference does not affect net loss, the deferred premiun on follow-through shares would be eliminated and deferred mineral exploration expenditures would be reduced as indicated below.

(c) A business combination in 1986 was accounted for using the purchase method of accounting. Under U.S. GAAP, this business combination would have been accounted for as a pooling of interests. This difference does not affect net loss for the years ended 1996 and 1995. The deferred exploration expenditures would have been reduced by $605,000 as December 31, 1996 and 1995, and the company's share capital account would have been reduced by $676,000 as at December 31, 1996 and 1995.

(d) U.S. GAAP does not follow the practice of deferral of period costs such as certain administrative expenses. This difference would have increased the net loss and decreased the deferred exploration expenditures by $290,000 for the year ended December 31, 1995. This difference does not affect net loss for the year ended December 31, 1996.

Notes to Consolidated Financial Statements

In addition, exploration expenditures of approximately $17,000,000 have been written-off as at December 31, 1996 in the financial statements, but may be available for deduction from taxable income of future years.

The potential future benefit of these loss carry-forwards and exploration expenditures has not been recognized in these financial statements.

To December 31, 1996, expenditures made under flow-through share agreements aggregating $2,603,000, which are included in deferred mineral exploration expenditures, are deductible by investors, and accordingly, are not available for deduction from taxable income of the company.

11. RELATED PARTY TRANSACTIONS

Other assets (Note 3) relate to amounts from and investment in corporations which have senior management in common with the company.

In addition to items disclosed separately in the financial statements, the following transactions took place in the normal course of business with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) In 1996, the company incurred legal and secretarial fees provided by directors and senior officers of the company amounting to $60,000 (1995–$96,000). These fees have been charged to administrative expenses.

(b) In 1996, consulting fees were charged by directors and senior officers of the company amounting to $380,000 (1995–$758,000). Of the total fees, $245,000 (1995–$461,000) has been charged to administrative expenses and $135,000 (1995–$297,000) pertaining to time spent overseeing the Black Rock exploration has been included in the company's deferred mineral exploration expenditures.

12. CONTINGENCIES

(a) Interest on debenture

In 1994, the company negotiated a settlement of a $500,000 debenture plus a portion of interest owing. As of December 31, 1996, the amount of the interest owing is currently in dispute due to alternate methods used in interest calculation. The company is negotiating a settlement of this dispute and an additional amount of $75,000 may become payable.

(b) Recovery of deferred mineral exploration expenditures

The recoverability of deferred expenditures is dependent upon various factors, including the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete development of future profitable operations or profitable disposal of the properties. Pending the profitable operation or disposal of a property, cash requirements must be provided by future debt or equity financing.

13. SEGMENTED INFORMATION

The company's major activity related to the exploration for precious metal (gold, silver and platinum) in Canada, the United States of America and South Africa as follows:

	Canada	United States	South Africa
Year ended 1996			
Mineral expenditures	$ 87,000	$ 3,305,000	$ –
Identifiable assets	$3,106,000	$14,958,000	$ –
Year ended 1995			
Mineral expenditures	$ –	$ 5,056,000	$ –
Write-downs	$ 896,000	$ –	$892,000
Identifiable assets	$3,019,000	$ 7,670,000	$ –

BOARD OF DIRECTORS

Alan Doyle
Chairman of the Board

Lee Furlong
President & CEO

David N. Kornhauser
Corporate Secretary

Russel French
Director

John Blaikie
Director

ANNUAL MEETING

The Annual Meeting of the Stockholders of International Precious Metals Corporation will be held at 2:00 p.m. on June 20, 1997 at the Ritz-Carlton® Phoenix, Arizona, USA.

CORPORATE INFORMATION

Copies of the company's annual report and press releases are available without charge to stockholder's upon request to the company at its USA office.

EXCHANGE LISTINGS

NASDAQ – IPMCF
CDN – IPM

Notes to Consolidated Financial Statements

The effect of these differences on the financial statements is as follows:

(a) Balance sheet	**1996**	**1995**
Deferred mineral exploration expenditures		
Under Canadian GAAP	$13,050,000	$ 9,658,000
Premium on flow-through shares–(b) above	(464,000)	(464,000)
Pooling–(c) above	(605,000)	(605,000)
Period costs–(d) above	–	(290,000)
Under U.S. GAAP	$11,981,000	$ 8,299,000
Deferred premium on flow-through shares		
Under Canadian GAAP	$ 464,000	$ 464,000
Applied to deferred mineral exploration expenditures–(b) above	(464,000)	(464,000)
Under U.S. GAAP	$ –	$ –
Share capital		
Under Canadian GAAP	$47,590,000	$34,749,000
Share issue costs–(a) above	(2,958,000)	(2,422,000)
Pooling–(c) above	(676,000)	(676,000)
Under U.S. GAAP	$43,956,000	$31,651,000
Deficit		
Under Canadian GAAP	$31,641,000	$29,189,000
Share issue costs–(a) above	(2,958,000)	(2,422,000)
Pooling–(c) above	(71,000)	(71,000)
Period costs–(d) above	–	290,000
Under U.S. GAAP	$28,612,000	$26,986,000

(b) Statement of loss and deficit

	Cumulative from inception July 22, 1980 to December 31, 1996	**1996**	**1995**
Net loss for the period under Canadian GAAP	$28,683,000	$1,916,000	$3,059,000
Pooling adjustments–(c) above	(71,000)	–	–
Period cost adjustment–(d) above	613,000	–	290,000
Net loss for the period under U.S. GAAP	$29,225,000	$1,916,000	$3,349,000
Loss per share (Note 9)–under U.S. GAAP		$ 0.15	$ 0.40

Persistence of Vision International Precious Metals

ACCOMPANIED 1996 ANNUAL REPORT

THE PRESIDENT'S VIEW Arizona has seen few gold and other precious metals mines in the past hundred years, yet precious metals are regularly extracted in significant quantities as a by-product of the state's large copper mines. Despite this evidence of very favorable geological settings for precious and base metals, there are still those who contend that the development of a primary precious metals mine in Arizona is highly unlikely. For the past three years we have strongly dissented from that view, and IPM is now poised to prove that the huge geochemical anomaly on our Black Rock property will develop into one of the most significant precious metals finds in history. Certainly the task of converting the mineralization to ore status has not been easy. The standard $9 fire assay simply does not collect the gold and other precious metals. However, we have repeatedly proven in our own lab, in independent labs, and in pilot scale tests that chemical leaching processes recover measurable precious metals. These leaching and recovery processes are not exotic, but are unique enough to be considered exclusive. Further, we expect them to revolutionize the mining industry–just as cyanide leaching, solvent extraction, electrowinning, and heap leaching processes have done in the past. Preliminary engineering reports indicate that Black Rock ore can be mined for less than $1 per ton. Processing costs are also expected to be low. This is critical, because in addition to having one of the largest potential reserves in North America, IPM will become one of the lowest cost mining companies in the world. Over three years ago we set out to turn Black Rock into a producing mine. Our recent commitment to achieving resource status for the original one-square-kilometer grid moves us closer. We will not stray from our objective, and we expect many of our critics to soon join us in celebrating the long-sought results. I thank you, our shareholders, for your continued support as we work diligently to maximize returns for all investors.

LEE FURLONG *President and CEO* L Furlong

The true nature of *science* and *exploration* is looking where others have looked and *seeing* what they have not seen.

Single-Minded Focus

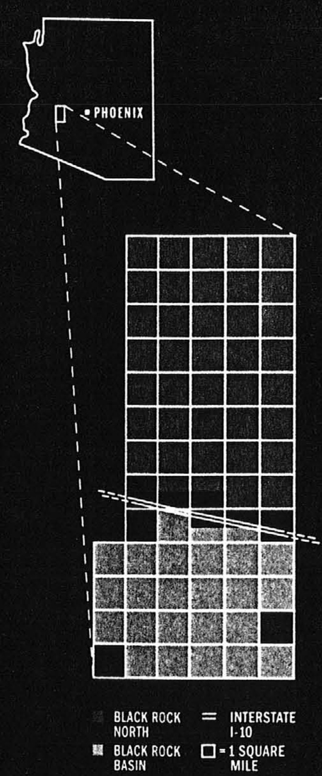
Named for a local geological feature, the Black Rock Project has become the unwavering focus of IPM's efforts. Not only do the anomalous gold levels in this unusual setting present a fascinating technological challenge, but IPM is convinced that the project holds significant economic potential.

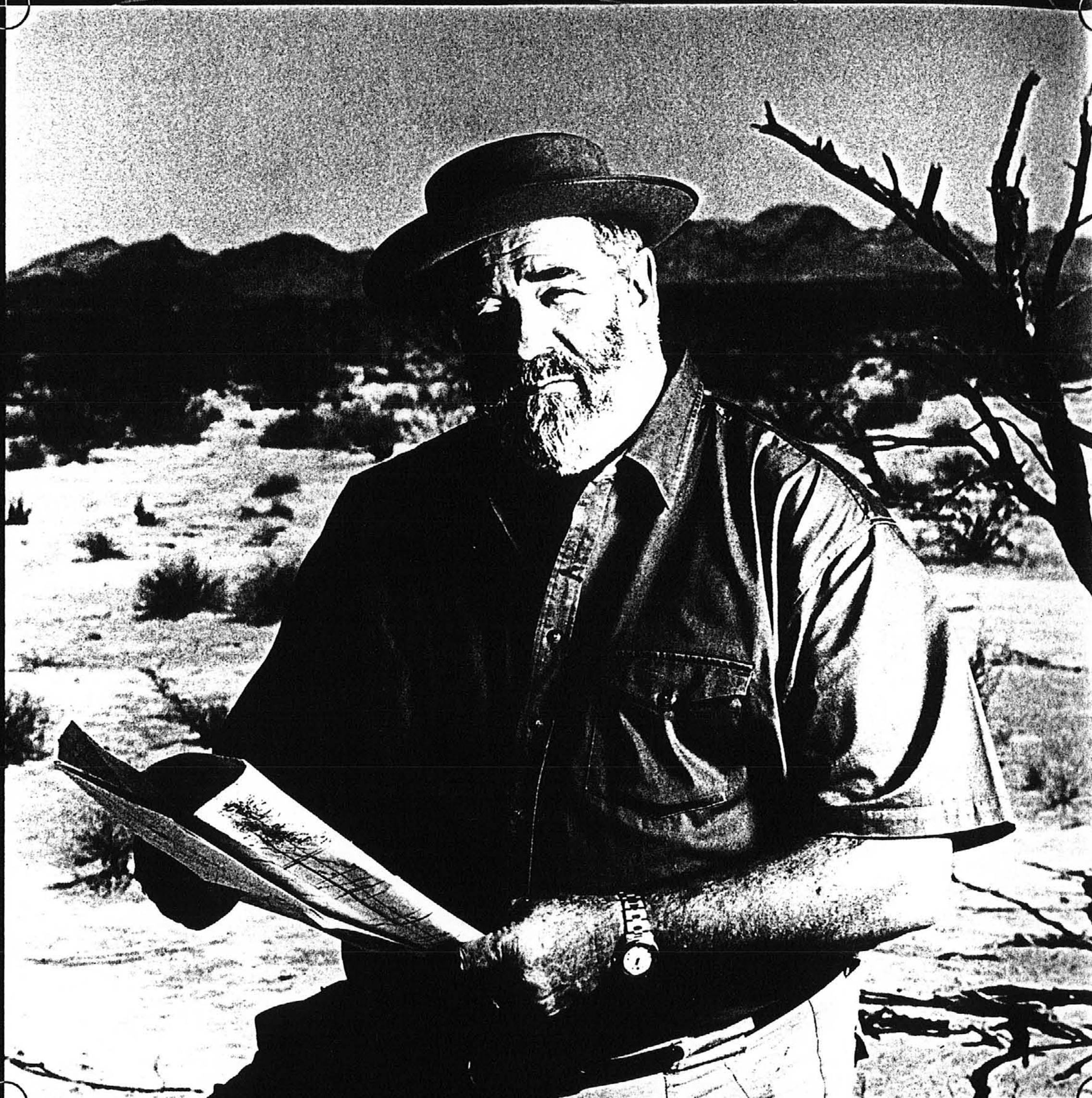
When a small private company contacted Lee Furlong in the fall of 1993 about their claims in the Harquahala Valley of southwest Arizona, the story had a familiar resonance. Like the Paddington Mine in Western Australia, where in 1980 Furlong's efforts had identified a gold reserve of 1.6 million ounces, this geochemical anomaly suggested that gold had originated in adjoining hard rock sources and migrated to its current location.

IPM commenced due diligence on the property, using hand-held auger sampling and larger backhoe pits. Though the early samples did not respond to the traditionally prescribed formula for fire assay, a variety of other analysis techniques–including atomic absorption, inductively coupled plasma, and x-ray fluorescence–showed interesting levels of precious metals. These tests, coupled with Furlong's experience at Paddington concerning the mobility of gold, encouraged IPM to continue their due diligence despite the controversy surrounding the fire assay results. Additional sampling and a small drilling program to depth strengthened IPM's interest in the property, and they entered into a joint venture with the property vendor in April of 1994.

THE BLACK ROCK PROJECT

IPM's initial investment included the original drill grid and surrounding land totaling sixteen square miles. Three years and over 3000 drill samples later, Furlong and IPM were confident enough in the probable economic viability of the reserve to acquire 100 percent ownership of these and an adjoining seven square miles, now known as Black Rock Basin. An additional forty square miles have been staked adjacent to and including the likely hard rock source of the precious metals. This area is now known as Black Rock North.





As IPM's president and CEO, Lee Furlong guides the day-to-day direction of the company. A geophysicist with a career spanning over three decades, Furlong's exceptional talents have led to major project discoveries and developments around the world. IPM chairman Alan Doyle credits Furlong's success to lateral thinking, his talent for looking beyond the obvious answer in search of other possibilities. Furlong simply calls it his innate need to explore. His passion for the Black Rock Project and his fascination with its scientific challenge inspire the IPM vision.

LEE FURLONG

PRESIDENT & CEO,

INTERNATIONAL

PRECIOUS METALS

[illegible]

United States, and elsewhere. Furlong's undergraduate degree is in science education, and he did postgraduate work at Colorado State University and [illegible] minerals at the Colorado School of Mines. He joined IPC, now IPM, in 1992.

Alan Doyle is a principal in an international banking firm that specializes in corporate advisory management and financing of international resources projects. He explains his interest in Black Rock and IPM's exploration projects in a single word: profit. Doyle concentrates on the economic potential of IPM projects, providing critical balance to the scientific focus of IPM's explorationists.

ALAN DOYLE

CHAIRMAN,

INTERNATIONAL

PRECIOUS METALS

Alan Doyle's undergraduate degree in economic geology from Australia's Macquarie University and diploma in geoscience for mineral economics established the foundation for his successful career in international finance. In addition to his role as a principal of the mining resource finance firm Doyle Capital Partners, Ltd., he is president and director of [illegible] Copper Mines, Inc., a copper and gold project in southern Africa. Doyle has been associated with IPM since 1992.

The Long View

FUNDING SUCCESS

Bill Allred, IPM's CFO and vice president of administration and finance, works with Alan Doyle and the IPM finance and accounting team to ensure adequate funding for IPM projects and to manage the long-term financial success of the business. Allred is a CPA with extensive experience in SEC audits for NASDAQ traded companies in the mining, service, and manufacturing industries. He has also served as deputy auditor general for the State of Arizona and audit manager for Arthur Young & Company.

Having significantly accomplished the goal of building and maintaining shareholder confidence in their processes and holdings, IPM is now methodically creating the infrastructure to support a thriving mining and exploration business.

As a financier, trained economic geologist, and self-proclaimed pragmatist, IPM chairman Alan Doyle had to be convinced of the economic viability of Black Rock. Through an exhaustive drilling program and continuous refinement of assay and recovery techniques, IPM's geologists and earth scientists were able to compile significant and compelling evidence that recoverable quantities of gold existed at the Black Rock Project, and that the gold could be recovered inexpensively. The huge size of the anomaly–more than eight square kilometers–further supported the case for Black Rock's economic potential. Thus convinced, Doyle undertook the task of raising the capital necessary to continue the drilling and testing, and to put in place the business infrastructure that will be required as the project moves toward development. With the considerable resources of Doyle Capital Partners and their invaluable insight and experience in financing a mining project to success, IPM is building on a strong foundation.

Further Insight

With proof from their own and independent labs that Black Rock Project samples held recoverable quantities of gold and other precious metals, IPM focused their considerable technical skills and knowledge on developing reliable and economical assay and recovery processes.

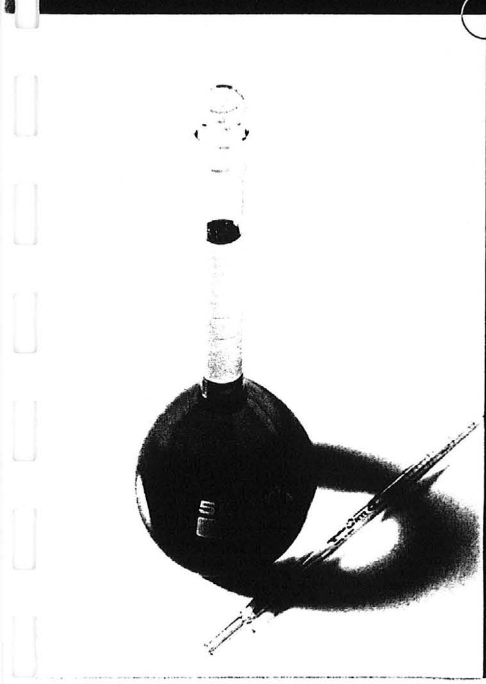
Recruited by Lee Furlong in 1993 as an advisor in analytical chemistry and statistics. Paul Mentzer went to work immediately on the problem of recovering precious metals from the Black Rock Project drill samples. Believing that traditional fire assay techniques yielded numbers well below the true gold values of the samples. Mentzer began a program of research and technical improvement. Looking beyond the currently popular processes for gold assay. Mentzer employed century-old techniques and combined them with innovative leach technology he developed in IPM's laboratory.

The breakthrough came in late 1996. when an enhanced leach process was applied to the Black Rock Project samples. The results from two independent labs were significantly consistent. and showed an average gold grade of 0.277 ounce per ton, a figure that was five times greater than had been reported for the same samples only months earlier. Clearly there is significant precious metal content at the Black Rock Project. and IPM continues to refine the repeatable, verifiable recovery process that is one of the cornerstones of the Black Rock Project.

GETTING TO THE GOLD

Though early tests convinced IPM that the Black Rock Project holds significant mineralization, liberating the gold is an ongoing challenge. Lee Furlong believes that the same processes that removed gold from hard rock and allowed it to migrate to the Black Rock Basin are responsible for encasing these fine gold particles in silica, calcium, and other crystalline compounds. The process IPM developed to liberate the gold includes finely grinding the ore, applying a simple but exclusive leach formula, then precipitating the gold out of solution.

IPM's vice president of technical services Paul Mentzer works closely with the IPM technical team to refine their innovative recovery process and develop a simple and inexpensive assay technique that would return accurate grades. Driven by his penchant for scientific inquiry, persistence, and precision, Mentzer is helping IPM develop techniques that will advance the entire mining industry.



PAUL MENTZER

VICE PRESIDENT

TECHNICAL SERVICES,

INTERNATIONAL

PRECIOUS METALS

[illegible]

Within the mining industry, few individuals are as universally respected as Sam Shaw III. Thus IPM was pleased to announce in April of 1997 that Dr. Shaw had accepted the position of vice president of engineering services, where his role will include the development of the Black Rock Project. Shaw's association with IPM expands the extensive technical assets of the company.

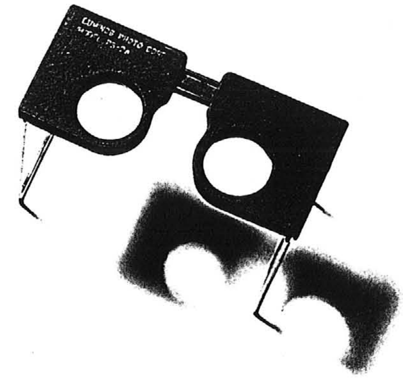
SAM SHAW III

VP ENGINEERING

SERVICES,

INTERNATIONAL

PRECIOUS METALS



Careful Scrutiny

PROGRESS AT BLACK ROCK

A 31-hole drilling program began in the spring of 1997 on the original Black Rock Project, with the goal of defining the outer and lower limits of the gold anomaly. Concurrently, Black Rock North was surveyed, staked and evaluated for an initial drilling program in these expanded holdings. In addition, management has focused on attaining resource status for the first grid by fall of 1997. Bankable feasibility of the Black Rock Project is expected within twelve to fifteen months. At that time, IPM plans to build a technologically modern facility for the bulk processing of ore.

IPM has contracted an impressive number of independent experts, including mining consultants, laboratories, and refiners, to verify IPM's own findings and to validate the methodologies the company has developed for evaluating ore samples and recovering precious metals from them.

New technology is often met with skepticism, and such was the case with IPM's innovative recovery techniques developed for the Black Rock Project. To validate their findings and dispel any doubts about the economic potential of Black Rock, IPM chose to have their recovery processes meticulously examined. To assist in this process, IPM retained expert metallurgical consultants from the USA and Australia.

Beginning in July of 1994, Behre Dolbear–with Dr. Sam Shaw III as project leader–commenced a program of testing that held IPM's techniques up to rigid standards. Among the results was confirmation that Black Rock samples that did not appear to respond to fire assay nevertheless yielded potentially economic levels of gold.

Further, IPM has engaged additional independent experts to specifically work on the platinum group metal issues as well as gold and silver. We expect these results by the end of summer 1997. Equally compelling are the figures obtained by independent labs which show consistent precious metal levels across samples ranging from a few grams up to 500 kilograms.

Expanding the Focus

As the Black Rock Project moves into development, IPM's scientific staff plans a drilling program on the expanded Black Rock holdings in search of the hard rock source of precious metals. IPM continues to explore both here and globally for additional precious metal reserves of economic significance.

While drill rigs push to bedrock around the perimeter of the original Black Rock Project, defining the precious metals anomaly there, geologist Tom Dodge, geophysicist Lee Furlong, and their technical team explore the Black Rock northern claims, which they believe represent the hard rock source for the Black Rock Basin gold deposits. Even without their scientific tools, the evidence is compelling. Within these mountains stand the remains of hundreds of pits and shafts, most prominent among them the Bonanza Mine, which pulled 150,000 ounces of gold from this hard rock a hundred years ago.

Using classical geologic sampling and mapping combined with advanced techniques of resistivity, induced polarization, and magnetics, IPM's scientific staff searches for geologic and lithologic clues that they expect will lead them to reserves of precious metals. Here in southern Arizona and beyond, around the world, IPM continues their mission of precious metals exploration even as they develop the Black Rock Project into a producing mine.

IPM EXPLORATION PROJECTS

Although all of IPM's resources are currently devoted to the development of the Black Rock Project, the company has other properties in various stages of exploration progress. Big Trout Lake, Ontario is regarded by the company as one of the most promising platinum prospects in Canada. Georgia Lake, Ontario is held as a strategic reserve in anticipation of increased demand for lithium as the electric automobile market develops. IPM has initiated exploration at Eagle Lake, Ontario for its anomalous gold, silver and base metals.

While supervising the drilling program to define the reserve at Black Rock Basin, IPM chief geologist Tom Dodge is also designing a drilling program for the exploration of Black Rock North. As IPM develops the Black Rock Project and begins further explorations, Dodge will visit geologically interesting sites throughout the world and evaluate their potential for further investigation.

TOM DODGE

CHIEF GEOLOGIST,

INTERNATIONAL

PRECIOUS METALS

BOARD OF DIRECTORS

Alan Doyle

Lee Furlong

David Kornhauser

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John Blaikie

SENIOR TECHNICAL MANAGEMENT

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BSc, Chairman

Lee Furlong
BA, President & CEO

Paul Mentzer
BSc, VP Technical Services

Sam Shaw III
DSc, VP Engineering Services

Tom Dodge
BSc, Chief Geologist

View to the Future

"IPM acquires 100 percent ownership of the original Black Rock property."

"IPM stakes an additional 40 square miles to the north of Black Rock."

"Industry analysts give IPM high marks for their openness and the meticulous methodology of validating their findings."

These and other recent news items paint a clear picture of progress for IPM.

Both the near and distant future hold great promise. We have committed to achieving resource status for the first square kilometer of Black Rock. The drilling program at the Black Rock Basin will define the magnitude of the gold reserve. A gold refiner will complete its assessment of ore concentrates from the Black Rock Project's demonstration plant. A refiner has signed a contract with us to take all the concentrate we can produce from our demonstration plant while we transition from an exploration company to a mining company. We expect negotiations with other refiners to be completed during 1997. The business infrastructure that will support the development of Black Rock and further explorations will continue to be built. We have engaged major metallurgical consultants from the USA and Australia to validate our recovery methods. And to make room for all this progress, IPM has moved into a new corporate headquarters in Phoenix, Arizona. Perhaps most importantly, the milestones that will be reached on the Black Rock Project will allow the company to attain production at Black Rock and look to future exploration projects. To a company full of scientists, there is always something just out of sight, waiting to be discovered.