2012 SECOND QUARTER REPORT

TO OUR SHAREHOLDERS:

Imperial's comparative financial results for the three and six months ended June 30, 2012 and June 30, 2011 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").

(unaudited) in thousands of CDN$ except per share amounts	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2012	2011	2012	2011
Revenues	$69,021	$39,405	$141,246	$136,585
Income from mine operations	$17,131	$11,806	$34,242	$48,083
Net Income	$11,966	$8,035	$16,565	$27,788
Net Income Per Share	$0.16	$0.11	$0.22	$0.38
Adjusted Net Income (1)	$10,535	$5,354	$18,740	$18,349
Adjusted Net Income Per Share (1)	$0.14	$0.07	$0.25	$0.25
Cash Flow (1)	$21,841	$11,210	$42,697	$46,610
Cash Flow Per Share (1)	$0.29	$0.15	$0.58	$0.63

(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, excluding mining and income taxes and before net change in working capital balances. Adjusted Net Income and Cash Flow Per Share are the same measures divided by the weighted average number of common shares outstanding during the period. *The Company believes these measures are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.*

Revenues were $69.0 million in the June 2012 quarter compared to $39.4 million in the 2011 quarter. The June 2012 quarter includes two concentrate shipments from the Mount Polley mine and two concentrate shipments from the Huckleberry mine, compared to one concentrate shipment from Mount Polley mine and one concentrate shipment from Huckleberry mine in the comparative 2011 quarter. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

The Company recorded net income of $12.0 million in the June 2012 quarter compared to net income of $8.0 million in the 2011 quarter. Adjusted net income in the quarter was $10.5 million or $0.14 per share, versus $5.4 million or $0.07 per share in the June 2011 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. 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 $2.1 million in the June 2012 quarter compared to gains of $1.7 million in the June 2011 quarter including unrealized net gains on copper derivatives of $1.9 million in the June 2012 quarter compared to $3.7 million in the June 2011 quarter. The Company realized gains of $0.2 million on copper derivatives in the June 2012 quarter compared to losses of $2.0 million in the June 2011 quarter.

Cash flow increased to $21.8 million in the three months ending June 30, 2012 from $11.2 million in the comparative 2011 quarter. The $10.6 million increase is primarily the result of improved income from mine operations resulting from higher sales volumes.

Capital expenditures increased to $44.2 million from $28.7 million in the comparative 2011 quarter. All expenditures in the June 2012 quarter were financed from cash flow from the Mount Polley and Huckleberry mines and from short term debt. At June 30, 2012 the Company had $53.6 million in cash and short term investments.

During the June 2012 quarter the Company did not purchase any common shares for cancellation.

MOUNT POLLEY MINE OPERATIONS

PRODUCTION	SIX MONTHS ENDED JUNE 30	
	2012	2011
Ore milled (tonnes)	4,086,655	3,703,519
Ore milled per calendar day (tonnes)	22,454	20,461
Grade % - copper	0.272	0.277
Grade g/t - gold	0.296	0.271
Recovery % - copper	64.40	58.24
Recovery % - gold	64.40	61.91
Copper (lbs)	15,796,737	13,156,684
Gold (oz)	25,049	20,002
Silver (oz)	55,028	45,970

Throughput was up 10 % from the comparable period in 2011, and for the quarter averaged 23,758 tonnes per calendar day a record quarterly throughput. Increased throughput, improved copper and gold recoveries, and better gold grades resulted in increased copper and gold production of 20% and 25% respectively from the levels achieved in the first six months of 2011. Gold production for the second quarter was 13,703 ounces, a record since the restart of Mount Polley operations in 2005.

Metallurgical performance is slowly improving as the Springer phase 3 pit continues to move deeper, and in July copper recovery averaged 70%, a level not previously seen with Springer ores. Throughput continues to exceed plan averaging 22,454 tonnes per day for the first six months of 2012. Gold production also continues at good levels with over 4000 ounces being produced in July.

Two recently acquired Caterpillar 793 (240 tonne) haul trucks were put into operation in late June 2012. These larger trucks will enable the mine to more fully utilize the P&H 2300 shovel which was put into service earlier this year, and enabled Mount Polley to release five Caterpillar 777 (85 tonne) haul trucks to Red Chris for use in construction activities there.

MOUNT POLLEY EXPLORATION

Surface diamond drilling continues at Mount Polley with two exploration drill rigs onsite. The drilling program is testing for mineralization beneath and adjacent to the Springer pit. During the 2012 second quarter 9,405 metres of diamond drilling were completed in 19 drill holes. The two drills are still working at Springer and the exploration area has been expanded to include drilling beneath the Cariboo pit, immediately adjacent to Springer.

A field crew was mobilized in May to the North Block, approximately 4 kilometres north of the current mining area, to continue early stage exploration initiated in the 2010 field season. During the quarter, 38 line kilometres of grid was established with 475 soil samples collected. An additional 258 soil samples were collected in July to complete the grid. When all results are received from the lab, crews will investigate the areas that are geochemically anomalous.

HUCKLEBERRY MINE OPERATIONS

PRODUCTION	SIX MONTHS ENDED JUNE 30	
[stated 100% - Imperial's allocation= 50%]	2012	2011
Ore milled (tonnes)	2,917,000	2,900,100
Ore milled per calendar day (tonnes)	16,027	16,022
Grade (%) – copper	0.306	0.409
Recovery (%) – copper	89.8	90.6
Copper (lbs)	17,661,000	23,701,000
Gold (oz)	1,329	1,785
Silver (oz)	93,196	124,913
Molybdenum (lbs)	-	6,923

As expected, copper grade and recovery were lower in the first half of 2012 compared to the first six months of 2011, as the mine plan included a significant portion of mill feed from low grade stockpiles. Throughput for the period averaged 16,027 tonnes per day virtually the same as for 2011. Operations since March have been better than plan and have made up for the reduced production in January and February due to extremely heavy snowfalls.

Work on the construction of the new tailings facility continued; the main sediment control pond is now complete. The project was impacted by heavier than normal winter snowpack which delayed till placement, but stripping and rock placement is ahead of schedule. Till placement will be a priority for the remainder of the year, and the normally good weather in July and August should enable us to catch up in this area.

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Imperial's share of Huckleberry's income from mine operations was $3.8 million in the June 2012 quarter compared to $4.9 million in the June 2011 quarter. Although Huckleberry had two shipments in the June 2012 quarter compared to one in the June 2011 quarter, Huckleberry's income from mine operations decreased due to lower metal prices in 2012 compared to 2011 and the impact of milling stockpile ore which is lower than average mine grade ore.

HUCKLEBERRY EXPLORATION

During the second quarter, Huckleberry completed a 1,752 metre drill program, comprising five holes directly adjacent to the Main Zone Optimization pit (MZO). Three holes approximately 200 metres each were drilled along the northwest margin of the MZO, and two deep holes (526 metres and 621 metres) were drilled at the eastern margin of the MZO to test for the down-dip continuation of mineralization associated with the Main Zone granodiorite stock towards the east (the "MZ Deep" target). Final assay results for these holes are pending. Results from the holes to the northwest of the MZO will be incorporated into the resource model for further assessment. Results from the deep drilling to the east of the MZO will be evaluated in conjunction with chargeability and resistivity models derived from a Titan-24 DC/IP/MT survey to determine future exploration potential of the MZ Deep target.

RED CHRIS

With the receipt of a Mines Act permit for the Red Chris project, work on the construction of the Red Chris mine commenced in May. Tahltan-Tercon Limited Partnership was contracted to complete the excavation of the plant site area to rough grade, this work began in May and is about 65% complete as of the end of July. We anticipate this work will be completed by the end of August. Work on the development of a borrow pit in the tailings storage area to produce concrete aggregates has started, and we are planning to pour some concrete for the process plant foundations this fall. A significant fleet of mine equipment, owned by Imperial, has been mobilized to Red Chris to be used to complete the earthworks required. Engineering is approximately 47% complete.

The work at Red Chris is being funded by cash flow from operations and the Bank of Montreal line of credit. Discussions with BC Hydro are underway regarding service from the Bob Quinn substation at the end of the new Northwest Transmission Line to the Red Chris mine. Work on the Northwest Transmission Line is underway and BC Hydro expects the facilities to be in service by Spring 2014.

Exploration drilling at Red Chris was suspended in May in anticipation of the start of mine construction. A total of 2,572 metres were drilled in the quarter to complete the five hole 2012 drilling program. Exploration crews were demobilized to make room in the camp for construction crews.

STERLING

Underground mining developed 835 feet of drift, principally on the 3292 and 3260 levels of the 144 zone ore body during the 2012 second quarter. The main access on each level is being driven, as well as drifts that cross-cut the ore body. This development work, in ore, is necessary prior to initiating bulk tonnage production mining blasts on these levels.

Underground exploration drilling is being conducted by Sterling personnel, utilizing a core drill, and is looking for possible mineralization to the south and west of ore currently modeled.

The raise-bored ventilation/secondary escape way raise was completed during the quarter. Following the excavation, the 8 foot diameter raise was shotcreted by a subcontractor utilizing a remote shotcrete unit. Installation of a new main ventilation fan, salvaged from the old Sterling mining operation and rebuilt, will be completed during the third quarter. An emergency escape hoist and vessel have been ordered. Delivery is expected late third quarter, or early fourth quarter. This new ventilation raise will dramatically improve air flow to the working areas, and provide a secondary means of escape in the event of a mine emergency.

PRODUCTION	SIX MONTHS ENDED JUNE 30 2012
Ore Stacked (tons)	49,822
Grade (oz/t) – gold	0.082
Gold (oz) – in-heap	4,109
Gold (oz) – in-process & poured	1,205
Gold shipped (oz)	-

Loading of the mine leach pad continued during the quarter. Material stockpiled from previous development work within the 144 zone ore body has been re-located onto the pad, as well as regular haulage of currently mined ore from development activities. By quarter end, over 49,000 tons containing approximately 4,100 ounces were loaded onto the leach pads, the average grade of this material was 0.082 oz/ton. In June 5,400 tons grading 0.155 oz/ton was added to the heap. Leaching of ore placed upon the pad commenced during the quarter and pregnant solution was processed through the newly completed carbon adsorption plant. Construction of a gold smelting facility was completed and the first gold doré was poured.

RUDDOCK CREEK

At Ruddock Creek the access road was plowed out and the camp was reactivated following the winter shutdown. Surface diamond drilling on the Creek zone commenced in late June 2012 with one drill. A total of 4,000 metres of drilling is planned. The current $6.0 million exploration program is funded by Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation. At the end of the program, Mitsui and Itochu will have earned a 50% interest in the Ruddock Creek property.

OUTLOOK

Sterling's first doré shipment of just over 1,000 ounces was made in late July. The doré produced was approximately 92% gold. Stoping operations should begin in September, and once this activity begins the monthly tonnage of material delivered to the heap should increase.

Production from Mount Polley and Imperial's 50% share of Huckleberry for the six months of 2012 totalled 24,626,737 pounds copper, 25,714 ounces gold, and 101,626 ounces silver, which is respectively 97.5%, 107.1% and 127% of the planned production. We expect to meet the production target of 50.5 million pounds of copper by year end, and exceed our target of 48,000 ounces of gold, with Mount Polley exceeding budget and the addition of Sterling production in the second half production.

Increased gold and copper production at Mount Polley for the first half of the year, compared to last year has more than offset the drop in prices and cash flow from Mount Polley for the year to date was $35.7 million compared to $23.7 million for the same period last year. Cash flow for the remainder of the year should benefit from Sterling mine gold production now that gold production has begun there.

Rough excavation for the plant site at Red Chris is well underway, and is expected to be complete by mid August. A 200 person construction camp is operational, and a borrow pit for the production of concrete aggregates is being developed in the tailings storage impoundment area. Tender documents have been issued for the concrete work required at Red Chris, and plans begin for placing concrete for the concentrator foundations this Fall. Engineering work is now about 47% complete. A significant fleet of mining equipment owned by Imperial including, five Caterpillar 777 haul trucks, a 992 Caterpillar Front-end Loader, two D10 Bulldozers, has been mobilized to site for use in construction activities.

Funding for the construction of a new tailing storage facility and additional mining equipment required for the implementation of the Main Zone Optimization pit at Huckleberry, will be from funds that Huckleberry has on hand. Funding of the Red Chris development to date has been from Mount Polley cash flow and the Company's line of credit. We expect this to continue into early 2013. The Company continues to evaluate financing options for the development of the Red Chris project, and plans to obtain additional funding for the project by the 2012 fourth quarter.

Brian Kynoch
President

[THIS PAGE INTENTIONALLY LEFT BLANK]

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, 2012 ("Interim Financial Statements"), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2011.

The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards.

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, 2012, and plans for the future based on facts and circumstances as of August 2, 2012. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking statements. When we discuss: mine plans; our costs and timing of current and proposed exploration; development; production and marketing; capital expenditures; the construction of the Northwest Transmission Line; cash flow; working capital requirements; and the requirement for additional capital; operations; revenue; margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; future prices for marketable securities; future resolution of contingent liabilities; or other things that have not yet happened in this review we are making statements considered to be *forward-looking information* or *forward-looking statements* under Canadian and United States securities laws. We refer to them in this review as *forward-looking information.*

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

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

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

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

OVERVIEW

Revenues were $69.0 million in the June 2012 quarter compared to $39.4 million in the comparative 2011 quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where copper price will settle at a future date. The increase in revenue in the June 2012 quarter over the 2011 quarter is due to higher sales volumes. There were four concentrate shipments in the June 2012 quarter, consisting of two shipments each from Mount Polley and Huckleberry, compared to two shipments in the comparative 2011 quarter consisting of one shipment each from Mount Polley and Huckleberry.

Revenue in the June 2012 quarter was decreased by a $8.3 million negative revenue revaluation compared to a positive revenue revaluation of $0.2 million in the comparative 2011 quarter. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the quarter at US$3.85 per pound and ended the quarter at US$3.45 per pound.

Income from mine operations increased to $17.1 million from $11.8 million in the comparative 2011 quarter as result of higher contribution margins from mine operations due to higher sales volumes.

Net income for the quarter ended June 30, 2012 was $12.0 million ($0.16 per share) compared to net income of $8.0 million ($0.11 per share) in the comparative 2011 quarter. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to movements in foreign exchange, realized and unrealized gains and losses on derivative instruments, share based compensation and taxes.

In the 2012 quarter, foreign exchange losses, excluding foreign exchange related to debt, were $1.0 million lower than in 2011.

In the 2012 quarter, net realized and unrealized gains on derivative instruments were $2.1 million compared to net realized and unrealized gains of $1.7 million in the comparative quarter.

Share based compensation was $0.7 million in the current period compared to $1.4 million in the comparative period.

Income and mining tax expense increased by $2.3 million from 2011 to 2012 as a result of higher income in the current quarter.

Income and mining tax expense for the quarter ended June 30, 2012 includes $1.2 million for BC Mineral taxes, comprised of $0.2 million in current tax expense and $1.0 million in deferred tax expense.

Adjusted net income in the June 2012 quarter was $10.5 million ($0.14 per share) compared to $5.4 million ($0.07 per share) in the comparative 2011 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 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]	2012	2011	2012	2011
Net income as reported	$11,966	$8,035	$16,565	$27,788
Unrealized losses (income) on derivative instruments, net of tax (a)	(1,431)	(2,681)	2,175	(9,439)
Adjusted Net Income (b)	$10,535	$5,354	$18,740	$18,349
Adjusted Net Income Per Share (b)	$0.14	$0.07	$0.25	$0.25

(a) Derivative financial instruments are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes, flowing through net income. 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) Adjusted net income and adjusted net income per share are not terms recognized under IFRS in Canada, however it does show the current year's financial results excluding the effect of items not settling in the current 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.

Cash flow increased to $21.8 million in the June 2012 quarter from $11.2 million in the comparative 2011 quarter. The $10.6 million increase is primarily the result of higher sales volumes in the June 2012 quarter. 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, excluding income and mining taxes and before the net change in non-cash working capital balances. The Company believes cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were $44.2 million, up from $28.7 million in the comparative 2011 quarter. Expenditures in both 2012 and 2011 were financed by cash flow from the Mount Polley and Huckleberry mines and short term debt. 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. At June 30, 2012 the Company had $53.6 million (December 31, 2011-$62.0 million) in cash and short term investments, inclusive of the Company's share of cash and short term investments of Huckleberry of $50.0 million (December 31, 2011-$55.9 million). The short term debt balance at June 30, 2012 was $41.1 million.

DERIVATIVE INSTRUMENTS

In the three month period ending June 30, 2012 the Company only had derivative instruments for copper. During the June 2012 quarter the Company recorded gains of $2.1 million on derivative instruments compared to gains of $1.7 million in the comparative 2011 quarter. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper. These amounts include realized gains of $0.2 million in the June 2012 quarter compared to losses of $2.0 million in the comparative 2011 quarter. 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 date, with the adjustment resulting from the revaluation being charged to the statement of income as a gain or loss.

The Company utilizes a variety of derivative instruments including the purchase of puts, forward sales and the use of min/max zero cost collars. The Company's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper price compared to the copper price 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 57% of the estimated copper settlements through February 2013 via min/max zero cost collars. Derivative instruments for Huckleberry include puts and min/max zero cost collars extending out to April 2014 covering about 40% of the estimated copper settlements in the period.

At June 30, 2012 the Company has unrealized gains on its derivative instruments. This represents an increase in fair value of the derivative instruments from the dates of purchase to June 30, 2012.

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, 2012 the Company had $0.5 million on deposit with counterparties, all related to Huckleberry. No security deposits are payable by the Company to its counterparties other than the security deposits required to be paid by Huckleberry.

DEVELOPMENTS DURING THE JUNE 2012 QUARTER

GENERAL

The London Metals Exchange copper price per pound averaged US$3.57 in the June 2012 quarter compared to US$4.15 in the comparative 2011 quarter. The London Metals Exchange gold price per troy ounce averaged US$1,611 in the June 2012 quarter compared to US$1,505 in the comparative 2011 quarter. The US Dollar compared to the CDN Dollar averaged about 4.4% higher in the June 2012 quarter than in the comparative 2011 quarter. In CDN Dollar terms the average copper price in the June 2012 quarter was 10% lower than in the comparative 2011 quarter, and the average gold price in the June 2012 quarter was 12% higher than in the comparative 2011 quarter.

MOUNT POLLEY

Exploration, development and capital expenditures at Mount Polley were $13.3 million in the June 2012 quarter compared to $5.3 million in the comparative 2011 quarter.

Throughput was up 10 % from the comparable period in 2011, and for the quarter averaged 23,758 tonnes per calendar day - a record quarterly throughput. With this increased throughput, increased copper and gold recoveries, and in the case of gold better grades copper and gold production were 19% and 27% respectively from the levels achieved in 2011. Gold production for the second quarter was 13,703 ounces, a record since the restart of Mount Polley operations in 2005.

Surface diamond drilling continues at Mount Polley with two exploration drill rigs onsite. The drilling program is testing areas for mineralization beneath and adjacent to the Springer pit. During the 2012 second quarter 9,405 metres of diamond drilling were completed in 19 drill holes. The two drills are still working at Springer and the exploration area has been expanded to include drilling beneath the Cariboo pit, immediately adjacent to Springer.

A field crew was mobilized in May to the North Block, approximately 4 kilometres north of the current mining area, to continue early stage exploration initiated in the 2010 field season. During the quarter, 38 line kilometres of grid was established with 475 soil samples collected. An additional 258 soil samples were collected in July to complete the grid. When all results are received from the lab, crews will investigate of those areas that are geochemically anomalous.

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

HUCKLEBERRY

Exploration, development and capital expenditures at Huckleberry were $10.1 million in the June 2012 quarter compared to $2.0 million in the comparative 2011 quarter.

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Notes 19 and 21 to the Interim Financial Statements of the Company for the period ended June 30, 2012 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

As expected, copper grade and recovery were lower in 2012 compared to the first six months of 2011, as the mine plan included a significant portion of mill feed from low grade stockpiles. Throughput for the period averaged 16,207 tonnes per day virtually the same as for 2011. Operations since March have been better than plan and have made up for the reduced production, in January and February that resulted from extremely heavy snowfalls.

Work on the construction of the new tailings facility continued; the main sediment control pond is now complete. The project was impacted by heavier than normal winter snowpack which delayed till placement, but stripping and rock placement is ahead of schedule. Till placement will be a priority for the remainder of the year, and the normally good weather in July and August should enable us to catch up in this area.

Imperial's share of Huckleberry's income from mine operations was $3.8 million in the June 2012 quarter compared to $4.9 million in the June 2011 quarter. Although Huckleberry had two shipments in the June 2012 quarter compared to one in the June 2011 quarter, Huckleberry's income from mine operations decreased due to lower metal prices in 2012 compared to 2011 and the impact of milling stockpile ore which is lower than average mine grade ore.

Imperial holds a 50% interest in Huckleberry Mines Ltd. The remaining 50% interest is held by a consortium consisting of Mitsubishi Materials Corporation, Marubeni Corporation, Dowa Mining Co. Ltd. and Furukawa Co. Huckleberry is an open pit copper/molybdenum mine located 123 kilometres southwest of Houston, British Columbia.

RED CHRIS

Exploration and development expenditures at Red Chris were $19.2 million in the June 2012 quarter, including capitalized interest of $0.5 million, compared to $19.4 million in the June 2011 quarter.

With the receipt of a Mines Act permit for the Red Chris project, work on the construction of the Red Chris mine commenced in May. Tahltan-Tercon Limited Partnership was contracted to complete the excavation of the plant site area to rough grade, this work began in May and is about 65% complete as of the end of July. We anticipate this work will be completed by the end of August. Work on the development of a borrow pit in the tailings storage area to produce concrete aggregates has started, and we are planning to pour some concrete for the process plant foundations this fall. A significant fleet of mine equipment, owned by Imperial, has been mobilized to Red Chris to be used to complete the earthworks required. Engineering is approximately 47% complete.

The work at Red Chris is being funded by cash flow from operations and the Bank of Montreal line of credit. Discussions with BC Hydro are underway regarding service from the Bob Quinn substation at the end of the new Northwest Transmission Line to the Red Chris mine. Work on the Northwest Transmission Line is underway and BC Hydro expects the facilities to be in service by Spring 2014.

Exploration drilling at Red Chris was suspended in May in anticipation of the start of mine construction. A total of 2,572 metres were drilled in the quarter to complete the five hole 2012 drilling program. Exploration crews were demobilized to make room in the camp for construction crews.

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

STERLING

Exploration, development and capital expenditures at Sterling were $1.8 million in the June 2012 quarter compared to $1.1 million in the comparative 2011 quarter.

Underground mining developed 835 feet of drift, principally on the 3292 and 3260 levels of the 144 zone ore body during the 2012 second quarter. The main access on each level is being driven, as well as drifts that cross-cut the ore body. This development work, in ore, is necessary prior to initiating bulk tonnage production mining blasts on these levels.

Underground exploration drilling is being conducted by SGMC personnel utilizing our core drill, and is looking into possible mineralization to the south and west of ore currently modeled.

The raise-bored ventilation/secondary escape way raise was completed during the quarter. Following the excavation, the 8 foot diameter raise was shotcreted by a subcontractor utilizing a remote shotcrete unit. Installation of a new main ventilation fan, salvaged from the old Sterling mining operation and rebuilt, will be completed during the third quarter. Further, an emergency escape hoist and vessel have been ordered. Delivery is expected late third quarter, or early fourth quarter. This new ventilation raise will dramatically improve air flow to the working areas, and provide a secondary means of escape in the event of a mine emergency.

Loading of the mine's leach pad continued during the quarter. Material stockpiled from previous development work within the 144 zone ore body has been re-located onto the pad, as well as regular haulage of currently mined ore from development activities.

Leaching of ore placed upon the pad commenced during the quarter and pregnant solution was processed through the newly completed carbon adsorption plant. Construction of a gold smelting facility was completed and the first gold doré was poured.

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

RUDDOCK CREEK

At Ruddock Creek the access road was plowed out and the camp was reactivated following the winter shutdown. Surface diamond drilling on the Creek zone commenced in late June 2012 with one drill. A total of 4,000 metres of drilling is planned.

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.

RESULTS OF OPERATIONS FOR 2012 COMPARED to 2011

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, 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2011.

FINANCIAL RESULTS

Overview

Revenues were $69.0 million in the June 2012 quarter compared to $39.4 million in the comparative 2011 quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where copper price will settle at a future date. The increase in revenue in the June 2012 quarter over the 2011 quarter is due to higher sales volumes and higher gold prices. There were four concentrate shipments in the June 2012 quarter, consisting of two shipments each from Mount Polley and Huckleberry, compared to two shipments in the comparative 2011 quarter consisting of one shipment each from Mount Polley and Huckleberry.

Revenue in the June 2012 quarter was decreased by a $8.3 million negative revenue revaluation compared to a positive revenue revaluation of $0.2 million in the comparative 2011 quarter. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the quarter at US$3.85 per pound and ended the quarter at US$3.45 per pound.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $13.2 million to Imperial's income from mine operations in the June 2012 quarter compared to $6.9 million in the comparative 2011 quarter. Imperial's share of Huckleberry's income from mine operations was $3.8 million in the June 2012 quarter compared to $4.9 million operating income in the comparative 2011 quarter.

Income from mine operations increased to $17.1 million from $11.8 million in the comparative 2011 quarter as result of higher sales volumes.

Net income for the quarter ended June 30, 2012 was $12.0 million ($0.16 per share) compared to net income of $8.0 million ($0.11 per share) in the comparative 2011 quarter. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to movements in foreign exchange, realized and unrealized gains and losses on derivative instruments, share based compensation and taxes.

Cost of Sales

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2012	June 30 2011
Operating expenses	$46,136	$24,509
Depletion and depreciation	5,703	2,979
Share based compensation	51	111
	$51,890	$27,599

Cost of sales were $51.9 million in the June 2012 quarter comprised of $37.5 million from Mount Polley and $14.4 million representing the Company's 50% share of Huckleberry. This compares to $27.6 million in the comparative 2011 quarter, comprised of $21.8 million from Mount Polley and $5.8 million from Huckleberry. Cost of sales increased due to higher sales volumes.

General and Administration Costs

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2012	June 30 2011
Administration	$1,385	$1,054
Share based compensation	658	1,317
Depreciation	25	36
Foreign exchange (gain) loss	(7)	1,073
Mineral property holding costs	-	(146)
	$2,061	$3,334

General and administration costs decreased to $2.1 million in the June 2012 quarter from $3.3 million in the comparative 2011 quarter primarily due to a $0.7 million decrease in share based compensation and a $1.1 million decrease in foreign exchange loss.

The average CDN/US Dollar exchange rate of 1.010 in the June 2012 quarter was higher than the average of 0.968 in the comparative 2011 quarter. During the June 2012 quarter the CDN/US Dollar exchange rate started the quarter at 0.999 and fluctuated between a high of 1.042 and a low of 0.981 resulting in an insignificant foreign exchange gain for the current quarter. Foreign exchange losses of $1.1 million were recorded in the comparative 2011 quarter as the CDN/US Dollar exchange rate was on a decreasing trend from 0.986 to 0.948. These gains and losses are attributable to holding US Dollar denominated cash, accounts receivable and accounts payable. These net US Dollar asset and liability balances are the result of the operations at Mount Polley and Huckleberry mines.

Finance (Costs) Income

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2012	June 30 2011
Derivatives	$2,060	$1,716
Interest expense, net of $485 capitalized to construction in progress	99	(131)
Foreign exchange gain on debt	131	760
Other including interest income	(194)	(130)
	$2,096	$2,215

Finance costs were $2.1 million in the June 2012 quarter compared to $2.2 million in the comparative 2011 quarter. 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 period ended June 30, 2012 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, due to changes in copper price, resulted in a gain of $2.1 million during the three months ending June 2012 compared to a gain of $1.7 million in the comparative 2011 quarter including unrealized gains on copper derivative of $1.9 million in the 2012 quarter compared to unrealized gains of $3.7 million in the June 2011 quarter. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Interest expense of $0.5 million was capitalized to construction in progress during the June 2012 quarter as a result of the construction at the Red Chris mine.

Income and Mining Taxes

Income and mining taxes expense was $5.3 million in the June 2012 quarter compared $2.9 million in the comparative 2011 quarter. Current income taxes, excluding mineral taxes, in the June 2012 quarter were $2.0 million compared to a recovery of $0.3 million in the comparative 2011 quarter. Deferred income tax expense of $2.0 million was recorded in the June 2012 quarter compared to $6.7 million in the comparative 2011 quarter. As a result of increased mine operating profits, $1.3 million in current and deferred mineral tax expense was recorded in the June 2012 quarter compared to a recovery of $3.4 million in the comparative quarter.

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2011.

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, 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, 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 is considered to be minimal because of their strong capital base, diversity and multinational operations. In addition, to reduce risk related to derivative instruments the Company utilizes multiple counterparties.

The Company's credit risk has not changed significantly since December 31, 2011.

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 other 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 will need to secure further debt financing in 2012 to fund construction costs for the Red Chris project. The Company may then be dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

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

The Company's overall liquidity risk is unchanged from December 31, 2011. 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, short term investments, trade and other receivables, derivative instrument assets and margin deposits, future site reclamation deposits, trade and other payables, derivative instrument liabilities, and short term debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the period ended June 30, 2012 would have been higher/lower by $3.2 million.

Cash Flow

The Company recorded net income of $12.0 million in the three months ending June 30, 2012 compared to net income of $8.0 million in the June 2011 quarter. Cash flow was $21.8 million in the June 2012 quarter compared to cash flow of $11.2 million in the comparative quarter. The $10.6 million decrease is primarily the result of increased 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, excluding mining and income taxes and before the net change in working capital balances.

Working Capital

At June 30, 2012 the Company had working capital, defined as current assets less current liabilities of $46.4 million, a decrease of $30.1 million from working capital of $76.5 million at December 31, 2011. The June 30, 2012 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine as well as an increase in current trade payables associated with increased operational and development activities.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $44.2 million in the June 2012 quarter compared to $28.7 million in the June 2011 quarter. Acquisition and development expenditures in 2012 and 2011 were financed from cash flow from operations and short term debt except for $0.7 million of mobile mining equipment financed by long term debt in the June 2011 quarter.

[expressed in thousands of dollars]	Three Months Ended	
	June 30 2012	June 30 2011
Capital and Development Expenditures		
Mount Polley	$10,835	$3,209
Huckleberry	10,070	2,028
Red Chris (before capitalized interest of $485 (2011-$nil))	18,284	18,497
Sterling	1,757	3
Other	38	468
	40,984	24,205
Exploration Expenditures		
Mount Polley	2,499	2,062
Red Chris	565	926
Sterling	1	1,056
Other	140	433
	3,205	4,477
	$44,189	$28,682

Capital and development expenditures at Mount Polley and Huckleberry included capital to maintain and extend productive capacity. Capital and development expenditures at Red Chris were primarily for engineering and progress payments on mill and mining equipment. Capital and development expenditures at Sterling included development and construction of the leach pad and recovery plant.

Exploration expenditures of $2.5 million at Mount Polley consist of drilling and underground expenditures at the Boundary zone. Red Chris exploration expenditures, primarily drilling, totalled $0.6 million in the 2012 quarter.

During the June 2012 and 2011 quarters, exploration and development expenditures at Ruddock Creek were funded by joint venture partners earning an interest in the project.

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 2012 COMPARED to 2011

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the six months ending June 30, 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2011.

FINANCIAL RESULTS

Overview

Revenues were $141.2 million in the June 2012 period compared to $136.6 million in the comparative 2011 period. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where copper price will settle at a future date. The increase in revenue in the June 2012 period over the 2011 period is due to increased concentrate sales volumes attributable to the Company. There were seven concentrate shipments in the June 2012 period, consisting of four from Mount Polley and three from Huckleberry, compared to seven shipments in the comparative 2011 period consisting of three from Mount Polley and four from Huckleberry.

Revenue in the June 2012 period was decreased by a $3.9 million negative revenue revaluation compared to a negative revenue revaluation of $1.4 million in the comparative 2011 period. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the period at US$3.48 per pound and ended the period at US$3.45 per pound.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $26.7 million to Imperial's income from mine operations in the June 2012 period compared to $18.7 million in the comparative 2011 period. Imperial's share of Huckleberry's income from mine operations was $7.2 million in the June 2012 period compared to $29.4 million operating income in the comparative 2011 period.

Income from mine operations decreased to $34.2 million from $48.1 million in the comparative 2011 period as result of lower sales volumes and lower copper prices, partially offset by higher gold prices.

Net income for the period ended June 30, 2012 was $16.6 million ($0.22 per share) compared to net income of $27.8 million ($0.38 per share) in the comparative 2011 period. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to movements in foreign exchange, realized and unrealized gains and losses on derivative instruments, share based compensation and taxes.

Cost of Sales

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2012	June 30 2011
Operating expenses	$95,884	$77,598
Depletion and depreciation	11,004	10,683
Share based compensation	116	221
	$107,004	$88,502

Cost of sales were $107.0 million in the June 2012 period comprised of $83.8 million from Mount Polley and $23.2 million representing the Company's 50% share of Huckleberry. This compares to $88.5 million in the comparative 2011 period, comprised of $67.1 million from Mount Polley and $21.4 million from Huckleberry. Cost of sales increased due to higher sales volumes.

General and Administration Costs

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2012	June 30 2011
Administration	$2,495	$2,344
Share based compensation	1,467	2,679
Depreciation	66	85
Foreign exchange loss	222	2,995
Mineral property holding costs	3	104
	$4,253	$8,207

General and administration costs decreased to $4.3 million in the June 2012 period from $8.2 million in the comparative 2011 period primarily due to a $1.2 million decrease in share based compensation and a $2.7 million decrease in foreign exchange losses.

The average CDN/US Dollar exchange rate of 1.006 in the June 2012 period was higher than the average of 0.977 in the comparative 2011 period.

During 2012 the CDN/US Dollar exchange rate started the year stronger at 1.009 but fluctuated during the period between a high of 1.042 and a low of 0.981 resulting in a $0.2 million foreign exchange loss being recorded in the June 2012 period. These losses are attributable to holding US Dollar denominated cash, accounts receivable and accounts payable. These net US Dollar asset and liability balances are the result of the operations at Mount Polley and Huckleberry mines.

Finance (Costs) Income

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2012	June 30 2011
Derivatives	$(3,265)	$4,469
Interest expense, net of $485 capitalized to construction in progress	(248)	(183)
Foreign exchange on debt	270	815
Other including interest income	(54)	(194)
	$(3,297)	$4,907

Finance costs were $3.3 million in the June 2012 period compared to finance income of $4.9 million in the comparative 2011 period. The inclusion of gains and losses on derivative instruments results in large variances in finance costs as the gains and losses result from the mark to market valuation of the derivative instruments based on changes in the copper price.

During the period ended June 30, 2012 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 periods, due to changes in copper price, resulted in a loss of $3.3 million during the six months ending 2012 compared to a gain of $4.5 million in the comparative 2011 period.

The unrealized gains on the derivative instrument contracts outstanding at June 30, 2012 were $3.7 million compared to unrealized losses of $3.5 million at June 30, 2011. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Interest expense of $0.5 million was capitalized to construction in progress during the June 2012 period as a result of the construction at the Red Chris mine.

Income and Mining Taxes

Income and mining taxes expense was $10.2 million in the June 2012 period compared $17.3 million in the comparative 2011 period. Current income taxes, excluding mineral taxes, in the June 2012 period were $5.9 million compared to $9.3 million in the comparative 2011 period. Deferred income tax expense of $0.6 million was recorded in the June 2012 period compared to $5.8 million in the comparative 2011 period. As a result of reduced current mine operating profits, $0.7 million in current tax expense was recorded for mineral tax payable to the Province of British Columbia in the 2012 period compared to $1.1 million in the 2011 period. Deferred mineral taxes of $3.0 million were recorded in the June 2012 period compared to $1.0 million in the June 2011 period.

LIQUIDITY & CAPITAL RESOURCES

CASH FLOW

The Company recorded net income of $16.6 million in the six months ending June 30, 2012 compared to net income of $27.8 million in the June 2011 quarter. Cash flow was $42.7 million in the June 2012 period compared to cash flow of $46.6 million in the comparative period. The $3.9 million decrease is primarily the result of decreased sales quantities on lower copper prices.

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, excluding mining and income taxes and before the net change in working capital balances.

WORKING CAPITAL

At June 30, 2012 the Company had working capital, defined as current assets less current liabilities of $46.4 million, a decrease of $30.1 million from working capital of $76.5 million at December 31, 2011. The June 30, 2012 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine as well as an increase in current trade payables associated with increased operational and development activities.

ACQUISITION AND DEVELOPMENT OF MINERAL PROPERTIES

Acquisition and development of mineral properties totalled $65.1 million in the June 2012 period compared to $39.9 million in the June 2011 period. Acquisition and development expenditures in 2012 and 2011 were financed from cash flow from operations and short term debt except for $0.7 million of mobile equipment financed by long term debt in the June 2011 quarter.

[expressed in thousands of dollars]	Six Months Ended	
	June 30 2012	June 30 2011
Capital and Development Expenditures		
Mount Polley	$12,647	$6,313
Huckleberry	18,212	2,465
Red Chris (before capitalized interest of $485 (2011-$nil))	25,099	19,609
Sterling	2,773	237
Other	272	527
	59,003	29,151
Exploration Expenditures		
Mount Polley	4,273	5,046
Red Chris	1,375	3,180
Sterling	300	1,967
Other	168	525
	6,116	10,718
	$65,119	$39,869

Capital and development expenditures at Mount Polley and Huckleberry included capital to maintain and extend productive capacity. Capital and development expenditures at Red Chris were primarily for engineering and progress payments on mill equipment. Capital and development expenditures at Sterling included development and construction of the leach pad and recovery plant.

Exploration expenditures of $4.3 million at Mount Polley consist of drilling and underground expenditures at the Boundary zone. Red Chris exploration expenditures, primarily drilling, totalled $1.4 million in the 2012 period.

During the June 2012 and 2011 periods, exploration and development expenditures at Ruddock Creek were funded by joint venture partners earning an interest in the project.

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.

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.

The Company had the following contractual obligations as of June 30, 2012:

[expressed in thousands of dollars]	2012	2013	2014	2015	2016	Total
Non-current debt	$501	$448	$83	$ -	$ -	$1,032
Short term debt	41,095	-	-	-	-	41,095
Operating leases	228	440	413	388	384	1,853
Capital expenditures and other	63,904	49,908	255	-	-	114,067
Reclamation bonding	7,582	-	3,000	3,000	2,500	16,082
Mineral properties (1)	229	532	557	597	669	2,584
Total	$113,539	$51,328	$4,308	$3,985	$3,553	$176,713

(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 2016 only.

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. Subsequent to June 30, 2012 the Company financed certain mobile mining equipment totalling US$8,449 with long term debt repayable over five years at a fixed interest rate of 2.89%. 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, 2012 the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

OTHER PRICE RISKS

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Three Months Ended			
	June 30 2012	March 31 2012	December 31 2011	September 30 2011
Total Revenues	$69,021	$72,225	$47,181	$69,409
Net Income	$11,966	$4,599	$3,303	$17,617
Income per share (1)	$0.16	$0.06	$0.05	$0.24
Diluted Income per share (1)	$0.16	$0.06	$0.04	$0.24
Adjusted Net Income (2)	$10,535	$8,205	$8,229	$4,755
Adjusted Net Income per share(1) (2)	$0.14	$0.11	$0.11	$0.06
Cash Flow (3)	$21,841	$20,856	$23,664	$17,441
Cash Flow per share (1) (3)	$0.29	$0.28	$0.32	$0.24
Average LME copper price/lb in US$	$3.567	$3.768	$3.408	$4.079
Average LME gold price/troy oz in US$	$1,611	$1,691	$1,684	$1,700
Average US/CDN$ exchange rate	$1.006	$1.001	$1.023	$0.980
Period end US/CDN$ exchange rate	$1.019	$0.999	$1.017	$1.039

	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)	$0.11	$0.27	$0.26	$0.10
Diluted Income per share (1)	$0.11	$0.26	$0.25	$0.10
Adjusted Net Income (2)	$5,354	$12,995	$23,161	$13,065
Adjusted Net Income per share(1) (2)	$0.07	$0.18	$0.31	$0.18
Cash Flow (3)	$11,210	$35,400	$25,491	$27,079
Cash Flow per share (1) (3)	$0.15	$0.48	$0.35	$0.37
Average LME copper price/lb in US$	$4.151	$4.378	$3.917	$3.285
Average LME gold price/troy oz in US$	$1,504	$1,384	$1,109	$1,195
Average US/CDN$ exchange rate	$0.968	$0.986	$1.012	$1.039
Period end US/CDN$ exchange rate	$0.964	$0.972	$1.005	$1.030

(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, excluding mining and income taxes and before net change in working capital balances and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the period.

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

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

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

Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in production cost inputs and changes in tax rates.

RELATED PARTY TRANSACTIONS

CORPORATE

Details on related party transactions can be found in Note 20 to the Interim Financial Statements for the quarter ended June 30, 2012.

OTHER

As of August 2, 2012 the Company had 74,298,750 common shares outstanding, and on a diluted basis 77,354,718 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROLS AND PROCEDURES

The Company's management evaluated the design and operational effectiveness of its internal control and procedures over financial reporting as defined under National Instrument 52-109. Management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Huckleberry Mines Ltd. ("Huckleberry"), in which the Company holds a 50% interest and is proportionally consolidated in the Company's consolidated financial statements. The Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. Huckleberry constitutes 23% of net assets, 21% of total assets, 22% of revenues, 21% of income from mine operations and net income of $3.2 million of the consolidated financial statement amounts as of and for the six months ended June 30, 2012.

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, 2012 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 MD&A.

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

Base and precious metals production allocable to Imperial in 2012 from the Mount Polley and Huckleberry mines was planned to be 50.5 million pounds copper, 48,000 ounces gold and 160,000 ounces silver. Cash flow from the Company's operations and the corporate line of credit funded the extensive exploration and development programs of 2011 and the first half of 2012. Additional financing will be required in 2012 to fund accelerating expenditures at Red Chris. Management plans to finance a large part of the Red Chris development costs through a debt facility to minimize equity dilution.

Cash flow protection for 2012 is supported by derivative instruments that will see the Company receive certain minimum average copper prices as disclosed under the heading Derivative Instruments. However, 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 concentrate production and the availability and scheduling of transportation.

EXPLORATION

The Company's plans for 2012 include exploration at the Mount Polley, Huckleberry, Red Chris, Ruddock Creek and Sterling properties. The Company continues to evaluate exploration opportunities both on currently owned properties and new prospects.

DEVELOPMENT

Mount Polley plans to produce 34.0 million pounds of copper in 2012. To achieve this production goal, the Company has added a P&H 2300 shovel with a 23 cubic metre bucket which will significantly reduce loading times for the fleet of Caterpillar 785 (150 ton) haul trucks, and acquired two Caterpillar 793 (240 ton) haul trucks. This should decrease mining costs and increase mining productivity. In addition, underground excavation of ramps and other facilities in the Boundary zone, required are well underway with a total of 244 metres of ramping and cross cutting completed in the second quarter, up from 166 metres in the first quarter. This year the underground work should produce approximately 11,000 tonnes of ore from the excavation of drill levels in the zone, with stoping operations anticipated to start early next year.

At Huckleberry, mine construction of a new tailings storage facility to provide storage for the waste and tailings from the Main Zone Optimization pit continued. A contractor is now fully mobilized to site, and the main seepage collection structure has been completed, and the main embankment work is well underway and about 12% complete.

With the receipt of a Mines Act permit for the Red Chris project, work on the construction of the Red Chris mine commenced in May. Tahltan-Tercon Limited Partnership was contracted to complete the excavation of the plant site area to rough grade, this work began in May and is about 65% complete as of the end of July. We anticipate this work will be completed by the end of August. Work on the development of a borrow pit in the tailings storage area to produce concrete aggregates has started, and we are planning to pour some concrete for the process plant foundations this fall. A significant fleet of mine equipment, owned by Imperial, has been mobilized to Red Chris to be used to complete the earthworks required. Engineering is approximately 47% complete.

The work at Red Chris is being funded by cash flow from operations and the Bank of Montreal line of credit. Discussions with BC Hydro are underway regarding service from the Bob Quinn substation at the end of the new Northwest Transmission Line to the Red Chris mine. Work on the Northwest Transmission Line is underway and BC Hydro expects the facilities to be in service by Spring 2014.

At the Sterling mine, leaching of ore placed upon the pad commenced during the quarter and pregnant solution was processed through the newly completed carbon adsorption plant. Construction of a gold smelting facility was completed and the first gold doré was poured. The first shipment of gold doré from Sterling was made in July.

At the Ruddock Creek project, surface diamond drilling on the Creek zone commenced in late June 2012 with one drill. A total of 4,000 metres of drilling is planned. Two additional diamond drills were mobilized in July 2012, both on the V-zone, where a total of 5,000 metres of drilling are planned. Dewatering of the E-zone decline commenced following the issuance of an effluent permit. The dewatering is being carried out in order to facilitate additional underground diamond drilling and the excavation of a bulk sample of ore grade material for metallurgical testing purposes. A total of 7,000 metres of drilling is planned.

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 will need to secure further debt financing in 2013 to fund construction costs for the Red Chris project.

ACQUISITIONS

Management continues to evaluate potential acquisitions.

NOTICE TO READER

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	June 30 2012	December 31 2011
ASSETS			
Current Assets			
Cash		$28,583	$34,475
Short term investments		25,000	27,500
Marketable securities		724	703
Trade and other receivables	3	51,709	26,756
Inventory	4	30,111	38,905
Derivative instrument assets and margin deposits	11	3,520	6,144
Prepaid expenses and deposits		1,530	1,709
		141,177	136,192
Derivative Instrument Assets and Margin Deposits	11	1,918	2,362
Mineral Properties	6	382,573	326,989
Deferred Income Taxes		4,030	4,859
Other Assets	5	15,249	15,977
		$544,947	$486,379
LIABILITIES			
Current Liabilities			
Trade and other payables	7	$46,538	$27,873
Taxes payable		5,170	2,441
Short term debt	8	41,095	26,940
Derivative instrument liabilities	11	418	513
Current portion of non-current debt	9	796	1,081
Current portion of future site reclamation provisions	10	770	845
		94,787	59,693
Derivative Instrument Liabilities	11	628	266
Non-Current Debt	9	236	531
Future Site Reclamation Provisions	10	30,221	29,858
Deferred Income Taxes		64,986	61,545
		190,858	151,893
EQUITY			
Share Capital	12	116,691	114,563
Share Option Reserve		13,262	12,474
Currency Translation Adjustment		(150)	(272)
Retained Earnings		224,286	207,721
		354,089	334,486
		$544,947	$486,379
Commitments and Pledges	23		
Contingent Liabilities	24		

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on August 2, 2012

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Six Months Ended June 30, 2012 and 2011

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 2012	2011	Year to Date Six Months Ended June 30 2012	2011
Revenue		$69,021	$39,405	$141,246	$136,585
Cost of Sales	13	(51,890)	(27,599)	(107,004)	(88,502)
Income from Mine Operations		17,131	11,806	34,242	48,083
General and Administration	14	(2,061)	(3,334)	(4,253)	(8,207)
Finance (Costs) Income	15	2,096	2,215	(3,297)	4,907
Other Income		71	281	71	281
Income before Taxes		17,237	10,968	26,763	45,064
Income and Mining Taxes	16	(5,271)	(2,933)	(10,198)	(17,276)
Net Income		11,966	8,035	16,565	27,788
Other Comprehensive Income (Loss) – currency translation adjustment		514	(110)	122	(482)
Total Comprehensive Income		$12,480	$7,925	$16,687	$27,306
Income Per Share					
Basic [(1)]	17	$0.16	$0.11	$0.22	$0.38
Diluted [(1)]	17	$0.16	$0.11	$0.22	$0.37
Weighted Average Number of Common Shares Outstanding					
Basic [(1)]	17	74,281,734	73,818,656	74,230,487	73,806,984
Diluted [(1)]	17	75,416,615	74,907,216	75,567,496	74,943,858

(1) Restated to reflect the two-for-one share split in December 2011

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Share Capital					
	Number of Shares(1)	Amount	Share Option Reserve	Currency Translation Adjustment	Retained Earnings	Total
Balance January 1, 2011	73,766,716	$111,778	$8,869	($742)	$184,142	$304,047
Issued on exercise of options	54,666	477	(202)	-	-	275
Purchase price, including transaction costs, in excess of book value of minority interest in American Bullion Minerals Ltd.	-	-	-	-	(25,098)	(25,098)
Share based compensation expense	-	-	2,900	-	-	2,900
Total comprehensive income	-	-	-	(482)	27,788	27,306
Balance June 30, 2011	73,821,382	$112,255	$11,567	$(1,224)	$186,832	$309,430
Balance January 1, 2012	74,084,150	$114,563	$12,474	$(272)	$207,721	$334,486
Issued on exercise of options	212,600	2,128	(795)	-	-	1,333
Share based compensation expense	-	-	1,583	-	-	1,583
Total comprehensive income	-	-	-	122	16,565	16,687
Balance June 30, 2012	74,296,750	$116,691	$13,262	$(150)	$224,286	$354,089

(1) Restated to reflect the two-for-one share split in December 2011

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2012 and 2011

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 2012	2011	Year to Date Six Months Ended June 30 2012	2011
OPERATING ACTIVITIES					
Net income before taxes		$17,237	$10,968	$26,763	$45,064
Items not affecting cash flows					
Depletion and depreciation		5,728	3,015	11,070	10,768
Share based compensation		709	1,428	1,583	2,900
Accretion of debt and future site reclamation provisions		276	205	552	410
Unrealized foreign exchange (gain) loss		(240)	(522)	(55)	582
Unrealized losses (gains) on derivative instruments		(1,908)	(3,648)	2,900	(12,842)
Other		39	(236)	(116)	(272)
		21,841	11,210	42,697	46,610
Net change in non cash operating working capital balances	18	1,018	(2,383)	(18,665)	1,080
Income and mining taxes paid		(950)	(3,811)	(1,335)	(8,558)
Interest paid		(385)	(116)	(734)	(179)
Cash provided by operating activities		21,524	4,900	21,963	38,953
FINANCING ACTIVITIES					
Proceeds of short term debt		84,339	104,080	141,761	120,686
Repayment of short term debt		(80,006)	(49,844)	(127,338)	(76,847)
Repayment of non-current debt		(290)	(384)	(578)	(730)
Issue of share capital		187	130	1,333	275
Cash provided by financing activities		4,230	53,982	15,178	43,384
INVESTING ACTIVITIES					
Purchase of short term investments		-	-	-	(2,500)
Sale of short term investments		-	-	2,500	-
Acquisition and development of mineral properties		(44,189)	(27,985)	(65,119)	(39,172)
Increase in future site reclamation deposits		-	(275)	(1,277)	(235)
Purchase of minority interest in American Bullion Minerals Ltd. including transaction costs of $1,118		-	(25,098)	-	(25,098)
Other		(613)	290	2,026	264
Net change in non-cash investing working capital balances	18	19,028	-	19,028	-
Cash used in investing activities		(25,774)	(53,068)	(42,842)	(66,741)
EFFECT OF FOREIGN EXCHANGE ON CASH		146	(233)	(191)	(1,388)
(DECREASE) INCREASE IN CASH		126	5,581	(5,892)	14,208
CASH, BEGINNING OF PERIOD		28,457	37,445	34,475	28,818
CASH, END OF PERIOD		$28,583	$43,026	$28,583	$43,026

See note 18 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, 2012 and 2011
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, British Columbia, 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 with International Financial Reporting Standards ("IFRS")

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2011.

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, 2011 prepared in accordance with IFRS.

The preparation of interim consolidated financial statements in conformity with IFRS 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. The significant accounting judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2011.

Changes in Accounting Standards

Accounting Standards Issued and Effective January 1, 2012

The Company has adopted these accounting standards effective January 1, 2012. The adoption of these accounting standards had no significant impact on the consolidated financial statements.

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

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.

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

3. TRADE AND OTHER RECEIVABLES

	June 30 2012	December 31 2011
Trade receivables	$48,891	$22,264
Taxes receivable	2,818	4,492
	$51,709	$26,756

4. INVENTORY

	June 30 2012	December 31 2011
Stockpile ore	$2,795	$2,793
Stockpiles and ore under leach	2,581	471
Gold doré and bullion	1,147	-
Concentrate	8,846	22,441
Supplies	14,742	13,200
	$30,111	$38,905

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Inventory recognized as expense during the period	$41,688	$7,752	$87,682	$64,897

As at June 30, 2012, the Company had $18,085 (December 31, 2011 - $28,310) inventory pledged as security for reclamation bonds and short term debt.

5. OTHER ASSETS

	June 30 2012	December 31 2011
Future site reclamation deposits	$13,635	$12,352
Other	1,614	3,625
	$15,249	$15,977

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

6. MINERAL PROPERTIES

	Mineral Properties being depleted	Mineral Properties not being depleted	Plant and Equipment	Construction in Progress	Total
Cost					
Balance as at December 31, 2010	$126,795	$168,954	$300,596	$ -	$596,345
Additions	-	13,297	26,573	-	39,870
Disposals	-	(3)	(1,477)	-	(1,480)
Capitalized interest	-	-	-	-	-
Foreign exchange movement	(170)	(422)	(44)	-	(636)
Balance as at June 30, 2011	$126,625	$181,826	$325,648	$ -	$634,099
Balance as at December 31, 2011	$149,396	$178,312	$336,365	$5,464	$669,537
Additions	864	2,039	35,104	27,174	65,181
Reclassifications	10,043	(10,043)	-	-	-
Disposals	-	-	(11)	-	(11)
Foreign exchange movement	14	41	55	-	110
Balance as at June 30, 2012	$160,317	$170,349	$371,513	$32,638	$734,817

	Mineral Properties being depleted	Mineral Properties not being depleted	Plant and Equipment	Construction in Progress	Total
Accumulated depletion & depreciation & impairment losses					
Balance as at December 31, 2010	$88,309	$1,719	$232,635	$ -	$322,663
Depletion & depreciation	4,041	-	5,930	-	9,971
Disposals		-	(1,454)	-	(1,454)
Foreign exchange movement	(168)	-	(12)	-	(180)
Balance as at June 30, 2011	$92,182	$1,719	$237,099	$ -	$331,000
Balance as at December 31, 2011	$97,429	$1,719	$243,400	$ -	$342,548
Depletion & depreciation	2,986	-	6,704	-	9,690
Disposals	-	(4)	-	-	(4)
Foreign exchange movement	10	-	-	-	10
Balance as at June 30, 2012	$100,425	$1,715	$250,104	$ -	$352,244
Carrying Amount					
Balance as at June 30, 2011	$34,443	$180,107	$88,549	$ -	$303,099
Balance as at December 31, 2011	$51,967	$176,593	$92,965	$5,464	$326,989
Balance as at June 30, 2012	$59,892	$168,634	$121,409	$32,638	$382,573

The Company has $114,067 (2011-$6,616) of contractual commitments for the acquisition of property, plant and equipment as at June 30, 2012 (Note 23). At June 30, 2012 assets with a fair value of $15,005 (June 30, 2011-$8,082) are legally restricted for the purposes of settling future site reclamation provisions.

During the six months ended June 30, 2012 the Company capitalized borrowing costs of $485 (2011-$nil) into construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property covers 18,321 hectares, which consists of seven mining leases totalling 2,007 hectares, and 41 mineral claims encompassing 16,315 hectares.

Huckleberry

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

Red Chris

The Company owns 100% of the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The Red Chris property covers a total area of 16,994 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 43 mineral claims encompassing 11,853 hectares. In May 2012 the Province of British Columbia issued a Mines Act permit for the Red Chris project. The development of the Red Chris project into a mine will coincide within the construction of a power line to service the northwest portion of British Columbia, now underway. A net smelter royalty of 1.8% is payable on production however this can be reduced to 1% by payment of $1,000 prior to production.

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 main 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 50% (June 30, 2011-100%) of the Ruddock Creek zinc/lead deposit located approximately 155 kilometres northeast of Kamloops in south central British Columbia. The Ruddock Creek property consists of 23 mineral claims totalling 11,047 hectares. A net smelter royalty of 1% is payable on production. In July 2010 the Company signed a Memorandum of Understanding with Itochu Corporation and Mitsui Mining and Smelting Co. Ltd. ("Itochu/Mitsui"), whereby Itochu/Mitsui may earn up to a 50% interest in the property by providing $20,000 in exploration and development funding on or before June 30, 2013.

The Ruddock Creek Joint Venture (Note 19) was created when Itochu/Mitsui funded $14,000 under the first earn-in which provided them with a 35% interest in the Ruddock Creek property and certain related assets and liabilities. In March 2012 Itochu/Mitsui confirmed that they will proceed with their option to earn the additional 15% interest in the Ruddock Creek Joint Venture by funding an additional $6,000 of project expenditures by June 30, 2013. To June 30, 2012, $1,500 had been paid towards the 15% earn-in. As at June 30, 2012 approximately $13,946 (December 31, 2011-$13,809) had been spent on the property pursuant to the Memorandum of Understanding.

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, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

7. TRADE AND OTHER PAYABLES

	June 30 2012	December 31 2011
Trade payables	$20,166	$11,635
Accrued liabilities	26,372	16,238
	$46,538	$27,873

8. SHORT TERM DEBT

Amounts due for short term debt facilities are:	June 30 2012	December 31 2011
Bank loan facilities aggregating $75,000 secured by trade and other receivables, inventory, shares of certain subsidiaries and a floating charge on certain assets of the Company. The facility is due on demand and is subject to maintenance of certain covenants.		
(a) Bankers Acceptances with a maturity value of $41,000 (December 31, 2011-$27,000)	$40,929	$26,940
(b) Bank loan $166 (December 31, 2011-$nil)	166	-
	$41,095	$26,940

The movement of the amounts due for short term debt are:	Six Months Ended June 30 2012	Year Ended December 31 2011
Balance, beginning of period	$26,940	$10,439
Amounts advanced	141,761	275,983
Amounts repaid	(127,338)	(258,763)
Foreign exchange gains	(268)	(719)
	$41,095	$26,940

9. NON-CURRENT DEBT

The movement of the amounts due for non-current debt are:	Six Months Ended June 30 2012	Year Ended December 31 2011
Balance, beginning of period	$1,612	$2,515
Amounts advanced	-	698
Foreign exchange (gain) loss	(2)	4
Amounts repaid	(578)	(1,605)
Balance, end of period	1,032	1,612
Less portion due within one year	(796)	(1,081)
	$236	$531

Subsequent to June 30, 2012 the Company financed certain mobile mining equipment totalling US$8,449. The loan is repayable over five years at a fixed interest rate of 2.89% with monthly payments, inclusive of interest, of US$140 for the first 36 months and US$171 for the remaining 24 months.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

10. FUTURE SITE RECLAMATION PROVISIONS

Changes to the future site reclamation provisions are as follows:

	Six Months Ended June 30 2012	Year Ended December 31 2011
Balance, beginning of period	$30,703	$21,801
Accretion	552	766
Costs incurred during the period	(20)	(623)
Change in estimates of future costs and effect of translation of foreign currencies	(244)	8,759
Balance, end of period	30,991	30,703
Less portion due within one year	(770)	(845)
	$30,221	$29,858

11. DERIVATIVE INSTRUMENTS

	June 30 2012	December 31 2011
Assets		
Current		
Copper contracts	$3,520	$6,144
Non-current		
Security deposits with counterparties	$509	$509
Copper contracts	1,409	1,853
	$1,918	$2,362
Liabilities		
Current		
Copper contracts	$418	$513
Non-Current		
Copper contracts	$628	$266

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, 2012 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. 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, 2012 depending on the attributes of the contracts.

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

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

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

Option contracts outstanding at June 30, 2012 for copper are as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
Contract Period	*US$/lb*	*US$/lb*	*lbs of copper*	*lbs of copper*
2012	$3.30	$4.56	13,366,000	11,850,000
2013	$3.32	$4.64	9,039,000	7,826,000
2014	$3.30	$4.33	1,433,000	1,433,000

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.

12. 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

The Company's directors approved a share split of its issued and outstanding common shares on a two-for-one basis effective December 5, 2011. All common share and per common share amounts have been restated to retroactively reflect the share split.

(b) Share Option Plan

The changes in share options during the six months ended June 30, 2012 and the year ended December 31, 2011 were as follows:

	Six Months Ended June 30, 2012		Year Ended December 31, 2011	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,354,234	$8.11	3,733,668	$7.77
Exercised	(212,600)	$6.27	(317,434)	$3.86
Forfeited	(44,000)	$8.30	(42,000)	$8.46
Expired	(37,666)	$17.10	(20,000)	$12.00
Outstanding at end of period	3,059,968	$8.12	3,354,234	$8.11
Options exercisable at end of period	1,449,968	$6.32	1,322,234	$6.94

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

The following table summarizes information about the Company's share options outstanding at June 30, 2012:

	Options Outstanding			Options Exercisable		
Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Options Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
$3.30-$3.86	16,668	$3.30	1.24	16,668	$3.30	1.24
$3.87-$4.93	1,085,500	$4.41	6.50	819,500	$4.41	6.50
$4.94-$8.59	450,800	$6.23	5.55	290,800	$6.40	4.48
$8.60-$10.79	129,000	$10.03	8.50	65,000	$10.03	8.50
$10.80-$11.55	1,378,000	$11.55	8.29	258,000	$11.55	8.29
	3,059,968	$8.12	7.22	1,449,968	$6.32	6.44

Refer to Notes 15(b) and (c) of the audited consolidated financial statements for the year ended December 31, 2011 for further details of the Company's Share Options Plans and Normal Course Issuer Bid.

13. COST OF SALES

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Operating expenses	$46,136	$24,509	$95,884	$77,598
Depletion and depreciation	5,703	2,979	11,004	10,683
Share based compensation	51	111	116	221
	$51,890	$27,599	$107,004	$88,502

14. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Administration	$1,385	$1,054	$2,495	$2,344
Share based compensation	658	1,317	1,467	2,679
Depreciation	25	36	66	85
Foreign exchange loss (gain)	(7)	1,073	222	2,995
Mineral property holding costs	-	(146)	3	104
	$2,061	$3,334	$4,253	$8,207

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

15. FINANCE (COSTS) INCOME

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

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Accretion of future site reclamation provisions	$(276)	$(205)	$(552)	$(410)
Interest on non-current debt	(15)	(30)	(33)	(59)
Other interest expense	114	(101)	(215)	(124)
Foreign exchange gain on current debt	133	756	268	798
Foreign exchange gain (loss) on non-current debt	(2)	4	2	17
Fair value gains (losses) to marketable securities	(123)	(55)	20	(78)
Realized (losses) gains on derivative instruments	152	(1,932)	(365)	(8,373)
Unrealized (losses) gains on derivative instruments	1,908	3,648	(2,900)	12,842
	1,891	2,085	(3,775)	4,613
Interest income	205	130	478	294
Finance (costs) income	$2,096	$2,215	$(3,297)	$4,907

16. INCOME AND MINING TAXES

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Current income and mining taxes	$2,192	$(49)	$6,575	$10,467
Deferred income and mining taxes	3,079	2,982	3,623	6,809
	$5,271	$2,933	$10,198	$17,276

A significant portion of the Company's taxable income from Mount Polley is generated in a partnership which prior to December 31, 2011 had a tax year end that was not aligned with the tax year end of the Company. In previous years, the taxable income in the partnership was deferred into the subsequent calendar year, with current income taxes being recorded in the period the income became taxable for income tax purposes.

The ability of the Company to defer current income taxes payable via the use of a partnership was eliminated in 2011 by changes in tax legislation. Therefore, the deferred taxable income from the partnership will be brought into current taxable income during the five year period commencing January 1, 2012 resulting in higher cash taxes payable during this period.

Included in current income and mining tax expense for the six months ended June 30, 2012 is $1,140 of current income taxes payable originating from Mount Polley taxable income in 2011 that was deferred to 2012, and $4,163 of current income taxes payable originating from Mount Polley taxable income in 2012 not being eligible for deferral.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

17. INCOME PER SHARE

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

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Numerator:				
Net Income	$11,966	$8,035	$16,565	$27,788
Denominator:				
Basic weighted-average number of common shares outstanding [1]	74,281,734	73,818,656	74,230,487	73,806,984
Effect of dilutive securities:				
Stock options [1]	1,134,881	1,088,560	1,337,009	1,136,874
Diluted potential common shares [1]	1,134,881	1,088,560	1,337,009	1,136,874
Diluted weighted-average number of common shares outstanding [1]	75,416,615	74,907,216	75,567,496	74,943,858
Basic net income per common share [1]	$0.16	$0.11	$0.22	$0.38
Diluted net income per common share [1]	$0.16	$0.11	$0.22	$0.37

Excluded from the calculation of diluted net income per common share for the six months ended June 30, 2012 were nil shares (June 30, 2011–1,487,666[1] shares) related to stock options.

[1] Restated to reflect the two-for-one share split in December 2011

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Trade and other receivables	$1,037	$13,859	$(26,628)	$1,845
Inventory	2,159	(16,064)	7,463	(4,990)
Derivative instrument assets and margin deposits	(567)	1,120	805	2,705
Prepaid expenses and deposits	(330)	339	427	713
Trade and other payables	(1,860)	(1,433)	(361)	(764)
Derivative instrument liabilities	579	(204)	(371)	1,571
	$1,018	$(2,383)	$(18,665)	$1,080

(b) Net change in non cash investing working capital balances:

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Trade and other payables	$19,028	$ -	$19,028	$ -

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

19. JOINT VENTURES

Included in the consolidated 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 and a 50% interest (2011-100%) in the Ruddock Creek Joint Venture (Notes 6 and 20):

Statements of Financial Position	June 30 2012[1]	December 31 2011 [1] [2]
Current Assets		
Cash	$25,638	$28,403
Short term investments	25,000	27,500
Derivative instrument assets	2,116	3,478
Other current assets	15,045	15,586
	67,799	74,967
Mineral properties	47,048	31,499
Other non-current assets	9,420	12,503
	124,267	118,969
Current Liabilities		
Trade and other payables	(8,058)	(7,068)
Non-current future site reclamation provisions	(22,005)	(21,792)
Other non-current liabilities	(628)	(265)
	$93,576	$89,844

The cash and short term investments disclosed above is held by Huckleberry and the Ruddock Creek Joint Venture and is restricted for use by Huckleberry and the Ruddock Creek Joint Venture, respectively.

[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 $533 (December 31, 2011 - $533). There has been no mineral production 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 and below.

[2] At June 30, 2012 the Company's interest in the Ruddock Creek Joint Venture is 50% as described further in Note 6. There has been no mineral production since inception of the Ruddock Creek Joint Venture as the joint venture is currently in the exploration stage. The balances related to the Ruddock Creek Joint Venture, principally cash of $626 (December 31, 2011-$nil), mineral properties of $11,240 (December 31, 2011-$11,480), trade and other payables of $405 (December 31, 2011-$nil), and non-current future site reclamation provisions of $248 (December 31, 2011-$250) are included in the disclosure above and below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

Statements of Income and Comprehensive Income	Three Months Ended	
	June 30 2012	June 30 2011
Revenues	$18,275	$10,684
Cost of Sales	(14,431)	(5,753)
Income from Mine Operations	3,844	4,931
General and Administration	172	(90)
Finance Income	1,208	399
Income and Mining Taxes	(1,700)	(1,193)
Net Income and Total Comprehensive Income	$3,524	$4,047
Statements of Cash Flows		
Cash provided by operating activities	$6,314	$11,209
Cash provided by financing activities	-	-
Cash used in investing activities	(8,311)	(2,028)
Effect of foreign exchange on cash	198	(77)
(Decrease) increase in cash	$(1,799)	$9,104

Statements of Income and Comprehensive Income	Six Months Ended	
	June 30 2012	June 30 2011
Revenues	$30,376	$50,812
Cost of Sales	(23,203)	(21,395)
Income from Mine Operations	7,173	29,417
General and Administration	(11)	(941)
Finance (Costs) Income	(1,963)	1,475
Income and Mining Taxes	(1,950)	(11,445)
Net Income and Total Comprehensive Income	$3,249	$18,506
Statements of Cash Flows		
Cash provided by operating activities	$8,357	$23,015
Cash provided by financing activities	-	-
Cash used in investing activities	(11,169)	(4,965)
Effect of foreign exchange on cash	47	(927)
(Decrease) increase in cash	$(2,765)	$17,123

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2012 and 2011

Unaudited – Prepared by Management

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

20. RELATED PARTY TRANSACTIONS

Related party transactions and balances with a company in which a director is an owner are as follows:

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Cost of sales	$ -	$2	$6	$8
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.

21. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the three and six months ended June 30, 2012 and 2011 are as follows:

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Short term benefits(1)	$299	$292	$615	$584
Share based payments (2)	$ -	$ -	$ -	$ -

(1) Short term employee benefits include salaries, bonuses payable within six months of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended June 30, 2012 and 2011.

(2) Share-based payments are the fair value of options granted to directors and other key management personnel.

22. REPORTABLE OPERATING SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets totalling $31,590 as at June 30, 2012 (December 31, 2011-$24,896) located in the United States, all of its assets are located in Canada. The Company's reportable operating segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

At June 30, 2012:

- 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.
- the Mount Polley and Huckleberry segments were in commercial production and are earning revenue through the sale of copper and molybdenum concentrate and other minerals and services to external customers.
- the Red Chris segment has yet to achieve commercial production.
- 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, 2012 and 2011
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, 2012				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$50,488	$18,274	$ -	$944	$69,706
Less inter-segment revenues	(392)	-	-	(293)	(685)
Revenues from external sources	$50,096	$18,274	$ -	$651	$69,021
Net Income (Loss)	$9,537	$3,524	$(671)	$(424)	$11,966
Depletion and Depreciation	$4,187	$1,413	$ -	$128	$5,728
Finance (Costs) Income	$(482)	$1,208	$1	$1,369	$2,096
Capital Expenditures	$13,333	$10,070	$19,185	$2,084	$44,672
Total Assets	$196,902	$111,816	$180,639	$55,590	$544,947
Total Liabilities	$102,936	$30,286	$11,241	$46,395	$190,858

	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) Income	$(287)	$399	$3	$2,100	$2,215
Capital Expenditures	$5,271	$2,028	$170,083	$1,960	$28,682
Total Assets	$197,717	$90,720	$19,423	$14,473	$472,993
Total Liabilities	$75,459	$21,649	$2,128	$64,327	$163,563

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2012 and 2011
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, 2012				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$110,451	$30,375	$ -	$1,512	$142,338
Less inter-segment revenues	(507)	-	-	(585)	(1,092)
Revenues from external sources	$109,944	$30,375	$ -	$927	$141,246
Net Income (Loss)	$15,113	$3,249	$(686)	$(1,111)	$16,565
Depletion and Depreciation	$8,696	$2,071	$ -	$303	$11,070
Finance (Costs) Income	$(4,170)	$(1,963)	$4	$2,832	$(3,297)
Capital Expenditures	$16,920	$18,212	$26,959	$3,513	$65,604
Total Assets	$196,902	$111,816	$180,639	$55,590	$544,947
Total Liabilities	$102,936	$30,286	$11,241	$46,395	$190,858

	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) Income	$(211)	$1,475	$3	$3,640	$4,907
Capital Expenditures	$11,359	$2,465	$22,789	$3,256	$39,869
Total Assets	$197,717	$90,720	$170,083	$14,473	$472,993
Total Liabilities	$75,459	$21,649	$2,128	$64,327	$163,563

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Revenue by geographic area				
Japan [(1)]	$40,748	$36,568	$111,104	$104,581
United States	29,500	-	29,500	(199)
Europe	(1,877)	16	(284)	28,560
Canada	650	2,821	926	3,643
	$69,021	$39,405	$141,246	$136,585

(1) Including in the six months ended June 30, 2012 $30,376 (2011-$50,812) related to Huckleberry, and in the three months ended June 30, 2012 $18,275 (2011-$10,684) related to Huckleberry.

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

In the six months ended June 30, 2012, the Company had four principal customers (June 30 2011–three principal customers) with each customer accounting for 39%, 21%, 19% and 14% of revenues (June 30, 2011–39%, 24% and 21% of revenues). The Company is not reliant on any one customer to remain as a going concern.

In the three months ended June 30, 2012, the Company had three principal customers (June 30 2011–three principal customers) with each customer accounting for 43%, 38% and 17% of revenues (June 30, 2011–29%, 28% and 27% of revenues). The Company is not reliant on any one customer to remain as a going concern.

The Company’s revenue from operations by major product and service are as follows:

	Three Months Ended		Six Months Ended	
	June 30 2012	June 30 2011	June 30 2012	June 30 2011
Copper	$44,081	$26,512	$91,201	$100,932
Gold	22,868	8,901	46,392	27,463
Silver	1,421	1,480	2,727	4,547
Other	651	2,512	926	3,643
	$69,021	$39,405	$141,246	$136,585

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

23. COMMITMENTS AND PLEDGES

(a) At June 30, 2012 the Company is committed to future minimum operating lease payments, including $195 related to Huckleberry, as follows:

2012	$228
2013	440
2014	413
2015	388
2016	384
	$1,853

(b) As at June 30, 2012 Huckleberry had outstanding copper derivative instruments with two counterparties. In coordination with the outstanding derivative instruments, Huckleberry is obligated to provide security deposits which are dependent upon the net fair value of the outstanding derivative instruments at period end. Huckleberry had US$1,000 of security deposits outstanding at June 30, 2012 representing US$1,000 in initial margin security deposits and US$nil in mark to market security deposits. The initial security deposit is not subject to change and will remain outstanding until the maturity of the final derivative instrument with the counterparty. Should Huckleberry acquire additional derivative instruments then Huckleberry may be required to increase the initial security margin deposits the amount of which is dependent upon the quantity, type and maturity date of the derivative instrument and the counterparty. The mark to market security deposit required is calculated as the net fair value liability of the outstanding copper derivative instruments with the counterparty less the borrowing limit granted by the counterparty. As at June 30, 2012 Huckleberry's derivative instruments not yet settled were a net fair value asset of US$2,645 (December 31, 2011-US$9,147).

(c) As at June 30, 2012 the Company has pledged cash deposits of $13,635 (December 31, 2011-$12,352), including $6,114 (December 31, 2011-$6,114) related to Huckleberry, shown as future site reclamation deposits, certain mining equipment and supplies inventory with a pledged value of $1,370 (December 31, 2011-$1,370), and letters of credit totalling $3,000 (December 31, 2011-$nil) as security for future site reclamation obligations (Note 13).

(d) As at June 30, 2012 the Company is obligated to increase its reclamation bond funding as follows:

	Other than Huckleberry	Huckleberry (50% Share)	Total
2012	$1,582	$6,000	$7,582
2013	-	-	-
2014	-	3,000	3,000
2015	-	3,000	3,000
2016	-	2,500	2,500
	$1,582	$14,500	$16,082

Huckleberry has the option of providing certain capital assets as alternate security for the $6,000 due in 2012, however this must be replaced with a cash bond in 2014.

(e) As at June 30, 2012 the Company had the following commitments:

	Other than Huckleberry	Huckleberry (50% Share)	Total
2012	$51,597	$12,307	$63,904
2013	45,205	4,703	49,908
2014	255	-	255
	$97,057	$17,010	$114,067

24. 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 are expected to have a material effect on the Company's consolidated financial position or financial performance.

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 4

Pierre Lebel | Chairman 1/2/3/4

Larry Moeller 1/2/3

Ted Muraro 2/4

Ed Yurkowski 1/2/3

1 Audit Committee
2 Compensation Committee
3 Corporate Governance & Nominating Committee
4 Health & Safety Committee

MANAGEMENT

Brian Kynoch | President

Andre Deepwell | Chief Financial Officer & Corporate Secretary

Don Parsons | Chief Operating Officer

Kelly Findlay | Vice President Finance

Byng Giraud | Vice President Corporate Affairs

Gordon Keevil | Vice President Corporate Development

Patrick McAndless | Vice President Exploration

AUDITORS

Deloitte & Touche LLP

BANKERS

Bank of Montreal

LEGAL COUNSEL

Fasken Martineau DuMoulin LLP

TRANSFER AGENT

Computershare Investor Services Inc.