discover

Imperial Metals Corporation

2010 ANNUAL REPORT

develop

PRESIDENT'S MESSAGE

Operating income of $51.4 million was up substantially from $24.8 million in 2009 as a result of the higher copper and gold prices. Net income was $35.3 million in 2010 versus a net loss of $12.8 million in 2009. The increase was largely due to a sharp drop in realized and unrealized net losses on derivative instruments.

Copper production at Mount Polley was up 3% while gold production decreased 5%. Throughput increased to record levels, averaging 21,629 tonnes per day in 2010 compared to 19,303 tonnes per day in 2009. The increased throughput and higher copper recovery more than offset the lower copper grade, and led to the slightly higher copper production. The lower gold grades and recovery resulted in lower gold production. In 2011 virtually all mill feed will be obtained from the Springer pit.

A circuit was installed at Mount Polley in late 2010 to recover magnetite from the tailings. The magnetite is sold to coal mines for use in coal wash plants.

Copper production at Huckleberry in 2010 was 45 million pounds, about equal to the level achieved in 2009. Lower throughput in 2010 was offset by higher grade and recovery. Copper production will decline to about 39 million pounds in 2011 as a substantial amount of stockpiled lower grade material will be processed during the year. The stockpiles and further mining of the Main Zone Extension pit will provide mill feed until the end of 2013. A plan to extend mine life beyond 2013 is being developed, and is expected to be presented to the board of directors of Huckleberry Mines Ltd. for consideration by the third quarter of 2011.

At Red Chris 110 drill holes totaling 58,179 metres were completed. Of these, 46 holes averaging 1,148 metres in length were drilled to test the Red Chris mineralized system to a depth of at least 1,000 metres below the proposed open pit. The remainder, were condemnation and geotechnical holes drilled at the proposed tailings impoundment and plant site areas. Red Chris exploration budget for 2011 is $2.7 million. Assaying of the core from 2010 drilling was suspended in June 2010 by agreement with the Special Committee of American Bullion Minerals Ltd. to allow the parties to complete negotiations for the buy out of the minority shareholders of American Bullion Minerals Ltd. Core from holes RC10-402 to 425 remain unassayed.

In Nevada at the Sterling gold property, our mining crew completed 374 metres of underground development work in 2010. This work is ongoing as we continue to gather information to confirm the mineability and metallurgy of the 144 zone.

Exploration at Mount Polley was highlighted by completion of the first underground development at the property. A 500 metre ramp was driven to provide access for underground drilling of the high grade mineralization in the Boundary zone at depth. This drilling is now underway. Following the drilling, we anticipate completing the design of a test stope that we intend to mine in 2011 to confirm an appropriate underground mining method for the Boundary zone mineralization.

Higher metal prices enabled operations to generate sufficient cash flow in 2010 to fund extensive exploration and development expenditures. In 2011 Mount Polley and Huckleberry mines should generate sufficient cash flow to fund planned development and exploration expenditures. Beyond that, our goal is to finance a large part of our mine development costs through a debt facility to minimize equity dilution.

The Northwest Transmission Line (NTL) received its Environment Assessment approval on February 24, 2011 from the Provincial Government. The NTL will bring the BC Hydro grid to within 120 kilometres of the Red Chris mine site. Construction of the NTL is expected to be completed by the end of 2013. The NTL is the final component of infrastructure required to develop the Red Chris mine. Permitting work, being completed through the Northwest Mine Development Steering Committee, is well advanced and should allow site work to begin at Red Chris in fall 2011. Completion of the construction of a 30,000 tonne per day mine at Red Chris is expected to coincide with the completion of the NTL.

On behalf of Imperial's board of directors, I wish to take this opportunity to say thank you to all our stakeholders, and especially our employees for their continued support.

J. Brian Kynoch
President

MANAGEMENT'S DISCUSSION & ANALYSIS

Forward-Looking Statements And Risks Notice

This Management's Discussion and Analysis is a review of the Company's operations and financial position as at and for the year ended December 31, 2010, and plans for the future based on facts and circumstances as of March 29, 2011, Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking statements. When we discuss mine plans; our costs and timing of current and proposed exploration; development; production and marketing; capital expenditures; the construction of the Northwest Transmission Line; cashflow; working capital requirements; and the requirement for additional capital; operations; revenue; margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; future prices for marketable securities; future resolution of contingent liabilities; or other things that have not yet happened in this review we are making statements considered to be forward-looking information or forward-looking statements under Canadian and United States securities laws, We refer to them in this review as forward-looking information.

The forward-looking information in this review typically includes words and phrases about the future, such as: plan, expect, forecast, intend, anticipate, estimate, budget, scheduled, believe, may, could, would, might, will. We can give no assurance that the forward-looking information will prove to be accurate. It is based on a number of assumptions management believes to be reasonable, including but not limited to: the continued operation of the Company's mining operations, no material adverse change in the market price of commodities and exchange rates, that the mining operations will operate and the mining projects will be completed in accordance with their estimates and achieve stated production outcomes, volatility in the Company's share price and such other assumptions and factors as set out herein.

It is also subject to risks associated with our business, including but not limited to: risks inherent in the mining and metals business; commodity price fluctuations and hedging; competition for mining properties; sale of products and future market access; mineral reserves and recovery estimates; currency fluctuations; interest rate risk; financing risk; environmental risk; foreign activities; legal proceedings; and other risks that are set out in our annual information form and below.

If our assumptions prove to be incorrect or risks materialize, our actual results and events may vary materially from what we currently expect as set out in this review.

We recommend that you review our annual information form and this Management's Discussion and Analysis, which include a discussion of material risks that could cause actual results to differ materially from our current expectations.Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Overview

Revenues were $246.9 million in 2010 compared to $201.1 million in 2009. The increase is the result of higher copper prices and slightly higher sales volumes. The London Metals Exchange cash settlement copper price per pound averaged US$3.42 in 2010 compared to US$2.34 in 2009. The US Dollar compared to the CDN Dollar averaged about 10% lower in 2010 than in 2009. In CDN Dollar terms the average copper price in 2010 was 32% higher than the 2009 average copper price.

Revenue in the fourth quarter of 2010 was increased by a $6.1 million revenue revaluation due to increasing copper prices compared to a positive $4.1 million revenue revaluation in the fourth quarter of 2009. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date.

Operating income increased to $51.4 million from $24.8 million in 2009 as result of higher contribution margins from mine operations.

Net income for the year ended December 31, 2010 was $35.3 million ($0.98 per share) compared to net loss of $12.8 million ($0.39 per share) in 2009. The increase was primarily due to the change in realized and unrealized gains and losses on derivative instruments, which resulted in a net loss of $11.2 million in 2010 versus a net loss of $42.7 million in 2009 and lower taxes.

Adjusted net income in 2010 was $42.6 million ($1.18 per share) compared to $41.1 million ($1.27 per share) in 2009. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of copper and foreign exchange hedging not related to the current period, removing the unrealized share based compensation expense, net of taxes, as further detailed on the following table.

Calculation of Adjusted Net Income

[expressed in thousands of Canadian dollars, except share amounts]

	Years Ended December 31 2010	2009
Net income (loss) as reported	$ 35,323	$ (12,759)
Unrealized loss on derivative instruments, net of tax [a]	787	43,704
Unrealized share based compensation expense, net of tax [b]	6,533	10,167
Adjusted Net Income [c]	$ 42,643	$ 41,112
Adjusted Net Income Per Share [c]	$ 1.18	$ 1.27

(a) Derivative financial instruments are recorded at fair value on the balance sheet, with changes in the fair value, net of taxes, flowing through net income (loss). The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper and foreign exchange hedged.

(b) Effective with the June 30, 2007 quarter until May 19, 2010, the Company's employee stock option plan provided for a cash payment option. Accordingly, the intrinsic value of the outstanding vested options was recorded as a liability on the Company's balance sheet and quarterly changes in the intrinsic value, net of taxes, flowed through net income during that time period. No tax recovery is recorded effective December 31, 2009 due to changes in legislation regarding the expected deductibility of this expense. As further described under the heading Share Based Compensation Expense, the Company changed its method of accounting for share based compensation in the June 2010 quarter.

(c) Adjusted net income and adjusted net income per share are not terms recognized under generally accepted accounting principles however it does show the current year's financial results excluding the effect of items not settling in the current year. The Company believes these measures are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Cash flow increased to $65.5 million in 2010 from $54.6 million in 2009. The $10.9 million increase is primarily the result of increased operating margins at Mount Polley and Huckleberry mines due to higher copper prices and slightly higher sales volumes. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances. The Company believes cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were $48.5 million, up from $27.8 million in 2009 as the Company increased capital expenditures, primarily in the exploration and development of its mineral properties. Expenditures in 2010 were financed by cash flow from the Mount Polley and Huckleberry mines except for two mobile mining units financed by long term debt.

At December 31, 2010 the Company had $30.3 million (2009-$23.9 million) in cash and cash equivalents and short term investments, inclusive of the Company's share of cash and cash equivalents of Huckleberry of $28.7 million (2009-$24.1 million).

Derivative Instruments

The Company has no derivative instruments related to gold or silver, only copper and the CDN/US Dollar exchange rate. During 2010 the Company recorded losses of $11.2 million on derivative instruments, primarily for copper, compared to losses of $42.7 million in 2009. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper and the CDN/US Dollar exchange rate. These amounts include realized losses of $10.1 million in 2010 and gains of $19.7 million in 2009. The Company does not use hedge accounting therefore accounting rules require that derivative instruments be recorded at fair value on each balance sheet date, with the adjustment resulting from the revaluation being charged to the statement of income as a gain or loss.

The Company utilizes a variety of derivative instruments including the purchase of puts, forward sales and the use of min/max zero cost collars. Imperial's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper price and exchange rates compared to the copper price and exchange rate at the time when these contracts were entered into and the type and length of time to maturity of the contracts.

Derivative instruments for Mount Polley cover about 70% of copper settlements through the first quarter of 2012 via min/max zero cost collars. For Huckleberry derivative instruments include puts, forwards and min/max zero cost collars extending out to the second quarter of 2012 covering about 80% of copper settlements in the period.

At December 31, 2010 the Company has unrealized losses on its derivative instruments. This represents a decrease in fair value of the derivative instruments from the dates of purchase to December 31, 2010. Refer to Note 12 to the audited consolidated financial statements for the year ended December 31, 2010 for further details.

The Company has granted security to certain derivative instrument counterparties to cover potential losses in excess of the credit facilities granted by the counterparties. At December 31, 2010 the Company had $8.0 million on deposit with counterparties.

During the year ended December 31, 2008 a portion of the Company's derivative instruments were with Lehman Brothers Commodity Services Inc. ("LBCS"), a subsidiary of Lehman Brothers Holdings Inc. ("Lehman"). Both LBCS and Lehman filed for bankruptcy protection and as a result of the uncertainty regarding the timing of, and the ultimate recovery of the LBCS derivatives totaling $28.3 million (US$21.9 million), the Company made a provision for the full amount of the LBCS derivatives in 2008.

During the last quarter of 2010 the Company's claims were confirmed by the Trustee for LBCS and Lehman at US$18.5 million. There is an active market for LBCS claims and the Company could monetize the contingent gain however management's intention is continue to hold the claims as it expects this will provide a higher recovery than selling the claims. Claim buyers are offering to purchase the claims at between 50% and 60% of the US$18.5 million claim amount. The Company would have recognized gains in 2008 and 2009 on these derivative instruments of $8.2 million (US$7.0 million) if LBCS and Lehman had not filed for bankruptcy and settled the derivative instruments in the normal course.

The amount ultimately recovered by the Company on the LBCS derivatives will depend on the ability of the Trustee to generate sufficient cash to pay the liabilities of LBCS and Lehman.

Share Based Compensation Expense

From June 13, 2007 until May 18, 2010 all option holders had the right, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. This option balanced the need for a long term compensation program to retain employees and the concerns of shareholders regarding the dilution caused by the exercise of stock options. As a result of the right of option holders to receive a cash payment, generally accepted accounting principles require a liability and related expense to be recorded for the intrinsic value of the stock options. Payments made to option holders by the Company prior to March 5, 2010 were deductible for income tax purposes. The liability associated with the Company's stock options were revalued quarterly to reflect changes in the market price of the Company's common shares and the vesting of additional stock options. The net change, net of taxes, was recognized in net income for the quarter.

Changes to tax legislation in the March 2010 quarter for the deductibility of option payments impacted the option holders exercise method, removing all associated tax benefits to the Company related to share based compensation expense.

On May 19, 2010 the shareholders of the Company approved an amendment to the Company's outstanding Share Option Plans removing the right of all option holders, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. As a result of this change to the Share Option Plans, Canadian generally accepted accounting principles result in the transfer of the liability that was recorded for the intrinsic value of the stock options to contributed surplus. The intrinsic value of the options outstanding at May 19, 2010 set the basis for the future share based compensation expense for any unvested options outstanding at that date.

The share based compensation expense resulting from the fair value of options granted after May 19, 2010 will be based on the Black-Scholes option pricing model. The determination of expected volatility contained in the option pricing model is based on subjective assumptions which can materially affect the fair value estimate of the options at the date of grant.

Due to the change in the method of accounting for the options, the share based compensation expense is not directly comparable between years.

Selected Annual Financial Information:
[expressed in thousands of Canadian dollars, except share amounts]

	Years Ended December 31 2010	2009	2008
Total Revenues	$ 246,851	$ 201,137	$ 229,745
Net Income (Loss)	$ 35,323	$ (12,759)	$ 59,617
Net Income (Loss) per share	$ 0.98	$ (0.39)	$ 1.83
Diluted Income (Loss) per share	$ 0.96	$ (0.39)	$ 1.83
Adjusted Net Income(2)	$ 42,643	$ 41,112	$ 55,468
Adjusted Net Income per share(2)	$ 1.18	$ 1.27	$ 1.71
Working Capital(3)	$ 65,589	$ 28,054	$ 54,211
Total Assets	$ 440,041	$ 373,071	$ 384,901
Total Long Term Debt (including current portion)	$ 2,515	$ 2,656	$ 4,648
Cash dividends declared per common share	$ 0.00	$ 0.00	$ 0.00
Cash Flow(1)	$ 65,518	$ 54,552	$ 76,334
Cash Flow per share(1)	$ 1.81	$ 1.68	$ 2.35

(1) Cash flow and cash flow per share are measures used by the Company to evaluate its performance however, they are not terms recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the period.

(2) Refer to previous table under heading Calculation of Adjusted Net Income for details of the calculation of these amounts for 2010 and 2009.

(3) Defined as current assets less current liabilities.

The reporting currency of the Company is the CDN Dollar. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles.

Developments During 2010

General

In US Dollars, copper prices were 46% higher in 2010 than in 2009, averaging about US$3.42/lb compared to US$2.34/lb in 2009. The US Dollar declined against the CDN Dollar during 2010 ending the year weaker. Factoring in the decrease in the average exchange rate the price of copper averaged CDN$3.52/lb in 2010, about 32% higher than the 2009 average of CDN$2.67/lb. The copper price averaged US$3.92/lb or CDN$3.97/lb in the last quarter of 2010.

Mount Polley

Annual Production	Years Ended December 31 2010	2009	2008
Ore milled (tonnes)	7,894,596	7,045,737	6,848,983
Ore milled per calendar day (tonnes)	21,629	19,303	18,713
Grade % - Copper	0.322	0.371	0.552
Grade g/t – Gold	0.281	0.322	0.306
Recovery % – Copper	62.19	58.80	72.41
Recovery % – Gold	65.62	67.70	69.71
Copper (lbs)	34,842,611	33,860,500	60,305,759
Gold (oz)	46,771	49,412	47,001
Silver (oz)	206,812	202,992	522,340

In 2010, 77% of the mill feed was supplied by the Springer pit, with the balance from the Southeast and Pond zone pits. The Southeast and Pond zone pits were completed by January 2011 and the mill feed for the remainder of 2011 is scheduled to come from the Springer pit.

Daily mill throughout in the fourth quarter 2010 averaged 21,203 tonnes per day up from the 19,869 tonnes per day achieved in the fourth quarter 2009. Mill throughput for 2010 set a new record, with 7,894,596 tonnes being milled for the year, up 12% from the 2009 level. Weather in January and February 2011 was more adverse than the mild conditions experienced in 2010, and as a result, mill throughput during this period in 2011 was down about 9% from the same period in 2010.

Exploration during the year focused on the WX and Boundary zones, and was highlighted by the excavation of the first underground workings on the site. A 500 metre ramp was driven to provide access for underground drilling of the deeper portions of the Boundary zone mineralization. The ramp was completed in February and underground diamond drilling is now underway.

Mount Polley exploration expenditures totaled $7.1 million in 2010 compared to $5.4 million in 2009. A total of 108 holes totalling 44,822.8 metres of surface drilling, along with 374 metres of underground ramping, were completed at Mount Polley in 2010.

Huckleberry

The financial results of Huckleberry continue to have a significant impact on Imperial's results. Imperial's share of Huckleberry's net income in 2010 was $18.8 million compared to net loss of $9.6 million in 2009. Huckleberry's net income increased due to lower losses on derivative instruments and improved operating margins.

Huckleberry Annual Production
(50% allocable to Imperial)

	Years Ended December 31 2010	2009	2008
Ore milled (tonnes)	5,684,300	6,133,700	6,031,300
Ore milled per calendar day (tonnes)	15,573	16,805	16,479
Grade % – Copper	0.396	0.377	0.316
Grade % – Molybdenum	0.007	0.006	0.006
Recovery % – Copper	91.7	90.2	88.5
Copper (lbs)	45,510,000	45,931,532	37,219,000
Gold (oz)	3,195	3,482	3,058
Silver (oz)	223,557	266,940	245,781
Molybdenum (lbs)	84,027	14,467	187,798

Lower throughput in 2010 was offset by higher copper grades and better recovery. As a result, copper production was down just under 1%. All mill feed continues to come from the Main Zone Extension pit, and a further expansion of this pit will now provide feed for milling operations to the end of 2013. A part of this plan, the "Pushback Plan", that extends the life to 2013 will include low grade stockpiles providing a significant portion of the 2011 mill feed. As a result, 2011 Huckleberry copper production will be lower than the 2010 level.

A mine plan that includes the construction of a new tailings facility and operations beyond 2013 is being studied, and a feasibility study is being prepared. This study is expected to be completed by late summer. The mine plan will include the mining of the resource located below the Main Zone pit.

Red Chris
The 2010 exploration program focused on drilling the Red Chris mineralized system to at least 1,000 metres below surface in the area of the proposed open pit. A total of 110 drill holes totaling 58,179 metres, including 46 exploration, 23 condemnation and 41 geotechnical holes at the proposed open pit, tailings impoundment and plant site areas were completed in 2010.

Exploration and development expenditures in 2010 totaled $17.5 million compared to $4.9 million for the year ended 2009.

Positive assay results were received, in particular from drill hole RC10-393, which included 317.5 metres grading 1.08% copper, 1.46 g/t gold and 4.28 g/t silver within a 1,112.5 metre mineralized section grading 0.54% copper, 0.61 g/t gold and 1.96 g/t silver. This is one of the longest mineralized intercepts obtained to date at Red Chris. Drillhole RC10-388, one of the first holes in the deep Main zone since 2007, tested the western edge of the known Main zone and intersected five intervals of copper/gold mineralization including 380.0 metres grading 0.34% copper and 0.50 g/t gold.

Assaying of core from the 2010 drilling was suspended in June 2010 as negotiations to buy out the minority shareholders of American Bullion Minerals Ltd. were started. Core from holes RC10-402 to 425 remain unassayed.

The Northwest Transmission Line received its Environmental Assessment approval February 24, 2011 from the Provincial government. Construction is expected to be completed in late 2013. The Northwest Transmission Line will extend from Meziadin Junction through to Bob Quinn, a distance of 120 kilometres from the Red Chris mill site. The Red Chris project has Federal and Provincial approvals, and is in the final stage of Mines Act permitting.

The Red Chris property in northwest British Columbia is 80 kilometres south of Dease Lake and 18 kilometres southeast of the village of Iskut.

Sterling
Initiated in mid-February 2010, the 3220 access ramp provides access to the western edge of the 3220 level of the 144 zone. The 3220 level was driven east along the footwall of the 144 zone breccia to confirm gold grades and provide samples for further metallurgical testing. Gold grades from face and wall sampling of the 3220 level exceeded expectations and averaged 4.11 g/t gold over 368.5 feet, including several higher grade assays up to 16.46 g/t.

Extension of the underground drifts will provide additional samples to further characterize the gold mineralization, information on the limits of the 144 zone and access for additional exploration drilling. The underground development is being completed to confirm mining methods, complete further metallurgical testing and to define a reserve sufficient to justify reopening of the Sterling gold mine.

The Sterling property is located 115 miles northwest of Las Vegas, Nevada.

Ruddock Creek
Exploration at the Ruddock Creek zinc/lead property restarted in early July 2010 and included surface diamond drilling testing the Creek zone, and the installation and operation of a pumping system to dewater the E zone decline. The Creek zone drilling, completed mid-October with 17 holes totaling 3583.0 metres, confirmed the massive sulphide mineralization is continuous over a length down plunge to the west of over 400 metres and down dip to the north for approximately 150 metres. The objective of the current Ruddock Creek underground exploration program is to extend the lower E zone to the west in a previously undrilled area with a view to increasing the resource defined to date and advance the project toward mine development. The program will include 400 metres of underground development and 11,000 metres of underground diamond drilling together with additional surface exploration, geological mapping, sampling and further diamond drilling of the Creek zone and other selected zones within the Ruddock Creek Sulphide Horizon. The existing workings have been dewatered and development work has started. The current program of underground development and drilling is expected to continue to mid-2011.

Mitsui Mining and Smelting Co. Ltd. ("Mitsui") and Itochu Corporation ("Itochu") have an option to earn a 50% interest in the Ruddock Creek Property. Their commitment is to spend at least $14 million before March 31, 2012 to earn a 35% working interest with the right to spend a further $6 million before March 31, 2013 to earn an additional 15% working interest at which point the property will be held by Imperial 50%, Mitsui 30% and Itochu 20%. Imperial will continue to operate the project through its wholly owned subsidiary Selkirk Metals Corp.

Ruddock Creek is located in the Scrip Range of the Monashee Mountains in southeast British Columbia, approximately 155 kilometres northeast of Kamloops.

Catface
The 2010 diamond drill program at the Catface copper/molybdenum property was completed in late September. A total of 3,547.9 metres of diamond drilling was completed in 13 NQ2 drill holes. Due to difficult drilling conditions, of the thirteen holes started, only six were successful in reaching the target depth.

The Catface property is located on Catface Peninsula on the west coast of Vancouver Island, west of Port Alberni, British Columbia.

Critical Accounting Policies and Estimates

The critical accounting policies adopted by the Company and used in preparation of its consolidated financial statements include the following:

(a) Mineral Properties
Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties in Note 4 of the consolidated financial statements.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as non-depletable mineral properties in Note 4 of the consolidated financial statements. At least annually or when otherwise appropriate and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs are depleted and depreciated by property using either a unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate, or for plant and equipment, using the straight line method over their estimated useful lives of 4-12 years for mobile mine equipment and vehicles and 4-5 years for office, computer and communications equipment.

Maintenance and repairs are charged to operations when incurred. Renewals and betterments, which extend the useful life of the assets, are capitalized.

Pre-production and Exploration Properties
The Company follows the method of accounting for these mineral properties whereby direct costs, other than general and administration, related to acquisition, exploration and development are capitalized by property. Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production. On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Stripping Costs
Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred.

Assessment of Impairment
Management reviews the carrying value of mineral exploration properties at least annually for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest. When the results of this review indicate that an impairment exists, the Company estimates the net recoverable amount of pre-feasibility study exploration properties by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of rights.

An impairment is considered to exist on post-feasibility exploration properties and producing mining properties, plant and equipment if the total undiscounted cash flows are less than the carrying amount of the assets.

When the carrying values of post-feasibility study exploration properties and producing mining properties, plant and equipment are estimated to exceed their net recoverable amounts, an impairment loss is measured and recorded based on estimated discounted cash flows.

(b) Future Site Reclamation Costs
The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value,

for the estimated future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using the Company's credit adjusted risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. The estimated present value of the future site reclamation costs are re-measured annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method.

(c) Share Based Compensation

Until May 18, 2010 the Company had stock option plans that provided all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. Share based compensation was accounted for using the intrinsic value method. Under this method, the Company accrued a liability for stock options based on the excess of the market price of the Company's common shares over the exercise price. The accrued liability was adjusted at each balance sheet date for the effect of stock option grants, vesting of stock options, stock options exercised, as well as the effect of changes in the underlying price of the Company's common shares. The net effect of these items is charged or credited to share based compensation expense.

On May 19, 2010 the Company amended its outstanding share option plans removing the right of all option holders, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. As a result of this change to the share option plans, generally accepted accounting principles result in the reversal of the liability that was recorded for the intrinsic value of the stock options.

Effective from the May 19, 2010 amendment to the stock option plans the Company has reverted to using the Black-Scholes option pricing model for any options granted subsequent to that date.

The determination of expected volatility contained in the option pricing model is based on subjective assumptions which can materially affect the fair value estimate of the options at the date of grant.

Any consideration received on the exercise of stock options is credited to share capital.

(d) Derivative Instruments

The Company uses derivative financial instruments to manage its exposure to metal prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the balance sheet. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income at each balance sheet date. Gains or losses resulting from changes in the fair value of hedged items are included in income or expense on the date the related hedged item is settled.

(e) Convertible Debentures

Convertible debentures are a compound financial instrument. Accordingly, the fair value of the conversion privilege forming part of the convertible debenture is classified as part of shareholders' equity with the balance of the proceeds classified as a financial liability. The carrying value of the financial liability is accreted to the principal amount as additional interest expense over the term of the convertible debenture.

(f) Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the concentrate transfers to the customer which generally occurs on date of shipment. Revenue is recorded in the statement of income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which is usually four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations.

(g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not, that such assets will be ultimately realized. These future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

The tax deduction for the expenditures incurred related to flow through share financings has been assigned to the related shareholders, resulting in a future income tax liability which has been recorded as a charge to share capital when the expenditures are renounced. Any recognition of a portion of previously unrecognized future income tax assets is recorded as a future income tax recovery in the statement of income.

(h) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, marketable securities, accounts receivable, derivative instrument assets and margin deposits, future site reclamation deposits, accounts payable and accrued liabilities, concentrate sales repayable, short term debt, derivative instrument liabilities, long term debt and debt component of convertible debentures.

Cash and cash equivalents, derivative instrument assets and margin deposits, and future site reclamation deposits are classified as held for trading and recorded at fair value. Short term investments are classified as available for sale. Accounts receivable are classified as loans and receivables. Marketable securities are classified as a held for trading because the Company holds these securities for the purpose of trading. The fair value of marketable securities is based on quoted market prices. Held for trading financial assets are measured at fair value with mark-to-market gains and losses recorded in earnings in the period they occur. Accounts payable and accrued liabilities, concentrate sales repayable, short and long term debt, and debt component of convertible debentures are classified as other financial liabilities and recorded at amortized cost.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company uses derivative financial instruments to mitigate the risk of revenue changes due to changes in copper price and the US/CDN Dollar exchange rate. These instruments do not meet the criteria for hedge accounting and consequently are measured at their fair values with changes in fair values recorded in earnings in the period they occur. Fair values for these derivative instruments are determined by counterparties using standard valuation techniques for derivative instruments by reference to current and projected market conditions as of the balance sheet date.

Transaction costs related to financial instruments are expensed when they are incurred, unless they are directly attributable to the acquisition or construction of mineral properties, plant and equipment. Development and construction of these assets require a substantial period of time prior to commissioning them and therefore transaction costs for these assets are added to the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

IFRS Overview

Canadian public companies will be required to prepare their financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), for fiscal years beginning on or after January 1, 2011. The Company will report its interim (commencing with the quarter ending March 31, 2011) and annual financial results during the year ending December 31, 2011 in accordance with IFRS. The Company will also provide comparative data for the year ended December 31, 2010 on an IFRS basis, including an opening balance sheet as at January 1, 2010.

IFRS are applied retrospectively, except in certain circumstances as allowed or required under IFRS 1, First-time Adoption of International Financial Reporting Standards. Accordingly, the Company will also provide a reconciliation of previously disclosed comparative period financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") to IFRS.

IFRS Transition Project

In the first quarter of 2009, the Company appointed a project manager to lead the conversion to IFRS. It retained its auditors to assist its finance team in completing a diagnostic review of the significant differences between IFRS and Canadian GAAP. In the second quarter of 2009, the completed IFRS scoping and impact assessment analysis was reported to the Audit Committee and Board of Directors. In the third and fourth quarters of 2009, a detailed analysis of the major financial statement impact areas was completed and those financial impacts presented to the Audit Committee and Board of Directors by quantifying the income statement and balance sheet changes under IFRS and comparing the amounts to those under GAAP.

During 2010 the Company completed accounting position papers under IFRS and refined the financial numbers impacted by IFRS, and met with its auditors to review its worksheets and documents.

An audit of the Company's opening IFRS balance sheet commenced in the third quarter of 2010 and was not yet complete as at the date of this document. In the fourth quarter of 2010, the Company prepared its draft first quarter 2011 IFRS financial statement disclosures for review.

The Company reviewed the impact of IFRS on its information systems, processes and internal controls as a result of the major financial impact areas identified above. Although not significant, changes were required and have been formally established among the applicable departments of the organization. The Company has reviewed its disclosure controls and procedures and made the appropriate procedural changes for reporting under IFRS.

The following list represents a summary of the most significant identified differences between the Company's current accounting policies in accordance with Canadian GAAP and IFRS. This list should not be regarded as a complete list of changes that will result from the transition to IFRS but a list which management believes to be the most significant.

Property, Plant and Equipment

Under IFRS, where part of an item of property, plant and equipment has a cost that is significant in relation to the cost of the item as a whole, it must be componentized, capitalized to mineral properties and depreciated separately from the remainder of the item. This will decrease mineral properties and shareholders' equity as at January 1, 2010 due to an increase in the accumulated depreciation related to prior periods.

In 2010 for IFRS purposes, as a result of componentization, mineral production costs will decrease and mineral properties and depreciation expense will increase.

Impairment Testing

There are differences between Canadian GAAP and IFRS in testing for impairment of long-lived assets. Canadian GAAP uses a two-step approach to impairment testing for long-lived assets. Step one of the Canadian GAAP impairment test, which uses undiscounted cash flows to identify possible impairments does not exist under IFRS. Instead, International Accounting Standards 36 Impairment of Assets ("IAS 36") uses a one step approach for both identifying and measuring impairment, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. This may result in an impairment under IFRS which does not exist under Canadian GAAP. We do not expect to recognize an impairment of long-lived assets under IAS 36 to have an impact on our opening balance sheet, however, Huckleberry expects to reverse an impairment loss on the Huckleberry mine at January 1, 2010. This reversal will result in an increase in our shareholders' equity as at January 1, 2010 related to our 50% joint venture interest in Huckleberry.

The requirements of IAS 36 could materially impact our financial statements in the future because other than assets held for sale, GAAP prohibits the reversal of impairment losses while IFRS requires impairment losses to be reversed when there has been a change in estimates used to determine the recoverable amount. The reversal of impairment losses is not to exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for the asset in prior years.

Contingent Liabilities (particularly asset retirement obligations)

IFRS differs from Canadian GAAP in both the recognition and measurement of decommissioning and restoration provisions. Measurement differences relate to the nature of costs included in estimates of future cash flows to settle the obligation and the discount rate applied to future cash flows. We expect to record an increase in our decommissioning and restoration provisions under IFRS primarily as a result of a change in the discount rate to all estimated future cash flows.

IFRS 1 allows for an optional exemption on first-time adoption of IFRS to use a "short-cut" method to calculate the opening depreciated cost of the asset relating to the decommissioning and restoration provision under IFRS rather than recalculating the asset since its inception date under the provisions of IFRS. We will elect to apply this IFRS 1 exemption on transition to IFRS.

As a result mineral properties and future site reclamation costs will increase and shareholders' equity will decrease at January 1, 2010.

Interest in Joint Ventures

Under Canadian GAAP, joint ventures are accounted for using the proportionate consolidation method. IFRS currently provides a policy choice to either apply proportionate consolidation or the equity method of accounting for joint ventures. There is an expected change to IFRS that would only allow the equity method of accounting for jointly controlled entities. This change is not yet a requirement under IFRS however the effective date is currently expected to be January 1, 2013. The potential change to IFRS would impact our current accounting treatment of proportionate consolidation of Huckleberry, if and when the new IFRS requirements become effective, in our consolidated financial statements. We expect to continue to apply our existing accounting policy on transition to IFRS to proportionately consolidate jointly controlled entities. We do not expect this accounting policy choice to impact our shareholders' equity balance on January 1, 2010.

Translation of Foreign Subsidiaries

Under GAAP the Company used the temporal method to translate transactions and balances denominated in foreign currencies. Under this method, monetary items are translated at the rate of exchange in effect at the reporting date and non-monetary items are translated at historical exchange rates. Revenues and expense items are translated at average exchange rates in the month they occur except for depletion, depreciation and amortization of assets which are translated using the same rates as the related assets. Gains and losses on translation are recorded in the statement of comprehensive income.

Under IFRS, the Company uses the current method to translate transactions and balances denominated in foreign currencies. Assets and liabilities are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. Material transactions are translated at the actual rate prevailing at the date of transaction. Equity is translated at historical cost. The resulting translation adjustments are included in cumulative translation adjustment in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in equity. Foreign exchange gains and losses that relate to debt are presented in the statement of comprehensive income within "Financing costs". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Foreign exchange loss (gain)."

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the date of transition. The Company expects to reset all cumulative translation gains and losses to zero in opening retained earnings at its date of transition.

As a result of the policy choices made, shareholders' equity will decrease as at January 1, 2010.

Convertible Debentures

Under GAAP, the net proceeds of the debentures are allocated between the debt and equity components based on the pro rata allocation of the estimated fair values of each component on the date the convertible debentures are issued. The estimated fair value of the debt component is calculated as the present value of the future payments of principal and interest on the debentures, discounted at the prevailing rate for similar obligations without a conversion right. The estimated fair value of the equity component, the conversion right, is calculated based on a Black-Scholes Model. The financial liability component, representing the value allocated to the liability at inception, is recorded as a long term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares of the Company, is classified as "Equity Component of Convertible Debentures" in shareholders' equity. The debt component of the convertible debenture is accreted to the face value through the recording of additional interest expense over the term of the convertible debenture.

Under IFRS, the gross proceeds less issue expenses related to the equity component conversion right of the debentures are allocated between the debt and equity components as follows: the estimated fair value of the debt component is calculated as the present value of the future payments of principal and interest on the debentures, discounted at the prevailing rate for similar obligations without a conversion right. The amount allocated to the equity component is calculated by deducting the debt component from the face value of the debentures less issue expenses allocated to the conversion right. The financial liability component, representing the value allocated to the liability at inception, is recorded as a long term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares of the Company, is classified as "Equity Component of Convertible Debentures" in shareholders' equity. The debt component of the convertible debenture is accreted to the face value through the recording of additional interest expense over the term of the convertible debenture.

As a result of the policy choices made, shareholders' equity will decrease as at January 1, 2010.

Deferred Income Tax

As a result of the policy choices made in the above noted areas the accounting carrying values of certain assets and liabilities and the corresponding temporary differences between the accounting and tax carrying values will increase or decrease and as a result we estimate an overall decrease in shareholders' equity as at January 1, 2010 related to the deferred income tax effect of the changing to IFRS. In addition, under IFRS all deferred income taxes are classified as non-current and therefore working capital will increase because the Company has a net current deferred income tax liability under GAAP at January 1, 2010.

Results Of Operations For 2010 Compared To 2009

This review of the results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2010.

Financial Results

Overview

Revenues increased to $246.9 million for the year ended December 31, 2010 from $201.1 million in the year ended 2009 due to higher copper prices and slightly higher sales volumes.

Net income for the year ended December 31, 2010 was $35.3 million ($0.98 per share) compared to net loss of $12.8 million ($0.39 per share) in 2009. The increase was due to the change in realized and unrealized losses on derivative instruments of $11.2 million in 2010 versus $42.7 million in 2009, lower income taxes, decreased foreign exchange losses and improved margins from mine operations.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $27.2 million to Imperial's operating income in 2010 compared to $12.9 million in 2009. Imperial's share of Huckleberry's operating income was $35.8 million in 2010 compared to $23.1 million operating income in 2009. Higher copper prices and slightly higher sales volumes increased operating margins.

Imperial had $11.2 million in losses on derivative instruments in 2010 compared to losses of $42.7 million in 2009. These derivative instruments were put in place to provide some protection to cash flow against declines in the price of copper and the US/CDN Dollar exchange rate.

Mineral Production and Transportation Costs

Mineral production and transportation costs were $152.7 million in 2010 comprised of $109.3 million from Mount Polley and $43.4 million representing the Company's 50% share of Huckleberry. This compares to $136.8 million in 2009, comprised of $98.3 million from Mount Polley and $38.5 million from Huckleberry. The increase is due to higher sales volumes, increased ocean freight, fuel and payroll costs.

Mineral Property Holding Costs

Mineral property holdings costs increased at $1.7 million in 2010 compared to $1.2 million in 2009. The increase is primarily due to higher holdings costs to support additional activity at Sterling.

Accretion of Future Site Restoration Costs

Accretion of future site restoration costs were steady at $1.1 million in both 2010 and 2009, as there were no significant changes to discount rates or future site reclamation obligations.

Depletion and Depreciation

Depletion and depreciation increased to $24.1 million in 2010 from $14.8 million in 2009 due primarily to a higher depletion base in 2010 and the absence of a $5.1 million decrease in 2009 in the depletion charge resulting from a correction to the calculation of depletion on units-of-production assets for the years 2005 to 2008. The $5.1 million adjustment in 2009 was not considered significant enough to require revisions to the prior years financial statements.

General and Administration

General and administration expense increased to $4.3 million in 2010 from $3.0 million in 2009 due to additional staff and associated costs plus increased professional and regulatory fees related to corporate reporting, legal and business development.

Share Based Compensation

Share based compensation expense was $9.2 million in 2010 compared to a $10.5 million in 2009. Until May 19, 2010 the amount of share based compensation expense was determined primarily by the changes in the price of the Company's shares which increased markedly during 2009 and into 2010 resulting in a significant expense. Subsequent to May 19, 2010 the expense is based on the amortization of the amounts as determined by the Black-Scholes option pricing model.

Interest Expense on Long Term Debt

Interest expense on long term debt decreased to $0.3 million in 2010 from $0.9 million in 2009 due to a lower level of debt in 2010.

Other Interest Expense

Other interest expense increased to $0.3 million in 2010 compared to $0.2 million in 2009 due to higher level of short term debt in 2010.

Interest Accretion on Short and Long Term Debt

Interest accretion decreased to $0.2 million in 2010 from $1.2 million in 2009 due to the conversion of the convertible debentures in the March 2010 quarter.

Foreign Exchange Loss

The average CDN/US Dollar exchange rate was $1.030 in 2010 compared to $1.142 in 2009. At December 31, 2010 the CDN/US Dollar exchange rate had fallen to $1.005 from $1.047 at December 31, 2009. The Company incurred $2.3 million in foreign exchange losses in 2009 versus losses of $7.4 million in 2009. These losses are attributable to holding US Dollar denominated cash, accounts receivable and derivative instruments, partially offset by gains on short term debt. These net US Dollar asset balances are the result of the operations at the Mount Polley and Huckleberry mines.

Future Site Restoration Expense Recovery

A recovery of $0.8 million was recorded in 2010 compared to $0.7 million in 2009 when Huckleberry reduced its future site restoration cost liability. Ordinarily this adjustment would reduce the mineral property carrying value, however since Huckleberry had written down mineral properties to nil in 2008, this adjustment was reflected in income.

Losses on Derivative Instruments

During the year ended December 31, 2010 the Company entered into additional derivative instrument contracts for the sale of copper and US Dollars to provide some protection to the Company's cash flow against declines in the price of copper and US Dollar. None of the Company's contracts qualify for hedge accounting and therefore the Company marks to market the unrealized gains and losses on all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from 2009, due to changes in copper price and foreign exchange rate, resulted in a loss of $11.2 million during the year ended December 31, 2010 compared to a loss of $42.7 million in 2009. The unrealized net losses on the derivative instrument contracts outstanding at December 31, 2010 was $14.7 million ($9.5 million-2009). The ultimate gain or loss on these contracts will be determined by the copper prices and CDN/US Dollar exchange rates in the periods when these contracts settle.

Income and Mining Taxes

Income and mining taxes expense was $5.2 million in 2010 compared to a recovery of $5.6 million in 2009. Current cash income taxes, excluding mineral taxes, in 2010 were $7.0 million compared to $18.0 million in 2009. Current cash income taxes fell in 2010 as the Company had sufficient deductions to shelter all taxable income from the Mount Polley mine in 2010. This was not the case in 2009 when Mount Polley had insufficient deductions to eliminate taxable income. Huckleberry paid current cash income taxes in both years of $6.1 million and $8.5 million respectively. A total of $1.8 million expense was recorded for mineral taxes payable to the Province of British Columbia in 2010 compared to $1.3 million in 2009 as a result of improved mine operating profits. A recovery of $3.6 million in future income taxes, a non-cash item, was recorded in 2010 compared to a recovery of $25.0 million in 2009 when there was a significant reversal of temporary differences related to future tax assets and liabilities. In 2010 the Company recorded a $9.7 million future income tax benefit as a result of the reduction of the valuation allowance for mineral taxes on its mineral properties as the benefit of these future tax assets are now expected to be utilized during the life of the Mount Polley and Huckleberry mines.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, long term debt and equity attributable to common shareholders, comprised of share capital, contributed surplus and retained earnings.

The Company is in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and long term debt.

Liquidity & Capital Resources

Credit Risk

The Company's credit risk is limited to cash and cash equivalents, short term investments, accounts receivable, future site reclamation deposits and derivative instruments in the ordinary course of business. The credit risk of cash and cash equivalents, short term investments and future site reclamation deposits is mitigated by placing funds in financial institutions with high credit quality.

The Company sells to a limited number of smelters and traders. These customers are large, well capitalized and diversified multinationals, and credit risk is considered to be minimal. The balance of trade receivables owed to the Company in the ordinary course of business is significant and the Company often utilizes short term debt facilities with customers to reduce the net credit exposure.

The Company enters into derivative instruments with a number of counterparties. The credit risks associated with these counterparties was previously thought to be minimal because of their strong capital base, diversity and multinational operations. However, the bankruptcy of one of the Company's counterparties, Lehman Brothers Commodity Services Inc. in the fourth quarter of 2008 demonstrated that counterparty risk increased at that time. Changes in Government regulations and intervention by Governments in the financial sector since that time have mitigated the risk to some extent.

The Company's maximum exposure to credit risk at December 31, 2010 is $107.3 million compared to $82.9 million at December 31, 2009 as further detailed in Note 17 to the consolidated financial statements.

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. Based on current plans and assumptions, the Company expects to have sufficient cash resources to support its normal operating requirements on an ongoing basis. The Company's primary sources of credit are short term debt secured by concentrate inventory, and a $25.0 million line of credit with a financial institution.

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependant upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

The Company also holds derivative instruments, its investment in Huckleberry, mineral property holdings and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long term strategic holdings, or are only convertible to cash over a longer time horizon if realizable values exceed management's assessment of fair value, respectively. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity. The Company does not hold any asset backed commercial securities.

The Company's overall liquidity risk has improved from December 31, 2009 on the strength of higher copper prices and resulting increase in cash flow and cash balances. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

Currency Risk
Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash and cash equivalents, short term investments, accounts receivable, derivative instrument assets and margin deposits, reclamation deposits, accounts payable, derivative instrument liabilities, and short term debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2010 would have been higher/lower by $3.1 million.

Cash Flow
The Company recorded net income of $35.3 million in the year ended December 31, 2010 compared to net loss of $12.8 million in 2009. Cash flow was $65.5 million in 2010 compared to cash flow of $54.6 million in the prior year. The $10.9 million increase is primarily the result of higher copper prices and slightly higher sales volumes in 2010. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under generally accepted accounting principles and may not be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before the net change in working capital balances.

Working Capital
At December 31, 2010 the Company had working capital, defined as current assets less current liabilities of $65.6 million, a increase of $37.5 million from working capital of $28.1 million at December 31, 2009. The December 31, 2010 working capital position reflects the conversion of the convertible debentures in the March 2010 quarter and elimination of the share vested compensation liability resulting from the change in the Share Option Plan.

Acquisition and Development of Mineral Properties
Acquisition and development of mineral properties totaled $48.5 million in 2010 compared to $27.8 million in 2009.

Capital and development expenditures on Mount Polley, Huckleberry, Red Chris and Sterling were $24.6 million in 2010 compared to $15.9 million in 2009. The 2010 expenditures at Mount Polley included $16.0 million for ongoing capital to maintain and extend productive capacity, tailings dam construction and installation of a magnetite recovery circuit. The 2010 expenditures at Huckleberry were $3.4 million for ongoing capital projects. Capital expenditures in 2010 and 2009 were financed from cash flow from operations except for two mobile mining units that were financed with long term debt. Development expenditures at Red Chris totaled $3.7 million in 2010 compared to $0.7 million in 2009.

Exploration expenditures were $23.9 million in 2010 compared to $12.0 million in 2009. In 2010, Mount Polley exploration drilling and costs for and underground ramp into the Boundary Zone was $7.1 million, Red Chris drilling was $13.8 million and underground exploration work at Sterling was $1.5 million and $1.2 million for exploration work at Catface. In 2009, Mount Polley exploration drilling was $5.4 million, Red Chris drilling was $4.4 million and underground exploration work at Sterling was $1.7 million. In addition, $3.7 million was spent on exploration at Ruddock Creek, our joint venture partners provided these funds as they are earning an interest in the project.

Debt And Other Obligations

Interest Rate Risk
The Company is exposed to interest rate risk on its outstanding borrowings and short term investments. Presently, the majority of the Company's outstanding borrowings are at fixed interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk.

Select use of short term debt during 2010 and 2009 from purchasers of the Company's concentrate and short term advances from the line of credit facility provided working capital to meet day to day cash requirements.

In the March 2010 quarter the Company entered into a $12.0 million line of credit facility with a bank to assist with working capital requirements and in August this facility was increased to $25.0 million. The facility is due on demand, secured by accounts receivable and inventory and is subject to maintenance of certain financial covenants.

The Company's convertible debentures were all converted in the March 2010 quarter. They were converted into common shares of the Company at the option of the holder at a conversion price of $8.65 per common share.

The Company had the following contractual obligations as of December 31, 2010:

[expressed in thousands of Canadian dollars]

	2011	2012	2013	2014	2015	Total
Long term debt	$ 1,461	$ 846	$ 208	$ -	$	$ 2,515
Short term debt	10,439	-	-	-	-	10,439
Operating leases	901	169	58	53	31	1,212
Capital expenditures and other	3,000	3,000	3,150	-	-	9,150
Mineral properties (1)	347	484	566	588	625	2,610
Total	$ 16,148	$ 4,499	$ 3,982	$ 641	$ 656	$ 25,926

(1) Mineral property commitments are the estimated payments required to keep the Company's claims or option agreements in good standing. Total is to the year 2015 only.

Subsequent to December 31, 2010 the Company and American Bullion Minerals Ltd. ("ABML") signed a definitive agreement under which the Company, subject to shareholder and regulatory approval and satisfaction of certain conditions precedent, will acquire all of the issued and outstanding common shares of ABML for consideration of about $22,000 payable in cash. For further details see page 16 of this Management Discussion and Analysis.

Based on current plans and assumptions, the Company expects to have sufficient cash resources to support its normal operating requirements on an ongoing basis. The Company expects to continue to utilize short term debt facilities to manage its day to day financing needs.

As at December 31, 2010 the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Other Price Risks

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. The Company was exposed to equity price changes with respect to its share based compensation liabilities to May 19, 2010, however, because of changes to the option plans this is no longer the case subsequent to that date. As a result of the change to the Company's option plan, the Company's sensitivity to equity prices has decreased significantly from the prior year.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as held for trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The quoted market price used for financial liabilities owed by the Company is the current ask price.

The fair value of derivative instrument assets and liabilities are determined by the counterparties using standard valuation techniques for these derivative instruments.

The carrying value less impairment provision, if necessary, of trade receivables and payables are assumed to approximate their fair values. Management believes that the carrying value of short and long term debt approximates fair value. Although the interest rates and credit spreads have changed since the long term debt was issued the fixed rate portion of the long term debt is close to maturity, will not be refinanced and therefore the carrying value is not materially different from fair value.

The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2010 as follows:

[expressed in thousands of Canadian dollars]

	Level 1	Level 2	Total
Financial Assets			
Cash and cash equivalents	$ 28,818	$ -	$ 28,818
Short term investments	1,500	-	1,500
Marketable securities	384	-	384
Accounts receivable	36,891	–	36,891
Derivative instruments assets	-	5,897	5,897
	67,593	5,897	73,490
Financial Liabilities			
Derivative instrument liabilities	-	22,167	22,167
	-	22,167	22,167
	$ 67,593	$ (16,270)	$ 51,323

Selected Quarterly Financial Information

Unaudited [expressed in thousands of Canadian dollars, except share amounts, copper price and exchange rates]

	Three Months Ended			
	December 31 2010	September 30 2010	June 30 2010	March 31 2010
Total Revenues	$ 55,260	$ 68,692	$ 53,528	$ 69,371
Net Income (Loss)	$ 17,805	$ 7,051	$ 12,956	$ (2,489)
Income (Loss) per share (1)	$ 0.48	$ 0.19	$ 0.36	$ (0.07)
Diluted Income (Loss) per share (1)	$ 0.47	$ 0.19	$ 0.35	$ (0.07)
Adjusted Net Income (2)	$ 21,736	$ 12,880	$ 1,175	$ 6,852
Adjusted Net Income per share (1) (2)	$ 0.59	$ 0.35	$ 0.03	$ 0.20
Cash Flow (3)	$ 21,603	$ 25,885	$ 7,971	$ 10,059
Cash Flow per share (1) (3)	$ 0.59	$ 0.71	$ 0.22	$ 0.29
Average LME cash settlement copper price/lb in US$	$ 3.917	$ 3.285	$ 3.188	$ 3.286
Average US/CDN$ exchange rate	$ 1.012	$ 1.039	$ 1.028	$ 1.040
Period end US/CDN$ exchange rate	$ 1.005	$ 1.030	$ 1.061	$ 1.016

	Three Months Ended			
	December 31 2009	September 30 2009	June 30 2009	March 31 2009
Total Revenues	$ 63,559	$ 53,788	$ 48,897	$ 34,898
Net Income (Loss)	$ (3,403)	$ 4,544	$ (6,562)	$ (7,338)
Income (Loss) per share(1)	$ (0.10)	$ 0.14	$ (0.20)	$ (0.23)
Diluted Income (Loss) per share(1)	$ (0.10)	$ 0.14	$ (0.20)	$ (0.23)
Adjusted Net Income(2)	$ 13,857	$ 13,399	$ 2,757	$ 11,099
Adjusted Net Income per share(1)(2)	$ 0.42	$ 0.42	$ 0.09	$ 0.35
Cash Flow(3)	$ 18,525	$ 15,856	$ 15,484	$ 4,687
Cash Flow per share(1)(3)	$ 0.57	$ 0.49	$ 0.48	$ 0.15
Average LME cash settlement copper price/lb in US$	$ 3.011	$ 2.649	$ 2.121	$ 1.558
Average US/CDN$ exchange rate	$ 1.056	$ 1.097	$ 1.167	$ 1.245
Period end US/CDN$ exchange rate	$ 1.047	$ 1.072	$ 1.163	$ 1.260

(1) The sum of the quarterly net income per share, adjusted net income per share and cash flow per share may not equal the annual total due to timing of share issuances during the year.

(2) Adjusted Net Income is defined as net income adjusted for certain items of a non-operational nature that pertain to future periods as described in further detail under the heading Adjusted Net Income.

(3) Cash flow and cash flow per share are measures used by the Company to evaluate its performance however, they are not terms recognized under generally accepted accounting principles and are therefore unlikely to be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before net change in working capital balances and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the period.

The Company believes these measures in (2) and (3) are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Variations in the quarterly results are impacted by two primary factors:

Fluctuations in revenue are due to the timing of shipping schedules and quantities loaded onto each ship, production volumes at the mines, changes in the price of copper, gold and the US/Cdn Dollar exchange rate.

Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in production cost inputs, changes in tax rates and valuation allowances related thereto and movements in share based compensation during the periods to May 19, 2010 during which share based compensation was impacted by movements in the Company's share price.

Fourth Quarter Results

Mineral sales volumes in the fourth quarter of 2010 were below normal quarterly shipment levels due to a lower number of shipments and also below the fourth quarter of 2009 when shipments quantities were at normal levels. Sales revenue is recorded when title for concentrate is transferred on ship loading. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business. A shipment from Mount Polley left in January 2011. As a result, Mount Polley's copper concentrate inventory was 10,934 tonnes at year end 2010, up from 5,893 tonnes at year end 2009.

Revenue in the fourth quarter of 2010 was increased by a positive $6.1 million revenue revaluation due to increasing copper prices towards period end compared to a positive $4.1 million revenue revaluation in the fourth quarter of 2009.

The Company recorded a net income of $17.8 million ($0.48 per share) in the fourth quarter of 2010 compared to net loss of $3.4 million ($0.10 per share) in the prior year quarter. The income in the fourth quarter 2010 compared to the fourth quarter of 2009 was primarily due to a reduction in share based compensation expense compared to 2009 when the Company's share price increased sharply, and reduced future income tax expense in 2010 resulting from the reduction of the valuation allowance for mineral taxes on its mineral properties, and to a lesser extent, improved contribution margins from mine operations in 2010 compared to 2009.

Expenditures for exploration, and ongoing capital projects at the Mount Polley and Huckleberry mines and exploration projects totaled $12.1 million during the three months ended December 31, 2010. The increase from $8.9 million in the 2009 period was due to higher exploration and development expenditures at Red Chris.

Related Party Transactions

Corporate
In June 2009 the Company borrowed a total of $3.0 million from Edco and a company controlled by Larry Moeller, a director of Imperial. These short term advances, which bore interest at 7% per annum, were repaid in July 2009.

Further details on related party transactions can be found in Note 14 to the audited consolidated financial statements for the year ended December 31, 2010.

Other

As of March 29, 2011 the Company had 36,899,691 common shares outstanding, and on a diluted basis 38,750,192 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Disclosure Controls and Procedures
Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures
The Company's management evaluated the design and operational effectiveness of its internal control and procedures over financial reporting as defined under National Instrument 52-109. Management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Huckleberry Mines Ltd. ("Huckleberry"), in which the Company holds a 50% interest and is proportionally consolidated in the Company's consolidated financial statements. The Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. In 2010, Huckleberry constituted 18% of net assets, 20% of total assets, 33% of revenues, 57% of operating income from operating mines, and $22.8 million of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2010.

The evaluation of effectiveness of internal controls over financial reporting was completed using the framework and criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation, management has concluded that, as of December 31, 2010 the Company's internal control over financial reporting was effective.

There has been no change in the Company's design of these internal controls and procedures over financial reporting that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

Contingent Liabilities
The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

In 2007 the Company acquired bcMetals Corporation which is a party to a number of legal actions and contingent liabilities pertaining to the Red Chris project. The principal action relates to American Bullion Minerals Ltd. ("ABML").

In 2006 two minority shareholders of ABML commenced action against the Company and others seeking a declaration that the affairs of ABML had been conducted in a manner oppressive to its minority shareholders and asking that the minority shareholder's shares be purchased by the respondents. On November 8, 2010 the Court of Appeal for British Columbia certified the Petition of the two minority shareholders of ABML as a class proceeding. An application has been filed with the Supreme Court of Canada for leave to appeal the certification decision of the Court of Appeal for British Columbia.

On February 4, 2011 the Company and ABML signed a definitive agreement under which the Company, subject to ABML shareholder and regulatory approval, will acquire (the "Transaction") all of the issued and outstanding common shares of ABML not presently owned by the Company (the "Minority Shares"). The Minority Shares represent about 48% of ABML.

The Parties anticipate that the Transaction will be carried out by way of a statutory Plan of Arrangement (the "Arrangement") whereby the Company will acquire all of the Minority Shares. Completion of the Transaction is subject to a number of conditions, including the approval of the Arrangement by the Supreme Court of British Columbia; approval by the shareholders of ABML at a special meeting (the "Meeting") that was to be held prior to April 21,2011; and the holders of not more than 10% of the outstanding common shares of ABML exercising their right to dissent to the Transaction.

On February 18, 2011, counsel for the holders of the Minority Shares in an outstanding class action brought by two ABML minority shareholders against the Company, ABML and a former director of ABML (the "Oppression Action") applied to the Supreme Court of British Columbia (the "Court") for directions for the orderly settlement and disposition of the Oppression Action, in light of the Arrangement. The Oppression Action has been seeking an order that the Company buy out the ABML minority shares. At the initial hearing, the Court ordered that any application to the Court in connection with the Arrangement be made in the Oppression Action, and that no communication to the Minority Shareholders be made without the approval of plaintiff's counsel or the Court, pending a full hearing as to how the Arrangement is to proceed in conjunction with a settlement of the Oppression Action. The hearing is presently scheduled for April 13, 2011. The parties to the Arrangement have delayed work on the Information Circular and other documents required to proceed with the Arrangement, pending the outcome of this hearing.

Risk Factors

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee or assurance other factors will or will not adversely affect the Company.

Risks Inherent in the Mining and Metals Business
The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non productive for reasons that cannot be anticipated in advance. Title Claims can impact the exploration, development, operation and sale of any natural resource project. Availability of skilled people, equipment and infrastructure (including roads, ports, power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

Commodity Price Fluctuations and Hedging
The results of the Company's operations are significantly affected by the market price of base metals and gold which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, expectations with respect to the rate of inflation, the relative strength of the US Dollar and of certain other currencies, interest rates, global or regional political or economic crises and sales of gold and base metals by holders in response to such factors. If prices should decline below the Company's cash costs of production and remain at such levels for any sustained period, the Company could determine that it is not economically feasible to continue commercial production at any or all of its mines.

The objectives of any hedging programs that are in place are to reduce the risk of a decrease in a commodity's market price while optimizing upside participation, to maintain adequate cash flows and profitability to contribute to the long-term viability of the Company's business. There are, however, risks associated with hedging programs including (among other things), an increase in the world price of the commodity, an increase in gold lease rates (in the case of gold hedging), an increase in interest rates, rising operating costs, counterparty risks, liquidity issues with funding margin calls to cover mark to market losses and production interruption events. The Company's results of operations are also affected by fluctuations in the price of labour, electricity, fuel, steel, chemicals, blasting materials, transportation and shipping and other cost components.

Competition for Mining Properties
Because the life of a mine is limited by its ore reserves, the Company is continually seeking to replace and expand its reserves through the exploration of its existing properties as well as through acquisitions of new properties or of interests in companies which own such properties. The Company encounters strong competition from other mining companies in connection with the acquisition of properties.

Sale of Products and Future Market Access
The Company is primarily a producer of concentrates. These must be processed into metal by independent smelters under concentrate sales agreement in order for the Company to be paid for its products. There can be no assurance or guarantee that the Company will be able to enter into concentrate sale agreements on terms that are favorable to the Company or at all. Access to the Company's markets is subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import of certain commodities. Although there are currently no significant trade barriers existing or impending of which the Company is aware that do, or could, materially affect the Company's access to certain markets, there can be no assurance that the Company's access to these markets will not be restricted in the future.

Mineral Reserves and Recovery Estimates
Disclosed reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral reserves in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves. The Company's reserves and resources are estimated by persons who are employees of the respective operating Company for each of our operations under the supervision of employees of the Company. These individuals are not "independent" for purposes of applicable securities legislation. The Company does not use outside sources to verify reserves or resources. The mineral reserve and resource figures are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral reserves or resources may be material. In addition, short term operating factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different ores, may cause mineral reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating reserves.

Currency Fluctuations
The Company's operating results and cash flow are affected by changes in the CDN Dollar exchange rate relative to the currencies of other countries, especially the US Dollar. Exchange rate movements can have a significant impact on operating results as a significant portion of the Company's operating costs are incurred in CDN Dollars and most revenues are earned in US Dollars. To reduce the exposure to currency fluctuations the Company may enter into foreign exchange contracts from time to time, but such hedges do not eliminate the potential that such fluctuations may have an adverse effect on the Company. In addition, foreign exchange contracts expose the Company to the risk of default by the counterparties to such contracts, which could have a material adverse effect on the Company.

Interest Rate Risk
The Company's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates, and may enter into interest rate swap agreements to manage interest rate risk associated with that debt. There can be no assurance that the Company will not be materially adversely affected by interest rate changes in the future, notwithstanding its possible use of interest rate swaps. In addition, the Company's possible use of interest rate swaps exposes it to the risk of default by the counterparties to such arrangements. Any such default could have a material adverse effect on the Company.

Financing
The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependant upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

Environment
Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean up costs arising out of contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from existing operations, but from operations that have been closed or sold to third parties. The Company's historical operations have generated chemical and metals depositions in the form of tailing ponds, rock waste dumps, and heap leach pads. There can be no assurances that the Company will at all times be in compliance with all environmental regulations or that steps to achieve compliance would not materially adversely affect the Company. Environmental laws and regulations are evolving in all jurisdictions where the

Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent environment regulation. Further changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits could require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company. Changes in environmental legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution.

Foreign Activities
The Company operates in the United States and from time to time in other foreign countries where there are added risks and uncertainties due to the different legal, economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Further, developing country status or unfavorable political climate may make it difficult for the Company to obtain financing for projects in some countries.

Legal Proceedings
The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits and other proceedings. The results of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

Outlook

This section contains forward-looking information.
See the "Forward-Looking Statements and Risks Notice".

Operations, Earnings and Cash Flow
Imperial's production from the Mount Polley mine and its share from the Huckleberry mine is expected to be about 51.5 million pounds of copper, 45,400 ounces of gold and 149,000 ounces of silver during 2011. At current metal prices it is expected to generate sufficient cash flow for repayment of debt and fund the Company's exploration and development plans. Cash flow protection for 2011 is supported by derivative instruments that will see the Company receive certain minimum average copper prices and exchange rates as disclosed under the heading Derivative Instruments. However, the quarterly revenues will fluctuate depending on copper and gold prices, the US Dollar/CDN Dollar exchange rate, and the timing of concentrate sales which is dependant on the availability and scheduling of transportation.

Exploration
The Company's plans for 2011 include exploration at its Mount Polley, Red Chris, Ruddock Creek and Sterling properties. The exploration at Ruddock Creek will be funded by joint venture partners earning an interest in the project.

Ongoing exploration at Mount Polley in 2011 will continue to focus on defining underground higher grade mineralization, and further testing of the mineralized zones in the vicinity of the Springer pit.

With two diamond drills operating at Red Chris, plans for 2011 include completing a 10,000 metre diamond drilling program.

At the Sterling property underground development and drilling will continue in the 144 zone, and some surface drilling may be conducted to test near surface mineralization in the vicinity of the historic Sterling workings.

The Company continues to evaluate exploration opportunities both on currently owned properties and new prospects.

Development
At the Mount Polley mine a plant was installed to recover fine magnetite, to be sold to coal mines as media grade magnetite for use in wash plants.

The Northwest Transmission Line ("NTL"), a key part of the infrastructure required for the development of the Red Chris project, completed its Environmental Assessment which will allow construction to commence. The NTL is scheduled to be completed in late 2013. The Red Chris project expects to be the first customer of this new transmission line. Work on the Joint Mines Act and Environmental Management Act Permit Application continues, and permission is expected mid-2011 to allow for some site work on the development of Red Chris to begin this year.

At Huckleberry a mine plan for extending the mine life by expanding the Main Zone pit is currently being developed. A study, which includes the construction of a new tailings storage facility, is expected to be completed by the third quarter of 2011.

Financing
Based on current plans and assumptions, the Company expects to have sufficient cash resources to support its normal operating requirements on an ongoing basis. The Company expects to continue to utilize short term debt facilities to manage its day to day financing needs. The Company is looking at alternatives to secure debt financing that will be required to fund 2012 and 2013 construction costs for the Red Chris project.

Acquisitions
Management continues to evaluate potential acquisitions.

Installation of magnetite circuit in Mount Polley mill >

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements. Deloitte & Touche LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee, which is comprised of a majority of non-management Directors, meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

J. Brian Kynoch	Andre Deepwell
President	Chief Financial Officer

March 29, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Imperial Metals Corporation

We have audited the accompanying consolidated financial statements of Imperial Metals Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Imperial Metals Corporation as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 29, 2011
Vancouver, B.C.

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

[expressed in thousands of Canadian dollars]	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 15)	$ 28,818	$ 23,854
Short term investments	1,500	-
Marketable securities	384	216
Accounts receivable	55,168	42,188
Taxes receivable	-	2,751
Inventory (Note 2)	41,620	28,953
Derivative instrument assets and margin deposits (Note 12)	5,229	5,846
Future income taxes (Note 11)	4,586	3,808
	137,305	107,616
Derivative Instrument Assets and Margin Deposits (Note 12)	8,625	4,524
Mineral Properties (Note 4)	271,102	247,253
Future Site Reclamation Deposits (Note 16)	7,929	6,456
Future Income Taxes (Note 11)	14,796	6,874
Other Assets	284	348
	$ 440,041	$ 373,071
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 24,324	$ 20,456
Taxes payable	3,921	6,325
Short term debt (Note 5)	10,439	5,679
Derivative instrument liabilities (Note 12)	20,103	14,026
Current portion of share based compensation liability (Notes 9 & 10)	-	9,411
Current portion of long term debt (Note 6)	1,461	1,436
Current portion of debt component of convertible debentures (Note 7)	-	13,746
Current portion of future site reclamation costs (Note 8)	982	1,070
Future income taxes (Note 11)	10,486	7,413
	71,716	79,562
Derivative Instrument Liabilities (Note 12)	2,064	4,339
Long Term Debt (Note 6)	1,054	1,220
Future Site Reclamation Costs (Note 8)	14,744	13,438
Share Based Compensation Liability (Notes 9 & 10)	-	732
Future Income Taxes (Note 11)	41,657	39,668
	131,235	138,959
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)	113,026	76,225
Contributed Surplus	8,296	918
Equity Component of Convertible Debentures (Note 7)	-	4,808
Retained Earnings	187,484	152,161
	308,806	234,112
	$ 440,041	$ 373,071

See accompanying notes to these financial statements.
Commitments, Contingencies and Pledges (Note 16)
Contingent Liabilities (Note 20) and Subsequent Event (Note 21)

Approved by the Board:

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2010 and 2009

[expressed in thousands of Canadian dollars, except share amounts]	2010	2009
REVENUES		
Mineral sales	$ 244,308	$ 200,404
Interest income	580	236
Other	1,963	497
	246,851	201,137
EXPENSES		
Mineral production and transportation costs	152,730	136,777
Mineral property holding costs	1,659	1,206
Accretion of future site restoration costs (Note 8)	1,128	1,070
Depletion and depreciation	24,124	14,807
General and administration	4,249	2,955
Share based compensation (Notes 9 & 10)	9,208	10,468
Interest on long term debt	258	922
Other interest	324	187
Interest accretion on short and long term debt	215	1,174
Foreign exchange loss	2,321	7,436
Future site restoration recovery	(757)	(675)
	195,459	176,327
INCOME FROM OPERATIONS	51,392	24,810
OTHER INCOME (EXPENSES)		
Realized (losses) gains on derivative instruments (Note 12)	(10,056)	19,696
Unrealized losses on derivative instruments (Note 12)	(1,101)	(62,435)
Other	245	(455)
	(10,912)	(43,194)
INCOME (LOSS) BEFORE TAXES	40,480	(18,384)
Income and mining taxes (recovery) (Note 11)	5,157	(5,625)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 35,323	$ (12,759)
Income (Loss) Per Share (Note 13)		
Basic	$ 0.98	$ (0.39)
Diluted	$ 0.96	$ (0.39)
Weighted Average Number of Common Shares Outstanding (Note 13)		
Basic	36,145,881	32,454,691
Diluted	36,636,234	32,454,691

See accompanying notes to these financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2010 and 2009

[expressed in thousands of Canadian dollars, except share amounts]

	Share Capital			Equity		
	Number of Shares	Amount	Contributed Surplus	Component of Convertible Debentures	Retained Earnings	Total
Balance December 31, 2008	32,128,985	$ 63,225	$ 918	$ 4,808	$ 165,197	$ 234,148
Purchase of common shares for cancellation pursuant to normal course issuer bid (Note 10 (c))	(88,300)	(173)	-	-	(277)	(450)
Issued on exercise of options	5,833	61	-	-	-	61
Issued for acquisition of Selkirk (Note 3)	2,200,000	13,112	-	-	-	13,112
Net loss	-	-	-	-	(12,759)	(12,759)
Balance December 31, 2009	34,246,518	76,225	918	4,808	152,161	234,112
Transfer of liability on change in share option plans (Notes 9 and 10(b))	-	-	14,075	-	-	14,075
Issued on exercise of options	1,020,667	18,032	(8,464)	-	-	9,568
Share based compensation	-	-	1,767	-	-	1,767
Issued on conversion of debentures (Note 7)	1,616,173	18,769	-	(4,808)	-	13,961
Net income	-	-	-	-	35,323	35,323
Balance December 31, 2010	36,883,358	$ 113,026	$ 8,296	$ -	$ 187,484	$ 308,806

See accompanying notes to these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

[expressed in thousands of Canadian dollars, except share amounts]	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	$ 35,323	$ (12,759)
Items not affecting cash flows		
Depletion and depreciation	24,124	14,807
Share based compensation, net of cash paid	8,063	10,166
Accretion of debt and future site restoration costs	1,343	2,244
Unrealized foreign exchange loss	749	2,908
Future income taxes	(3,638)	(24,952)
Unrealized losses on derivative instruments	1,101	62,435
Future site restoration recovery	(757)	(675)
Other	(790)	378
	65,518	54,552
Net change in non-cash operating working capital balances (Note 18)	(20,185)	(43,775)
Cash provided by operating activities	45,333	10,777
FINANCING ACTIVITIES		
Proceeds of short term debt	269,822	59,123
Repayment of short term debt	(264,538)	(53,577)
Repayment of long term debt	(1,759)	(3,081)
Issue of share capital	7,204	38
Purchase of common shares for cancellation (Note 10(c))	-	(450)
Cash provided by financing activities	10,729	2,053
INVESTING ACTIVITIES		
(Increase) decrease in short term investments	(1,500)	27,320
Acquisition, exploration and development of mineral properties	(46,851)	(26,706)
Acquisition of investment in Selkirk, net of cash acquired of $1,248	-	(1,319)
Increase in future site reclamation deposits	(1,610)	(98)
Other	177	599
Cash used in investing activities	(49,784)	(204)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(1,314)	(2,815)
INCREASE IN CASH AND CASH EQUIVALENTS	4,964	9,811
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,854	14,043
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 28,818	$ 23,854

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years Ended December 31, 2010 and 2009

[expressed in thousands of Canadian dollars, except share amounts]	2010	2009
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash	$ 28,818	$ 23,854
OPERATING ACTIVITIES		
Interest expense paid	$ 602	$ 1,094
Income and mining taxes paid	$ 8,543	$ 7,645

SUPPLEMENTAL INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year ended December 31, 2010

(a) the Company purchased mobile mining equipment at a cost of $1,659 which was financed by long term debt and is repayable at $50 per month over a three year term at Bank Prime Rate plus 2%.

(b) all the outstanding convertible debentures with a face value of $13,980 were converted into 1,616,173 common shares (Note 7).

During the year ended December 31, 2009

(a) the Company issued 2,200,000 common shares at $13,112 as partial consideration for the acquisition of Selkirk (Note 3).

(b) the Company purchased mobile mining equipment at a cost of $1,130 which was financed by long term debt denominated in US Dollars.

(c) the Company received marketable securities with a fair value of $1 as an option payment on a mineral property.

See accompanying notes to these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

[expressed in thousands of Canadian dollars, except share amounts]

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following policies:

Basis of Presentation

These consolidated financial statements include the accounts of the Company and those entities which are controlled by the Company through voting equity interests, referred to as subsidiaries. Entities which are jointly controlled, referred to as joint ventures, are proportionately consolidated. Variable Interest Entities ("VIEs"), which include but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline 15 "Consolidation of Variable Interest Entities", are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company has determined that it does not have any VIEs. All inter-company balances and transactions have been eliminated upon consolidation.

American Bullion Minerals Ltd. ("ABML"), a 52% owned subsidiary was in bankruptcy until May 21, 2008. ABML was reconsolidated with the Company effective May 22, 2008. The balances at the date of reconsolidation and at December 31, 2010 were not material (Notes 20 and 21).

Cash and Cash Equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days.

Short Term Investments

Short term investments include money market instruments that are readily convertible to cash and have maturities at the date of purchase of between ninety days and less than one year.

Marketable Securities

Marketable securities are classified as held for trading because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to held for trading securities are included in the income statement in each period.

The Company estimates the fair value of marketable securities at the balance sheet date using quoted market prices.

Inventory

Copper concentrates, inclusive of contained gold and silver, are valued on a first in first out basis at the lower of production cost to produce saleable metal and net realizable value. Production costs include direct labour, operating materials and supplies, transportation costs and applicable overhead, and depletion and depreciation. Stores and supplies inventories are valued at the lower of cost and net realizable value.

Mineral Properties

Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties in Note 4.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as non-depletable mineral properties in Note 4. At least annually or when otherwise appropriate and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs are depleted and depreciated by property using either a unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate, or for plant and equipment, using the straight line method over their estimated useful lives of 4-12 years for mobile mine equipment and vehicles and 4-5 years for office, computer and communications equipment.

Maintenance and repairs are charged to operations when incurred. Renewals and betterments, which extend the useful life of the assets, are capitalized.

Pre-production and Exploration Properties

The Company follows the method of accounting for these mineral properties whereby direct costs, other than general and administration, related to acquisition, exploration and development are capitalized by property, Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production, On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Stripping Costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred. At December 31, 2010 the balance of deferred stripping charges was $21,833 (2009-$29,236). During the year ended December 31, 2010 the Company capitalized $1,892 (2009-$1,905) of deferred stripping costs and recorded depletion expense thereon of $9,295 (2009-$5,757).

Assessment of Impairment

Management reviews the carrying value of mineral exploration properties at least annually for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest. When the results of this review indicate that an impairment exists, the Company estimates the net recoverable amount of pre-feasibility study exploration properties by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of rights,

An impairment is considered to exist on post-feasibility exploration properties and producing mining properties, plant and equipment if the total undiscounted cash flows are less than the carrying amount of the assets.

When the carrying values of post-feasibility study exploration properties and producing mining properties, plant and equipment are estimated to exceed their net recoverable amounts, an impairment loss is measured and recorded based on estimated discounted cash flows.

Convertible Debenture

The convertible debenture is a compound financial instrument. Accordingly, the fair value of the conversion right forming part of the convertible debenture has been classified as part of the shareholders' equity with the balance of the proceeds classified as a financial liability. The carrying value of the financial liability is being accreted to the principal amount as additional interest expense over the term of the convertible debenture.

Future Site Reclamation Costs

The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value, for the estimated future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using the Company's credit adjusted risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. The estimated present value of the future site reclamation costs are re-measured annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method.

Income Taxes
The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such assets will be ultimately realized. These future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. The tax deduction for the expenditures incurred related to flow through share financings has been assigned to the related shareholders, resulting in a future income tax liability, which is recorded as a charge to share capital when the expenditures are renounced. Any recognition of a portion of previously unrecognized future income tax assets is recorded as a future income tax recovery in the statement of income.

Revenue Recognition
Estimated mineral revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the concentrate transfers to the customer which generally occurs on date of shipment. Revenue is recorded in the statement of income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which is usually four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations.

Financial Derivatives
The Company uses derivative financial instruments to manage its exposure to metal prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the balance sheet. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income at each balance sheet date. Gains or losses resulting from changes in the fair value of hedged items are included in income or expense on the date the related hedged item is settled.

Foreign Currency Translation
The Company uses the temporal method to translate transactions and balances denominated in foreign currencies. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at average exchange rates in the month they occur except for depletion, depreciation and amortization of assets, which are translated using the same rates as the related assets. Gains and losses on translation are recorded in the statement of income.

Segmented Information
The Company's operations are primarily directed towards the exploration, development and commercial production of mineral properties in Canada. The Company has four reportable segments: Mount Polley mine and related exploration activities, Huckleberry mine and related exploration activities, Red Chris and related exploration activities, and corporate, which includes all other properties and related exploration and development activities.

Financial Instruments
The Company's financial instruments consist of cash and cash equivalents, short term investments, marketable securities, accounts receivable, derivative instrument assets and margin deposits, future site reclamation deposits, accounts payable and accrued liabilities, concentrate sales repayable, short term debt, derivative instrument liabilities, long term debt and debt component of convertible debentures.

Cash and cash equivalents, derivative instrument assets and margin deposits, and future site reclamation deposits are classified as held for trading and recorded at fair value. Short term investments are classified as available for sale. Accounts receivable are classified as loans and receivables. Marketable securities are classified as a held for trading because the Company holds these securities for the purpose of trading. The fair value of marketable securities is based on quoted market prices. Held for trading financial assets are measured at fair value with mark-to-market gains and losses recorded in earnings in the period they occur. Accounts payable and accrued liabilities, concentrate sales repayable, short and long term debt, and debt component of convertible debentures are classified as other financial liabilities and recorded at amortized cost.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company uses derivative financial instruments to mitigate the risk of revenue changes due to changes in copper price and the US/CDN Dollar exchange rate. These instruments do not meet the criteria for hedge accounting and consequently are measured at their fair values with changes in fair values recorded in earnings in the period they occur. Fair values for these derivative instruments are determined by counterparties using standard valuation techniques for derivative instruments by reference to current and projected market conditions as of the balance sheet date.

Transaction costs related to financial instruments are expensed when they are incurred, unless they are directly attributable to the acquisition or construction of mineral properties, plant and equipment. Development and construction of these assets require a substantial period of time prior to commissioning them and therefore transaction costs for these assets are added to the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

Share Based Compensation

Until May 18, 2010 the Company had stock option plans that provided all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. Share based compensation was accounted for using the intrinsic value method. Under this method, the Company accrued a liability for stock options based on the excess of the market price of the Company's common shares over the exercise price. The accrued liability was adjusted at each balance sheet date for the effect of stock option grants, vesting of stock options, stock options exercised, as well as the effect of changes in the underlying price of the Company's common shares. The net effect of these items is charged or credited to share based compensation expense.

On May 19, 2010 the Company amended its outstanding share option plans removing the right of all option holders, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. As a result of this change to the share option plans, generally accepted accounting principles result in the reversal of the liability that was recorded for the intrinsic value of the stock options (Note 10(b)).

Effective from the May 19, 2010 amendment to the stock option plans the Company has reverted to using the Black-Scholes option pricing model for any options granted subsequent to that date.

The determination of expected volatility contained in the option pricing model is based on subjective assumptions, which can materially affect the fair value estimate of the options at the date of grant.

Any consideration received on the exercise of stock options is credited to share capital.

Share Purchase Warrants

Share purchase warrants issued are recorded at fair value in contributed surplus. If and when the warrants are ultimately exercised, the applicable amounts of contributed surplus are credited to share capital.

Debt Financing Costs

The Company expenses debt financing costs when they are incurred.

Earnings Per Common Share

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed in accordance with the treasury stock method and "if converted" method, as applicable, which uses the weighted average number of common shares outstanding during the period and also includes the dilutive effect of potentially issuable common shares from outstanding stock options, warrants and convertible debt. In addition, the related interest and accretion on convertible debt, when dilutive (net of tax), are added back to income since these would not be paid or incurred if the convertible debentures were converted into common shares.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, among others, the expected economic lives of and the future operating results and net cash flows expected to result from exploitation of resource properties, the estimated amount of related future site reclamation costs, estimated revenues, measurement and recoverability of accounts receivable and short term investments, estimated net realizable value of inventories, estimated tonnes of waste material mined for calculation of capitalization of deferred stripping costs, depreciation and depletion are dependent on estimates of useful lives and reserve estimates, estimates used in the assessment of impairment, income tax provisions and assets, and the estimated fair values of stock based compensation, warrants, the debt and equity components of the convertible debentures, derivatives and purchase price adjustments on acquisitions. Actual results may differ from those estimates.

Future Accounting Changes

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board for financial years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS is applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

[expressed in thousands of Canadian dollars, except share amounts]

2. INVENTORY

	2010	2009
Stockpile ore	$ 3,657	$ -
Concentrate	26,104	18,990
Supplies	11,859	9,963
	$ 41,620	$ 28,953
Inventory recognized as expenses during the year exclusive of inventory write downs	$ 136,620	$ 120,192
Reversal of inventory write downs on concentrate included in expense during the year. The reversal of the write down of concentrate inventory in the year ended December 31, 2009 is due to the higher sale prices for copper and lower production costs per pound of copper since December 31, 2008.	$ –	$ (3,057)

3. ACQUISITION OF SELKIRK METALS CORP.

At December 31, 2008 the Company owned a 2% interest in Selkirk Metals Corp. ("Selkirk"), which had a number of exploration properties in British Columbia. The Company carried the shares of Selkirk in marketable securities and in accordance with its accounting policy for marketable securities revalued the Selkirk shares to fair value at each balance sheet date through the income statement. In 2009 the Company purchased the balance of the shares of Selkirk via a Plan of Arrangement.

This transaction has been accounted for as an asset purchase. The consideration paid has been allocated to the acquired assets based on their fair value at the date of acquisition. The consolidated financial statements of the Company include Selkirk commencing on the date of acquisition on November 4, 2009. The allocation of the purchase price of Selkirk is summarized in the following table.

Purchase price	
Cash, including acquisition costs of $170	$ 2,567
2,200,000 common shares of the Company at $5.96 per share (November 4, 2009 closing price)	13,112
Marketable securities at fair value on November 4, 2009	253
	$ 15,932
Net assets acquired	
Current assets, including cash of $1,248	$ 3,802
Mineral properties (Ruddock Creek, Catface and other exploration properties Note 4)	12,598
Other assets	68
Current liabilities	(270)
Future site reclamation costs	(266)
	$ 15,932

[expressed in thousands of Canadian dollars, except share amounts]

4. MINERAL PROPERTIES

	2010			2009		
	Cost	Accumulated Depletion, Depreciation & Writedowns	Net Book Value	Cost	Accumulated Depletion, Depreciation & Writedowns	Net Book Value
Mineral properties	$ 294,204	$ 83,351	$ 210,853	$ 263,078	$ 68,344	$ 194,734
Plant and equipment	293,518	233,269	60,249	275,836	223,317	52,519
	$ 587,722	$ 316,620	$ 271,102	$ 538,914	$ 291,661	$ 247,253

A summary by property of the net book value is as follows:

	Mineral Properties					
	Depletable	Non-Depletable	Total	Plant and Equipment	2010	2009
Mount Polley	$ 44,510	$ 13,352	$ 57,862	$ 52,327	$ 110,189	$ 108,986
Huckleberry (Note 15)	1,012	882	1,894	6,205	8,099	6,926
Red Chris	–	117,914	117,914	–	117,914	100,460
Sterling	–	14,957	14,957	448	15,405	13,989
Ruddock Creek	–	10,838	10,838	–	10,838	10,870
Catface	–	2,124	2,124	–	2,124	896
Other	–	5,264	5,264	1,269	6,533	5,126
	$ 45,522	$ 165,331	$ 210,853	$ 60,249	$ 271,102	$ 247,253

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property consists of five mining leases and 43 mineral claims.

Huckleberry

The Company owns 50% of the Huckleberry open pit copper/molybdenum mine located 123 kilometres southwest of Houston in central British Columbia. The Huckleberry property consists of a mining lease covering approximately 1,911 hectares, and 37 mineral claims encompassing approximately 19,366 hectares.

Red Chris

The Company owns a net 88% interest in the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The remaining net 12% of the Red Chris project is held by the minority interests in ABML (Notes 1, 20 and 21). Pursuant to a joint venture agreement between the Company and ABML, the Company is funding 100% of costs until commencement of commercial production. The development of the Red Chris project into a mine is dependant upon a number of factors including the construction of a power line to service the northwest portion of British Columbia.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine operated as both an underground and open pit mine from 1980 to suspension of mining operations in 1997. Certain parts of the Sterling property have been reclaimed. The Sterling property consists of 272 lode mining claims plus one water well site. Net smelter royalties of 2.25% are payable on production with minimum advance royalties on a small portion of these claims.

Ruddock Creek

The Company owns 100% of the Ruddock Creek zinc deposit located approximately 155 kilometres northeast of Kamloops in south central British Columbia. The Ruddock Creek property consists of 20 mineral claims. Itochu Corporation and Mitsui Mining and Smelting Co. Ltd. have an option to earn 50% of the Company's interest in the Ruddock Creek property by funding the next $20,000 of exploration expenditures on the property over a maximum three year period. A 35% interest in the Ruddock Creek property will be earned by Itochu/Mitsui upon completion of $14,000 in expenditures. To December 31, 2010 approximately $4,000 had been spent by Itochu/Mitsui pursuant to the option.

[expressed in thousands of Canadian dollars, except share amounts]

Catface

The Company owns 100% (2009-97.4%) of the Catface copper/gold property located 13 kilometres from Tofino on the west coast of Vancouver Island (subject to a 9% Net Proceeds of Production Royalty). The Catface property consists of 135 mineral claims. Xstrata Canada Corporation retains a back-in right for a 50.1% interest or a 9% Net Proceeds of Production Royalty upon a production notice being given.

Other Exploration Properties

The Company has interests in various other early stage exploration properties located primarily in Canada. These properties have been acquired primarily by staking and the cost to maintain ownership of these properties is not significant.

5. SHORT TERM DEBT

	2010	2009
(a) Concentrate advances of US$10,000 (2009-$5,426) from a purchaser of concentrate from the Mount Polley mine repayable from the sale of concentrate with interest at three month Libor plus 2% and secured by a first charge on concentrate from the Mount Polley mine.	$ 9,946	$ 5,679
(b) Revolving bank loan facility of $493 (2009-$nil) due on demand with interest at Bank Prime Rate plus 1% secured by accounts receivable and inventory. The facility is subject to maintenance of certain financial covenants.	493	–
	$ 10,439	$ 5,679

During the year 2010 the Company utilized significant additional short term bank loan facilities for a short period of time to restructure intercompany debt with its subsidiaries.

6. LONG TERM DEBT

	Note	2010	2009
Mount Polley Finance Contract	(a)	$ 567	$ 1,068
Mount Polley Finance Contract	(b)	622	1,004
Mount Polley Finance Contract	(c)	608	–
Mount Polley Finance Contract	(d)	718	–
Mount Polley Mine Construction Loan	(e)	–	584
		2,515	2,656
Less portion due within one year		(1,461)	(1,436)
		$ 1,054	$ 1,220

Repayments are due as follows:	
Year ending December 31, 2011	$ 1,461
Year ending December 31, 2012	846
Year ending December 31, 2013	208
	$ 2,515

(a) Finance contract aggregating $567 (2009-$1,068) repayable in monthly installments of $44 until August 2011 including interest at Bank Prime Rate plus 1% (4% at December 31, 2010) and secured by mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.

(b) Finance contract aggregating US$625 (2009-US$959) repayable in monthly installments of US$31 until August 2012 including interest at 4.85% and secured by certain mobile mining equipment at the Mount Polley mine.

(c) Finance contract aggregating $608 (2009-$nil) repayable in monthly installments of $25 until January 2013 including interest at Bank Prime Rate plus 2% (5% at December 31, 2010) and secured by certain mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.

[expressed in thousands of Canadian dollars, except share amounts]

(d) Finance contract aggregating $718 (2009-$nil) repayable in monthly installments of $25 until July 2013 including interest at Bank Prime Rate plus 2% (5% at December 31, 2010) and secured by certain mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.

(e) Mount Polley Mine Construction Loan in the amount of $nil (2009-$584) secured solely by and limited in recourse to the Company's interest in the mining lease and other assets of the Mount Polley mine with monthly payments of $117 per month.

7. CONVERTIBLE DEBENTURES

On March 9, 2005, the Company issued subordinated unsecured convertible debentures with a face value of $20,000 that matured on March 10, 2010, $9,750 of which were issued to a significant shareholder and directors. The net proceeds, after deduction of issue expenses of $918, totalled $19,082. The debentures were subordinated to all senior security holders and had interest at 6% per year with interest payable semi-annually on June 30 and December 31, and were convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of $8.65 per common share.

The net proceeds of the debentures were allocated between the debt and equity components based on the prorata allocation of the estimated fair values of each component on the date the convertible debentures were issued. The estimated fair value of the debt component was calculated as the present value of the future payments of principal and interest on the debentures, discounted at the prevailing rate for similar obligations without a conversion right. The estimated fair value of the equity component, the conversion right, was calculated based on a Black-Scholes Model. The financial liability component, representing the value allocated to the liability at inception, is recorded as a long term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares of the Company, is classified as "Equity Component of Convertible Debentures" in shareholders' equity.

At the date of issue on March 9, 2005, the components of the convertible debentures were:

Debt component	$	12,790
Equity component (net of financing costs of $332)	$	6,879

The debt component of the convertible debenture was accreted to the face value of $20,000 through the recording of additional interest expense over the term of the convertible debenture. Some of the convertible debentures were converted in 2005 and 2006 with the balance converted into 1,616,173 common shares prior to maturity in 2010.

	2010	2009
Balance, beginning of year	$ 13,746	$ 12,572
Accretion	215	1,174
Conversion	(13,961)	–
Balance, end of year	$ –	$ 13,746

8. FUTURE SITE RECLAMATION COSTS

	2010	2009
Balance, beginning of year	$ 14,508	$ 14,322
Accretion	1,128	1,070
Costs incurred during the year	(633)	(423)
Change in estimates of future costs and effect of translation of foreign currencies	723	(727)
Acquisition of Selkirk (Note 3)	–	266
Balance, end of year	15,726	14,508
Less portion due within one year	(982)	(1,070)
	$ 14,744	$ 13,438

The total undiscounted amount of estimated cash flows required to settle the obligations is $51,109 (2009-$50,100) which has been discounted using credit adjusted risk free rates of 7% to 10% (2009-7% to 10%).

The obligations are expected to be settled primarily in the years 2010 through 2020 with the obligations of Huckleberry extending to the year 2157.

The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Assets with a fair value of $9,299 (2009-$7,826) are legally restricted for the purposes of settling asset retirement obligations (Note 16).

[expressed in thousands of Canadian dollars, except share amounts]

9. SHARE BASED COMPENSATION

Prior to May 19, 2010 the Company recognized a liability for the potential cash settlements under its Share Option Plans (Note 10(b)). The current portion represented the maximum amount of the liability payable within the next twelve month period if all vested options were surrendered for cash settlement.

As further described in Note 10(b) the Company amended its Share Option Plans to remove the cash settlement option effective May 19, 2010 resulting in the de-recognition of the liability as of that date.

	2010	2009
Balance, beginning of period	$ 10,143	$ –
Share based compensation	7,441	10,468
Current period payment for options exercised	(1,145)	(302)
Transferred to share capital on issuance of common shares	(2,364)	(23)
Transfer to contributed surplus on de-recognition of liability on amendment of stock option plans	(14,075)	–
Balance, end of period	–	10,143
Less portion due within one year	–	(9,411)
	$ –	$ 732

10. SHARE CAPITAL

(a) Share Capital

Authorized

50,000,000 First Preferred shares without par value with special rights and restrictions to be determined by the directors (outstanding – nil)

50,000,000 Second Preferred shares without par value with rights and restrictions to be determined by the directors (outstanding – nil)

Unlimited number of Common Shares without par value

(b) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At December 31, 2010 a total of 1,821,502 common shares remain available for grant under the plans. Under the plans, the exercise price of each option equals the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

Until May 18, 2010 all option holders had the right, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise (Note 9).

On May 19, 2010 the Company amended its outstanding Share Option Plans removing the right of all option holders, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. As a result of this change to the Share Option Plans, generally accepted accounting principles result in the reversal of the liability that was recorded for the intrinsic value of the stock options (Note 9).

Effective from the May 19, 2010 amendment to the Stock Option Plans the Company will revert to using the Black-Scholes option pricing model for any options granted subsequent to that date.

Prior to May 14, 2010 the Company granted an officer options to purchase 80,000 common shares of the Company.

[expressed in thousands of Canadian dollars, except share amounts]

Subsequent to May 18, 2010 the Company granted its directors, officers and employees options to purchase 725,000 common shares of the Company. The fair value of the share options issued on the date noted below was estimated at the date of grant using the Black-Scholes option pricing model, based on the following terms and assumptions:

Date options issued	October 15, 2010
Number of options	725,000
Exercise price	$23.10
Estimated fair value per share	$11.82
Dividend yield	0%
Risk free interest rate	1.76%
Expected life	3.94 years
Expected volatility	67.4%

The determination of expected volatility and to a lesser degree, expected life, contained in the option pricing model is based on subjective assumptions which can materially affect the fair value estimate of the options at the date of grant.

The status of the Company's Share Option Plan as of December 31, 2010 and changes during the year is presented below:

		2010		2009
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	2,230,501	$ 8.56	1,976,667	$ 7.91
Granted	805,000	$ 22.80	342,251	$ 12.37
Exercised	(1,144,667)	$ 7.05	(64,000)	$ 7.93
Lapsed	(24,000)	$ 14.38	(24,417)	$ 10.26
Outstanding at end of period	1,866,834	$ 15.55	2,230,501	$ 8.56
Options exercisable at end of period	488,834	$ 10.80	1,397,501	$ 7.80

(c) Normal Course Issuer Bid ("NCIB")

During the year ended December 31, 2010 the Company had two NCIB's. The first NCIB, the 2009/2010 bid, covered the period September 23, 2009 to September 22, 2010. Pursuant to the 2009/2010 NCIB, the Company was authorized by the Toronto Stock Exchange ("TSX") to purchase up to 1,285,159 common shares of the Company with daily purchases not to exceed 5,088 common shares, subject to certain prescribed exceptions.

On September 21, 2010 the TSX accepted for filing the Company's Notice for its 2010/2011 NCIB to be transacted through the facilities of the TSX.

Pursuant to the 2010/2011 NCIB, the Company may purchase up to 1,472,290 common shares, which represents approximately 4% of the total 36,807,258 common shares of the Company issued and outstanding as of September 9, 2010. Purchases will be made, at the discretion of the Company at prevailing market prices, commencing September 23, 2010 and ending September 22, 2011. Pursuant to TSX policies, daily purchases made by the Company will not exceed 18,727 common shares or 25% of the Company's average daily trading volume of 74,908 common shares on the TSX, subject to certain prescribed exceptions. The shares acquired under the 2010/2011 NCIB will either be cancelled or used to satisfy the Company's obligations under its Non-Management Directors' Plan. The funding for any purchase pursuant to the 2010/2011 NCIB will be financed out of the working capital of the Company.

In the year ended December 31, 2010 the Company repurchased 6,000 common shares at an average price of $18.93 per share pursuant to the NCIB's at a cost of $114. A total of 6,000 common shares have been allocated to the Company's obligation under the Non-Management Directors Plan. The Company ceases to consider shares outstanding on the date of the Company's purchase of its shares although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter.

[expressed in thousands of Canadian dollars, except share amounts]

11. INCOME AND MINING TAXES (RECOVERY)

The reported income tax provision differs from the amounts computed by applying the Canadian federal and provincial statutory rates to the income before income taxes due to the following reasons:

	2010		2009	
	Amount	%	Amount	%
Income (loss) before taxes	$ 40,480	100.0	$ (18,384)	100.0
Income tax expense (recovery) thereon at statutory rates	$ 11,537	28.5	$ (5,515)	(30.0)
Increase (decrease) resulting from:				
Change in valuation allowance	(9,220)	(22.8)	(3,195)	(17.4)
Impact of differences in rates	(509)	(1.3)	(796)	(4.3)
Non-deductible share based compensation	2,297	5.7	3,043	16.6
B.C. mineral taxes	1,843	4.6	1,330	7.2
Other	(791)	(2.0)	(492)	(2.7)
Income and mining taxes (recovery)	$ 5,157	12.7	$ (5,625)	(30.6)
Current income and mining taxes	$ 8,795		$ 19,327	
Future income and mining taxes	(3,638)		(24,952)	
	$ 5,157		$ (5,625)	

Future income and mining tax assets and liabilities are as follows:

	2010	2009
Future income and mining tax assets		
Mineral properties – mineral taxes	$ 6,093	$ 7,342
Mineral properties	6,818	7,895
Net operating tax losses carried forward	7,128	6,645
Derivative instruments	4,656	4,509
Other	1,726	1,920
Future tax assets	26,421	28,311
Less valuation allowance	(7,039)	(17,629)
	19,382	10,682
Future income and mining tax liabilities		
Mineral properties	41,365	39,667
Timing of partnership items	9,497	5,988
Other	1,281	1,426
	52,143	47,081
Net future income and mining tax liabilities	$ (36,761)	$ (36,399)

As at December 31, 2010 the Company had net operating tax loss carry forwards in Canada of approximately $2,454 which can be applied to reduce future Canadian taxable income and will expire in 2012 to 2030. In addition, the Company had net operating tax loss carry forwards in the United States of approximately US$18,520 which can be applied to reduce future US taxable income and will expire in 2011 to 2030. A valuation allowance has been applied to $613 of net operating tax loss carry forwards in Canada and to $6,263 (US$6,297) of net operating tax loss carry forwards in the United States. The tax benefit of these amounts has not been recognized in these financial statements.

[expressed in thousands of Canadian dollars, except share amounts]

12. DERIVATIVE INSTRUMENTS AND MARGIN DEPOSITS

	2010	2009
Assets		
Current		
Copper contracts	$ 5,050	$ 3,603
Foreign currency contracts	179	2,243
	$ 5,229	$ 5,846
Non-current		
Security deposits with counterparties	$ 7,957	$ 2,627
Copper contracts	668	1,897
	$ 8,625	$ 4,524
Liabilities		
Current		
Copper contracts	$ 20,103	$ 10,248
Foreign currency contracts	–	3,778
	$ 20,103	$ 14,026
Non Current		
Copper contracts	$ 2,064	$ 4,339

Security deposits required to be paid by the Company to counterparties are calculated based on the fair value of the derivative instrument on each trading date, net of the credit facility provided by the counterparties.

At December 31, 2010 the Company had entered into various contracts to protect the cash flow from Mount Polley and Huckleberry against a decline in the price of copper and to changes in the US Dollar/CDN Dollar exchange rate. These contracts do not qualify for hedge accounting and therefore the Company accounts for these contracts as investments and records changes in the unrealized gains or losses on these contracts in the statement of income each period and records the fair value of these derivative instruments as a current asset or current liability at each balance sheet date. The fair value of these financial instruments has been recorded as either an asset or a liability as of December 31, 2010 depending on the attributes of the contracts.

(a) Balances at December 31, 2010

From time to time the Company purchases put options, sells call options, and enters into forward sales contracts to manage its exposure to changes in copper prices and the US Dollar/CDN Dollar exchange rate.

All of the Company's derivative instrument contracts are settled on a financial basis. No physical sale or transfer of copper or US Dollars will take place pursuant to the contracts.

Option contracts outstanding at December 31, 2010 for copper are as follows:

	Weighted Average			
	Minimum PRice US$/lb	Maximum Price US$/lb	Put Options Purchased	Call Options Sold (Bought)
Contract Period			lbs of copper	lbs of copper
2011	$ 2.82	$ 4.35	28,936,000	23,755,000
2011	$ 3.00	–	–	(1,819,000)
2012	$ 2.85	$ 4.47	5,622,000	3,858,000

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper on the London Metals Exchange and the copper price specified in the put/call option contract.

Forward sales contracts for copper, all related to Huckleberry production, outstanding at December 31, 2010 are as follows:

	Price US$/lb	Forward Sales
Contract Period		lbs of copper
2011	$ 2.27	2,811,000

[expressed in thousands of Canadian dollars, except share amounts]

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper on the London Metals Exchange and the forward copper price specified in the contract.

Forward sales contracts for US Dollars, all related to Huckleberry production, outstanding at December 31, 2010 are as follows:

	US/CDN Dollar Exchange Rate	Forward Sales US Dollars
2011	$ 1.02	$ 7,500,000

(b) Transactions Subsequent to December 31, 2010

From January 1 to March 24, 2011 the Company purchased put options, sold call options and entered into forward sales contracts to manage its exposure to changes in copper prices.

	Weighted Average			
	Minimum PRice US$/lb	Maximum Price US$/lb	Put Options Purchased	Call Options Sold
Contract Period			lbs of copper	lbs of copper
2011	$ 3.96	$ 4.86	2,425,000	2,425,000
2012	$ 3.50	$ 5.22	7,110,000	7,110,000

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper on the London Metals Exchange and the copper price specified in the put/call option contract.

(c) Contingent Gain

During the year ended December 31, 2008 a portion of the Company's derivative instruments were with Lehman Brothers Commodity Services Inc. ("LBCS"), a subsidiary of Lehman Brothers Holdings Inc. ("Lehman"). Both LBCS and Lehman filed for bankruptcy protection and as a result of the uncertainty regarding the timing of, and the ultimate recovery of the LBCS derivatives totaling $28,306 (US$21,931), the Company made a provision for the full amount of the LBCS derivatives in 2008.

During the last quarter of 2010 the Company's claims were confirmed by the Trustee for LBCS and Lehman at US$18,510. The amount ultimately recovered by the Company on the LBCS derivatives will depend on the ability of the Trustee to generate sufficient cash to pay the liabilities of LBCS and Lehman.

13. INCOME (LOSS) PER SHARE

The following table sets out the computation of basic and diluted net (loss) income per common share:

	2010	2009
Numerator: Net Income (loss)	$ 35,323	$ (12,759)
Denominator: Basic weighted-average number of common shares outstanding	36,145,881	32,454,691
Effect of dilutive securities: Stock options	490,353	–
Diluted potential common shares	490,353	–
Diluted weighted-average number of common shares outstanding	36,636,234	32,454,691
Basic net income (loss) per common share	$ 0.98	$ (0.39)
Diluted net income (loss) per common share	$ 0.96	$ (0.39)

Excluded from the calculation of diluted net income (loss) per common share for the year ended December 31, 2010 were 833,833 shares (2009–1,139,499 shares) related to stock options, and nil shares (2009-1,616,173 shares) related to the convertible debentures because their effect was anti-dilutive.

[expressed in thousands of Canadian dollars, except share amounts]

14. RELATED PARTY TRANSACTIONS

Related party transactions and balances with a company controlled by a significant shareholder, a company in which a director is an owner, and directors are as follows:

		2010		2009
Convertible debentures (at face value)	$	–	$	9,750
During the March 31, 2010 quarter all the convertible debentures with a face value of $9,750 were converted into 1,127,166 common shares of the Company (Note 7)				
Accounts payable and accrued liabilities	$	1,789	$	–
Interest expense on long term debt	$	109	$	585
Other interest expense	$	–	$	26
Mineral production costs	$	35	$	–
Mineral exploration costs	$	3,943	$	–

Related party transactions are entered into in the normal course of operations, and unless otherwise stated are measured at the exchange amount.

In June 2009 the Company borrowed a total of $3,000 from a company controlled by a significant shareholder and a company controlled by a director. These short term advances, which bore interest at 7% per annum, were repaid in July 2009.

15. JOINT VENTURES

Included in the consolidated financial statements of the Company are the following amounts representing the Company's interests in joint ventures consisting primarily of a 50% joint venture interest in Huckleberry assets, liabilities and results of operations:

		2010 (1)		2009 (1)
Balance Sheet				
Current Assets				
Cash and cash equivalents	$	28,746	$	24,062
Short term investments		1,500		–
Derivative instrument assets		4,624		5,429
Other current assets		21,706		21,681
		56,576		51,172
Mineral property		9,372		8,199
Other non-current assets		20,443		12,578
		86,391		71,949
Current Liabilities				
Accounts payable and other current liabilities		(18,844)		(14,647)
Future site reclamation costs and other non-current liabilities		(11,410)		(13,990)
	$	56,137	$	43,312
Statement of Income (Loss) and Comprehensive Income (Loss)				
Revenues	$	82,010	$	67,227
Expenses		46,256		44,087
Income before undernoted		35,754		23,140
Loss on derivative instruments		(8,632)		(35,561)
Income (loss) before taxes		27,122		(12,421)
Income and mining taxes (recovery)		4,298		(2,835)
Net Income (Loss) and Comprehensive Income (Loss)	$	22,824	$	(9,586)
Statement of Cash Flows				
Operating activities	$	22,286	$	14,915
Investing activities		(6,445)		1,383
Effect of foreign exchange on cash and cash equivalents		(1,157)		(1,597)
Increase in cash and cash equivalents	$	14,684	$	14,701

The cash and cash equivalents and short term investments held by Huckleberry disclosed above are restricted for use by Huckleberry.

(1) Effective May 31, 2007 the Company holds a 35% interest in the Porcher Island Joint Venture whose only asset is the Porcher Island mineral property $536 (2009-$536). There were no operations during the year 2010 or 2009 as the joint venture is currently in the exploration stage. The balances related to the Porcher Island Joint Venture are included in the disclosure above.

[expressed in thousands of Canadian dollars, except share amounts]

16. COMMITMENTS, CONTINGENCIES AND PLEDGES

At December 31, 2010 the Company is committed to future minimum operating lease payments, including $640 related to Huckleberry, as follows:

2011	$	901
2012		169
2013		58
2014		53
2015		31
	$	1,212

As at December 31, 2010 Huckleberry had outstanding copper and foreign exchange derivative contracts with three counterparties all of which require security deposits based on the obligations resulting from the net fair value liability of the derivative instruments. For one counterparty, Huckleberry had both an initial and a mark to market security deposit with the initial deposit remaining fixed until the maturity of the final derivative instrument with the counterparty. Huckleberry is also obligated to provide additional mark to market security deposits to the other counterparties depending on the net fair value liability of the outstanding copper and foreign exchange derivative instruments with that counterparty.

The Company is obligated to increase its reclamation bond funding by $3,000 by December 15, 2011, $3,000 by December 15, 2012 and $3,150 by December 15, 2013, all of which is related to Huckleberry.

At December 31, 2010 the Company has pledged cash deposits of $7,929 (2009-$6,456), including $3,114 (2009-$1,614) related to Huckleberry, shown as future site reclamation deposits and certain mining equipment and supplies inventory with a pledged value of $1,370 (2009-$1,370) as security for future site reclamation obligations (Note 8).

17. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

At December 31, 2010 the Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Capital Risk Management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, long term debt, convertible debt and equity comprised of share capital, contributed surplus, equity component of convertible debentures and retained earnings.

The Company is in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and long term debt.

Credit Risk
The Company's credit risk is limited to cash and cash equivalents, short term investments, accounts receivable, future site reclamation deposits and derivative instruments in the ordinary course of business. The credit risk of cash and cash equivalents, short term investments and future site reclamation deposits is mitigated by placing funds in financial institutions with high credit quality.

The Company sells to a limited number of smelters and traders. These customers are large, well capitalized and diversified multinationals, and credit risk is considered to be minimal. The balance of trade receivables owed to the Company in the ordinary course of business is significant and the Company often utilizes short term debt facilities with customers to reduce the net credit exposure.

The Company enters into derivative instruments with a number of counterparties. The credit risks associated with these counterparties was previously thought to be minimal because of their strong capital base, diversity and multinational operations. However, the bankruptcy of one of the Company's counterparties, Lehman Brothers Commodity Services Inc. in 2008 has demonstrated that counterparty risk was significantly greater at that time.

[expressed in thousands of Canadian dollars, except share amounts]

The Company's maximum exposure to credit risk at December 31, 2010 is as follows:

	2010	2009
Cash and cash equivalents	$ 28,818	$ 23,854
Short term investments	1,500	–
Accounts receivable	55,168	42,188
Derivative instrument assets and margin deposits	13,854	10,370
Future site reclamation deposits	7,929	6,456
	$ 107,269	$ 82,868

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that in addition to cash and cash equivalents and short term investment balances there are sufficient committed credit facilities, including the advance payment facilities noted above, to provide the necessary cash to meet projected cash requirements. At December 31, 2010 the Company's primary sources of credit are short term debt secured by concentrate inventory and a $25,000 line of credit with a financial institution.

The Company also holds derivative instruments, its investment in Huckleberry, mineral property holdings and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long term strategic holdings, or are only convertible to cash over a longer time horizon if realizable values exceed management's assessment of fair value, respectively. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity. The Company does not hold any asset backed commercial securities.

The Company's overall liquidity risk has improved from 2009 on the strength of higher copper prices and resulting increase in cash flow and cash balances. The copper price increased throughout the year 2010 ending the year above the average 2010 copper price. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

At December 31, 2009 the cash balance of the Company, excluding Huckleberry, was an overdraft of $208 due to the timing of cash receipts and disbursements at December 31, 2009. This overdraft was covered in the first week of January 2010 from the collection of accounts receivable.

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependant upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

The Company had the following contractual obligations with respect to financial instruments as of December 31:

	2010					2009
	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total	Total
Accounts payable and accrued liabilities	$ 24,324	$ –	$ –	$ –	$ 24,324	$ 20,456
Derivative instrument liabilities	20,103	2,064	–	–	22,167	18,365
Short term debt	10,439	–	–	–	10,439	5,679
Long term debt	1,461	1,054	–	–	2,515	2,656
Convertible debentures[1]	–	–	–	–	–	13,980
	$ 56,327	$ 3,118	$ –	$ –	$ 59,445	$ 61,136

(1) Presented at face value. Assumed non-conversion of debentures (Note 7)

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash and cash equivalents, short term investments, accounts receivable, derivative instrument assets and margin deposits, reclamation deposits, accounts payable, derivative instrument liabilities, and short term debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income for these financial instruments for the year ended December 31, 2010 would have been higher/lower by $3,124. The impact of the derivative instruments entered into by the Company to manage the US Dollar/CDN Dollar exchange rate related to Huckleberry production (Notes 12(b) and (c)) are not included in this amount.

[expressed in thousands of Canadian dollars, except share amounts]

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings and short term investments. Presently, the majority of the Company's outstanding borrowings are at fixed interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk. The weighted average interest rate paid by the Company in the year ended December 31, 2010 on its outstanding borrowings was 4.5%.

If interest rates had been 100 basis points higher/lower on the Company's floating rate debt and all other variables were held constant, the amount of interest expense in the year ended December 31, 2010 would have increased/decreased by $44.

Other Price Risks

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

The following sensitivity analyses have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher or lower:

(a) net income for the year ended December 31, 2010 would have decreased/increased by $14 as a result of the change in the equity prices of marketable securities. Changes in the fair value of the marketable securities have been reflected in net income for the year; and

(b) other comprehensive income would not have changed as a result of changes in the fair value of marketable securities.

The Company's sensitivity to equity prices has decreased significantly from the prior year as the Company's income is no longer impacted by mark to market gains or losses on share based compensation.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as held for trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of derivative instrument assets and liabilities are determined by the counterparties using standard valuation techniques for these derivative instruments.

The carrying value less impairment provision, if necessary, of trade receivables and payables are assumed to approximate their fair values. Management believes that the carrying value of short and long term debt approximates fair value. Although the interest rates and credit spreads have changed since the long term debt was issued the fixed rate portion of the long term debt is close to maturity, will not be refinanced and therefore the carrying value is not materially different from fair value.

During 2009 CICA Handbook Section 3862, Financial Statements – Disclosures was amended to require disclosures about the inputs to fair value measurement, including their classifications within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2010 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash and cash equivalents	$ 28,818	$ –	$ 28,818
Short term investments	1,500	–	1,500
Marketable securities	384	–	384
Accounts receivable	36,891	–	36,891
Derivative instruments assets	–	5,897	5,897
	67,593	5,897	73,490
Financial Liabilities			
Derivative instrument liabilities	–	22,167	22,167
	–	22,167	22,167
	$ 67,593	$ (16,270)	$ 51,323

[expressed in thousands of Canadian dollars, except share amounts]

18. NET CHANGE IN NON CASH OPERATING WORKING CAPITAL BALANCES

The net change in non cash operating working capital balances consists of the following:

	2010	2009
Accounts receivable	$ (12,980)	$ (24,400)
Taxes receivable	2,751	4,416
Inventory	(10,541)	(11,264)
Derivative instrument assets and margin deposits	(6,377)	11,629
Accounts payable and accrued liabilities	3,868	3,326
Concentrate sales repayable	–	(30,470)
Taxes payable	(2,499)	9,587
Derivative instrument liabilities	5,593	(6,599)
	$ (20,185)	$ (43,775)

19. SEGMENTED INFORMATION

The Company operates primarily in Canada and the majority of its assets are located in Canada. The Company's reportable operating segments are summarized in the following table. The two operating mine segments, Mount Polley and Huckleberry, include exploration activities related to those segments. Corporate includes all other properties and related exploration and development activities. Transactions between segments are recorded at fair value.

2010	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Segmented Revenues	$ 164,371	$ 82,010	$ –	$ 842	$ 247,223
Less inter-segment revenues	(280)	–	–	(92)	(372)
Revenues from external sources	$ 164,091	$ 82,010	$ –	$ 750	$ 246,851
Income (loss) from operations	$ 27,190	$ 35,754	$ (449)	$ (11,103)	$ 51,392
Depletion and depreciation	$ 21,328	$ 2,224	$ –	$ 572	$ 24,124
Capital Expenditures(1)	$ 23,161	$ 3,444	$ 17,512	$ 4,393	$ 48,510
Total Assets	$ 191,131	$ 85,854	$ 123,935	$ 39,121	$ 440,041

2009	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Segmented Revenues	$ 133,713	$ 67,227	$ –	$ 429	$ 201,369
Less inter-segment revenues	(143)	–	–	(89)	(232)
Revenues from external sources	$ 133,570	$ 67,227	$ –	$ 340	$ 201,137
Income (loss) from operations	$ 12,891	$ 23,140	$ (338)	$ (10,883)	$ 24,810
Depletion and depreciation	$ 12,805	$ 1,774	$ –	$ 228	$ 14,807
Capital Expenditures(1)	$ 12,874	$ 7,561	$ 4,922	$ 2,479	$ 27,836
Total Assets	$ 160,867	$ 71,413	$ 102,588	$ 38,203	$ 373,071

(1) Including mobile mining equipment additions financed by long term debt of $1,659 in 2010 and $1,130 in 2009.

	2010	2009
Revenue by geographic area		
Japan (including $80,959 (2009-$66,946) related to Huckleberry)	$ 127,477	$ 118,149
United States	70,072	51,499
Europe (including $692 (2009-$176) related to Huckleberry)	47,016	30,806
Canada (including $359 (2009-$105) related to Huckleberry)	2,286	683
	$ 246,851	$ 201,137

Revenues are attributed to geographic area based on country of customer.

In 2010 the Company had four principal customers (2009-four principal customers) with each customer accounting for 28% (2009-26%), 21% (2009-21%), 19% (2009-15%) and 19% (2009-24%).

20. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

In 2007 the Company acquired bcMetals Corporation which is a party to a number of legal actions and contingent liabilities pertaining to the Red Chris project. The principal action relates to American Bullion Minerals Ltd ("ABML").

In 2006 two minority shareholders of ABML commenced action against the Company and others seeking a declaration that the affairs of ABML had been conducted in a manner oppressive to its minority shareholders and asking that the minority shareholder's shares be purchased by the respondents. On November 8, 2010 the Court of Appeal for British Columbia certified the Petition of the two minority shareholders of ABML as a class proceeding. An application has been filed with the Supreme Court of Canada for leave to appeal the certification decision of the Court of Appeal for British Columbia.

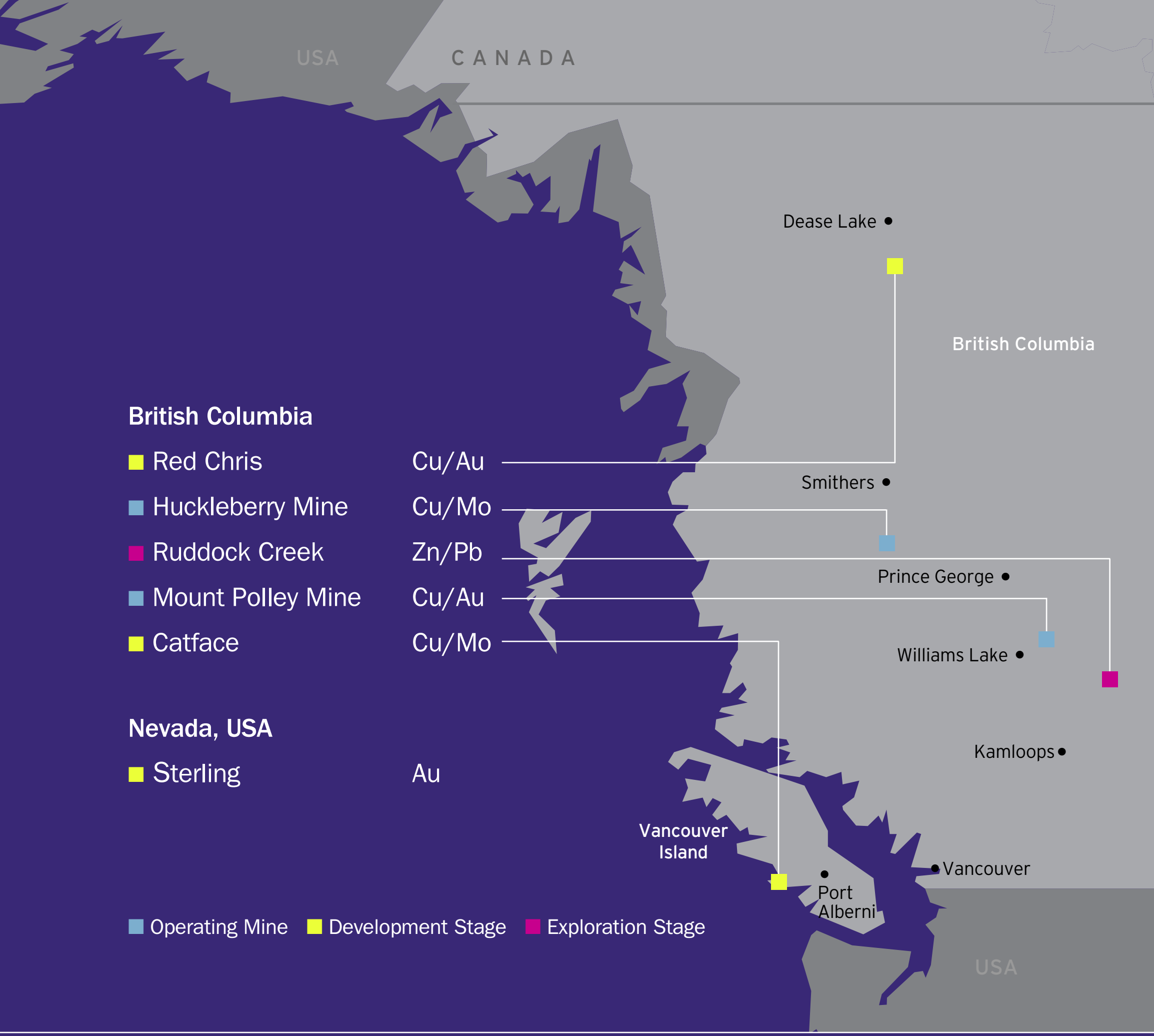
21. SUBSEQUENT EVENT

On February 4, 2011 the Company and ABML (the "Parties") signed a definitive agreement under which the Company, subject to ABML shareholder and regulatory approval, will acquire all of the issued and outstanding common shares of ABML not presently owned by the Company (the "Minority Shares"). The Minority Shares represent about 48% of ABML. Under the terms of the Agreement, each holder of Minority Shares (other than holders exercising dissent rights) will receive $2.25 cash for every Minority Share held. The total consideration payable under the proposed transaction ("Transaction") is approximately $22,000.

The Parties anticipate that the Transaction will be carried out by way of a statutory Plan of Arrangement (the "Arrangement") whereby the Company will acquire all of the Minority Shares. Completion of the Transaction is subject to a number of conditions, including the approval of the Arrangement by the Supreme Court of British Columbia; approval by the shareholders of ABML at a special meeting (the "Meeting") that was to be held prior to April 21, 2011; and the holders of not more than 10% of the outstanding common shares of ABML exercising their right to dissent to the Transaction.

The Agreement provides for customary deal protections, including a non-solicitation covenant by ABML, a five business day right for the Company to match any superior proposal received by ABML and payment by ABML to the Company of a termination fee of $675 if the offer is not completed in specified circumstances. The Transaction is not subject to a financing condition.

On February 18, 2011, counsel for the holders of the Minority Shares in an outstanding class action brought by two ABML minority shareholders against the Company, ABML and a former director of ABML (the "Oppression Action") applied to the Supreme Court of British Columbia (the "Court") for directions for the orderly settlement and disposition of the Oppression Action, in light of the Arrangement. The Oppression Action has been seeking an order that the Company buy out the ABML minority shares. At the initial hearing, the Court ordered that any application to the Court in connection with the Arrangement be made in the Oppression Action, and that no communication to the Minority Shareholders be made without the approval of plaintiff's counsel or the Court, pending a full hearing as to how the Arrangement is to proceed in conjunction with a settlement of the Oppression Action. The hearing is presently scheduled for April 13, 2011. The parties to the Arrangement have delayed work on the Information Circular and other documents required to proceed with the Arrangement, pending the outcome of this hearing.



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Directors

Pierre Lebel
Chairman

Brian Kynoch

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Theodore Muraro

Edward Yurkowski

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Brian Kynoch
President

Andre Deepwell
Chief Financial Officer and Corporate Secretary

Kelly Findlay
Vice President, Finance

Gordon Keevil
Vice President, Corporate Development

Patrick McAndless
Vice President, Exploration

Don Parsons
Vice President, Operations

Byng Giraud
Vice President, Corporate Affairs

Auditors
Deloitte & Touche LLP

Bankers
Bank of Montreal

Legal Counsel
Fasken Martineau DuMoulin LLP

Transfer Agent
Computershare Investor Services Inc.

Annual General Meeting
May 12, 2011 at 2pm
Boardroom
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