2011 THIRD QUARTER REPORT

TO OUR SHAREHOLDERS

Imperial's comparative financial results for the three and nine months ended September 30, 2011 and September 30, 2010 are summarized below and discussed in detail in the Management's Discussion and Analysis. The Company's financial results are prepared in accordance with International Financial Reporting Standards ("IFRS").

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
(unaudited) in thousands of CDN$ except per share amounts	2011	2010	2011	2010
Revenues	$69,409	$68,477	$205,994	$191,232
Income from mine operations	$8,531	$25,656	$56,614	$46,742
Net Income	$17,617	$7,429	$45,405	$19,338
Net Income Per Share	$0.48	$0.20	$1.23	$0.54
Adjusted Net Income [(1)]	$4,755	$13,258	$23,104	$22,727
Adjusted Net Income Per Share [(1)]	$0.13	$0.36	$0.63	$0.63
Cash Flow [(1)]	$17,102	$27,079	$63,533	$52,298
Cash Flow Per Share [(1)]	$0.46	$0.74	$1.72	$1.46

[(1)] Adjusted Net Income, Adjusted Net Income Per Share, Cash Flow and Cash Flow Per Share are measures used by the Company to evaluate its performance; however, they are not terms recognized under IFRS in Canada. 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 in the Management's Discussion and Analysis under the heading Adjusted Net Income. Cash Flow is defined as cash flow from operations before net change in working capital balances. Adjusted Net Income and Cash Flow Per Share are the same measures divided by the weighted average number of common shares outstanding during the period. *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.*

Revenues were $69.4 million in the September 2011 quarter compared to $68.5 million in the 2010 quarter. The September 2011 quarter includes two concentrate shipments from the Mount Polley mine and two concentrate shipments from the Huckleberry mine, consistent with the comparative quarter of two concentrate shipments from each mine. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

The Company recorded net income of $17.6 million in the September 2011 quarter compared to net income of $7.4 million in the 2010 quarter. Adjusted net income in the quarter was $4.8 million or $0.13 per share, versus $13.3 million or $0.36 per share in the September 2010 quarter. Adjusted net income is calculated by removing the unrealized gains and losses, net of related income taxes, resulting from mark to market revaluation of copper and foreign exchange derivative instruments and in 2010, unrealized share based compensation expense. Adjusted net income is not a term recognized under IFRS in Canada however, it does show the current period financial results excluding the effect of items not settling in the current period.

Gains on derivative instruments were $16.7 million in the September 2011 quarter compared to losses of $10.9 million in the September 2010 quarter including unrealized net gains on copper and derivatives of $17.5 million in the September 2011 quarter compared to unrealized net losses of $8.2 million in the September 2010 quarter. The Company realized losses of $0.8 million on copper derivatives in the September 2011 quarter compared to losses of $2.7 million in the September 2010 quarter.

Subsequent to September 30, 2011 the Company agreed to sell its claims against Lehman Brothers Commodity Services Inc. and Lehman Brothers Holdings Inc. for US$13.9 million subject to completion of documentation and approval by the Trustee. On closing, the Company will record a bad debt recovery equal to the proceeds as the carrying amount of the claims had been written down to nil.

Cash flow decreased to $17.1 million in the three months ending September 30, 2011 from $27.1 million in the comparative 2010 quarter. The $10.0 million decrease is primarily the result of reduced income from mine operations resulting from negative revenue revaluations of $14.6 million in the current quarter.

Capital expenditures decreased to $12.7 million from $15.2 million in the comparative 2010 quarter. All expenditures in the September 2011 quarter were financed from short term debt and cash flow from the Mount Polley and Huckleberry mines. At September 30, 2011 the Company had $30.8 million in cash, cash equivalents and short term investments.

During the September 2011 quarter the Company did not purchase any common shares for cancellation.

Mount Polley Mine

Production	Nine Months Ended Sept 30	
	2011	2010
Ore milled (tonnes)	5,742,244	5,943,967
Ore milled per calendar day (tonnes)	21,034	21,773
Grade % - copper	0.262	0.324
Grade g/t - gold	0.266	0.287
Recovery % - copper	57.16	62.97
Recovery % - gold	62.16	66.67
Copper (lbs)	18,939,711	26,701,243
Gold (oz)	30,496	36,571
Silver (oz)	67,555	142,182

Mill throughput averaged 22,160 tonnes per day for the 2011 third quarter. Copper production was down compared to the 2011 second quarter with all ore coming from lower grade upper benches of the Springer pit. In October, the Springer Phase 3 pushback reached the 1048 bench and began releasing higher grade material. Mill feed grade averaged 0.297% copper in October. For the remainder of 2011 and all of 2012 mill feed is scheduled to come from the Springer pit.

In the fourth quarter a new mine site access road will be commissioned that will allow the development of a new access ramp into the Springer pit, providing shorter ore and waste hauls from the pit.

Exploration at Mount Polley continued in the quarter. Surface drilling of 11,564 metres in 24 drill holes was completed in the C2, Cariboo, Junction and Polley Mountain areas using two drills. Surface exploration remains focused on targets within the C2 and Cariboo areas.

Underground diamond drilling at the Boundary zone has been successful in delineating a block of breccia-hosted copper/gold mineralization. Underground exploration is underway with additional level excavation in the zone to gather further information. Engineering to choose an appropriate underground mining method for the block is well advanced.

Mount Polley open pit copper/gold mine is located 56 kilometres northeast of Williams Lake, British Columbia.

Huckleberry Mine

Production	Nine Months Ended Sept 30	
(100% - Imperial owns 50%)	2011	2010
Ore milled (tonnes)	4,480,300	4,156,900
Ore milled per calendar day (tonnes)	16,411	15,227
Grade (%) – copper	0.382	0.378
Recovery (%) – copper	90.2	91.3
Copper (lbs)	34,044,000	31,664,000
Gold (oz)	2,758	2,279
Silver (oz)	173,127	148,206
Molybdenum (lbs)	6,923	68,226

Copper production was 10.3 million pounds in the 2011 third quarter compared to 10.1 million pounds in the 2010 third quarter. The majority of ore came from stockpiled ore, while mining focused on the pushback of the Main Zone Extension highwall.

An application for an amendment to Huckleberry's Mines Act permit was submitted to allow for the development and operation of the Main Zone Optimization pit, an expansion of the Main Zone pit that could add up to eight years to Huckleberry's mine life. The amendment is anticipated to be approved by the Province in 2011. Additional mining equipment has been ordered, and logging of the project area has commenced.

Diamond drilling is underway testing IP anomalies that were defined by a geophysical survey conducted earlier in the year. Six holes are planned to test anomalies to the west of the Main zone mineralization.

Imperial owns 50% of the Huckleberry open pit copper/molybdenum mine located 123 kilometres southwest of Houston, British Columbia.

Red Chris

Results were released from 45 diamond drill holes totalling 49,760 metres completed beneath the proposed open pit to a depth of about 1,000 metres. The deposit is still open to the east and west with potential for further expansion to the north and south in parts of the porphyry system.

A deep diamond drilling program was initiated in August 2011 to test the continuation at depth of mineralization historically defined in the Gully zone, located about a kilometre west of the western rim of the proposed open pit. Drilling in the area by previous operators penetrated about 350 metres in the zone with a maximum penetration of 470 metres, encountering strong alteration and widely distributed copper/gold mineralization. Geological and analytical studies of the historic drill core, and results from the Titan 24 geophysical survey completed in 2009, indicate the potential for additional deep porphyry mineralization below these zones. Three holes were drilled in the Gully zone in this phase of drilling. Results are pending.

Drilling is planned for the area east of the proposed pit where geological mapping, historic drilling and results of the Titan 24 survey indicates the potential to both expand the deposit east of drill hole R10-411, and identify an offset extension further east of the deposit. Diamond drilling will continue until the year end break.

Detailed design for the 30,000 tonne per day mill is being advanced by AMEC. The major items in the grinding bay have been secured with the purchase from Northgate's Kemess mine of a 12,000 hp 34 foot diameter SAG mill, and an order of an 18,000 hp ball mill. Limited site work is expected to begin this winter and major site construction to commence next year.

In September BC Hydro announced Vallard Construction and Burns & McDonald had been selected to design and build the Northwest Transmission Line, a 344 kilometre line from the Skeena substation to Bob Quinn Lake.

Discussions continue with BC Hydro to determine the optimum method of connecting the Red Chris project to the Northwest Transmission Line at Bob Quinn Lake, which is within 120 kilometres of the property.

The Red Chris copper/gold property in northwest British Columbia is 80 kilometres south of Dease Lake.

Sterling

Underground sampling and drilling continued on the 3180 level to investigate the northerly down dip extent of the 144 zone. A reverse circulation drill is on site to complete a 28 hole program to delineate the near surface mineral resource surrounding remnants of the old underground mine.

The 144 zone is being developed for production with excavation of a ramp to the upper level of the breccia zone, along with an ore pass connecting this level to the main haulage. A drift from the 3180 foot level was completed to the base of the proposed vent raise that will provide ventilation for the mine.

Earthworks and liner installation work commenced in October 2011. The gold recovery processing plant is scheduled to arrive on-site in November 2011. Former process ponds have been prepared for re-lining. Two concrete pads were poured in September in preparation for building erection. The surface stockpile from underground development now totals 28,000 tons at 0.100 ounce per ton of leachable material. Metallurgical testwork of underground run of mine material by Kappes, Cassiday & Associates confirms a gold recovery of 70% after 30 days of cyanide leaching.

The Sterling gold property is located 185 kilometres northwest of Las Vegas, Nevada.

Ruddock Creek

Recent drill results from the November 2010-July 2011 underground diamond drill program, confirmed massive sulphide mineralization of the Lower E zone extending 450 metres in an east-west direction and 500 metres in a north-south direction. The objective of the underground drilling was to significantly add to the previously reported resource by increasing the density of drilling and extending it to the west. Total underground drilling to September 30 consisted of 76 holes totalling 14,133.4 metres from seven underground drill stations.

The 2011 exploration program included additional surface exploration, geological mapping, sampling and further diamond drilling of the Creek, V and Q zones. A total of 10,841 metres of surface drilling was completed in October 2011. Up to four surface diamond drills were in operation to complete this phase of the 2011 program before the onset of winter conditions. A news release providing results of the surface drill program is expected by year end.

A comprehensive report will be completed in early 2012, including an update of the National Instrument 43-101 compliant report *Mineral Resource Estimate, Ruddock Creek Deposit* dated July 2009. The report will be used to determine the next phase of exploration and development on the Ruddock Creek property.

The Ruddock Creek zinc/lead property is located 155 kilometres northeast of Kamloops in the Scrip Range of the Monashee Mountains in southeast British Columbia.

Outlook

The sharp decline in copper prices at the end of the September 2010 quarter resulted in a $14.6 million negative revenue revaluation in the quarter. Copper prices have rebounded since then and a large part of this revaluation will reverse if the copper price remains higher.

At the Huckleberry mine work began on the Main Zone Optimization plan in anticipation of receipt of a permit amendment. Clearing of the tailings storage facility site is progressing, and additional mining equipment has been ordered.

At the Sterling mine, preparations for the restart of operations are proceeding. The first gold production from the operation is expected in early 2012.

Recent drill results at Red Chris indicate great promise for further expansion of the mineral system, and drilling is ongoing to the east and west of the proposed open pit. Major site construction is planned for 2012 and work on engineering, procurement, permitting and power supply for Red Chris is progressing.

Brian Kynoch
President

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Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation (the "Company") should be read with the unaudited Condensed Consolidated Interim Financial Statements for the period ended September 30, 2011 ("Interim Financial Statements"), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2010.

The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, the Company prepared its Interim and Annual Consolidated Financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP"). For further details on the accounting policies and methods of application utilized under IFRS, see Notes 2 and 28 to the unaudited condensed consolidated Interim Financial Statements for the period ending September 30, 2011.

The reporting currency of the Company is the CDN Dollar.

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 period ended September 30, 2011, and plans for the future based on facts and circumstances as of November 8, 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; cash flow; 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 $69.4 million in the three months ending September 30, 2011 compared to $68.5 million in the comparative 2010 quarter. Average copper and gold prices were markedly higher in the 2011 period compared to the 2010 period. This increase in revenue was substantially offset by a negative revenue revaluation of $14.6 million due to the sharp decline in the copper price in late September 2011. The September 2011 quarter includes two concentrate shipments from Mount Polley mine and two concentrate shipments from Huckleberry mine, consistent with the comparative quarter of two concentrate shipments from each mine.

The London Metals Exchange cash settlement copper price per pound averaged US$4.08 in the 2011 quarter compared to US$3.29 in the 2010 period. The US Dollar compared to the CDN Dollar averaged about 6% lower in the 2011 period than in the 2010 period. In CDN Dollar terms the average copper price in the 2011 period was 17% higher than the 2010 period.

Revenue in the third quarter of 2011 was decreased by a $14.6 million negative revenue revaluation compared to an $8.8 million positive revenue revaluation in the third quarter of 2010. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period statement of financial position being lower than when the revenue was initially recorded or the copper price at the date of last statement of financial position.

Since January 1, 2011, the financial results of the Company are reported under IFRS. While the conversion did not have a significant impact on the Company’s net income, certain line items formerly disclosed under CGAAP have been reclassified within the Statement of Income for the current and comparative quarters. Notes 17, 18 and 19 of the Condensed Consolidated Interim Financial Statements contain details of income and expense items now aggregated on the Statement of Income.

Although copper and gold prices were higher in the 2011 period compared to the 2010 period, income from mine operations decreased to $8.5 million from $25.7 million in 2010 as a result of negative revenue revaluations of $14.6 million in the current period compared to positive revaluations of $8.8 million in the comparative period. Lower production volumes, which in turn increased the cost per pound of copper sold in the current quarter, also reduced income from mine operations.

Net income for the period ended September 30, 2011 was $17.6 million ($0.48 per share) compared to net income of $7.4 million ($0.20 per share) in 2010. The increase in net income was primarily due to an increase in the current quarter net realized and unrealized gains on financial instruments of $16.7 million compared to a net loss of $10.9 million in the comparative quarter.

Adjusted net income in the three months ended September 30, 2011 was $4.8 million ($0.13 per share) compared to $13.3 million ($0.36 per share) in the September 2010 quarter. 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 derivative instruments and in 2010, unrealized share based compensation expense, not related to the current period as further detailed on the following table.

Calculation of Adjusted Net Income	Three Months Ended Sept 30		Nine Months Ended Sept 30	
[expressed in thousands of dollars, except share amounts]	2011	2010	2011	2010
Net income as reported	$17,617	$7,429	$45,405	$19,338
Unrealized (income) on derivative instruments, net of tax (a)	(12,862)	5,829	(22,301)	(3,144)
Unrealized share based compensation (income) expense, net of tax (b)	-	-	-	6,533
Adjusted Net Income (c)	$4,755	$13,258	$23,104	$22,727
Adjusted Net Income Per Share (c)	$0.13	$0.36	$0.63	$0.63

(a) Derivative financial instruments are recorded at fair value on the statement of financial position, 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 statement of financial position and quarterly changes in the intrinsic value, net of taxes, flowed through net income during that time period. No tax recovery was 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 second quarter of 2010 and therefore there is no adjustment to net income subsequent to May 19, 2010

(c) Adjusted net income and adjusted net income per share non-GAAP financial measures with no standardized definition under IFRS in Canada, 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 decreased to $17.1 million in the three months ending September 30, 2011 from $27.1 million in the comparative 2010 quarter. The $10.0 million decrease is primarily due to a negative revenue revaluation of $14.6 million in the current quarter and higher mine operating costs, partially offset by increased operating margins as a result of significantly higher copper and gold prices at the Mount Polley and Huckleberry mines, this compares to a positive revenue revaluation of $8.8 million in the comparative quarter offset by a decrease in operating margins as a result of lower copper and gold prices. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS in Canada. 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 in the September 2011 quarter were $12.7 million, up from $15.2 million in the September 2010 quarter. Expenditures in both the 2011 and 2010 quarters were financed by cash flow from the Mount Polley and Huckleberry mines and short term debt. At September 30, 2011 the Company had $59.3 million (December 31, 2010-$30.3 million) in cash and cash equivalents and short term investments, inclusive of the Company's share of these items held by Huckleberry of $57.4 million (December 31, 2010-$30.2 million).

Derivative Instruments

In the three month period ending September 30, 2011 the Company only had derivative instruments for copper. During the current period the Company recorded gains of $16.7 million on derivative instruments compared to losses of $10.9 million in 2010. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper. These amounts include realized losses of $0.8 million in 2011 and $2.7 million in 2010. The Company does not use hedge accounting therefore accounting rules require that derivative instruments be recorded at fair value on each statement of financial position, with the adjustment resulting from the revaluation being charged to the statement of income in finance costs 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 75% of copper settlements through July 2012 via min/max zero cost collars and puts. For Huckleberry derivative instruments include min/max zero cost collars and puts extending out to April 2013 covering about 75% of copper settlements in the period.

At September 30, 2011 the Company has unrealized gains on its derivative instruments. This represents a increase in fair value of the derivative instruments from the dates of purchase to September 30, 2011.

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 September 30, 2011 the Company had $3.2 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, the Company made a provision for the full amount of the LBCS derivatives in 2008.

Subsequent to September 30, 2011 the Company agreed to sell its claims against LBCS and Lehman for US$13.9 million subject to completion of documentation and approval by the Trustee. On closing, the Company will record a bad debt recovery equal to the proceeds as the carrying amount of the claims had been written down to nil.

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, IFRS 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, IFRS results in the transfer of the liability that was recorded for the intrinsic value of the stock options to share option reserve. The basis for the future share based compensation expense for any unvested options outstanding at May 19, 2010 was set as the greater of the intrinsic value of the options outstanding at May 19, 2010 and the fair value determined using the Black-Scholes option pricing model.

The share based compensation expense resulting from the fair value of options granted after May 19, 2010 is 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. As a result of a decline in the Company's share price from March 31, 2010 to May 19, 2010 the Company recorded a $3.1 million recovery of share based compensation expense for the June 30, 2010 quarter.

DEVELOPMENTS DURING THE SEPTEMBER 2011 QUARTER

General

In US Dollars, copper prices were 24% higher in the September 2011 quarter than in the comparative 2010 quarter, averaging about US$4.08/lb compared to US$3.29/lb. The US Dollar continued to be weaker against the CDN Dollar during the three months ending September 30, 2011. The average US/CDN Dollar exchange rate during the current period was 0.98. Factoring in the weaker average exchange rate, the price of copper averaged CDN$3.99/lb, about 17% higher than the September 2010 quarter average of CDN$3.41/lb.

Mount Polley Mine

Exploration expenditures at Mount Polley were $1.8 million in the September 2011 quarter compared to $2.9 million in the September 2010 quarter.

Exploration at Mount Polley continued in the quarter. Surface drilling of 11,564 metres in 24 drill holes was completed in the C2, Cariboo, Junction and Polley Mountain areas using two drills. Surface exploration remains focused on targets within the C2 and Cariboo areas.

Underground diamond drilling at the Boundary zone has been successful in delineating a block of breccia-hosted copper/gold mineralization. Underground exploration is underway with additional level excavation in the zone to gather further information. Engineering to choose an appropriate underground mining method for the block is well advanced.

Huckleberry Mine

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Imperial's share of Huckleberry's income from mine operations was $3.9 million in the September 2011 quarter compared to $9.4 million in the September 2010 quarter. Huckleberry's income from mine operations decreased due to higher operating costs, negative revenue revaluations offset in part by higher copper prices. Note 23 to the Interim Financial Statements of the Company for the three months ending September 30, 2011 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

Copper production was 10.3 million pounds in the 2011 third quarter compared to 10.1 million pounds in the 2010 third quarter. The majority of ore came from stockpiled ore, while mining focused on the pushback of the Main Zone Extension highwall.

An application for an amendment to Huckleberry's Mines Act permit was submitted to allow for the development and operation of the Main Zone Optimization pit, an expansion of the Main Zone pit that could add up to eight years to Huckleberry's mine life. The amendment is anticipated to be approved by the Province in 2011. Additional mining equipment has been ordered, and logging of the project area has commenced.

Diamond drilling is underway testing IP anomalies that were defined by a geophysical survey conducted earlier in the year. Six holes are planned to test anomalies to the west of the Main zone mineralization.

Red Chris

Exploration and development expenditures at Red Chris, excluding capital equipment purchased from Northgate's Kemess mine, were $4.0 million in the September 2011 quarter compared to $5.4 million in the September 2010 quarter.

Results were released from 45 diamond drill holes totalling 49,760 metres completed beneath the proposed open pit to a depth of about 1,000 metres. The deposit is still open to the east and west with potential for further expansion to the north and south in parts of the porphyry system.

A deep diamond drilling program was initiated in August 2011 to test the continuation at depth of mineralization historically defined in the Gully zone, located about a kilometre west of the western rim of the proposed open pit. Drilling in the area by previous operators penetrated about 350 metres in the zone with a maximum penetration of 470 metres, encountering strong alteration and widely distributed copper/gold mineralization. Geological and analytical studies of the historic drill core, and results from the Titan 24 geophysical survey completed in 2009, indicate the potential for additional deep porphyry mineralization below these zones. Three holes were drilled in the Gully zone in this phase of drilling. Results are pending.

Drilling is planned for the area east of the proposed pit where geological mapping, historic drilling and results of the Titan 24 survey indicates the potential to both expand the deposit east of drill hole RC10-411, and identify an offset extension further east of the deposit. Diamond drilling will continue until the year end break.

Detailed design for the 30,000 tonne per day mill is being advanced by AMEC. The major items in the grinding bay have been secured with the purchase from Northgate's Kemess mine of a 12,000 hp 34 foot diameter SAG mill, and an order of an 18,000 hp ball mill. Limited site work is expected to begin this winter and major site construction to commence next year.

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Discussions continue with BC Hydro to determine the optimum method of connecting the Red Chris project to the Northwest Transmission Line at Bob Quinn Lake, which is within 120 kilometres of the property.

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Ruddock Creek

Recent drill results from the November 2010-July 2011 underground diamond drill program, confirmed massive sulphide mineralization of the Lower E zone extending 450 metres in an east-west direction and 500 metres in a north-south direction. The objective of the underground drilling was to significantly add to the previously reported resource by increasing the density of drilling and extending it to the west. Total underground drilling to September 30 consisted of 76 holes totalling 14,133.4 metres from seven underground drill stations.

The 2011 exploration program included additional surface exploration, geological mapping, sampling and further diamond drilling of the Creek, V and Q zones. A total of 10,841 metres of surface drilling was completed in October 2011. Up to four surface diamond drills were in operation to complete this phase of the 2011 program before the onset of winter conditions. A news release providing results of the surface drill program is expected by year end.

A comprehensive report will be completed in early 2012, including an update of the National Instrument 43-101 compliant report *Mineral Resource Estimate, Ruddock Creek Deposit* dated July 2009. The report will be used to determine the next phase of exploration and development on the Ruddock Creek property.

ACCOUNTING POLICIES AND ESTIMATES

Adoption of International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three months ending September 30, 2011 is the Company's third reporting period under IFRS. The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions, cash flow and capital expenditures.

The Company's IFRS accounting policies are provided in Note 2 to the Interim Financial Statements. In addition, Note 29 to the Interim Financial Statements presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include: Consolidated Interim Statement of Financial Position as at September 30, 2010, Consolidated Interim Statement of Comprehensive Income for the three and nine months ended September 30, 2010, and Consolidated Interim Statement of Cash Flows for the three and nine months ended September 30, 2010.

Financial Impacts on IFRS Transition

As a result of the policy choices selected and the changes required to be made under IFRS, the Company has recorded a reduction in the shareholders' equity of approximately $7.6 million as at January 1, 2010. The following table summarizes the adjustments to the shareholders' equity on adoption of IFRS on January 1, 2010 and at September 30, 2010 and December 31, 2010 for comparative purposes:

	January 1 2010	September 30 2010	December 31 2010
	(000's)	*(000's)*	*(000's)*
Shareholders' Equity under Canadian GAAP	$234,112	$289,235	$308,806
Increase (Decrease) to Shareholder' Equity:			
Foreign Currency Translation	(999)	(1,199)	(1,680)
Future Site Reclamation Provisions	(5,325)	(5,093)	(4,579)
Mineral Properties	(856)	1,668	2,906
Debt Component of Convertible Debentures	(57)	(57)	-
Deferred Income Taxes	(401)	(1,016)	(1,406)
Total IFRS adjustments to Shareholders' Equity	(7,638)	(5,697)	(4,759)
Shareholders' Equity under IFRS	$226,474	$283,538	$304,047

As a result of the policy choices selected and changes required to be made under IFRS, the Company recorded an increase in net income of $1.8 million for the nine months ended September 30, 2010 and $3.1 million for the year ended December 31, 2010. The following table summarizes the adjustments to net income for the nine months ended September 30, 2010 and the year ended December 31, 2010 under IFRS:

	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
	(000's)	*(000's)*
Net Income under Canadian GAAP	$17,518	$35,323
Increase (Decrease) to Net Income:		
Cost of Sales	2,611	4,079
Interest Accretion on Future Site Reclamation Provisions	293	310
Share Based Compensation	(339)	(573)
Depletion and Depreciation	(144)	(317)
Interest Accretion on Convertible Debt	-	61
Foreign Exchange	14	61
Future site reclamation recovery	-	436
Income Tax	(615)	(1,005)
Total IFRS Adjustments to Net Income	1,820	3,052
Net Income under IFRS	19,338	38,375
Currency Translation Adjustment under IFRS	(214)	(742)
Comprehensive Net Income under IFRS	$19,124	$37,633

Financial Statement Presentation Changes

The transition to IFRS has resulted in numerous financial statement presentation changes in the Company's Interim Financial Statements, most significantly on the Condensed Consolidated Interim Statement of Income and Comprehensive Income. The changes are reclassifications within the statement and do not impact net income. The following is a summary of the significant changes to the Company's Condensed Consolidated Statement of Income and Comprehensive Income:

- Expenses by function – the Company's statement of income and comprehensive income presents expenses by function. Accordingly, items such as depletion and depreciation, share based compensation and foreign exchange losses are no longer presented as separate items on the statement of income and comprehensive income but are included in cost of sales and general and administration costs.
- Finance costs includes costs previously listed separately on the statement of income and comprehensive income such as realized and unrealized gains or losses on derivative instruments, accretion of future site reclamation provisions, interest on non-current debt, other interest, and foreign exchange gains and losses on debt.

Notes 17, 18 and 19 of the Interim Financial Statements contain details of the presentation changes on the Condensed Consolidated Interim Statement of Income.

RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2010

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three months ending September 30, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010.

Financial Results

Overview

Revenues were $69.4 million in the three months ending September 30, 2011 compared to $68.5 million in the comparative 2010 quarter. Average copper and gold prices were markedly higher in the 2011 period compared to the 2010 period. This increase in revenue was substantially offset by a negative revenue revaluation of $14.6 million due to the sharp decline in the copper price in late September 2011. The September 2011 quarter includes two concentrate shipments from Mount Polley mine and two concentrate shipments from Huckleberry mine, consistent with the comparative quarter of two concentrate shipments from each mine.

Net income for the three months ending September 30, 2011 was $17.6 million ($0.48 per share) compared to net income of $7.4 million ($0.20 per share) in the comparative quarter. Net income was higher in the current quarter as net realized and unrealized gains on derivative instruments increased to $16.7 million from losses of $10.9 million in the comparative quarter.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $4.6 million to Imperial's income from mine operations in the September 2011 quarter compared to $16.3 million in the 2010 quarter. Imperial's share of Huckleberry's income from mine operations was $3.9 million in the September 2011 quarter compared to $9.4 million in the comparative 2010 quarter. Higher copper and gold prices increased operating margins but these were offset by higher operating costs and negative revenue revaluations.

Imperial had $16.7 million in gains on derivative instruments in the September 2011 quarter compared to losses of $10.9 million in the September 2010 quarter. These derivative instruments were put in place to provide some protection to cash flow against declines in the price of copper.

Cost of Sales

Cost of sales were $60.9 million in the September 2011 quarter comprised of $48.6 million from Mount Polley and $12.3 million representing the Company's 50% share of Huckleberry. This compares to $42.8 million in the September 2010 quarter, comprised of $33.3 million from Mount Polley and $9.5 million from Huckleberry. The depletion and depreciation component of cost of sales increased to $7.0 million in the September 2011 quarter from $6.4 million in the 2010 quarter due primarily to higher sales volumes. The increase in cost of sales in the current quarter was primarily due to lower production volumes which in turn increased the cost per pound of copper sold.

General and Administration Costs

General and administration expense was a recovery of $1.9 million in the September 2011 quarter compared to an expense of $3.2 million in the September 2010 quarter primarily due to a $4.4 million gain on foreign exchange in the current quarter. In addition, share based compensation expense increased by $0.6 million in the current quarter over the $0.6 million recorded in the comparative quarter.

The average CDN/US Dollar exchange rate of 0.98 in the September 2011 quarter was significantly lower than the average of 1.04 in the September 2010 quarter. During the September 2011 quarter the CDN/US Dollar exchange rate fluctuated from a low of 0.94 to a high of 1.04 resulting in a $4.4 million foreign exchange gain being recorded in the September 2011 quarter. Foreign exchange losses of $1.2 million were recorded in the September 2010 quarter as the CDN/US Dollar exchange rate was on a decreasing trend going from 1.06 to 1.02. These losses are attributable to holding US Dollar denominated cash, accounts receivable, accounts payable and short term debt. These net US Dollar asset and liability balances are the result of the operations at Mount Polley and Huckleberry mines.

Finance Costs

As a result of gains on derivative instruments in the September 2011 quarter, finance costs are in a positive or income balance compared to losses in the comparative quarter. In the three months ended September 30, 2011 the Company recorded finance income of $15.6 million compared to finance costs of $10.9 million in the comparative 2010 period. The inclusion of gains and losses on derivative instruments results in large variances in finance costs depending on the gains and losses on derivative instruments in each quarter.

During the three months ending September 30, 2011 the Company entered into additional derivative instrument contracts for the sale of copper to provide some protection to the Company’s cash flow against declines in the price of copper. 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 previous quarters, as a result of changes in copper price, resulted in a gain of $16.7 million during the three months ending September 30, 2011 compared to a loss of $10.9 million in the September 2010 quarter.

The unrealized gains on the derivative instrument contracts outstanding at September 30, 2011 were $14.4 million compared to unrealized losses of $7.6 million at September 30, 2010. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

In the September 2011 quarter the Company recorded foreign exchange losses of $0.6 million on debt compared to gains of $0.1 million in the September 2010 quarter.

Income and Mining Taxes

Income and mining taxes were $8.4 million in the September 2011 quarter compared $4.2 million in the September 2010 quarter. Current cash income tax expense, excluding mineral taxes, in the current quarter is $1.2 million compared to an expense of $0.4 million in the comparative 2010 quarter. A total of $0.6 million expense was recorded for mineral taxes payable to the Province of British Columbia in the September 2011 quarter, equal to the $0.6 million in the September 2010 quarter. Deferred income and mining taxes, a non cash item, of $6.6 million were recorded in the September 2011 quarter compared $2.4 million in the comparative quarter.

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 2010.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, non-current debt and equity attributable to common shareholders, comprised of share capital, share option reserve and retained earnings.

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

LIQUIDITY & CAPITAL RESOURCES

Credit Risk

The Company's credit risk is limited to cash and cash equivalents, short term investments, trade and other receivables, 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 credit risk has not changed significantly since December 31, 2010.

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 a $75.0 million line of credit with the Bank of Montreal and short term debt secured by accounts receivables and concentrate inventory.

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 dependent 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 is unchanged from December 31, 2010. 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, trade and other receivables, derivative instrument assets and margin deposits, reclamation deposits, trade and other payables, derivative instrument liabilities, and short term debt.

Cash Flow

The Company recorded net income of $17.6 million in the three months ending September 30, 2011 compared to net income of $7.4 million in the September 2010 quarter. Cash flow was $17.1 million in the September 2011 quarter compared to cash flow of $27.1 million in the comparative quarter. The $10.0 million decrease is primarily the result of reduced operating margins resulting from higher costs and negative revenue revaluations, offset in part by foreign exchange gains in the current quarter compared to foreign exchange losses in the comparative quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS 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 September 30, 2011 the Company had working capital, defined as current assets less current liabilities of $69.7 million, a decrease of $1.9 million from working capital of $71.6 million at December 31, 2010. The September 30, 2011 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $12.7 million in the September 2011 quarter compared to $15.2 million in the September 2010 quarter. Acquisition and development expenditures in 2011 and 2010 were financed from cash flow from operations.

Capital and development expenditures totalled $9.1 million in the September 2011 quarter compared to $6.8 million in the September 2010 quarter. Expenditures on Mount Polley, Huckleberry, Red Chris and Sterling, including the purchase of the Kemess assets, were $8.9 million in the September 2011 quarter compared to $6.2 million in the September 2010 quarter. The 2011 expenditures at Mount Polley included $3.0 million for ongoing capital to maintain and extend productive capacity and tailings dam construction compared to $4.4 million in 2010. The 2011 expenditures at Huckleberry were $1.8 million for ongoing capital projects compared to $1.1 million in 2010. Development expenditures at Red Chris totalled $3.3 million in the September 2011 quarter compared to $0.6 million in the September 2010 quarter.

Exploration expenditures were $3.6 million in the September 2011 quarter compared to $8.4 million in the September 2010 quarter. In the current quarter Mount Polley exploration drilling and costs for the underground ramp into the Boundary zone were $1.8 million, Red Chris drilling was $0.7 million, and underground exploration work at Sterling was $1.0 million. In the September 2010 quarter Mount Polley exploration drilling was $2.9 million, Red Chris drilling was $4.8 million, and underground exploration work at Sterling was $0.2 million.

Acquisition of Non-Controlling Interest in American Bullion Minerals Ltd.

In June 2011 the Company purchased the non-controlling interest in American Bullion Minerals Ltd. for $25.1 million to hold 100% of the Red Chris project. In accordance with IFRS changes in a parents ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions and therefore the purchase price of $24.0 million and the $1.1 million in transaction costs have been charged to retained earnings.

RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011
COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2010

This review of the results of operations should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements of the Company for the nine months ending September 30, 2011 and the audited Consolidated Financial Statements of the Company for the year ended December 31, 2010.

Financial Results

Overview

Revenues increased to $206.0 million for the nine months ending September 30, 2011 from $191.2 million in the nine months ending September 30, 2010. The increase in revenue was reduced by negative revenue revaluations of $16.0 million in 2011 due to a sharp decline in the copper price in late September 2011. The effect of the weaker US Dollar and lower sales volumes also negatively impacted revenues. The September 2011 period includes five concentrate shipments from Mount Polley mine and six concentrate shipments from Huckleberry mine, compared to six concentrate shipments from each mine in the comparative period.

Net income for the nine months ending September 30, 2011 was $45.4 million ($1.23 per share) compared to net income of $19.3 million ($0.54 per share) in the comparative period. Margins from mine operations were improved by higher copper and gold prices but were negatively impacted by higher operating costs resulting from lower production volumes which in turn increased the cost per pound of copper sold. Revenue revaluations reduced revenue by $15.5 million compared to 2010 as copper prices fell sharply at the end of the third quarter of 2011. Depletion and depreciation costs were lower in the current period due to a reduction in sales volumes over the prior period. Share based compensation expense was $4.4 million lower in 2011 compared to 2010 as a result of a change in the intrinsic method used during the 2010 period. A $21.1 million net gain on derivative instruments compared to a net loss of $0.8 million in the comparative period also affected the net income between the two periods.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $23.3 million to Imperial's income from mine operations in the September 2011 period compared to $28.6 million in the 2010 period. Imperial's share of Huckleberry's income from mine operations was $33.3 million in the September 2011 period compared to $18.1 million operating income in the comparative 2010 period.

Imperial had $21.1 million in net gains on derivative instruments in the September 2011 period compared to net loss of $0.9 million in the September 2010 period. 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.

Cost of Sales

Cost of sales were $149.4 million in the September 2011 period comprised of $115.7 million from Mount Polley and $33.7 million representing the Company's 50% share of Huckleberry. This compares to $144.5 million in the September 2010 period, comprised of $108.4 million from Mount Polley and $36.1 million from Huckleberry. The increase in cost of sales is due to lower production volumes. The depletion and depreciation component of cost of sales decreased to $17.7 million in the September 2011 period from $18.9 million in the 2010 period due to lower sales volumes.

General and Administration Costs

General and administration expense decreased to $6.3 million in the September 2011 period from $14.6 million in the September 2010 period primarily due to a $4.4 million reduction in share based compensation, and a foreign exchange gain of $1.4 million in the 2011 period compared to a foreign exchange loss of $1.5 million in the comparative period.

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 in 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.

The average CDN/US Dollar exchange rate of 0.98 in the September 2011 period was significantly lower than the average of 1.04 in the September 2010 period. During the September 2011 period the CDN/US Dollar exchange rate was on a decreasing trend resulting in a $1.4 million foreign exchange gain being recorded in the September 2011 period compared to a loss of $1.5 million in the September 2010 period. These losses and gains are attributable to holding US Dollar denominated cash, accounts receivable, accounts payable and short term debt. These net US Dollar asset and liability balances are the result of the operations at Mount Polley and Huckleberry mines.

Finance Costs

As a result of gains on derivative instruments in the 2011 period, finance costs are in a positive or income balance and not an expense balance. In the nine months ended September 30, 2011 the Company recorded finance income of $20.5 million compared to $1.2 million expense in the comparative 2010 period. The inclusion of gains and losses on derivative instruments results in large variances in finance costs depending on the magnitude of the gains and losses on derivative instruments.

During the nine months ending September 30, 2011 the Company entered into additional derivative instrument contracts for the sale of copper to provide some protection to the Company's cash flow against declines in the price of copper. 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 previous quarters, as a result of changes in copper price and foreign exchange rate, resulted in a gain of $21.1 million during the nine months ending September 30, 2011 compared to a loss of $0.9 million in the September 2010 period.

The unrealized gains on the derivative instrument contracts outstanding at September 30, 2011 were $14.4 million compared to unrealized gains of $7.6 million at September 30, 2010. 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.

In the September 2011 period the Company recorded foreign exchange gains of $0.2 million on debt compared to gains of $0.5 million in the September 2010 period.

Income and Mining Taxes

Income and mining taxes were $25.7 million in the September 2011 period compared $11.6 million in the September 2010 period. Current cash income taxes, excluding mineral taxes, in the current period were $10.5 million compared to $5.1 million in the comparative 2010 period. As a result of improved mine operating profits, a total of $1.8 million expense was recorded for mineral taxes payable to the Province of British Columbia in the September 2011 period compared to $1.2 million in the September 2010 period. Deferred income and mining taxes, a non-cash item, of $13.4 million were recorded in the September 2011 period compared to $5.3 million in the comparative period.

Cash Flow

The Company recorded net income of $45.4 million in the nine months ending September 30, 2011 compared to net income of $19.3 million in the September 2010 period. Cash flow was $63.5 million in the nine months ending September 2011 compared to cash flow of $52.3 million in the comparative period. The $11.2 million increase is primarily the result of improved operating margins at Mount Polley and Huckleberry mines due to substantially higher copper and gold prices, offset by large negative revenue revaluations and by lower sales volumes and a weaker US Dollar in the current period, compared to lower copper prices and minimal negative revenue revaluations in the comparative period which were partially offset by higher sales volumes. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS 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 September 30, 2011 the Company had working capital, defined as current assets less current liabilities of $69.7 million, a decrease of $1.9 million from working capital of $71.6 million at December 31, 2010. The September 30, 2011 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and the development costs related to the Red Chris mine.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $52.6 million in the September 2011 period compared to $39.0 million in the comparative 2010 period. Acquisition and development expenditures in 2011 and 2010 were financed from the short term debt and from cash flow from operations, with the exception of one mobile mining unit for $0.7 million that was financed from non-current debt in 2011 and two mobile mining units for $1.7 million that was financed from non-current debt in 2010.

Capital and development expenditures totalled $38.3 million in the September 2011 period compared to $21.9 million in the September 2010 period. Expenditures on Mount Polley, Huckleberry, Red Chris and Sterling, including purchase of the Kemess assets, were $37.5 million in the September 2011 period compared to $21.3 million in the September 2010 period. Expenditures of $9.3 million in the September 2011 period at Mount Polley included capital to maintain and extend productive capacity. Expenditures at Huckleberry in the September 2011 period were $4.3 million for ongoing capital programs. The September 2010 period expenditures at Mount Polley included $15.3 million for ongoing capital. The September 2010 period expenditures at Huckleberry were $3.0 million for ongoing capital projects. Capital expenditures in 2011 and 2010 were financed from cash flow from operations and short term debt except for one mobile mining unit in 2011 that was financed by non-current debt and two mobile mining units in 2010 financed by non-current debt. Development expenditures at Red Chris totalled $5.9 million in the September 2011 period compared to $3.0 million in the September 2010 period. Capital expenditures at Sterling totalled $0.3 million in the 2011 September period compared to $0.1 million in the September 2010 period.

Exploration expenditures were $14.3 million in the September 2011 period compared to $17.1 million in the September 2010 period. In the September 2011 period, Mount Polley exploration drilling was $6.9 million, Red Chris drilling was $3.9 million, and underground exploration work at Sterling was $3.0 million. In the September 2010 period Mount Polley exploration drilling was $5.5 million, Red Chris drilling was $9.8 million and underground exploration work at Sterling was $0.7 million.

Acquisition of Non-Controlling Interest in American Bullion Minerals Ltd.

In June 2011 the Company purchased the non-controlling interest in American Bullion Minerals Ltd. for $25.1 million to hold 100% of the Red Chris project. In accordance with IFRS changes in a parent ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions and therefore the purchase price of $24.0 million and $1.1 million in transaction costs have been charged to retained earnings.

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 floating 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 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 the Bank of Montreal to assist with working capital requirements. In August 2010 this facility was increased to $25.0 million and in June 2011 this facility was increased further to $75.0 million. The facility is due on demand, secured by accounts receivable, inventory, shares of subsidiaries, 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 September 30, 2011:

[expressed in thousands of dollars]	2011	2012	2013	2014	2015	Total
Non-current debt	$287	$1,086	$448	$83	$ -	$1,904
Short term debt	41,047	-	-	-	-	41,047
Operating leases	332	248	180	126	105	991
Capital expenditures and other (2)	5,376	11,517	3,150	-	-	20,043
Mineral properties (1)	111	507	590	612	649	2,469
Total	$47,153	$13,358	$4,368	$821	$754	$66,454

(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.
(2) Includes commitments, all related to Huckleberry, to purchase mobile mining equipment units at a cost of US$10,485. Purchases for six units totalling US$6,850 can be cancelled at any time prior to delivery of the units at a cost of US$25 per unit.

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.

As at September 30, 2011 the Company did not have any financing arrangements not reflected in the statement of financial position 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.

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 statement of financial position. 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 trade and other payables are assumed to approximate their fair values. Management believes that the carrying value of short and non-current debt approximates fair value. Although the interest rates and credit spreads have changed since the non-current debt was issued the fixed rate portion of the non-current debt is close to maturity, will not be refinanced and therefore the carrying value is not materially different from fair value.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

				Three Months Ended
	September 30 2011	June 30 2011	March 31 2011	December 31 2010
Total Revenues	$69,409	$39,405	$97,180	$55,039
Net Income	$17,617	$8,035	$19,753	$19,230
Income per share [1]	$0.48	$0.22	$0.54	$0.52
Diluted Income per share [1]	$0.47	$0.21	$0.53	$0.51
Adjusted Net Income [2]	$4,755	$5,354	$12,995	$23,161
Adjusted Net Income per share[1] [2]	$0.13	$0.15	$0.35	$0.63
Cash Flow [3]	$17,102	$11,094	$35,337	$25,491
Cash Flow per share [1] [3]	$0.460	$0.30	$0.96	$0.71
Average LME cash settlement copper price/lb in US$	$4.079	$4.151	$4.378	$3.917
Average US/CDN$ exchange rate	$0.980	$0.968	$0.986	$1.012
Period end US/CDN$ exchange rate	$1.039	$0.964	$0.972	$1.005
				Three Months Ended
	September 30 2010	June 30 2010	March 31 2010	December 31 2009[4]
Total Revenues	$68,477	$53,435	$69,320	$63,559
Net Income (Loss)	$7,236	$13,596	$(1,687)	$(3,403)
Income (Loss) per share [1]	$0.20	$0.38	$(0.05)	$(0.10)
Diluted Income (Loss) per share [1]	$0.19	$0.37	$(0.05)	$(0.10)
Adjusted Net Income [2]	$13,065	$1,815	$7,654	$13,857
Adjusted Net Income per share[1] [2]	$0.36	$0.05	$0.22	$0.42
Cash Flow [3]	$27,079	$8,504	$16,715	$18,525
Cash Flow per share [1] [3]	$0.74	$0.23	$0.48	$0.57
Average LME cash settlement copper price/lb in US$	$3.285	$3.188	$3.286	$3.011
Average US/CDN$ exchange rate	$1.039	$1.028	$1.040	$1.056
Period end US/CDN$ exchange rate	$1.030	$1.061	$1.016	$1.047

[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 IFRS 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.

[4] Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

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.

RELATED PARTY TRANSACTIONS

Corporate

Details on related party transactions can be found in Note 24 to the Interim Financial Statements for the quarter ended September 30, 2011.

OTHER

As of November 8, 2011 the Company had 36,985,991 common shares outstanding, and on a diluted basis 38,719,192 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 Interim 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. Huckleberry constitutes 24% of net assets, 21% of total assets, 33% of revenues, 59% of income from mine operations and $29.4 million of net income of the Interim Financial Statement amounts as of and for the nine months ending September 30, 2011.

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 September 30, 2011 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 financial performance.

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 dependent on the availability and scheduling of transportation.

Exploration

The Company continues to evaluate exploration opportunities both on currently owned properties and new prospects. For the remainder of 2011 exploration continues at the Mount Polley, Huckleberry, Red Chris and Sterling properties.

Exploration at Mount Polley continues with surface exploration continuing to focus on targets within the C2 and Cariboo areas.

Diamond drilling continues at Huckleberry to test IP anomalies defined by a geophysical survey conducted earlier in 2011. Six holes are planned to test anomalies to the west of the Main zone mineralization.

Drilling at Red Chris is planned for the area east of the proposed pit where geological mapping, historic drilling and results of the Titan 24 survey indicates the potential to both expand the deposit east of drill hole R10-411, and identify an offset extension further east of the deposit. Diamond drilling will continue until the year end break.

Underground sampling and drilling at Sterling continues at the 144 zone. A reverse circulation drill is on site to complete a 28 hole program to delineate the near surface mineral resource surrounding remnants of the old underground mine.

The Ruddock Creek site has been demobilized for the winter season. A comprehensive report on the Ruddock Creek property will be completed in early 2012, including an update of the National Instrument 43-101 compliant report *Mineral Resource Estimate, Ruddock Creek Deposit* dated July 2009. The report will be used to determine the next phase of exploration and development at Ruddock Creek.

Development

At Mount Polley underground diamond drilling at the Boundary zone has been successful in delineating a block of breccia-hosted copper/gold mineralization. Engineering to choose an appropriate underground mining method for the block is well advanced. In the fourth quarter a new mine site access road will be commissioned that will allow the development of a new access ramp into the Springer pit providing shorter ore and waste hauls from the pit.

The amendment to Huckleberry's Mines Act permit is anticipated to be approved by the Province in 2011. The amendment would allow for the development and operation of the Main Zone Optimization pit, an expansion of the Main Zone pit that could add up to eight years to Huckleberry's mine life. Additional mining equipment has been ordered, and logging of the project area has commenced.

Major site construction is planned for 2012 and work on engineering, procurement, permitting and power supply for Red Chris is progressing. In September BC Hydro announced Vallard Construction and Burns & McDonald had been selected to design and to build the Northwest Transmission Line, a 344 kilometre line from the Skeena substation to Bob Quinn Lake. Discussions continue with BC Hydro to determine the optimum method of connecting the Red Chris project to the Northwest Transmission Line at Bob Quinn Lake, which is within 120 kilometres of the property.

At Sterling the 144 zone is being developed for production with excavation of a ramp to the upper level of the breccia zone, along with an ore pass connecting this level to the main haulage. Earthworks and liner installation work commenced in October 2011. The gold recovery processing plant is scheduled to arrive on-site in November 2011. Former process ponds have been prepared for re-lining. Two concrete pads were poured in September in preparation for building erection. The surface stockpile from underground development now totals 28,000 tons at 0.100 ounces per ton of leachable material. Metallurgical testwork of underground run of mine material by Kappes, Cassiday & Associates confirms a gold recovery of 70% after 30 days of cyanide leaching.

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.

NOTICE TO READER

These condensed consolidated interim financial statements have been prepared by management.

The Company's external auditors have not reviewed these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	September 30 2011	December 31 2010
ASSETS			
Current Assets			
Cash and cash equivalents	4	$30,794	$28,818
Short term investments		28,500	1,500
Marketable securities		269	384
Trade and other receivables	5	53,169	53,592
Inventory	6	29,285	41,762
Derivative instrument assets and margin deposits	14	11,471	5,229
Prepaid expenses and deposits		807	1,576
		154,295	132,861
Derivative Instrument Assets and Margin Deposits	14	7,503	8,625
Mineral Properties	8	312,643	273,682
Deferred Income Taxes		7,718	18,639
Other Assets	7	10,206	8,213
		$492,365	$442,020
LIABILITIES			
Current Liabilities			
Trade and other payables	9	$32,444	$24,324
Taxes payable		7,674	3,921
Short term debt	10	41,047	10,439
Derivative instrument liabilities	14	931	20,103
Current portion of share based compensation liability	15	-	-
Current portion of non-current debt	11	1,169	1,461
Current portion of debt component of convertible debentures	12	-	-
Current portion of future site reclamation provisions	13	1,333	982
		84,598	61,230
Derivative Instrument Liabilities	14	468	2,064
Non-Current Debt	11	735	1,054
Future Site Reclamation Provisions	13	21,340	20,819
Share Based Compensation Liability	15	-	-
Deferred Income Taxes		55,273	52,806
		162,414	137,973
SHAREHOLDERS' EQUITY			
Share Capital	16	113,014	111,778
Share Option Reserve	16	12,375	8,869
Equity Component of Convertible Debentures	12	-	-
Currency Translation Adjustment		144	(742)
Retained Earnings		204,418	184,142
		329,951	304,047
		$492,365	$442,020
Commitments and Pledges	27		
Contingent Liabilities	28		

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2011 and 2010

Unaudited – Prepared by Management

expressed in thousands of Canadian dollars, except for share and per share amounts

	Notes	Third Quarter Three Months Ended September 30 2011	2010	Year to Date Nine Months Ended September 30 2011	2010
Revenue		$69,409	$68,477	$205,994	$191,232
Cost of Sales	17	(60,878)	(42,821)	(149,380)	(144,490)
Income from Mine Operations		8,531	25,656	56,614	46,742
General and Administration	18	1,895	(3,187)	(6,312)	(14,591)
Finance Costs	19	15,578	(10,864)	20,485	(1,238)
Other Income		-	(2)	281	71
Income before Taxes		26,004	11,603	71,068	30,984
Income and Mining Taxes	20	(8,387)	(4,174)	(25,663)	(11,646)
Net Income Attributable to Equity Shareholders of the Company		17,617	7,429	45,405	19,338
Other Comprehensive Income (Loss) – currency translation adjustment		1,368	(470)	886	(214)
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$18,985	$6,959	$46,291	$19,124
Income Per Share					
Basic	21	$0.48	$0.20	$1.23	$0.54
Diluted	21	$0.47	$0.20	$1.21	$0.53
Weighted Average Number of Common Shares Outstanding					
Basic	21	36,920,514	36,694,071	36,909,228	35,903,477
Diluted	21	37,460,407	37,227,941	37,447,559	36,404,193

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share amounts

	Share Capital			Equity			
	Number of Shares	Amount	Share Option Reserve	Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
Balance January 1, 2010	34,246,518	$76,127	$918	$3,662	$ -	$145,767	$226,474
Issued on exercise of options	958,667	16,950	(10,317)	-	-	-	6,633
Transfer of share option reserve on exercise of options	-	-	2,365	-	-	-	2,365
Transfer of liability on change in share option plans (Notes 15 and 16(b))	-	-	14,075	-	-	-	14,075
Issued on conversion of debentures	1,616,173	17,619	-	(3,662)			13,957
Share based compensation expense	-	-	910	-	-	-	910
Net income and comprehensive income for the period	-	-	-	-	(214)	19,338	19,124
Balance September 30, 2010	36,821,358	$110,696	$7,951	$ -	$(214)	$165,105	$283,538
Balance December 31, 2010	36,883,358	$111,778	$8,869	$ -	($742)	$184,142	$304,047
Issued on exercise of options	70,833	1,236	(660)	-	-	-	576
Purchase price, including transaction costs, in excess of book value of non-controlling interest in American Bullion Minerals Ltd. (Note 3)	-	-	-	-	-	(25,129)	(25,129)
Share based compensation expense	-	-	4,166	-	-	-	4,166
Net income and comprehensive income for the period	-	-	-	-	886	45,405	46,291
Balance September 30, 2011	36,954,191	$113,014	$12,375	$ -	$144	$204,418	$329,951

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2011 and 2010

Unaudited – Prepared by Management

expressed in thousands of Canadian dollars

		Third Quarter Three Months Ended September 30		Year to Date Nine Months Ended September 30	
	Notes	2011	2010	2011	2010
OPERATING ACTIVITIES					
Net income before taxes		$26,004	$11,603	$71,068	$30,984
Items not affecting cash flows					
Depletion and depreciation		7,021	6,440	17,789	18,940
Share based compensation, net of cash paid		1,266	566	4,166	7,206
Accretion of debt and future site reclamation provisions		178	206	588	768
Unrealized foreign exchange loss (gain)		465	459	1,047	(180)
Unrealized gains on derivative instruments		(17,499)	8,152	(30,341)	(4,397)
Interest paid		(339)	(130)	(518)	(558)
Other		6	(217)	(266)	(465)
		17,102	27,079	63,533	52,298
Net change in non cash operating working capital balances	*22*	26,695	(5,433)	27,775	5,470
Income and mining taxes (paid) recovered		(3,916)	1,535	(12,474)	(8,404)
Cash provided by operating activities		39,881	23,181	78,834	49,364
FINANCING ACTIVITIES					
Proceeds of short term debt		126,402	13,112	247,088	40,125
Repayment of short term debt		(139,437)	(13,056)	(216,284)	(45,281)
Repayment of non-current debt		(589)	(419)	(1,319)	(1,395)
Issue of share capital		301	2,008	576	6,633
Cash provided by (used in) financing activities		(13,323)	1,645	30,061	82
INVESTING ACTIVITIES					
Increase in short term investments		(24,500)	(500)	(27,000)	(500)
Acquisition and development of mineral properties		(12,691)	(14,394)	(51,863)	(37,326)
Increase in future site reclamation deposits		(1,126)	(5)	(1,361)	(110)
Purchase of non-controlling interest in American Bullion Minerals Ltd. including transaction costs of $1,149	*3*	(31)	-	(25,129)	-
Other		(603)	(15)	(339)	201
Cash used in investing activities		(38,951)	(14,914)	(105,692)	(37,735)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		161	(616)	(1,227)	(374)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(12,232)	9,296	1,976	11,337
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		43,026	25,895	28,818	23,854
CASH AND CASH EQUIVALENTS, END OF PERIOD		$30,794	$35,191	$30,794	$35,191

See note 22 for supplemental cash flow information.

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

1. NATURE OF OPERATIONS

Imperial Metals Corporation (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration, development and production of base and precious metals from its mineral properties. The head office, principal address and registered and records office of the Company are located at 200 – 580 Hornby Street, Vancouver, BC, Canada V6C 3B6. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "III".

The Company's key properties are:

- open pit copper/gold producing Mount Polley mine in central British Columbia;
- open pit copper/molybdenum producing Huckleberry mine in northern British Columbia;
- development stage Red Chris copper/gold property in northwest British Columbia;
- development stage Sterling gold property in southwest Nevada; and the
- development stage Ruddock Creek zinc/lead property in south central British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Conversion to International Financial Reporting Standards

In conjunction with the Company's first audited consolidated annual financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ending December 31, 2011, these condensed consolidated interim financial statements present the Company's financial results of operations and financial position under IFRS as at and for the three and nine months ended September30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* and with International Accounting Standard 34 *Interim Financial Reporting ("IAS 34"),* as issued by the International Accounting Standards Board ("IASB"). The effects of the transition to IFRS on equity and total comprehensive income are presented in Note 29. These condensed consolidated interim financial statements do not include all the necessary annual disclosures in accordance with IFRS. Prior to the adoption of IFRS, the Company prepared its condensed consolidated interim financial statements and audited consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as disclosed in Note 2 of the condensed consolidated interim financial statements for the three months ended March 31, 2011. Any subsequent changes to IFRS that are issued and effective as at December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on conversion to IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2010 prepared in accordance with GAAP and the condensed consolidated interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

The preparation of interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

Changes in Accounting Standards

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2012

IAS 12 - *Income Taxes (Amended)* ("IAS 12"), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7 **–** *Financial instruments: Disclosures (Amended)* require additional disclosures on transferred financial assets.

Accounting Standards Issued and Effective January 1, 2013

IFRS 9 Financial Instruments replaces the current standard *IAS 39 Financial Instruments: Recognition and Measurement,* replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities.*

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRIC 20 *Stripping Costs in the Production Phase of a Mine* clarifies the requirements for accounting for the costs of stripping activity in the production phase when stripping improves access to further quantities of material that will be mined in future periods.

IAS 19 *Employee Benefits* introduced changes to the accounting for defined benefit plans and other employee benefits which include the modification of the accounting for termination benefits and classification of other employee benefits.

3. ACQUISITION OF NON-CONTROLLING INTEREST IN AMERICAN BULLION MINERALS LTD.

At December 31, 2010 the Company owned a 52% interest in American Bullion Minerals Ltd. ("ABML") which owns an interest in the Red Chris copper/gold mine in British Columbia. On June 13, 2011 the Company purchased all of the shares of ABML held by the minority shareholders at a cost of $23,980 to hold 100% of ABML. Costs to complete this transaction totalled $1,149.

Since May 22, 2008 the consolidated financial statements of the Company have included the assets, liabilities and operating results of ABML as they have been consolidated with the accounts of the Company. The non-controlling interest of ABML is negative and therefore no amount is recorded for non-controlling interest on the Statement of Financial Position.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As a result, the acquisition of the non-controlling interest in ABML for $23,980 has been charged to retained earnings, this being the difference between the amount paid and the non-controlling interest on the Statement of Financial Position.

Transaction costs for an equity transaction are accounted for as a deduction from equity. As a result, transaction costs of $1,118 for the acquisition of the non-controlling interest in ABML have been charged to retained earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

4. CASH AND CASH EQUIVALENTS

	Sept 30 2011	Dec 31 2010
Cash	$30,794	$28,818
Cash equivalents	-	-
	$30,794	$28,818

5. TRADE AND OTHER RECEIVABLES

	Sept 30 2011	Dec 31 2010
Trade receivables	$49,218	$53,592
Taxes receivable	3,951	-
	$53,169	$53,592

6. INVENTORY

	Sept 30 2011	Dec 31 2010
Stockpile ore	$3,597	$3,657
Concentrate	12,380	26,246
Supplies	13,308	11,859
	$29,285	$41,762

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Inventory recognized as expense during the period	$49,248	$31,072	$119,508	$123,004

As at September 30, 2011, the Company had $9,232 (December 31, 2010 - $1,963) inventory pledged as security for reclamation bonds and liabilities.

7. OTHER ASSETS

	Sept 30 2011	Dec 31 2010
Future site reclamation deposits	$9,412	$7,929
Other	794	284
	$10,206	$8,213

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

8. MINERAL PROPERTIES

	Mineral Properties being depleted	Mineral Properties not being depleted	Plant and Equipment	Total
Cost				
Balance as at January 1, 2010	$123,578	$141,925	$280,382	$545,885
Additions	3,481	27,700	21,672	52,853
Disposals	-	-	(1,393)	(1,393)
Foreign exchange movement	(264)	(671)	(65)	(1,000)
Balance as at December 31, 2010	126,795	168,954	300,596	596,345
Additions	254	16,868	35,810	52,932
Disposals	-	(3)	(1,477)	(1,480)
Foreign exchange movement	222	784	72	1,078
Balance as at September 30, 2011	$127,271	$186,603	$335,001	$648,875

	Mineral Properties being depleted	Mineral Properties not being depleted	Plant and Equipment	Total
Accumulated depletion & depreciation & impairment losses				
Balance as at January 1, 2010	$74,120	$1,707	$223,175	$299,002
Depletion & depreciation	13,556	-	11,612	25,168
Disposals	-	-	(1,200)	(1,200)
Impairments	-	12	-	12
Foreign exchange movement	(261)	-	(58)	(319)
Balance as at December 31, 2010	87,415	1,719	233,529	322,663
Depletion & depreciation	5,504	-	9,235	14,739
Disposals	-	-	(1,454)	(1,454)
Foreign exchange movement	219	-	65	284
Balance as at September 30, 2011	$93,138	$1,719	$241,375	$336,232
Net book value				
Balance as at January 1, 2010	$49,458	$140,218	$57,207	$246,883
Balance as at December 31, 2010	$39,380	$167,235	$67,067	$273,682
Balance as at September 30, 2011	$34,133	$184,884	$93,626	$312,643

The Company has $10,893 ($nil – 2010) contractual commitments for the acquisition of mineral properties as at September 30, 2011 (Note 27(e)). At September 30, 2011 assets with a fair value of $9,412 (December 31, 2010-$7,929) are legally restricted for the purposes of settling future site reclamation provisions.

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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 covers 18,321 hectares, which consists of five mining leases totalling 1,867 hectares, and 43 mineral claims encompassing 16,455 hectares.

Huckleberry

The Company owns 50% of the Huckleberry open pit copper/molybdenum mine located 88 kilometres south-southwest of Houston in west central British Columbia. The Huckleberry property consists of a mining lease covering 1,912 hectares and 38 mineral claims encompassing approximately 16,594 hectares.

Red Chris

The Company owns 100% (December 31, 2010-88%) interest in the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The Red Chris property encompasses 68 Mineral Claims totalling 16,994 hectares. The development of the Red Chris project into a mine is dependent 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 22 mineral claims totalling 10,727 hectares. In July 2010 the company signed a Memorandum of Understanding with Itochu Corporation and Mitsui Mining and Smelting Co. Ltd., whereby Itochu/Mitsui may earn up to a 50% interest in the property by providing $20,000 in exploration and development funding on or before March 31, 2013.

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.

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9. TRADE AND OTHER PAYABLES

	Sept 30 2011	Dec 31 2010
Trade payables	$13,143	$13,091
Concentrate sale repayable	7,664	-
Accrued liabilities	11,637	11,233
	$32,444	$24,324

10. SHORT TERM DEBT

Amounts due for short term debt facilities are:

	Sept 30 2011	Dec 31 2010
(a) Bank loan facilities aggregating $75,000 secured by accounts receivable and inventory is due on demand and is subject to maintenance of certain financial covenants.		
(i) Bank loan $387 (December 31, 2010-$493)	$387	$493
(ii) Bankers Acceptances with a maturity value of $15,000 (December 31, 2010-$nil)	14,947	-
(b) Concentrate advances of US$24,750 (December 31, 2010-US$10,000) from a purchaser of concentrate from the Mount Polley mine repayable from the sale of concentrate with interest at three month Libor plus 1% (December 31, 2010-2%) and secured by a first charge on concentrate from the Mount Polley mine.	25,713	9,946
	$41,047	$10,439

The movement of the amounts due for short term debt are:

	Nine Months Ended September 30 2011	Year Ended December 31 2010
Balance, beginning of period	$10,439	$5,679
Amounts advanced	247,088	269,822
Foreign exchange gain	(196)	(524)
Amounts repaid	(216,284)	(264,538)
	$41,047	$10,439

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11. NON-CURRENT DEBT

Amounts due for non-current debt are:

	Note	Sept 30 2011	Dec 31 2010
Mount Polley Finance Contract	(a)	$378	$622
Mount Polley Finance Contract	(b)	399	608
Mount Polley Finance Contract	(c)	520	718
Mount Polley Finance Contract	(d)	607	-
Mount Polley Finance Contract	(e)	-	567
		1,904	2,515
Less portion due within one year		(1,169)	(1,461)
		$735	$1,054

The movement of the amounts due for non-current debt are:

	Nine Months Ended September 30 2011	Year Ended December 31 2010
Balance, beginning of period	$2,515	$2,656
Amounts advanced	697	1,659
Foreign exchange loss (gain)	11	(41)
Amounts repaid	(1,319)	(1,759)
Balance, end of period	$1,904	$2,515

(a) Finance contract aggregating US$364 (December 31, 2010-US$625) repayable in monthly instalments of US$31 until August 2012 including interest at 4.85% and secured by certain mobile mining equipment at the Mount Polley mine.

(b) Finance contract aggregating $399 (December 31, 2010-$608) repayable in monthly installments of $25 until January 2013 including interest at Bank Prime Rate plus 2% (5% at September 30, 2011) and secured by mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.

(c) Finance contract aggregating $520 (December 31, 2010-$718) repayable in monthly installments of $25 until July 2013 including interest at Bank Prime Rate plus 2% (5% at September 30, 2011) and secured by mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.

(d) Finance contract aggregating $607 (December 31, 2010-$nil) repayable in monthly instalments of $21 until April 2014 including interest at 5.25% and secured by certain mobile mining equipment at the Mount Polley mine.

(e) Finance contract aggregating $nil (December 31, 2010-$567) repayable in monthly installments of $44 until August 2011 including interest at Bank Prime Rate plus 1% and secured by mobile mining equipment at the Mount Polley mine.

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12. 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 debentures were subordinated to all senior security holders and had interest at 6% per year with interest payable semi-annually on September 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 and 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 in the three months ended March 31, 2010 into 1,616,173 common shares of the Company prior to their maturity.

Changes to debt component of convertible debentures are as follows:

	Nine Months Ended September 30 2011	Year Ended December 31 2010
Balance, beginning of period	$ -	$13,803
Accretion	-	154
Conversions	-	(13,957)
Balance, end of period	$ -	$ -

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13. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation provisions at its Mount Polley, Huckleberry, Red Chris, Sterling Gold and Ruddock Creek properties. Although the ultimate amount of the future site reclamation provisions is uncertain, the fair value of these obligations is based on information currently available, including closure plans and applicable regulations. 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. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

Changes to the future site reclamation provisions are as follows:

	Nine Months Ended September 30 2011	Year Ended December 31 2010
Balance, beginning of period	$21,801	$21,288
Accretion	588	818
Costs incurred during the period	(123)	(633)
Change in estimates of future costs and effect of translation of foreign currencies	407	328
Balance, end of period	22,673	21,801
Less portion due within one year	(1,333)	(982)
	$21,340	$20,819

The total undiscounted amount of estimated future cash flows required to settle the obligations is $49,267 (2010-$51,109). The estimated future cash flows were then adjusted using a 2% rate of inflation and a 5% cash flow uncertainty factor. Huckleberry applies a 20% contingency to risk affect the future cash flows. The estimated future cash flows have been discounted using a pre-tax risk free interest rate of 2.83% (2010 – 3.75%).

The obligations are expected to be settled primarily in the years 2011 through 2020 with the obligations of Huckleberry extending to the year 2150.

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 $9,452 (2010-$9,299) are legally restricted for the purposes of settling future site reclamation provisions. The Company has pledged cash deposits of $9,412 (2010-$7,929), shown as future site reclamation deposits and certain mining equipment and supplies inventory with a pledged value of $1,370 (2010-$1,370) as security for future site reclamation provisions (Note 27).

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14. DERIVATIVE INSTRUMENTS

	Sept 30 2011	Dec 31 2010
Assets		
Current		
Copper contracts	$11,471	$5,050
Foreign currency contracts	-	179
	$11,471	$5,229
Non-current		
Security deposits with counterparties	$3,144	$7,957
Copper contracts	4,359	668
	$7,503	$8,625
Liabilities		
Current		
Copper contracts	$931	$20,103
Non-Current		
Copper contracts	$468	$2,064

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 September 30, 2011 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 through profit and loss each period and records the fair value of these derivative instruments as an asset or liability at each reporting date. The fair value of these financial instruments has been recorded as either an asset or a liability as of September 30, 2011 depending on the attributes of the contracts.

(a) Balances at September 30, 2011

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 will take place pursuant to the contracts.

Option contracts outstanding at September 30, 2011 for copper are as follows:

	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	$3.08	$4.63	7,441,000	6,559,000
2012	$3.32	$5.01	22,349,000	19,070,000
2013	$3.40	$5.08	3,638,000	2,425,000

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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.

(b) Transactions Subsequent to September 30, 2011

From October 1 to November 8, 2011 the Company purchased and sold put and call options to manage its exposure to changes in copper prices.

	Weighted Average			
	Minimum Price US$/lb	Maximum Price US$/lb	Put Options Purchased (Sold)	Call Options Sold (Bought)
Contract Period			*lbs of copper*	*lbs of copper*
2011	$2.85	$4.47	(1,405,000)	(965,000)
2012	$2.50	$5.54	744,000	(3,059,000)

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.

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 the Company made a provision for the full amount of the LBCS derivatives in 2008.

In November 2011 the Company agreed to sell its claims against LBCS and Lehman for US$13,900 subject to completion of documentation and approval by the Trustee. On closing, the Company will record a bad debt recovery equal to the proceeds as the carrying amount of the claims had been written down to nil.

15. SHARE BASED COMPENSATION

Prior to May 19, 2010 the Company recognized a liability for the potential cash settlements under its Share Option Plans (Note 16(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 16(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.

Changes to the share based compensation liability related to when the cash settlement option was in effect are as follows:

	Year Ended December 31 2010
Balance, beginning of period	$10,143
Share based compensation	7,441
Current period payment for options exercised	(1,144)
Transferred to share capital on issuance of common shares	(2,365)
Transfer to share option reserve on de-recognition of liability on amendment of stock options plans	(14,075)
Balance, end of period	-
Less portion due within one year	-
	$ -

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16. 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 September 30, 2011 a total of 1,930,418 common share options 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.

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 resulting in the de-recognition of the liability as of that date. Effective May 19, 2010, the Company valued any new option grants using the Black-Scholes option pricing model.

As a result of the change in accounting policy it was required to estimate the fair value of the options outstanding on May 19, 2010. This was done using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	May 19, 2010 Weighted Average
Exercise price	$11.49
Grant date share price	$11.47
Risk-free interest rate	2.06%
Expected life	2.75 years
Annualized volatility	74.71%
Dividend rate	0%
Grant date fair value	$10.27
Number of options	419,472

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Movements in Share Options

The changes in share options during the Nine Months Ended September 30, 2011 and year ended December 31, 2010 were as follows:

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	1,866,834	$15.55	2,230,501	$8.56
Granted	-	-	805,000	$22.80
Exercised	(70,833)	$8.15	(1,144,667)	$7.05
Forfeited	(21,000)	$16.92	-	$ -
Expired	(10,000)	$24.00	(24,000)	$14.38
Outstanding at end of period	1,765,001	$15.78	1,866,834	$15.55
Options exercisable at end of period	606,001	$10.75	488,834	$10.80

Fair Value of Share Options Granted

The fair value of each option granted subsequent to May 19, 2010 is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	May 20, 2010 to December 31, 2010 Weighted Average
Exercise price	$23.10
Grant date share price	$23.05
Risk-free interest rate	1.76%
Expected life	5.35 years
Annualized volatility	67.4%
Dividend rate	0%
Grant date fair value	$11.82
Number of options	725,000

(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.

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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.

In the nine months ended September 30, 2011 the Company repurchased 3,200 common shares at an average price of $21.61 per share pursuant to the NCIB's at a cost of $69. A total of 3,200 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.

17. COST OF SALES

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Operating expenses	$53,795	$36,392	$131,393	$125,562
Depletion and depreciation	6,993	6,394	17,676	18,800
Share based compensation	90	35	311	128
	$60,878	$42,821	$149,380	$144,490

18. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Administration	$1,306	$574	$3,650	$3,038
Share based compensation	1,176	531	3,855	8,223
Depreciation	28	46	113	140
Foreign exchange loss (gain)	(4,431)	1,231	(1,436)	1,526
Mineral property holding costs	26	805	130	1,664
	$(1,895)	$3,187	$6,312	$14,591

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19. FINANCE COSTS

The finance costs (income) for the Company are as follows:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Accretion of future site reclamation provisions	$178	$206	$588	$614
Interest on non-current debt	29	31	88	225
Other interest expense	432	72	556	301
Interest accretion on non-current debt	-	-	-	154
Foreign exchange (gain) loss on current debt	602	(57)	(196)	(524)
Foreign exchange (gain) loss on non-current debt	28	(25)	11	(17)
Fair value adjustment to marketable securities	62	(28)	140	(14)
Realized losses on derivative instruments	841	2,728	9,214	5,255
Unrealized gains on derivative instruments	(17,499)	8,152	(30,341)	(4,397)
	(15,327)	11,079	(19,940)	1,597
Interest income	(251)	(215)	(545)	(359)
Finance costs (income)	$(15,578)	$10,864	$(20,485)	$1,238

20. INCOME AND MINING TAXES

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Current income and mining taxes	$1,809	$786	$12,276	$6,330
Deferred income and mining taxes	6,578	3,388	13,387	5,316
	$8,387	$4,174	$25,663	$11,646

The current income and mining tax expense for the nine months ended September 30, 2011 of $12,276 (September 30, 2010-$6,330) is primarily due to a significant portion of the Company's taxable income from Mount Polley being generated in a partnership with a tax yearend that is not aligned with the tax yearend of the Company. As a result, the taxable income in the partnership is deferred into the subsequent calendar year and cash income taxes are recorded in the period the income becomes taxable for income tax purposes. Accordingly, current and deferred income and mining taxes have been accounted for based on this corporate structure. Included in current income and mining tax expense for the nine months ended September 30, 2011 is $9,497 of current income taxes payable originating from Mount Polley taxable income in 2010 that was deferred to 2011.

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21. INCOME PER SHARE

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

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Numerator:				
Net Income	$17,617	$7,429	$45,405	$19,338
Denominator:				
Basic weighted-average number of common shares outstanding	36,920,514	36,694,071	36,909,228	35,903,477
Effect of dilutive securities:				
Stock options	539,893	533,870	538,331	500,716
Diluted potential common shares	539,893	533,870	538,331	500,716
Diluted weighted-average number of common shares outstanding	37,460,407	37,227,941	37,447,559	36,404,193
Basic net income per common share	$0.48	$0.20	$1.23	$0.54
Diluted net income per common share	$0.47	$0.20	$1.21	$0.53

Excluded from the calculation of diluted net income per common share for the nine months ended September 30, 2011 were 733,833 shares (September 30, 2010–108,833 shares) related to stock options.

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22. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non cash operating working capital balances:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Trade and other receivables	$2,529	$(9,748)	$4,374	$(4,072)
Inventory	14,530	(3,311)	9,540	4,363
Derivative instrument assets and margin deposits	(3,178)	3,841	(473)	(5,257)
Prepaid expenses and deposits	701	(600)	1,414	10
Trade and other payables	8,756	4,958	7,992	5,681
Derivative instrument liabilities	3,357	(573)	4,928	4,745
	$26,695	$(5,433)	$27,775	$5,470

(b) Supplemental information on non-cash financing and investing activities:

During the nine months ended September 30, 2011
(i) the Company purchased mobile mining equipment at a cost of $697 which was financed by long term debt and is repayable at $21 per month over a three year term with interest at 5.25%.
(ii) the Company received marketable securities with a fair value of $3 as an option payment on a mineral property.

During the three months ended September 30, 2010
(i) the Company purchased mobile mining equipment at a cost of $825 which was financed by long term debt and is repayable at $25 per month over a three year term at Bank Prime Rate plus 2%.

During the nine months ended September 30, 2010
(i) 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%.
(ii) all the outstanding debentures with a face value of $13,980 were converted into 1,616,173 common shares (Note 12).

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23. JOINT VENTURES

Included in the condensed consolidated interim financial statements 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:

Statement of Financial Position	Sept 30 2011 [(1)]	Dec 31 2010 [(1)]
Current Assets		
Cash and cash equivalents	$28,941	$28,746
Short term investments	28,500	1,500
Derivative instrument assets	5,453	4,624
Other current assets	14,877	18,829
	77,771	53,699
Mineral properties	12,235	9,998
Other non-current assets	13,445	22,692
	103,451	86,389
Current Liabilities		
Trade and other payables	(7,777)	(18,844)
Non-current future site reclamation provisions	(14,704)	(16,444)
Other non-current liabilities	(470)	-
	$80,500	$51,101

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 (December 31, 2010 - $536). There have been no operations since the inception of the Porcher Island Joint Venture 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.

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	Three Months Ended Sept 30	
	2011	2010
Statement of Income and Comprehensive Income		
Revenues	$16,147	$18,891
Cost of Sales	(12,297)	(9,474)
Income from Mine Operations	3,850	9,417
General and Administration	1,485	(381)
Finance Costs	10,104	(8,501)
Income and Mining Taxes	(4,546)	(373)
Net Income and Comprehensive Income	$10,893	$162
Statement of Cash Flows		
Operating activities	$8,931	$2,503
Investing activities	(26,879)	1,066
Effect of foreign exchange on cash and cash equivalents	1,020	(393)
(Decrease) increase in cash and cash equivalents	$(16,928)	$3,176

	Nine Months Ended Sept 30	
	2011	2010
Statement of Income and Comprehensive Income		
Revenues	$66,959	$54,197
Cost of Sales	(33,692)	(36,085)
Income from Mine Operations	33,267	18,112
General and Administration	544	(5)
Finance Costs	11,579	(2,914)
Income and Mining Taxes	(15,991)	(4,708)
Net Income and Comprehensive Income	$29,399	$10,485
Statement of Cash Flows		
Operating activities	$31,946	$13,137
Financing activities	-	(5,000)
Investing activities	(31,844)	(3,529)
Effect of foreign exchange on cash and cash equivalents	93	(280)
Increase in cash and cash equivalents	$195	$4,328

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24. RELATED PARTY TRANSACTIONS

The consolidated interim financial statements include the financial statements of Imperial Metals Corporation and its subsidiaries and joint ventures listed in the following tables:

Subsidiaries		% equity interest as at	
Name	Country of Incorporation	Sept 30 2011	Dec 31 2010
416898 BC Ltd.	Canada	100%	100%
American Bullion Minerals Ltd.	Canada	100%	52.3%
Bethlehem Resources Corporation	Canada	100%	100%
Catface Copper Mines Limited	Canada	100%	100%
CAT-Gold Corporation	Canada	100%	100%
Goldstream Mining Corporation	Canada	100%	100%
High G Minerals Corporation	Canada	100%	100%
HML Mining Inc.	Canada	100%	100%
Mount Polley Mining Corporation	Canada	100%	100%
Princeton Exploration Ltd.	Canada	100%	100%
Red Chris Development Company Ltd.	Canada	100%	100%
Ruddock Creek Mining Corporation	Canada	100%	100%
Selkirk Metals Corp.	Canada	100%	100%
Sterling Gold Mining Corporation	USA	100%	100%

Joint Ventures		% equity interest as at	
Name	Country of Incorporation	Sept 30 2011	Dec 31 2010
Huckleberry Mines Ltd.	Canada	50%	50%
Porcher Island Joint Venture	Canada	35%	35%

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:

	Sept 30 2011	Dec 31 2010
Trade and other payables[1]	$45	$1,789
Convertible debentures (at face value)	$ -	$ -

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 12)

[1] Trade and other payables are unsecured, non-interest bearing and due on terms noted on the invoices.

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	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Interest expense on non-current debt	$ -	$ -	$ -	$109
Cost of sales	-	$2	$8	$29
Mineral exploration costs	$40	$1,622	$3,031	$1,622

The Company incurred the above transactions and balances in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of directors and other members of key management personnel during the three and nine months ended September 30, 2011 and 2010 are as follows:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Compensation including directors' fees(1)	$310	$291	$894	$861

(1) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the nine months ended September 30, 2011 and 2010.

26. REPORTABLE OPERATING SEGMENTED INFORMATION

The Company operates primarily in Canada and the majority of its assets are located in Canada.

At September 30, 2011 the Company has four reportable operating segments each including related exploration and development activities, Mount Polley, Huckleberry, Red Chris and Corporate. Transactions between reportable operating segments are recorded at fair value.

In periods prior to December 31, 2010 the Company's Red Chris segment was part of the Corporate segment.

A reportable operating segment is defined as a component of the Company:
- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

As at September 30, 2011, the Mount Polley and Huckleberry segments were in commercial production and are earning revenue through the sale of copper and molybdenum concentrate and magnetite to external customers. As at September 30, 2011, the Red Chris segment has yet to achieve commercial production, and earns revenues as finance income. As at September 30, 2011 the Corporate segment does not include any properties that have achieved commercial production, and earns minimal revenue as finance income.

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The Company's reportable operating segments are summarized in the following table:

	Three Months Ended September 30, 2011				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$53,040	$16,147	$ -	$857	$70,044
Less inter-segment revenues	(542)	-	-	(93)	(635)
Revenues from external sources	$52,498	$16,147	$ -	$764	$69,409
Net Income (loss)	$4,573	$10,893	$(49)	$2,200	$17,617
Depletion and Depreciation	$6,000	$875	$ -	$146	$7,021
Finance Costs (income)	$(4,540)	$(10,104)	$ -	$(934)	$(15,578)
Capital Expenditures	$8,291	$1,782	$4,037	$(1,419)	$12,691
Total Assets	$205,157	$102,915	$153,648	$30,645	$492,365
Total Liabilities	$88,776	$22,950	$2,778	$47,910	$162,414

	Three Months Ended September 30, 2010				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$49,410	$18,891	$ -	$198	$68,499
Less inter-segment revenues	-	-	-	(22)	(22)
Revenues from external sources	49,410	$18,891	$ -	$176	$68,477
Net Income (loss)	$9,500	$162	$(146)	$(2,087)	$7,429
Depletion and Depreciation	$5,857	$458	$ -	$125	$6,440
Finance Costs	$2,394	$8,505	$4	$(39)	$10,864
Capital Expenditures	$8,999	$1,129	$5,443	$(378)	$15,193
Total Assets	$168,318	$75,337	$116,539	$44,224	$404,418
Total Liabilities	$60,465	$32,557	$3,109	$24,749	$120,880

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2011 and 2010

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(reportable operating segments continued)

	Nine Months Ended September 30, 2011				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$137,476	$66,959	$ -	$2,244	$206,679
Less inter-segment revenues	(542)	-	-	(143)	(685)
Revenues from external sources	$136,934	$66,959	$ -	$2,101	$205,994
Net Income (loss)	$19,102	$29,399	$(122)	$(2,974)	$45,405
Depletion and Depreciation	$15,087	$2,215	$ -	$487	$17,789
Finance Costs (income)	$(4,329)	$(11,579)	$(3)	$(4,574)	$(20,485)
Capital Expenditures	$19,650	$4,247	$9,787	$18,876	$52,560
Total Assets	$205,157	$102,915	$153,648	$30,645	$492,365
Total Liabilities	$88,776	$22,950	$2,778	$47,910	$162,414

	Nine Months Ended September 30, 2010				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$136,815	$54,197	$ -	$412	$191,424
Less inter-segment revenues	(126)	-	-	(66)	(192)
Revenues from external sources	$136,689	$54,197	$ -	$346	$191,232
Net Income (loss)	$21,512	$10,485	$(85)	$(12,574)	$19,338
Depletion and Depreciation	$16,645	$1,913	$ -	$382	$18,940
Finance Costs	$(1,359)	$2,918	$4	$(325)	$1,238
Capital Expenditures	$22,441	$3,028	$12,655	$861	$38,985
Total Assets	$168,318	$75,337	$116,539	$44,224	$404,418
Total Liabilities	$60,465	$32,557	$3,109	$24,749	$120,880

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2011	2010	2011	2010
Revenue by geographic area				
Japan [1]	$39,953	$23,050	$144,534	$99,821
United States	-	21,332	(199)	44,511
Europe	27,227	23,541	55,787	45,684
Canada	2,229	554	5,872	1,216
	$69,409	$68,477	$205,994	$191,232

[1] Including in the Nine Months Ended September 30, 2011 $66,959 (2010-$54,197) related to Huckleberry, and in the three months ended September 30, 2011 $16,147 (2010-$18,891) related to Huckleberry.

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

In the nine months ended September 30, 2011, the Company had four principal customers (September 30, 2010–four principal customers) with each customer accounting for 27%, 25%, 21% and 13% of revenues (September 30, 2010–24%, 24%, 23% and 18% of revenues). The Company is not reliant on any one customer to remain as a going concern.

In the three months ended September 30, 2011, the Company had three principal customers (September 30, 2010–three principal customers) with each customer accounting for 39%, 39% and 15% of revenues (September 30, 2010–34%, 31% and 18% of revenues). The Company is not reliant on any one customer to remain as a going concern.

expressed in thousands of Canadian dollars, except for share and per share amounts

27. COMMITMENTS AND PLEDGES

(a) At September 30, 2011 the Company is committed to future minimum operating lease payments, including $604 related to Huckleberry, as follows:

2011	$332
2012	248
2013	180
2014	126
2015	105
	$991

(b) As at September 30, 2011 Huckleberry had outstanding copper derivative instruments with two counterparties. In coordination with the outstanding derivative instruments, Huckleberry is obligated to provide security deposits which are dependent upon the net fair value of the outstanding derivative instruments at period end. Huckleberry had US$6,000 of security deposits outstanding at September 30, 2011 representing US$2,000 in initial margin security deposits and US$4,000 in mark to market security deposits. The initial security deposit is not subject to change and will remain outstanding until the maturity of the final derivative instrument with the counterparty. Should Huckleberry acquire additional derivative instruments then Huckleberry may be required to increase the initial security margin deposits the amount of which is dependent upon the quantity, type and maturity date of the derivative instrument and the counterparty. The mark to market security deposit required is calculated as the net fair value liability of the outstanding copper derivative instruments with the counterparty less the borrowing limit granted by the counterparty. As at September 30, 2011 Huckleberry's derivative instruments not yet settled were a net fair value asset of US$16,609 (as at September 30, 2010-liability of US$12,263).

(c) The Company has pledged cash deposits of $9,412 (December 31, 2010-$7,929), including $3,114 (December 31, 2010-$3,114) related to Huckleberry, shown as future site reclamation deposits and certain mining equipment and supplies inventory with a pledged value of $1,370 (December 31, 2010-$1,370) as security for future site reclamation obligations (Note 13).

(d) The Company is obligated to increase its reclamation bond funding by $3,000 by December 31, 2011, $3,000 by December 31, 2012, and $3,150 by December 31, 2013, all of which is related to Huckleberry.

(e) As at September 30, 2011 the Company had commitments, all related to Huckleberry, to purchase mobile mining equipment at a cost of US$10,485. Purchases for six units totalling US$6,850 can be cancelled at any time prior to delivery at a cost of US$25 per unit.

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28. 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, none of these matters will have a material effect on the Company's consolidated financial position or financial performance.

29. TRANSITION TO IFRS

As stated in Note 2 these condensed consolidated interim financial statements have been prepared in accordance with IFRS. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and comprehensive loss has been set out in Note 28 to the condensed consolidated interim financial statements for the three months ended March 31, 2011.

The accounting policies set out in Note 2 to the condensed consolidated interim financial statements for the three months ended March 31, 2011 have been applied in preparing the financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in preparation of an opening IFRS Statement of Financial Position at January 1, 2010 (the Company's Date of Transition) and as at December 31, 2010.

There have been no changes to these accounting policies during the nine months ended September 30, 2011.

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Consolidated Interim Statement of Financial Position Reconciliation – September 30, 2010

		September 30, 2010			
	*Notes**	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents		$35,191	$ -	$ -	$35,191
Short term investments		500	-	-	500
Marketable securities		229	-	-	229
Trade and other receivables	*(i)*	46,250	-	2,116	48,366
Taxes receivable	*(i)*	3,321	-	(3,321)	-
Inventory	*(d)(f(3))*	24,096	110	-	24,206
Derivative instrument assets and margin deposits		5,095	-	-	5,095
Prepaid expenses and deposits	*(i)*	-	-	1,205	1,205
Deferred income taxes	*(h)(f(6))*	3,643	-	(3,643)	-
		118,325	110	(3,643)	114,792
Derivative Instrument Assets and Margin Deposits		7,218	-	-	7,218
Mineral Properties	*(a)(b)(c)(f(1)(2)(4))*	265,260	1,753	-	267,013
Future Site Reclamation Deposits	*(i)*	6,522	-	(6,522)	-
Deferred Income Taxes	*(g)(h)(f(5)(6))*	5,682	(737)	3,643	8,588
Other Assets	*(i)*	285	-	6,522	6,807
		$403,292	$1,126	$ -	$404,418
LIABILITIES					
Current Liabilities					
Trade and other payables		$25,622	$ -	$ -	$25,622
Taxes payable		4,777	-	-	4,777
Derivative instrument liabilities		13,623	-	-	13,623
Current portion of non-current debt		1,617	-	-	1,617
Current portion of future site reclamation provisions	*(b)(f(4))*	604	8	-	612
Deferred income taxes	*(h)(f(6))*	7,363	-	(7,363)	-
		53,606	8	(7,363)	46,251
Derivative Instrument Liabilities		1,778	-	-	1,778
Non-Current Debt		1,286	-	-	1,286
Future Site Reclamation Provisions	*(b)(f(4))*	14,326	6,536	-	20,862
Deferred Income Taxes	*(f(5)(6))(g)(h)*	43,061	279	7,363	50,703
		114,057	6,823	-	120,880
SHAREHOLDERS' EQUITY					
Share Capital	*(e)*	111,944	(1,248)	-	110,696
Share Option Reserve		7,612	339	-	7,951
Currency Translation Adjustment	*(a)*	-	(214)	-	(214)
Retained Earnings	*(e)*	169,679	(4,574)	-	165,105
		289,235	(5,697)	-	283,538
		$403,292	$1,126	$ -	$404,418

**Refer to Note 28 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.*

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Consolidated Interim Statement of Comprehensive Income Reconciliation – September 30, 2010

		Three Months Ended September 30, 2010			
	*Notes**	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
Revenue	*(i)*	$68,692	$ -	$(215)	$68,477
Cost of Sales	*(c)(f(2))(i)*	(36,930)	538	(6,429)	(42,821)
Income from Mine Operations		31,762	538	(6,644)	25,656
Expenses					
Mineral property holding costs	*(i)*	805	-	(805)	-
Depletion and depreciation	*(d)(i)*	6,428	12	(6,440)	-
General and administration	*(i)*	574	-	2,613	3,187
Share based compensation	*(i)*	334	232	(566)	-
Accretion of future site reclamation costs and interest on non-current debt	*(b)(c)(f(4))(i)*	282	(76)	(206)	-
Other interest	*(i)*	72	-	(72)	-
Interest on long term debt	*(i)*	31	-	(31)	-
Foreign exchange loss (gain)	*(a)(i)*	1,225	(76)	(1,149)	-
		9,751	92	(6,656)	3,187
Finance Costs	*(i)*	-	-	(10,864)	(10,864)
Realized and unrealized gains (losses) on derivative instruments	*(i)*	(10,880)	-	10,880	-
Other Income	*(i)*	26	-	(28)	(2)
Income before Taxes		11,157	446	-	11,603
Income and Mining Taxes	*(g)(h)*	(4,106)	(68)	-	(4,174)
Net Income Attributable to Equity Shareholders of the Company		7,051	378	-	7,429
Other Comprehensive Income – currency translation adjustment	*(a)*	-	(470)	-	(470)
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$7,051	$(92)	$ -	$6,959
Income Per Share					
Basic		$0.19			$0.20
Diluted		$0.19			$0.20
Weighted Average Number of Common Shares Outstanding					
Basic		36,694,071			36,694,071
Diluted		37,227,941			37,227,941

**Refer to Note 28 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Consolidated Interim Statement of Comprehensive Income Reconciliation – September 30, 2010

		Nine Months Ended September 30, 2010			
	*Notes**	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
Revenue	*(i)*	$191,591	$ -	$(359)	$191,232
Cost of Sales	*(c)(f(2))(i)*	(128,173)	2,611	(18,928)	(144,490)
Income from Mine Operations		63,418	2,611	(19,287)	46,742
Expenses					
Mineral property holding costs	*(i)*	1,664	-	(1,664)	-
Depletion and depreciation	*(d)(i)*	18,796	144	(18,940)	-
General and administration	*(i)*	3,038	-	11,553	14,591
Share based compensation	*(i)*	8,012	339	(8,351)	-
Accretion of future site reclamation costs and interest on non-current debt	*(b)(c)(f(4))(i)*	1,061	(293)	(768)	-
Other interest	*(i)*	301	-	(301)	-
Interest on long term debt	*(i)*	225	-	(225)	-
Foreign exchange loss (gain)	*(a)(i)*	999	(14)	(985)	-
		34,096	176	(19,681)	14,591
Finance Costs	*(i)*	-	-	(1,238)	(1,238)
Realized and unrealized gains (losses) on derivative instruments	*(i)*	(858)	-	858	-
Other Income	*(i)*	85	-	(14)	71
Income before Taxes		28,549	2,435	-	30,984
Income and Mining Taxes	*(g)(h)*	(11,031)	(615)	-	(11,646)
Net Income Attributable to Equity Shareholders of the Company		17,518	1,820	-	19,338
Other Comprehensive Income – currency translation adjustment	*(a)*	-	(214)	-	(214)
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$17,518	$1,606	$ -	$19,124
Income Per Share					
Basic		$0.49			$0.54
Diluted		$0.48			$0.53
Weighted Average Number of Common Shares Outstanding					
Basic		35,903,477			35,903,477
Diluted		36,404,193			36,404,193

**Refer to Note 28 of the condensed consolidated interim financial statements for the three months ended March 31, 2011.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Consolidated Interim Statement of Cash Flows Reconciliation – September 30, 2010

	Three Months Ended September 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
OPERATING ACTIVITIES				
Net Income before taxes	$7,051	$378	$4,174	$11,603
Items not affecting cash flows	18,834	160	(3,518)	15,476
	25,885	538	656	27,079
Net change in non cash operating working capital balances	(3,242)	-	(2,191)	(5,433)
Income and mining taxes paid (recovered)	-	-	1,535	1,535
Cash provided by operating activities	22,643	538	-	23,181
FINANCING ACTIVITIES				
Cash provided by financing activities	1,645	-	-	1,645
INVESTING ACTIVITIES				
Cash used in investing activities	(14,376)	(538)	-	(14,914)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(616)	-	-	(616)
INCREASE IN CASH AND CASH EQUIVALENTS	$9,296	-	-	9,296
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	25,895	-	-	25,895
CASH AND CASH EQUIVALENTS, END OF PERIOD	$35,191	$ -	$ -	$35,191

	Nine Months Ended September 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
OPERATING ACTIVITIES				
Net Income before taxes	$17,518	$1,820	$11,646	$30,984
Items not affecting cash flows	26,397	791	(5,874)	21,314
	43,915	2,611	5,772	52,298
Net change in non cash operating working capital balances	2,838	-	2,632	5,470
Income and mining taxes paid	-	-	(8,404)	(8,404)
Cash provided by operating activities	46,753	2,611	-	49,364
FINANCING ACTIVITIES				
Cash provided by financing activities	82	-	-	82
INVESTING ACTIVITIES				
Cash used in investing activities	(35,124)	(2,611)	-	(37,735)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	(374)	-	-	(374)
INCREASE IN CASH AND CASH EQUIVALENTS	11,337	-	-	11,337
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,854	-	-	23,854
CASH AND CASH EQUIVALENTS, END OF PERIOD	$35,191	$ -	$ -	$35,191

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