2011 SECOND QUARTER REPORT

TO OUR SHAREHOLDERS

Imperial's comparative financial results for the three and six months ended June 30, 2011 and June 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"). All dollar amounts are in thousands of Canadian dollars, unless otherwise specified.

	Three Months Ended June 30		Six Months Ended June 30	
(unaudited) in thousands except per share amounts	2011	2010	2011	2010
Revenues	$39,405	$53,435	$136,585	$122,755
Income from mine operations	$11,806	$4,790	$48,083	$21,086
Net Income	$8,035	$13,596	$27,788	$11,909
Net Income Per Share	$0.22	$0.38	$0.75	$0.33
Adjusted Net Income [(1)]	$5,354	$1,815	$18,349	$9,469
Adjusted Net Income Per Share [(1)]	$0.15	$0.05	$0.50	$0.27
Cash Flow [(1)]	$11,094	$8,504	$46,431	$25,219
Cash Flow Per Share [(1)]	$0.30	$0.23	$1.26	$0.71

Revenues were $39.4 million in the June 2011 quarter compared to $53.4 million in the 2010 quarter. The June 2011 quarter includes one concentrate shipment from the Mount Polley mine and one concentrate shipment from the Huckleberry mine, compared to two concentrate shipments from each mine in the comparative quarter. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

Income before taxes for the three months ended June 2011 decreased to $11.0 million from $17.4 million in the June 2010 quarter. The Company recorded a net income of $8.0 million in the June 2011 quarter compared to net income of $13.6 million in the 2010 quarter. Adjusted net income in the quarter was $5.4 million or $0.15 per share, versus $1.8 million or $0.05 per share in the June 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 $1.7 million in the June 2011 quarter compared to gains of $11.1 million in the June 2010 quarter including unrealized net gains on copper and currency derivatives of $3.7 million in the June 2011 quarter compared to unrealized net gains of $12.1 million in the June 2010 quarter. The Company realized losses of $2.0 million on copper and currency derivatives in the June 2011 quarter compared to losses of $1.0 million in the June 2010 quarter.

Cash flow increased to $11.1 million in the June 2011 quarter compared to $8.5 million in the 2010 quarter. The $2.6 million increase is primarily the result of improved operating margins resulting from substantially higher copper and gold prices offset by the effect of the weaker US Dollar and lower sales volumes from the Mount Polley and Huckleberry mines.

Capital expenditures increased to $28.7 million from $13.6 million in the comparative 2010 quarter and included the first equipment purchases for the Red Chris project. In addition, in June 2011 the Company purchased the minority interest in American Bullion Minerals Ltd. for $25.1 million to now hold 100% of the Red Chris project. All expenditures in the June 2011 quarter were financed from short term debt and cash flow from the Mount Polley and Huckleberry mines except for $0.7 million of mobile mining equipment financed by long term debt. At June 30, 2011 the Company had $47.0 million in cash, cash equivalents and short term investments.

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

[(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.*

Mount Polley Mine

Production	Six Months Ended June 30	
	2011	2010
Ore milled (tonnes)	3,703,519	3,868,170
Ore milled per calendar day (tonnes)	20,461	21,371
Grade % - copper	0.277	0.323
Grade g/t - gold	0.271	0.300
Recovery % - copper	58.24	63.42
Recovery % - gold	61.91	67.49
Copper (lbs)	13,156,684	17,442,703
Gold (oz)	20,002	25,160
Silver (oz)	45,970	83,289

Mill throughput averaged 21,852 tonnes per day for the 2011 second quarter, up substantially from the 2011 first quarter when weather hampered throughput averaging 19,055 tonnes per day. Copper and gold production was up compared to the 2011 first quarter at approximately 7 million pounds copper and 10,770 ounces gold. All ore continues to come from the Phase 3 pushback of the Springer pit. Shipments of dense media magnetite in June 2011 were 5,111 tonnes.

Exploration at Mount Polley continued with two surface diamond drills and one underground diamond drill. Surface drilling of 12,290 metres in 21 drill holes were completed in the WX, C2, Cariboo and Springer areas and 4,020 metres was cored in 29 drill holes from underground at the Boundary zone. Surface exploration remains focused on targets within the C2 and Cariboo areas, and further underground development is planned for the Boundary zone now that the initial phase of underground drilling is complete.

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

Huckleberry Mine

Production	Six Months Ended June 30	
(100% - Imperial owns 50%)	2011	2010
Ore milled (tonnes)	2,900,100	2,805,400
Ore milled per calendar day (tonnes)	16,022	15,500
Grade (%) – copper	0.409	0.382
Recovery (%) – copper	90.6	91.3
Copper (lbs)	23,701,000	21,564,000
Gold (oz)	1,785	1,536
Silver (oz)	124,913	96,269
Molybdenum (lbs)	6,923	58,958

Copper production was 10.5 million pounds in the 2011 second quarter compared to 13.2 million in the 2011 first quarter as a significant portion of the mill feed was from lower grade stockpiles, while mining focused on the pushback of the Main Zone Extension highwall. Copper recovery from these stockpiled ores 88.5%, lower than the 92.3% achieved in the first quarter when higher grade freshly mined ores were treated.

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 8 years to Huckleberry's mine life. The amendment is anticipated to be approved by the Province in the third quarter 2011.

A Titan 24 Magnetotellurics and IP/ Resistivity survey consisting of four lines covering 9,300 metres was completed to test potential deep copper mineralization below the Main Zone Optimization pit design as well as previously established copper and aeromagnetic anomalies. Follow up rock chip sampling and diamond drilling is planned to test the resulting IP anomalies.

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

Red Chris

The results from 40 deep diamond drill holes completed during the period from June 2010 to May 2011 are expected to be received by the end of September following which an updated mineral resource will be calculated for Red Chris.

Three deep drill holes totalling 3,060.8 metres were drilled during the second quarter, completing the deep drilling program which was designed to define the mineralized system to at least 1,000 metres below surface in the area of the proposed open pit.

The focus at Red Chris will be on permitting, engineering, procurement and development. Engineering for the 30,000 tonne per day mine has started. The contract to complete the detailed design has been awarded to AMEC. Two major pieces of used equipment, a 12,000 hp 34 foot diameter SAG mill and a 40 cubic yard P&H 2800 electric shovel, have been purchased from Northgate's Kemess mine.

The Northwest Mine Development Review Committee is scheduled to meet in mid-September to review the Red Chris project. BC Hydro indicated in a recent news release that design and geotechnical work is underway that will lead to actual construction of the Northwest Transmission Line, scheduled to begin next year. Hydro did note that clearance of right-of-ways and other work is already underway.

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

Sterling

Underground sampling and drilling continued on the 3180 and 3220 levels to investigate the northerly down dip extent of the 144 zone. Underground development for the current quarter totalled 540 feet. A total of 27,200 tons of heap leachable material grading approximately 0.095 ounces per ton has been generated by development in the 144 zone.

During the remainder of 2011 plans are to complete construction of a new leach pad and recovery plant that will allow the restart of gold production at Sterling. These facilities will be put in place to generate cash flow to fund further development and exploration of the 144 Zone. The total capital cost implementing this plan is estimated to be US$8 million.

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

Ruddock Creek

At the Ruddock Creek property during the second quarter, underground development and diamond drilling continued in the lower E-Zone. The decline was extended a further 49.5 metres, while 28 holes totaling 4,972.9 metres of underground diamond drilling were completed. Total underground drilling to June 30 in the current program was 66 holes totalling 11,959.2 metres, while the decline has been extended a total of 306.5 metres. The underground drilling program will be completed in early August 2011 and surface drilling programs have commenced on the Q, Creek and U Zones.

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

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 8 years to Huckleberry's mine life. The amendment is anticipated to be approved by the Province in the third quarter 2011.

A second phase of underground development is planned at Mount Polley's Boundary zone to follow up on the excellent results obtained in the underground drilling.

A leach pad and other infrastructure will be constructed at Sterling so the production of gold can be restarted. This will enable Sterling to generate cash, while underground development and exploration continues.

Detailed engineering and procurement for Red Chris has begun. AMEC has been engaged to complete detailed engineering for the 30,000 tonne per day mine. Two key pieces of equipment, a 34 foot diameter SAG mill and 40 cubic yard electric shovel have been purchased. Once assays from all the 2010 and 2011 diamond drilling are received, a new resource estimate will be completed for Red Chris. This is expected to be completed in the fourth quarter 2011.

The acquisition of the minority interest in American Bullion Minerals Ltd. in June 2011 gives Imperial 100% ownership of the Red Chris project. Funding for the American Bullion Minerals Ltd. share acquisition and equipment purchases from Kemess was provided by an expanded line of credit from the Bank of Montreal and by cashflow from Mount Polley.

Brian Kynoch
President

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 June 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 March 31, 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 June 30, 2011, and plans for the future based on facts and circumstances as of August 10, 2011. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking statements. When we discuss: mine plans; our costs and timing of current and proposed exploration; development; production and marketing; capital expenditures; the construction of the Northwest Transmission Line; cashflow; working capital requirements; and the requirement for additional capital; operations; revenue; margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; future prices for marketable securities; future resolution of contingent liabilities; or other things that have not yet happened in this review we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States securities laws. We refer to them in this review as *forward-looking information.*

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

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

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

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

OVERVIEW

Revenues were $39.4 million in the three months ending June 30, 2011 compared to $53.4 million in the comparative 2010 quarter. The decrease is due to significantly lower sales volumes offset in part by substantially higher copper and gold prices. The June 2011 quarter includes one concentrate shipment from Mount Polley mine and one concentrate shipment from Huckleberry mine, compared to two concentrate shipments from each mine in the comparative quarter.

The London Metals Exchange cash settlement copper price per pound averaged US$4.15 in the 2011 period compared to US$3.19 in the 2010 period. The US Dollar compared to the CDN Dollar averaged about 5.8% lower in the 2011 period than in the 2010 period. In CDN Dollar terms the average copper price in the 2011 period was 22.5% higher than the 2010 period.

Revenue in the second quarter of 2011 was increased by a $0.2 million favourable revenue revaluation compared to $11.3 million unfavourable revenue revaluation in the second quarter of 2010. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period statement of financial position being higher than when the revenue was initially recorded or the copper price at the 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.

Income from mine operations increased to $11.8 million from $4.8 million in 2010 as result of higher copper and gold prices and a positive revenue revaluation of $0.2 million in the current quarter compared to a significant negative revenue revaluation of $11.3 in the comparative quarter.

Net income for the period ended June 30, 2011 was $8.0 million ($0.22 per share) compared to net income of $13.6 million ($0.38 per share) in 2010. The decrease in net income was primarily due to a reduction in the current quarter net realized and unrealized gains on financial instruments of $1.7 million compared to a net gain of $11.1 million in the comparative quarter.

Adjusted net income in the three months ended June 30, 2011 was $5.4 million ($0.15 per share) compared to $1.8 million ($0.05 per share) in the June 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 June 30		Six Months Ended June 30	
[expressed in thousands of dollars, except share amounts]	2011	2010	2011	2010
Net income as reported	$8,035	$13,596	$27,788	$11,909
Unrealized (income) on derivative instruments, net of tax (a)	(2,681)	(8,645)	(9,439)	(8,973)
Unrealized share based compensation (income) expense, net of tax (b)	-	(3,136)	-	6,533
Adjusted Net Income (c)	$5,354	$1,815	$18,349	$9,469
Adjusted Net Income Per Share (c)	$0.15	$0.05	$0.50	$0.27

(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 is recorded effective December 31, 2009 due to changes in legislation regarding the expected deductibility of this expense. As further described under the heading Share Based Compensation Expense, the Company changed its method of accounting for share based compensation in the 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 increased to $11.1 million in the three months ending June 30, 2011 from $8.5 million in the comparative 2010 quarter. The $2.6 million increase is primarily the result of increased operating margins at Mount Polley and Huckleberry mines due to substantially higher copper and gold prices and positive revenue revaluations offset by lower sales volumes and a weaker US Dollar in the current quarter compared to lower copper prices and large negative revenue revaluations in the comparative quarter which were 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 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 June 2011 quarter were $28.0 million, up from $13.6 million in the June 2010 quarter. Expenditures in both the 2011 and 2010 quarters were financed via short term debt and by cash flow from the Mount Polley and Huckleberry mines. In addition, in the June 2011 quarter the Company purchased $0.7 million of mobile mining equipment financed by long term debt. At June 30, 2011 the Company had $47.0 million (2010-$25.9 million) in cash and cash equivalents and short term investments, inclusive of the Company's share of cash and cash equivalents of Huckleberry of $49.9 million (2010-$25.2 million).

Derivative Instruments

In the three month period ending June 30, 2011 the Company has no derivative instruments related to gold or silver, only copper and the CDN/US Dollar exchange rate. During the current period the Company recorded gains of $1.7 million on derivative instruments, primarily for copper, compared to gains of $11.1 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 and the CDN/US Dollar exchange rate. These amounts include realized losses of $1.9 million in 2011 and $1.0 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 60% of copper settlements through July 2012 via min/max zero cost collars. For Huckleberry derivative instruments include puts and min/max zero cost collars extending out to April 2013 covering about 80% of copper settlements in the period.

At June 30, 2011 the Company has unrealized losses on its derivative instruments. This represents a decrease in fair value of the derivative instruments from the dates of purchase to June 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 June 30, 2011 the Company had $3.9 million on deposit with counterparties.

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

During the last quarter of 2010 the Company's claims were confirmed by the Trustee for LBCS and Lehman at US$18.5 million. There is an active market for LBCS claims and the Company could monetize the contingent gain. Claim buyers are offering to purchase the claims at between 65% and 70% of the US$18.5 million claim amount.

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

Share Based Compensation Expense

From June 13, 2007 until May 18, 2010 all option holders had the right, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise. This option balanced the need for a long term compensation program to retain employees and the concerns of shareholders regarding the dilution caused by the exercise of stock options. As a result of the right of option holders to receive a cash payment, 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 JUNE 2011 QUARTER

General

In US Dollars, copper prices were 30.2% higher in the June 2011 quarter than in the comparative 2010 quarter, averaging about US$4.15/lb compared to US$3.19/lb. The US Dollar continued to be weaker against the CDN Dollar during the three months ending June 30, 2011. The average US/CDN Dollar exchange rate during the current period was 0.97. Factoring in the weaker average exchange rate, the price of copper averaged CDN$4.02/lb, about 22.5% higher than the June 2010 quarter average of CDN$3.28/lb.

Mount Polley

Exploration expenditures at Mount Polley were $2.1 million in the June 2011 quarter compared to $1.5 million in the June 2010 quarter. Exploration at Mount Polley continued with two surface diamond drills and one underground diamond drill. Surface drilling of 12,290 metres in 21 drill holes were completed in the WX, C2, Cariboo and Springer areas and 4,020 metres was cored in 29 drill holes from underground at the Boundary zone. Surface exploration remains focused on targets within the C2 and Cariboo areas, and further underground development is planned for the Boundary zone now that the initial phase of underground drilling is complete.

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 $4.9 million in the June 2011 quarter compared to $0.1 million in the June 2010 quarter. Huckleberry's income increased due to higher copper prices, lower revenue revaluations offset by lower sales volumes. Note 23 to the Interim Financial Statements of the Company for the three months ending June 30, 2011 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

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 8 years to Huckleberry's mine life. The amendment is anticipated to be approved by the Province in the third quarter 2011.

A Titan 24 Magnetotellurics and IP/ Resistivity survey consisting of four lines covering 9,300 metres was completed to test potential deep copper mineralization below the Main Zone Optimization pit design as well as previously established copper and aeromagnetic anomalies. Follow up rock chip sampling and diamond drilling is planned to test the resulting IP anomalies.

Red Chris

Exploration and development expenditures at Red Chris, excluding capital equipment purchased from Northgate's Kemess mine, were $2.4 million in the June 2011 quarter compared to $4.5 million in the June 2010 quarter. Three deep drill holes totaling 3,060.8 metres were completed during the second quarter. These holes completed the deep drilling program which was designed to define the mineralized system to at least 1,000 metres below surface in the area of the proposed open pit.

The results from 40 deep diamond drill holes completed during the period from June 2010 to May 2011 are expected to be finalized by the end of September following which an updated mineral resource will be calculated for Red Chris.

The focus at Red Chris will be on permitting, engineering, procurement and development. Engineering for the 30,000 tonne per day mine has started. The contract to complete the detailed design has been awarded to AMEC. Two major pieces of used equipment, a 12,000 hp 34 foot diameter SAG mill and a 40 cubic yard P&H 2800 electric shovel, have been purchased from Northgate's Kemess mine.

Sterling

Exploration and development expenditures at Sterling were $1.1 million in the June 2011 quarter compared to $0.2 million in the June 2010 quarter.

Underground sampling and drilling continued on the 3180 and 3220 levels to investigate the northerly down dip extent of the 144 zone. Underground development for the current quarter totalled 540 feet. A total of 27,200 tons of heap leachable material grading approximately 0.095 ounces per ton has been generated by development in the 144 zone.

During the remainder of 2011 plans are to complete construction of a new leach pad and recovery plant that will allow the restart of gold production at Sterling. These facilities will be put in place to generate cash flow to fund further development and exploration of the 144 Zone. The total capital cost implementing this plan is estimated to be US$8 million.

Ruddock Creek

At the Ruddock Creek property during the second quarter, underground development and diamond drilling continued in the lower E-Zone. The decline was extended a further 49.5 metres, while 28 holes totaling 4,972.9 metres of underground diamond drilling were completed. Total underground drilling to June 30 in the current program was 66 holes totalling 11,959.2 metres, while the decline has been extended a total of 306.5 metres. The underground drilling program will be completed in early August 2011 and surface drilling programs have commenced on the Q, Creek and U Zones.

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 June 30, 2011 is the Company's second 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 June 30, 2010, Consolidated Interim Statement of Comprehensive Income for the six and three months ended June 30, 2010, and Consolidated Interim Statement of Cash Flows for the three and six months ended June 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 June 30, 2010 and December 31, 2010 for comparative purposes:

	January 1 2010	June 30 2010	December 31 2010
	(000's)	*(000's)*	*(000's)*
Shareholders' Equity under Canadian GAAP	$234,112	$279,842	$308,806
Increase (Decrease) to Shareholder' Equity:			
Foreign Currency Translation	(999)	(805)	(1,680)
Future Site Reclamation Provisions	(5,325)	(5,169)	(4,579)
Mineral Properties	(856)	1,142	2,906
Debt Component of Convertible Debentures	(57)	(57)	-
Deferred Income Taxes	(401)	(948)	(1,406)
Total IFRS adjustments to Shareholders' Equity	(7,638)	(5,837)	(4,759)
Shareholders' Equity under IFRS	$226,474	$274,005	$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 $1.7 million for the six months ended June 30, 2010 and $2.3 million for the year ended December 31, 2010. The following table summarizes the adjustments to net income for the six months ended June 30, 2010 and the year ended December 31, 2010 under IFRS:

	Six Months Ended June 30, 2010	Year Ended December 31, 2010
	(000's)	*(000's)*
Net Income under Canadian GAAP	$10,467	$35,323
Increase (Decrease) to Net Income:		
Cost of Sales	2,073	4,079
Interest Accretion on Future Site Reclamation Provisions	156	310
Share Based Compensation	(107)	(573)
Depletion and Depreciation	(132)	(317)
Interest Accretion on Convertible Debt	61	61
Foreign Exchange	(62)	61
Future site reclamation recovery	-	436
Income Tax	(547)	(1,005)
Total IFRS Adjustments to Net Income	1,442	3,052
Net Income under IFRS	11,909	38,375
Currency Translation Adjustment under IFRS	256	(742)
Comprehensive Net Income under IFRS	$12,165	$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 JUNE 30, 2011
COMPARED TO THE THREE MONTHS ENDED JUNE 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 June 30, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010.

Financial Results

Overview

Revenues decreased to $39.4 million for the three months ending June 30, 2011 from $53.4 million in the three months ending June 30, 2010. The decrease is due to lower sales volumes, partially offset by higher copper and gold prices. The June 2011 quarter includes one concentrate shipment from Mount Polley mine and one concentrate shipment from Huckleberry mine, compared to two concentrate shipments from each mine in the comparative quarter.

Net income for the three months ending June 30, 2011 was $8.0 million ($0.22 per share) compared to net income of $13.6 million ($0.38 per share) in the comparative quarter. Net income was lower in the current quarter as net realized and unrealized gains on derivative instruments fell to $1.7 million from gains of $11.1 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 $6.9 million to Imperial's income from mine operations in the June 2011 quarter compared to $4.7 million in the 2010 quarter. Imperial's share of Huckleberry's income from mine operations was $4.9 million in the June 2011 quarter compared to $0.1 million operating income in the comparative 2010 quarter. Higher copper and gold prices and favourable revenue revaluations increased operating margins.

Imperial had $1.7 million in gains on derivative instruments in the June 2011 quarter compared to gains of $11.1 million in the June 2010 quarter. 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 $27.6 million in the June 2011 quarter comprised of $21.8 million from Mount Polley and $5.8 million representing the Company's 50% share of Huckleberry. This compares to $48.7 million in the June 2010 quarter, comprised of $35.3 million from Mount Polley and $13.4 million from Huckleberry. The decrease is due to lower sales volumes. The depletion and depreciation component of cost of sales decreased to $3.0 million in the June 2011 quarter from $6.8 million in the 2010 quarter due primarily to lower sales volumes.

General and Administration Costs

General and administration expense increased to $3.3 million in the June 2011 quarter from $1.8 million recovery in the June 2010 quarter primarily due to a $3.0 million recovery of share based compensation in the comparative quarter. In addition the current quarter was negatively impacted by a $1.1 million foreign exchange loss compared to a $0.8 million foreign exchange gain in the comparative quarter.

The average CDN/US Dollar exchange rate of 0.968 in the June 2011 quarter was significantly lower than the average of 1.028 in the June 2010 quarter. During the June 2011 quarter the CDN/US Dollar exchange rate fluctuated from a high of 0.986 to a low of 0.948 resulting in a $1.1 million foreign exchange loss being recorded in the June 2011 quarter. Foreign exchange gains of $0.8 million were recorded in the June 2010 quarter as the CDN/US Dollar exchange rate was on an increasing trend going from 1.016 to 1.061. 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 both the 2011 and 2010 periods, finance costs are in a positive or income balance and not an expense balance. In the three months ended June 30, 2011 the Company recorded finance income of $2.2 million compared to $10.8 million in the comparative 2011 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.

During the three months ending June 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 $1.7 million during the three months ending June 30, 2011 compared to a gain of $11.1 million in the June 2010 quarter.

The unrealized losses on the derivative instrument contracts outstanding at June 30, 2011 were $3.5 million compared to unrealized gains of $2.6 million at June 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 June 2011 quarter the Company recorded foreign exchange gains of $0.7 million on debt compared to losses of $0.1 million in the June 2010 quarter.

Income and Mining Taxes

Income and mining taxes were $2.9 million in the June 2011 quarter compared $3.8 million in the June 2010 quarter. Current cash income tax recovery, excluding mineral taxes, in the current quarter were $0.4 million compared to a recovery of $1.1 million in the comparative 2010 quarter. As a result of improved mine operating profits, a total of $0.3 million expense was recorded for mineral taxes payable to the Province of British Columbia in the June 2011 quarter compared to $0.2 million in the June 2010 quarter. Deferred income taxes of $3.0 million in a non-cash item was recorded in the June 2011 quarter compared $4.7 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 continues to improve on the strength of higher copper and gold prices and resulting increase in cash flow and cash balances. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US Dollar denominated cash and cash equivalents, short term investments, 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 $8.0 million in the three months ending June 30, 2011 compared to net income of $13.6 million in the June 2010 quarter. Cash flow was $11.1 million in the June 2011 quarter compared to cash flow of $8.5 million in the comparative quarter. The $2.6 million increase is primarily the result of improved operating margins resulting from substantially higher copper and gold prices offset by the effect of the weaker US Dollar and lower sales volumes from the Mount Polley and Huckleberry mines. 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 June 30, 2011 the Company had working capital, defined as current assets less current liabilities of $57.3 million, a decrease of $14.3 million from working capital of $71.6 million at December 31, 2010. The June 30, 2011 working capital position reflects the increase in short term debt used to finance the acquisition of the minority interest in American Bullion Minerals Ltd. and the equipment purchases from Northgate's Kemess mine which both occurred in June 2011.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $28.7 million in the June 2011 quarter compared to $13.6 million in the June 2010 quarter. Acquisition and development expenditures in 2011 and 2010 were financed from 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.

Capital and development expenditures totaled $24.2 million in the June 2011 period compared to $8.0 million in the June 2010 period. Expenditures on Mount Polley, Huckleberry, Red Chris and Sterling, including the purchase of the Kemess assets, were $23.7 million in the June 2011 period compared to $8.0 million in the June 2010 period. The 2011 expenditures at Mount Polley included $3.2 million for ongoing capital to maintain and extend productive capacity and tailings dam construction compared to $6.0 million in 2010. The 2011 expenditures at Huckleberry were $2.1 million for ongoing capital projects compared to $1.0 million in 2010. Development expenditures at Red Chris totalled $1.5 million in the June 2011 period compared to $1.0 million in the June 2010 period.

Exploration expenditures were $4.5 million in the June 2011 period compared to $5.6 million in the June 2010 period. In the current period, Mount Polley exploration drilling and costs for the underground ramp into the Boundary zone were $2.1 million, Red Chris drilling was $0.9 million, and underground exploration work at Sterling was $1.0 million. In the June 2010 period, Mount Polley exploration drilling was $1.5 million, Red Chris drilling was $3.5 million and underground exploration work at Sterling was $0.2 million.

Acquisition of Minority Interest in American Bullion Minerals Ltd.

In June 2011 the Company purchased the minority 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 SIX MONTHS ENDED JUNE 30, 2011
COMPARED TO THE SIX MONTHS ENDED JUNE 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 six months ending June 30, 2011 and the audited Consolidated Financial Statements of the Company for the year ended December 31, 2010.

Financial Results

Overview

Revenues increased to $136.6 million for the six months ending June 30, 2011 from $122.8 million in the six months ending June 30, 2010. The increase is due to substantially higher copper and gold prices, reduced negative revenue settlement offset by the effect of the weaker US Dollar and lower sales volumes. The June 2011 period includes three concentrate shipments from Mount Polley mine and four concentrate shipments from Huckleberry mine, compared to four concentrate shipments from each mine in the comparative period.

Net income for the six months ending June 30, 2011 was $27.8 million ($0.75 per share) compared to net income of $11.9 million ($0.33 per share) in the comparative period. In addition to the improved margins from mine operations largely from higher copper and gold prices and reduced negative revenue settlements. Net income benefited from a decrease of $5.0 million in share based compensation expense over the comparative period however this was offset by a decrease of $5.5 million in gains on derivative instruments which fell from $10.0 million in 2010 to $4.5 million the 2011 period. The change in share based compensation expense is the result of a change in the intrinsic method used during the comparative period.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $18.7 million to Imperial's income from mine operations in the June 2011 period compared to $12.4 million in the 2010 period. Imperial's share of Huckleberry's income from mine operations was $29.4 million in the June 2011 period compared to $8.7 million operating income in the comparative 2010 period. Higher copper and gold prices and positive revenue revaluations increased operating margins.

Imperial had $4.5 million in gains on derivative instruments in the June 2011 period compared to gains of $10.0 million in the June 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 $88.5 million in the June 2011 period comprised of $67.1 million from Mount Polley and $21.4 million representing the Company's 50% share of Huckleberry. This compares to $101.7 million in the June 2010 period, comprised of $75.1 million from Mount Polley and $26.6 million from Huckleberry. The decrease in cost of sales is due to lower sales volumes. The depletion and depreciation component of cost of sales decreased to $10.7 million in the June 2011 period from $12.5 million in the 2010 period due to lower sales volumes.

General and Administration Costs

General and administration expense decreased to $8.2 million in the June 2011 period from $11.4 million in the June 2010 period primarily due to a $5.0 million recovery of share based compensation, offset by an increase in foreign exchange loss of $2.7 million over the prior 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 0.977 in the June 2011 period was significantly lower than the average of 1.034 in the June 2010 period. During the June 2011 period the CDN/US Dollar exchange rate was on a decreasing trend going from 1.026 to 0.964 resulting in a $3.0 million foreign exchange loss being recorded in the June 2011 period compared to a loss of $0.3 million in the June 2010 period. 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 both the 2011 and 2010 periods, finance costs are in a positive or income balance and not an expense balance. In the three months ended June 30, 2011 the Company recorded finance income of $4.9 million compared to $9.6 million in the comparative 2011 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 six months ending June 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 $4.5 million during the six months ending June 30, 2011 compared to a gain of $10.0 million in the June 2010 period.

The unrealized losses on the derivative instrument contracts outstanding at June 30, 2011 were $3.5 million compared to unrealized gains of $2.6 million at June 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 June 2011 period the Company recorded foreign exchange gains of $0.8 million on debt compared to $0.5 million in the June 2010 period.

Income and Mining Taxes

Income and mining taxes were $17.3 million in the June 2011 period compared $7.5 million in the June 2010 period. Current cash income taxes, excluding mineral taxes, in the current period were $9.3 million compared to $5.0 million in the comparative 2010 period. As a result of improved mine operating profits, a total of $1.2 million expense was recorded for mineral taxes payable to the Province of British Columbia in the June 2011 period compared to $0.6 million in the June 2010 period. Deferred income taxes of $6.8 million in a non-cash item was recorded in the June 2011 period compared to a recovery of $1.9 million in the comparative period.

Cash Flow

The Company recorded net income of $27.8 million in the six months ending June 30, 2011 compared to net income of $11.9 million in the June 2010 quarter. Cash flow was $46.4 million in the six months ending June 2011 compared to cash flow of $25.2 million in the comparative period. The $21.2 million increase is primarily the result of improved operating margins at Mount Polley and Huckleberry mines due to substantially higher copper and gold prices and positive revenue revaluations offset by lower sales volumes and a weaker US Dollar in the current period, compared to lower copper prices and 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 June 30, 2011 the Company had working capital, defined as current assets less current liabilities of $57.3 million, a decrease of $14.3 million from working capital of $71.6 million at December 31, 2010. The June 30, 2011 working capital position reflects the increase in short term debt used to finance the acquisition of the minority interest in American Bullion Minerals Ltd. and the equipment purchases from Northgate’s Kemess mine which both occurred in June 2011.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $39.9 million in the June 2011 period compared to $23.8 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 one mobile mining unit for $0.9 million that was financed from non-current debt in 2010.

Capital and development expenditures totalled $29.2 million in the June 2011 period compared to $15.2 million in the June 2010 period. Expenditures on Mount Polley, Huckleberry, Red Chris and Sterling, including purchase of the Kemess assets, were $28.6 million in the June 2011 period compared to $15.2 million in the June 2010 period. Expenditures of $6.3 million in the June 2011 period at Mount Polley included capital to maintain and extend productive capacity. Expenditures at Huckleberry in the June 2011 period were $2.5 million for ongoing capital programs. The June 2010 period expenditures at Mount Polley included $10.8 million for ongoing capital. The June 2010 period expenditures at Huckleberry were $1.9 million for ongoing capital projects. Capital expenditures in 2011 and 2010 were financed from short term debt and from cash flow from operations except for one mobile mining unit each period that was financed by non-current debt. Development expenditures at Red Chris totalled $2.6 million in the June 2011 period compared to $2.4 million in the June 2010 period. Capital expenditures at Sterling totalled $0.2 million in the 2011 June period compared to nil million in the June 2010 period.

Exploration expenditures were $10.7 million in the June 2011 period compared to $8.6 million in the June 2010 period. In the June 2011 period, Mount Polley exploration drilling was $5.1 million, Red Chris drilling was $3.2 million, and underground exploration work at Sterling was $2.0 million. In the June 2010 period Mount Polley exploration drilling was $2.6 million, Red Chris drilling was $4.9 million and underground exploration work at Sterling was $0.5 million.

Acquisition of Minority Interest in American Bullion Minerals Ltd.

In June 2011 the Company purchased the minority 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 $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 June 30, 2011:

[expressed in thousands of dollars]	2011	2012	2013	2014	2015	Total
Non-current debt	$868	$1,066	$448	$83	$ -	$2,465
Short term debt	53,484	-	-	-	-	53,484
Operating leases	190	200	89	53	30	562
Capital expenditures and other (2)	6,308	6,308	3,150	-	-	15,766
Mineral properties (1)	226	481	562	585	622	2,476
Total	$61,076	$8,055	$4,249	$721	$652	$74,753

(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 six mobile mining equipment units at a cost of US$6,850. The purchase 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 June 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			
	June 30 2011	March 31 2011	December 31 2010	September 30 2010
Total Revenues	$39,405	$97,180	$55,039	$68,477
Net Income	$8,035	$19,753	$19,230	$7,236
Income per share (1)	$0.22	$0.54	$0.52	$0.20
Diluted Income per share (1)	$0.21	$0.53	$0.51	$0.19
Adjusted Net Income (2)	$5,354	$12,995	$23,161	$13,065
Adjusted Net Income per share(1) (2)	$0.15	$0.35	$0.63	$0.36
Cash Flow (3)	$11,094	$35,337	$25,491	$27,079
Cash Flow per share (1) (3)	$0.30	$0.96	$0.71	$0.74
Average LME cash settlement copper price/lb in US$	$4.151	$4.378	$3.917	$3.285
Average US/CDN$ exchange rate	$0.968	$0.986	$1.012	$1.039
Period end US/CDN$ exchange rate	$0.964	$0.972	$1.005	$1.030

	Three Months Ended			
	June 30 2010	March 31 2010	December 31 2009(4)	September 30 2009(4)
Total Revenues	$53,435	$69,320	$63,559	$53,788
Net Income (Loss)	$13,596	$(1,687)	$(3,403)	$4,544
Income (Loss) per share (1)	$0.38	$(0.05)	$(0.10)	$0.14
Diluted Income (Loss) per share (1)	$0.37	$(0.05)	$(0.10)	$0.14
Adjusted Net Income (2)	$1,815	$7,654	$13,857	$13,399
Adjusted Net Income per share(1) (2)	$0.05	$0.22	$0.42	$0.42
Cash Flow (3)	$8,504	$16,715	$18,525	$15,856
Cash Flow per share (1) (3)	$0.23	$0.48	$0.57	$0.49
Average LME cash settlement copper price/lb in US$	$3.188	$3.286	$3.011	$2.649
Average US/CDN$ exchange rate	$1.028	$1.040	$1.056	$1.097
Period end US/CDN$ exchange rate	$1.061	$1.016	$1.047	$1.072

(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 June 30, 2011.

OTHER

As of August 10, 2011 the Company had 36,921,191 common shares outstanding, and on a diluted basis 38,725,192 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 22% of net assets, 19% of total assets, 37% of revenues, 61% of income from mine operations and $18.5 million of net income of the Interim Financial Statement amounts as of and for the six months ending June 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 June 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's plans for 2011 include exploration at its Mount Polley, Red Chris, Ruddock Creek and Sterling properties. The exploration at Ruddock Creek will be funded by joint venture partners earning an interest in the project. Ongoing exploration at Mount Polley in 2011 will continue to focus on defining underground higher grade mineralization at the Boundary zone, and further testing of the mineralized zones in the vicinity of the Springer pit. At Red Chris the drill program was completed which investigated the mineralization located beneath the planned open pit. Two diamond drills were in operation until May 7, 2011, completing a total of 11,650 metres of diamond drilling this year. Underground development and drilling will continue in the 144 Zone at the Sterling property. Some surface drilling may be conducted to test near surface mineralization in the vicinity of the historic Sterling workings. The Company continues to evaluate exploration opportunities both on currently owned properties and new prospects.

Development

At the Mount Polley mine the circuit installed in late 2010 to recover fine magnetite from the tailings was commissioned and 5,111 tonnes of dense media magnetite was shipped to coal mines in June 2011. The initial underground holes in the Boundary zone are proving the continuity of high grade copper, gold and silver mineralization hosted in a brecciated monzonite. The current underground exploration program has been designed to supplement previously reported surface drilling, and provide detailed information on the geometry of Boundary zone breccias. It is expected the Boundary zone program will provide sufficient information to design a test stope. The test mining of a stope should provide the geotechnical and cost information required to make a decision whether to develop an underground mining operation at Mount Polley that would supplement the current open pit mining operation.

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

The focus at Red Chris will be on permitting, engineering, procurement and development. Engineering for the 30,000 tonne per day mine has started.

At Sterling plans are to complete construction of a new leach pad and recovery plant that will allow the restart of gold production. These facilities will be put in place to generate cash flow to fund further development and exploration of the 144 Zone. The total capital cost implementing this plan is estimated to be US$8 million.

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.

[this page intentionally left blank]

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	June 30 2011	December 31 2010
ASSETS			
Current Assets			
Cash and cash equivalents		$43,026	$28,818
Short term investments		4,000	1,500
Marketable securities		331	384
Trade and other receivables	5	53,023	53,592
Inventory	6	46,040	41,762
Derivative instrument assets and margin deposits	14	1,463	5,229
Prepaid expenses and deposits		1,044	1,576
		148,927	132,861
Derivative Instrument Assets and Margin Deposits	14	4,044	8,625
Mineral Properties	8	303,099	273,682
Deferred Income Taxes		8,624	18,639
Other Assets	7	8,299	8,213
		$472,993	$442,020
LIABILITIES			
Current Liabilities			
Trade and other payables	9	$23,562	$24,324
Taxes payable		7,105	3,921
Short term debt	10	53,484	10,439
Derivative instrument liabilities	14	5,066	20,103
Current portion of share based compensation liability	15	-	-
Current portion of non-current debt	11	1,439	1,461
Current portion of debt component of convertible debentures	12	-	-
Current portion of future site reclamation provisions	13	983	982
		91,639	61,230
Derivative Instrument Liabilities	14	187	2,064
Non-Current Debt	11	1,026	1,054
Future Site Reclamation Provisions	13	21,111	20,819
Share Based Compensation Liability	15	-	-
Deferred Income Taxes		49,600	52,806
		163,563	137,973
SHAREHOLDERS' EQUITY			
Share Capital	16	112,255	111,778
Share Option Reserve	16	11,567	8,869
Equity Component of Convertible Debentures	12	-	-
Currency Translation Adjustment		(1,224)	(742)
Retained Earnings		186,832	184,142
		309,430	304,047
		$472,993	$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 Six Months Ended June 30, 2011 and 2010

Unaudited – Prepared by Management

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

	Notes	Second Quarter Three Months Ended June 30 2011	2010	Year to Date Six Months Ended June 30 2011	2010
Revenue		$39,405	$53,435	$136,585	$122,755
Cost of Sales	17	(27,599)	(48,645)	(88,502)	(101,669)
Income from Mine Operations		11,806	4,790	48,083	21,086
General and Administration	18	(3,334)	1,795	(8,207)	(11,404)
Finance Costs	19	2,215	10,795	4,907	9,626
Other Income		281	16	281	73
Income before Taxes		10,968	17,396	45,064	19,381
Income and Mining Taxes	20	(2,933)	(3,800)	(17,276)	(7,472)
Net Income Attributable to Equity Shareholders of the Company		8,035	13,596	27,788	11,909
Other Comprehensive Income (Loss) – currency translation adjustment		(110)	732	(482)	256
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$7,925	$14,328	$27,306	$12,165
Income Per Share					
Basic	21	$0.22	$0.38	$0.75	$0.33
Diluted	21	$0.21	$0.37	$0.74	$0.33
Weighted Average Number of Common Shares Outstanding					
Basic	21	36,909,328	36,204,404	36,903,492	35,501,628
Diluted	21	37,453,608	36,930,143	37,471,929	36,171,623

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	666,535	11,852	(7,226)	-	-	-	4,626
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	-	-	343	-	-	-	343
Net income and comprehensive income for the period	-	-	-	-	256	11,909	12,165
Balance June 30, 2010	36,529,226	$105,598	$10,475	$ -	$256	$157,676	$274,005
Balance December 31, 2010	36,883,358	$111,778	$8,869	$ -	($742)	$184,142	$304,047
Issued on exercise of options	27,333	477	(202)	-	-	-	275
Purchase price, including transaction costs, in excess of book value of minority interest in American Bullion Minerals Ltd. (Note 3)	-	-	-	-	-	(25,098)	(25,098)
Share based compensation expense	-	-	2,900	-	-	-	2,900
Net income and comprehensive income for the period	-	-	-	-	(482)	27,788	27,306
Balance June 30, 2011	36,910,691	$112,255	$11,567	$ -	$(1,224)	$186,832	$309,430

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2011 and 2010

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	Second Quarter Three Months Ended June 30 2011	2010	Year to Date Six Months Ended June 30 2011	2010
OPERATING ACTIVITIES					
Net income before taxes		$10,968	$17,396	$45,064	$19,381
Items not affecting cash flows					
Depletion and depreciation		3,015	6,800	10,768	12,500
Share based compensation, net of cash paid		1,428	(3,029)	2,900	6,640
Accretion of debt and future site reclamation provisions		205	204	410	562
Unrealized foreign exchange loss (gain)		(522)	(481)	582	(639)
Unrealized gains on derivative instruments		(3,648)	(12,090)	(12,842)	(12,549)
Interest paid		(116)	(79)	(179)	(428)
Other		(236)	(217)	(272)	(248)
		11,094	8,504	46,431	25,219
Net change in non cash operating working capital balances	22	(2,383)	9,496	1,080	10,903
Income and mining taxes paid		(3,811)	(2,722)	(8,558)	(9,939)
Cash provided by operating activities		4,900	15,278	38,953	26,183
FINANCING ACTIVITIES					
Proceeds of short term debt		104,080	11,254	120,686	27,013
Repayment of short term debt		(49,844)	(16,103)	(76,847)	(32,225)
Repayment of non-current debt		(384)	(628)	(730)	(976)
Issue of share capital		130	3,479	275	4,625
Cash provided by (used in) financing activities		53,982	(1,998)	43,384	(1,563)
INVESTING ACTIVITIES					
Increase in short term investments		-	-	(2,500)	-
Acquisition and development of mineral properties		(27,985)	(13,578)	(39,172)	(22,932)
Increase in future site reclamation deposits		(275)	(105)	(235)	(105)
Purchase of minority interest in American Bullion Minerals Ltd. including transaction costs of $1,118	3	(25,098)	-	(25,098)	-
Other		290	(2)	264	216
Cash used in investing activities		(53,068)	(13,685)	(66,741)	(22,821)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		(233)	690	(1,388)	242
INCREASE IN CASH AND CASH EQUIVALENTS		5,581	285	14,208	2,041
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		37,445	25,610	28,818	23,854
CASH AND CASH EQUIVALENTS, END OF PERIOD		$43,026	$25,895	$43,026	$25,895

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 Six Months Ended June 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 six months ended June 30, 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.

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).

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

3. ACQUISITION OF MINORITY 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 $1,118.

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 minority 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 minority interest in ABML have been charged to retained earnings.

4. CASH AND CASH EQUIVALENTS

	June 30 2011	December 31 2010
Cash	$43,026	$28,818
Cash equivalents	-	-
	$43,026	$28,818

5. TRADE AND OTHER RECEIVABLES

	June 30 2011	December 31 2010
Trade receivables	$51,748	$53,592
Taxes receivable	1,275	-
	$53,023	$53,592

6. INVENTORY

	June 30 2011	December 31 2010
Stockpile ore	$4,397	$3,657
Concentrate	29,414	26,246
Supplies	12,229	11,859
	$46,040	$41,762

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Inventory recognized as expense during the period	$7,752	$43,332	$64,897	$94,005

As at June 30, 2011, the Company had $34,680 (December 31, 2010 - $1,963) inventory pledged as security for reclamation bonds and liabilities.

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

7. OTHER ASSETS

	June 30 2011	December 31 2010
Future site reclamation deposits	$8,082	$7,929
Other	217	284
	$8,299	$8,213

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	$141,855	$280,382	$545,815
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	168,884	300,596	596,275
Additions	-	13,297	26,573	39,870
Disposals	-	(3)	(1,477)	(1,480)
Foreign exchange movement	(170)	(422)	(44)	(636)
Balance as at June 30, 2011	$126,625	$180,756	$325,648	$634,029

	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	$1,637	$223,175	$298,932
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	1,649	235,529	322,593
Depletion & depreciation	4,041	-	5,930	9,971
Disposals	-	-	(1,454)	(1,454)
Foreign exchange movement	(167)	-	(13)	(180)
Balance as at June 30, 2011	$91,289	$1,649	$237,992	$330,930
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 June 30, 2011	$35,336	$180,107	$87,656	$303,099

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

The Company has $6,616 ($nil – 2010) contractual commitments for the acquisition of mineral properties as at June 30, 2011. At June 30, 2011 assets with a fair value of $8,082 (December 31, 2010-$7,929) are legally restricted for the purposes of settling future site reclamation provisions.

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property consists of five mining leases and 42 mineral claims.

Huckleberry

The Company owns 50% of the Huckleberry open pit copper/molybdenum mine located 123 kilometres southwest of Houston in central British Columbia. The Huckleberry property consists of a mining lease covering approximately 1,911 hectares and 9 mineral claims encompassing approximately 4,207 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 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 20 mineral claims. 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 over three years.

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.

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

9. TRADE AND OTHER PAYABLES

	June 30 2011	December 31 2010
Trade payables	$11,528	$13,091
Accrued liabilities	12,034	11,233
	$23,562	$24,324

10. SHORT TERM DEBT

Amounts due for short term debt facilities are:

	June 30 2011	December 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 $7,828 (December 31, 2010-$493)	$7,827	$493
(ii) Bank loan US$17,738 (December 31, 2010-US$nil)	17,105	-
(iii) Bankers Acceptances with a maturity value of $20,000 (December 31, 2010-$nil)	19,951	-
(b) Concentrate advances of US$8,919 (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 2% and secured by a first charge on concentrate from the Mount Polley mine.	8,601	9,946
	$53,484	$10,439

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

	Six Months Ended June 30 2011	Year Ended December 31 2010
Balance, beginning of period	$10,439	$5,679
Amounts advanced	120,686	269,822
Interest accretion on Bankers Acceptances	4	-
Foreign exchange gain	(798)	(524)
Amounts repaid	(76,847)	(264,538)
	$53,484	$10,439

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

11. NON-CURRENT DEBT

Amounts due for non-current debt are:

	Note	June 30 2011	December 31 2010
Mount Polley Finance Contract	*(a)*	$311	$567
Mount Polley Finance Contract	*(b)*	436	622
Mount Polley Finance Contract	*(c)*	469	608
Mount Polley Finance Contract	*(d)*	587	718
Mount Polley Finance Contract	*(e)*	662	-
		2,465	2,515
Less portion due within one year		(1,439)	(1,461)
		$1,026	$1,054

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

	Six Months Ended June 30 2011	Year Ended December 31 2010
Balance, beginning of period	$2,515	$2,656
Amounts advanced	697	1,659
Foreign exchange gain	(17)	(41)
Amounts repaid	(730)	(1,759)
Balance, end of period	$2,465	$2,515

(a) Finance contract aggregating $311 (December 31, 2010-$567) repayable in monthly installments of $44 until August 2011 including interest at Bank Prime Rate plus 1% (4% at June 30, 2011) and secured by mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.
(b) Finance contract aggregating US$452 (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.
(c) Finance contract aggregating $469 (December 31, 2010-$608) repayable in monthly installments of $25 until January 2013 including interest at Bank Prime Rate plus 2% (5% at June 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 $587 (December 31, 2010-$718) repayable in monthly installments of $25 until July 2013 including interest at Bank Prime Rate plus 2% (5% at June 30, 2011) and secured by mobile mining equipment at the Mount Polley mine. Monthly repayments are subject to adjustment for interest rate movements.
(e) Finance contract aggregating $662 (December 31, 2010-$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.

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

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 June 30 and December 31, and were convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of $8.65 per common share.

The net proceeds of the debentures were allocated between the debt and equity components 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:

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

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

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:

	Six Months Ended June 30 2011	Year Ended December 31 2010
Balance, beginning of period	$21,801	$21,288
Accretion	410	818
Costs incurred during the period	(72)	(633)
Change in estimates of future costs and effect of translation of foreign currencies	(45)	328
Balance, end of period	22,094	21,801
Less portion due within one year	(983)	(982)
	$21,111	$20,819

The total undiscounted amount of estimated future cash flows required to settle the obligations is $49,130 (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 3.74% (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 $8,082 (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).

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

14. DERIVATIVE INSTRUMENTS

	June 30 2011	December 31 2010
Assets		
Current		
Copper contracts	$1,463	$5,050
Foreign currency contracts	-	179
	1,463	$5,229
Non-current		
Security deposits with counterparties	$3,858	$7,957
Copper contracts	186	668
	$4,044	$8,625
Liabilities		
Current		
Copper contracts	$5,066	$20,103
Non-Current		
Copper contracts	$187	$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 June 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 June 30, 2011 depending on the attributes of the contracts.

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

(a) Balances at June 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 or US Dollars will take place pursuant to the contracts.

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

	Weighted Average			
	Minimum Price US$/lb	Maximum Price US$/lb	Put Options Purchased	Call Options Sold (Bought)
Contract Period			*lbs of copper*	*lbs of copper*
2011	$3.02	$4.61	16,617,000	13,972,000
2012	$3.29	$4.96	16,535,000	14,771,000

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

Forward sales contracts for US Dollars, all related to Huckleberry production, outstanding at June 30, 2011 are as follows:

	US/CDN Dollar Exchange Rate	Forward Sales US Dollars
2011	$1.02	$3,750,000

(b) Transactions Subsequent to June 30, 2011

From July 1 to August 10, 2011 the Company purchased put options, sold call options and entered into forward sales contracts to manage its exposure to changes in copper prices.

	Weighted Average			
	Minimum Price US$/lb	Maximum Price US$/lb	Put Options Purchased (Sold)	Call Options Sold (Bought)
Contract Period			*lbs of copper*	*lbs of copper*
2012	$3.42	$5.15	5,815,000	4,299,000
2013	$3.40	$5.08	3,638,000	2,425,000

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.

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

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	-
	$ -

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

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 June 30, 2011 a total of 1,870,568 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

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

Movements in Share Options
The changes in share options during the six months ended June 30, 2011 and year ended December 31, 2010 were as follows:

	Six Months Ended June 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	(27,333)	$10.08	(1,144,667)	$7.05
Expired	(19,000)	$18.24	(24,000)	$14.38
Outstanding at end of period	1,820,501	$15.60	1,866,834	$15.55
Options exercisable at end of period	510,501	$10.95	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.

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.

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

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 six months ended June 30, 2011 the Company repurchased 2,200 common shares at an average price of $20.99 per share pursuant to the NCIB's at a cost of $46. A total of 2,200 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 June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Operating expenses	$24,509	$41,844	$77,598	$89,170
Depletion and depreciation	2,979	6,752	10,683	12,406
Share based compensation	111	49	221	93
	$27,599	$48,645	$88,502	$101,669

18. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Administration	$1,054	$1,422	$2,344	$2,464
Share based compensation	1,317	(3,035)	2,679	7,692
Depreciation	36	48	85	94
Foreign exchange loss (gain)	1,073	(761)	2,995	295
Mineral property holding costs	(146)	531	104	859
	$3,334	$(1,795)	$8,207	$11,404

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

19. FINANCE COSTS

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Accretion of future site reclamation provisions	$205	$204	$410	$408
Interest on non-current debt	30	23	59	194
Other interest expense	101	52	124	229
Interest accretion on non-current debt	-	-	-	154
Foreign exchange (gain) loss on current debt	(756)	37	(798)	(467)
Foreign exchange (gain) loss on non-current debt	(4)	36	(17)	8
Fair value adjustment to marketable securities	55	31	78	14
Realized losses on derivative instruments	1,932	1,005	8,373	2,527
Unrealized gains on derivative instruments	(3,648)	(12,090)	(12,842)	(12,549)
	(2,085)	(10,702)	(4,613)	(9,482)
Interest income	(130)	(93)	(294)	(144)
Finance costs (income)	$(2,215)	$(10,795)	$(4,907)	$(9,626)

20. INCOME AND MINING TAXES

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Current income and mining taxes	$(49)	$(916)	$10,467	$5,544
Deferred income and mining taxes	2,982	4,716	6,809	1,928
	$2,933	$3,800	$17,276	$7,472

The current income and mining tax expense for the six months ended June 30, 2011 of $10,467 (June 30, 2010-$5,544) 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 six months ended June 30, 2011 is $3,061 of current income taxes payable originating from Mount Polley taxable income in 2010 that was deferred to 2011.

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

21. INCOME PER SHARE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Numerator:				
Net Income	$8,035	$13,596	$27,788	$11,909
Denominator:				
Basic weighted-average number of common shares outstanding	36,909,328	36,204,484	36,903,492	35,501,628
Effect of dilutive securities:				
Stock options	544,280	725,659	568,437	669,995
Diluted potential common shares	544,280	725,659	568,437	669,995
Diluted weighted-average number of common shares outstanding	37,453,608	36,930,143	37,471,929	36,171,623
Basic net income per common share	$0.22	$0.38	$0.75	$0.33
Diluted net income per common share	$0.21	$0.37	$0.74	$0.33

Excluded from the calculation of diluted net income per common share for the six months ended June 30, 2011 were 743,833 shares (June 30, 2010–108,833 shares) related to stock options.

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

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Trade and other receivables	$13,859	$9,602	$1,845	$5,676
Inventory	(16,064)	2,085	(4,990)	7,674
Derivative instrument assets and margin deposits	1,120	(4,947)	2,705	(9,098)
Prepaid expenses and deposits	339	195	713	610
Trade and other payables	(1,433)	(602)	(764)	723
Derivative instrument liabilities	(204)	3,163	1,571	5,318
	$(2,383)	$9,496	$1,080	$10,903

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

During the three months ended June 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%.

During the six months ended June 30, 2011
(i) the Company received marketable securities with a fair value of $3 as an option payment on a mineral property.

During the six months ended June 30, 2010
(i) the Company purchased mobile mining equipment at a cost of $860 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%.
(ii) all the outstanding debentures with a face value of $13,980 were converted into 1,616,173 common shares (Note 12).

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

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	June 30 2011 [1]	December 31 2010 [1]
Current Assets		
Cash and cash equivalents	$45,869	$28,746
Short term investments	4,000	1,500
Derivative instrument assets	809	4,624
Other current assets	16,627	18,829
	67,305	53,699
Mineral properties	11,326	9,998
Other non-current assets	12,625	22,692
	91,256	86,389
Current Liabilities		
Trade and other payables	(6,854)	(18,844)
Non-current future site reclamation provisions	(14,608)	(16,444)
Other non-current liabilities	(187)	-
	$69,607	$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.

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

	Three Months Ended June 30	
	2011	2010
Statement of Income and Comprehensive Income		
Revenues	$10,684	$13,477
Cost of Sales	(5,753)	(13,379)
Income from Mine Operations	4,931	98
General and Administration	(90)	770
Finance Costs	399	6,911
Income and Mining Taxes	(1,193)	(1,874)
Net Income and Comprehensive Income	$4,047	$5,905
Statement of Cash Flows		
Operating activities	$11,209	$6,738
Investing activities	(2,028)	(3,665)
Effect of foreign exchange on cash and cash equivalents	(77)	531
Increase in cash and cash equivalents	$9,104	$3,604

	Six Months Ended June 30	
	2011	2010
Statement of Income and Comprehensive Income		
Revenues	$50,812	$35,306
Cost of Sales	(21,395)	(26,611)
Income from Mine Operations	29,417	8,695
General and Administration	(941)	376
Finance Costs	1,475	5,587
Income and Mining Taxes	(11,445)	(4,335)
Net Income and Comprehensive Income	$18,506	$10,323
Statement of Cash Flows		
Operating activities	$23,015	$10,634
Investing activities	(4,965)	(4,595)
Effect of foreign exchange on cash and cash equivalents	(927)	113
Increase in cash and cash equivalents	$17,123	$6,152

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

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	June 30 2011	December 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	June 30 2011	December 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:

	June 30 2011	December 31 2010
Trade and other payables[(1)]	$819	$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.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Interest expense on non-current debt	$ -	$ -	$ -	$109
Cost of sales	$2	$27	$8	$27
Mineral exploration costs	$1,303	$ -	$2,991	$ -

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 months ended June 30, 2011 and 2010 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Compensation including directors' fees(1)	$292	$285	$584	$570

(1) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the six months ended June 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 June 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 June 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 June 30, 2011, the Red Chris segment has yet to achieve commercial production, and earns revenues as finance income. As at June 30, 2011 the Corporate segment does not include any properties that have achieved commercial production, and earns minimal revenue as finance income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

Unaudited – Prepared by Management

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

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

	Three Months Ended June 30, 2011				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$27,984	$10,684	$ -	$765	$39,433
Less inter-segment revenues	-	-	-	(28)	(28)
Revenues from external sources	$27,984	$10,684	$ -	$737	$39,405
Net Income (loss)	$15,024	$4,047	$158	$(11,194)	$8,035
Depletion and Depreciation	$2,606	$232	$ -	$177	$3,015
Finance Costs	$287	$(399)	$(3)	$(2,100)	$(2,215)
Capital Expenditures	$5,271	$2,028	$2,384	$18,999	$28,682
Total Assets	$197,717	$90,720	$153,044	$31,512	$472,993
Total Liabilities	$75,459	$21,649	$2,128	$64,327	$163,563

	Three Months Ended June 30, 2010				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$39,937	$13,477	$ -	$43	$53,457
Less inter-segment revenues	-	-	-	(22)	(22)
Revenues from external sources	$39,937	$13,477	$ -	$21	$53,435
Net Income (loss)	$6,363	$5,905	$103	$1,225	$13,596
Depletion and Depreciation	$5,747	$924	-	$129	$6,800
Finance Costs	$(3,566)	$(6,911)	$ -	$(318)	$(10,795)
Capital Expenditures	$7,593	$969	$4,408	$608	$13,578
Total Assets	$157,947	$67,717	$110,096	$40,828	$376,588
Total Liabilities	$52,511	$25,099	$2,347	$22,626	$102,583

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

(reportable operating segments continued)

					Six Months Ended June 30, 2011
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$84,436	$50,812	$ -	$1,387	$136,635
Less inter-segment revenues	-	-	-	(50)	(50)
Revenues from external sources	$84,436	$50,812	$ -	$1,337	$136,585
Net Income (loss)	$14,529	$18,506	$(73)	$(5,174)	$27,788
Depletion and Depreciation	$9,087	$1,340	$ -	$341	$10,768
Finance Costs	$211	$(1,475)	$(3)	$(3,640)	$(4,907)
Capital Expenditures	$11,359	$2,465	$5,750	$20,295	$39,869
Total Assets	$197,717	$90,720	$153,044	$31,512	$472,993
Total Liabilities	$75,459	$21,649	$2,128	$64,327	$163,563

					Six Months Ended June 30, 2010
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$87,405	$35,306	$ -	$214	$122,925
Less inter-segment revenues	(126)	-	-	(44)	(170)
Revenues from external sources	$87,279	$35,306	$ -	$170	$122,755
Net Income (loss)	$12,012	$10,323	$61	$(10,487)	$11,909
Depletion and Depreciation	$10,788	$1,455	-	$257	$12,500
Finance Costs	$(3,753)	$(5,587)	$ -	$(286)	$(9,626)
Capital Expenditures	$13,442	$1,899	$7,212	$1,239	$23,792
Total Assets	$157,947	$67,717	$110,096	$40,828	$376,588
Total Liabilities	$52,511	$25,099	$2,347	$22,626	$102,583

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

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Revenue by geographic area				
Japan [1]	$36,568	$31,095	$104,581	$76,771
United States	-	(129)	(199)	23,179
Europe	16	22,143	28,560	22,143
Canada	2,821	326	3,643	662
	$39,405	$53,435	$136,585	$122,755

[1] Including in the six months ended June 30, 2011 $50,812 (2010-$35,306) related to Huckleberry, and in the three months ended June 30, 2011 $10,684 (2010-$13,477) related to Huckleberry.

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

In the six months ended June 30, 2011, the Company had three principal customers (June 30, 2010–four principal customers) with each customer accounting for 39%, 24% and 21% of revenues (June 30, 2010–34%, 19%, 18% and 18% of revenues). The Company is not reliant on any one customer to remain as a going concern.

In the three months ended June 30, 2011, the Company had three principal customers (June 30, 2010–three principal customers) with each customer accounting for 29%, 28% and 27% of revenues (June 30, 2010–40%, 34% and 15% of revenues). The Company is not reliant on any one customer to remain as a going concern.

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

27. COMMITMENTS AND PLEDGES

(a) At June 30, 2011 the Company is committed to future minimum operating lease payments, including $109 related to Huckleberry, as follows:

2011	$190
2012	200
2013	89
2014	53
2015	30
	$562

(b) As at June 30, 2011 Huckleberry had outstanding copper and foreign exchange derivative instruments with three 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$8,000 of security deposits outstanding at June 30, 2011 representing US$nil in initial margin security deposits and US$8,000 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 and foreign exchange derivative instruments with the counterparty less the borrowing limit granted by the counterparty. As at June 30, 2011 Huckleberry's derivative instruments not yet settled had a net fair value liability of US$4,903 (As at June 30, 2010-US$9,684).

(c) The Company has pledged cash deposits of $8,082 (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 June 30, 2011 the Company had commitments, all related to Huckleberry, to purchase six mobile mining equipment units at a cost of US$6,850. The purchase can be cancelled at any time prior to delivery of the units at a cost of US$25 per unit.

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

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 June 30, 2011, the comparative information presented in these financial statements for the period ended June 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 six months ended June 30, 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

Unaudited – Prepared by Management

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

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

	notes*	June 30, 2010 Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents		$25,895	$ -	$ -	$25,895
Marketable securities		202	-	-	202
Trade and other receivables	(i)	35,903	-	5,614	41,517
Taxes receivable	(i)	6,375	-	(6,375)	-
Inventory	(d)(f(3))	20,489	77	-	20,566
Derivative instrument assets and margin deposits		4,721	-	-	4,721
Prepaid expenses and deposits	(i)	-	-	761	761
Deferred income taxes	(h)(f(6))	2,649	-	(2,649)	-
		96,234	77	(2,649)	93,662
Derivative Instrument Assets and Margin Deposits		9,836	-	-	9,836
Mineral Properties	(a)(b)(c)(f(1)(2)(4))	257,258	1,654	-	258,912
Future Site Reclamation Deposits	(i)	6,599	-	(6,599)	-
Deferred Income Taxes	(g)(h)(f(5)(6))	5,382	(767)	2,649	7,264
Other Assets	(i)	315	-	6,599	6,914
		$375,624	$964	$ -	$376,588
LIABILITIES					
Current Liabilities					
Trade and other payables		$20,495	$ -	$ -	$20,495
Taxes payable		5,810	-	-	5,810
Derivative instrument liabilities		5,671	-	-	5,671
Current portion of non-current debt		1,269	-	-	1,269
Current portion of future site reclamation provisions	(b)(f(4))	844	8	-	852
Deferred income taxes	(h)(f(6))	4,307	-	(4,307)	-
		38,396	8	(4,307)	34,097
Derivative Instrument Liabilities		554	-	-	554
Non-Current Debt		1,252	-	-	1,252
Future Site Reclamation Provisions	(b)(f(4))	14,076	6,612	-	20,688
Deferred Income Taxes	(f(5)(6))(g)(h)	41,504	181	4,307	45,992
		95,782	6,801	-	102,583
SHAREHOLDERS' EQUITY					
Share Capital	(e)	106,846	(1,248)	-	105,598
Share Option Reserve		10,368	107	-	10,475
Currency Translation Adjustment	(a)	-	256	-	256
Retained Earnings	(e)	162,628	(4,952)	-	157,676
		279,842	(5,837)	-	274,005
		$375,624	$964	$ -	$376,588

**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
For the Six Months Ended June 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

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

		Three Months Ended June 30, 2010			
	*notes**	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
Revenue	*(i)*	$53,528	$ -	$(93)	$53,435
Cost of Sales	*(c)(f(2))(i)*	(43,372)	1,528	(6,801)	(48,645)
Income from Mine Operations		10,156	1,528	(6,894)	4,790
Expenses					
Mineral property holding costs	*(i)*	531	-	(531)	-
Depletion and depreciation	*(d)(i)*	6,390	410	(6,800)	-
General and administration	*(i)*	1,422	-	(3,217)	(1,795)
Share based compensation	*(i)*	(3,093)	107	2,986	-
Accretion of future site reclamation costs and interest on non-current debt	*(b)(c)(f(4))(i)*	282	(78)	(204)	-
Other interest	*(i)*	52	-	(52)	-
Interest on long term debt	*(i)*	23	-	(23)	-
Foreign exchange loss (gain)	*(a)(i)*	(823)	135	688	-
		4,784	574	(7,153)	(1,795)
Finance Costs	*(i)*	-	-	10,795	10,795
Realized and unrealized gains on derivative instruments	*(i)*	11,085	-	(11,085)	-
Other Income	*(i)*	(15)	-	31	16
Income before Taxes		16,442	954	-	17,396
Income and Mining Taxes	*(g)(h)*	(3,486)	(314)	-	(3,800)
Net Income Attributable to Equity Shareholders of the Company		12,956	640	-	13,596
Other Comprehensive Income – currency translation adjustment	*(a)*	-	732	-	732
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$12,956	$1,372	$ -	$14,328
Income Per Share					
Basic		$0.36			$0.38
Diluted		$0.35			$0.37
Weighted Average Number of Common Shares Outstanding					
Basic		36,204,404			36,204,404
Diluted		36,930,143			36,930,143

**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
For the Six Months Ended June 30, 2011 and 2010
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

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

	notes*	Six Months Ended June 30, 2010 Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
Revenue	*(i)*	$122,899	$ -	$(144)	$122,755
Cost of Sales	*(c)(f(2))(i)*	(91,243)	2,073	(12,499)	(101,669)
Income from Mine Operations		31,656	2,073	(12,643)	21,086
Expenses					
Mineral property holding costs	*(i)*	859	-	(859)	-
Depletion and depreciation	*(d)(i)*	12,368	132	(12,500)	-
General and administration	*(i)*	2,464	-	8,940	11,404
Share based compensation	*(i)*	7,678	107	(7,785)	-
Accretion of future site reclamation costs and interest on non-current debt	*(b)(c)(f(4))(i)*	779	(217)	(562)	-
Other interest	*(i)*	229	-	(229)	-
Interest on long term debt	*(i)*	194	-	(194)	-
Foreign exchange loss (gain)	*(a)(i)*	(226)	62	164	-
		24,345	84	(13,025)	11,404
Finance Costs	*(i)*	-	-	9,626	9,626
Realized and unrealized gains on derivative instruments	*(i)*	10,022	-	(10,022)	-
Other Income	*(i)*	59	-	14	73
Income before Taxes		17,392	1,989	-	19,381
Income and Mining Taxes	*(g)(h)*	(6,925)	(547)	-	(7,472)
Net Income Attributable to Equity Shareholders of the Company		10,467	1,442	-	11,909
Other Comprehensive Income – currency translation adjustment	*(a)*	-	256	-	256
Total Comprehensive Income Attributable to Equity Shareholders of the Company		$10,467	$1,698	$ -	$12,165
Income Per Share					
Basic		$0.29			$0.34
Diluted		$0.29			$0.33
Weighted Average Number of Common Shares Outstanding					
Basic		35,501,628			35,501,628
Diluted		36,171,623			36,171,623

**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

For the Six Months Ended June 30, 2011 and 2010

Unaudited – Prepared by Management

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

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

	Three Months Ended June 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
OPERATING ACTIVITIES				
Net Income before taxes	$12,956	$640	$3,800	$17,396
Items not affecting cash flows	(4,985)	888	(4,795)	(8,892)
	7,971	1,528	(995)	8,504
Net change in non cash operating working capital balances	5,779	-	3,717	9,496
Income and mining taxes paid	-	-	(2,722)	(2,722)
Cash provided by operating activities	13,750	1,528	-	15,278
FINANCING ACTIVITIES				
Cash used in financing activities	(1,998)	-	-	(1,998)
INVESTING ACTIVITIES				
Cash used in investing activities	(12,157)	(1,528)	-	(13,685)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	690	-	-	690
INCREASE IN CASH AND CASH EQUIVALENTS	285	-	-	285
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	25,610	-	-	25,610
CASH AND CASH EQUIVALENTS, END OF PERIOD	$25,895	$ -	$ -	$25,895

	Six Months Ended June 30, 2010			
	Canadian GAAP	Effect of Transition to IFRS	IFRS Re-classifications	IFRS
OPERATING ACTIVITIES				
Net Income before taxes	$10,467	$1,442	$7,472	$19,381
Items not affecting cash flows	7,563	631	(2,356)	5,838
	18,030	2,073	5,116	25,219
Net change in non cash operating working capital balances	6,080	-	4,823	10,903
Income and mining taxes paid	-	-	(9,939)	(9,939)
Cash provided by operating activities	24,110	2,073	-	26,183
FINANCING ACTIVITIES				
Cash used in financing activities	(1,563)	-	-	(1,563)
INVESTING ACTIVITIES				
Cash used in investing activities	(20,748)	(2,073)	-	(22,821)
EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	242	-	-	242
INCREASE IN CASH AND CASH EQUIVALENTS	2,041	-	-	2,041
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,854	-	-	23,854
CASH AND CASH EQUIVALENTS, END OF PERIOD	$25,895	$ -	$ -	$25,895

Imperial Metals Corporation
580 Hornby Street, Suite 200
Vancouver, BC V6C 3B6
604.669.8959
604.488.2657 investor relations

info@imperialmetals.com
www.imperialmetals.com

TSX:III

DIRECTORS
Brian Kynoch
Pierre Lebel, Chairman 1/2/3
Larry Moeller 1/2/3
Ted Muraro 2
Ed Yurkowski 1/2/3

1 Audit Committee
2 Compensation Committee
3 Corporate Governance & Nominating Committee

MANAGEMENT
Brian Kynoch
President
Andre Deepwell
Chief Financial Officer & Corporate Secretary
Kelly Findlay
Vice President, Finance
Byng Giraud
Vice President, Corporate Affairs
Gordon Keevil
Vice President, Corporate Development
Patrick McAndless
Vice President, Exploration
Don Parsons
Vice President, Operations

AUDITORS
Deloitte & Touche LLP

BANKERS
Bank of Montreal

LEGAL COUNSEL
Fasken Martineau DuMoulin LLP

TRANSFER AGENT
Computershare Investor Services Inc.
Shareholder Services
800.564.6253