2012 THIRD QUARTER REPORT

TO OUR SHAREHOLDERS:

Imperial's comparative financial results for the three and nine months ended September 30, 2012 and September 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 Sept 30		Nine Months Ended Sept 30	
	2012	2011	2012	2011
Revenues	$49,163	$69,409	$190,409	$205,994
Income from mine operations	$15,226	$8,531	$49,468	$56,614
Net Income	$4,343	$17,617	$20,908	$45,405
Net Income Per Share	$0.06	$0.24	$0.28	$0.62
Adjusted Net Income (1)	$7,432	$4,755	$26,172	$23,104
Adjusted Net Income Per Share (1)	$0.10	$0.06	$0.35	$0.31
Cash Flow (1)	$17,172	$17,441	$59,869	$64,051
Cash Flow Per Share (1)	$0.23	$0.24	$0.81	$0.87

(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 $49.2 million in the September 2012 quarter compared to $69.4 million in the 2011 quarter. The September 2012 quarter includes one concentrate shipment from Mount Polley mine and two concentrate shipments from Huckleberry mine, compared to two concentrate shipments from Mount Polley mine and two concentrate shipments 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. Mount Polley had over 9,000 tonnes of concentrate in inventory at the end of the quarter end and a concentrate shipment was made in October 2012.

The Company recorded net income of $4.3 million in the September 2012 quarter compared to net income of $17.6 million in the 2011 quarter. Adjusted net income in the quarter was $7.4 million or $0.10 per share, versus $4.8 million or $0.06 per share in the September 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 measure recognized under IFRS in Canada. It is intended to show the current period financial results excluding the effect of items not settling in the current period.

Losses on derivative instruments were $4.3 million in the September 2012 quarter compared to gains of $16.7 million in the September 2011 quarter including unrealized net losses on copper derivatives of $4.1 million in the September 2012 quarter compared to $17.5 million of gains in the September 2012 quarter. The Company realized losses of $0.2 million on copper derivatives in the September 2012 quarter compared to losses of $0.8 million in the September 2011 quarter.

Cash flow was virtually the same as in the same quarter last year, at $17.2 million in the three months ending September 30 compared to $17.4 million in the comparative 2011 quarter.

Capital expenditures increased to $62.3 million from $13.4 million in the comparative 2011 quarter. The Company financed $8.6 million of the capital additions in the September quarter via long term debt compared to $0.7 million in the comparative quarter. The balance of the expenditures were financed from cash flow from the Mount Polley and Huckleberry mines and from short term debt. At September 30, 2012 the Company had $45.2 million in cash and short term investments.

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

MOUNT POLLEY MINE OPERATIONS

PRODUCTION	NINE MONTHS ENDED SEPT 30	
	2012	2011
Ore milled (tonnes)	6,136,202	5,742,244
Ore milled per calendar day (tonnes)	22,395	21,034
Grade % - copper	0.274	0.262
Grade g/t - gold	0.303	0.266
Recovery % - copper	65.70	57.16
Recovery % - gold	65.00	62.16
Copper (lbs)	24,390,575	18,939,711
Gold (oz)	38,917	30,496
Silver (oz)	85,620	67,555

Throughput continues to exceed plan averaging 22,395 tonnes per day for the first nine months of 2012. Throughput for the quarter averaged 22,278 tonnes per calendar day, which was up from 22,160 achieved in the comparable period in 2011.

Increased throughput, improved recoveries, and better grades resulted in increased copper and gold production of 29% and 28% respectively from the levels achieved in the first nine months of 2011. Gold production for the third quarter was 13,869 ounces up slightly from 13,703 ounces produced in the second quarter, setting another record quarterly gold production since the restart of Mount Polley operations in 2005.

MOUNT POLLEY EXPLORATION

Surface diamond drilling continues at Mount Polley with two exploration drill rigs onsite. The drill program is testing for mineralization beneath and adjacent to the Springer pit, and at the Quarry zone north of the Wight pit. During the 2012 third quarter 12,200 metres of diamond drilling were completed in 22 drill holes. The two surface drills are still working beneath the Cariboo pit, immediately adjacent to Springer, and at Quarry zone. Underground drilling resumes at the Boundary zone in the first week of November, at which time one surface rig will be shut down.

HUCKLEBERRY MINE OPERATIONS

PRODUCTION	NINE MONTHS ENDED SEPT 30	
[stated 100% - Imperial's allocation= 50%]	2012	2011
Ore milled (tonnes)	4,410,800	4,480,300
Ore milled per calendar day (tonnes)	16,098	16,411
Grade (%) – copper	0.299	0.382
Recovery (%) – copper	89.8	90.2
Copper (lbs)	26,096,000	34,044,000
Gold (oz)	1,946	2,758
Silver (oz)	139,155	173,127
Molybdenum (lbs)	4,556	6,929

Copper grade and recovery were both lower in the first nine months of 2012 compared to the same period in 2011. A significant portion of the mill feed this year is from low grade stockpiles. Throughput for the period averaged 16,098 tonnes per day, virtually the same as for 2011. With lower grade and recovery, copper production was just over 26 million pounds, down about 23% from the same nine month period in 2011.

Work on the construction of the new tailings facility was suspended in October after a successful first year of construction. The starter dam at the new tailings storage facility was completed to an elevation of approximately 927 metres, exceeding the target elevation of 924 for the first year construction program by three metres. Over 2.1 million cubic metres of material was placed in the starter dam to the end of September 2012.

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Imperial's share of Huckleberry's income from mine operations was $4.1 million in the September 2012 quarter compared to $3.9 million in the September 2011 quarter. Although Huckleberry had two shipments in each of the September 2012 and 2011 quarters, Huckleberry's income from mine operations increased due to positive revenue revaluations in 2012 compared to large negative revenue revaluations in 2011.

HUCKLEBERRY EXPLORATION

Three main targets were the focus of the exploration drilling program at Huckleberry: MZ Deep, Old Nag Quarry and NW MZO. Review of the Titan-24 data collected in 2011 led to drilling two holes, totalling 1,148 metres, designed to test a moderate chargeability/resistivity anomaly beneath the limits of known mineralization in the Main zone deposit. Both holes returned significant mineralized intervals, shown on the table below, confirming the extension of the deposit to depth and to the east. These results may indicate the presence of a continuous zone of copper mineralization at depth that connects the Main zone and East zone deposits. Additional drill holes are planned to further assess the potential of this target.

Drill Hole #	Total length (m)	Interval from (m)	Interval to (m)	Interval length (m)	Copper %	Molybdenum %
MZDP12-6	526.39	273.41	465.43	192.02	0.342	0.006
including		303.89	373.99	70.10	0.511	0.007
MZDP12-7	621.18	343.81	514.50	170.69	0.318	0.004
including		423.06	490.12	67.06	0.421	0.003

Eight holes totalling 2,053 metres drilled in late 2011, and a follow-up drilling program of eight holes totalling 2,206 metres in 2012, defined the western extension of the Main zone deposit beneath the Old Nag Quarry located directly adjacent to the planned MZO pit. The quarry was a source of non-acid generating rock early in the mine life. Results from this drilling indicated the presence of a significant volume of low-grade (0.20–0.25% Cu) material near surface.

Five holes totalling 1,650 metres were drilled in late 2011 to the northwest of the MZO pit, where the Titan-24 survey had defined several targets of interest. These holes returned local intersections of ore-grade material, and three additional holes totalling 604 metres were drilled in 2012 to determine if there was continuity between these zones and the mineralization in the active pit. Drilling in the area did not define any significant continuous zones of mineralization, and no further exploration is planned for the NW MZO.

Follow-up exploration in 2012 will include, drilling one more hole to further test the area between the East and Main zones at depth, completing a further Titan geophysical survey to the south of the previous survey, and additional drilling along the southern margin of the MZO pit.

RED CHRIS CONSTRUCTION UPDATE

Mass excavation is complete in the process plant but is ongoing in the truck shop and reclaim tunnel areas. Completion is expected by the end of October. Concrete aggregates have been produced from a gravel source located within the tailings impoundment area (TIA) and are being hauled to the plant site area via the TIA access road. The first foundation pour for the concentrate storage shed was on September 24. Concrete pours are planned to mid-November 2012. Concrete placement will then be suspended until Spring 2013.

A Nordberg 54” x 80” gyratory crusher, purchased used, was completely dismantled and trucked from Sahuarita, Arizona to Mount Polley for refurbishing. The right of way for conveyors, light vehicle road and heavy vehicle road has been cleared and grubbed for the first 1.4 km between the coarse ore stockpile and the primary crusher. The main access road has been completed to single lane access from 3.2 km to 8 km at Coyote Creek.

Engineering is approximately 59% complete.

The work at Red Chris is being funded by cash flow from operations and an expanded 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 the end of May 2014.

RED CHRIS EXPLORATION UPDATE

Exploration results from all the Red Chris drilling are now available on the Company's website. The most significant of the new drilling is RC12-580 which has extended the deep mineralization discovered below the Gully zone in late 2011. The mineralized intersection is 605.8 metres grading 0.39% copper, 0.43 g/t gold and 2.00 g/t silver. The drill hole was collared approximately 200 metres grid north from previously reported hole RC11-477, which intersected 807.5 metres grading 0.31% copper, 0.29 g/t gold and 1.61 g/t silver.

Two higher grade intervals contained within the mineralized intersection in RC12-580 were 47.5 metres grading 1.00% copper, 1.06 g/t gold and 3.87 g/t silver and 95.0 metres grading 0.77% copper, 0.73 g/t gold and 2.69 g/t silver. These two intervals contain breccia fragments displaying alteration and mineralization very similar to the high grade feeder system observed in the deep portions of the East zone. The presence of these breccia fragments support the exploration model that the Gully zone mineralization is related to a separate feeder system to the one defined below the East zone.

Exploration drilling at Red Chris was suspended once construction began in May 2012 and the project focus shifted to mine development.

STERLING MINE

Underground mining developed 948 feet of drift on the 3292, 3260, and 3220 levels. Cross cuts from the main access drifts into and through the ore body were driven. From these cross cuts and from the main access, longhole drilling and blasting will commence in the fourth quarter. Underground core drilling focused on delineating the extents of the 144 zone ore body within the stoping area, and drilling into the hanging wall for geo-technical assessment.

Installation of a refurbished main ventilation fan near the bottom of the ventilation raise was completed during the third quarter. The ventilation system was modified utilizing the new main fan to draw fresh air down the main haulage ramp and out the vent raise. The new system provides sufficient airflow to allow for the use of a larger more efficient haulage vehicle.

PRODUCTION	NINE MONTHS ENDED SEPT 30 2012
Ore Stacked (tons)	64,505
Grade (oz/t) – gold	0.083
Gold (oz) – in-heap	5,354
Gold (oz) – in-process & poured	2,799
Gold shipped (oz)	2,077

Loading of the leach pad continued, and in the quarter an additional 14,000 tons containing approximately 1,250 ounces were loaded onto the leach pad. A total of 2,077 ounces of gold was poured and shipped to the refinery.

RUDDOCK CREEK

The 2012 exploration program commenced in early July and was completed the last week of October. The program included surface diamond drilling on the V and Creek zones, underground diamond drilling of the Lower E zone and an additional 69 metres of underground development of the Lower E zone for the collection of a metallurgical bulk sample. In total 18 holes were completed in the V zone, 7 holes in the Creek zone and 26 holes from underground for a total of 10,081 metres of surface drilling and 5,843 metres of underground drilling.

Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation have an option to earn a 50% interest in the Ruddock Creek Property. Mitsui and Itochu spent $14 million by March 31, 2012 to earn a 35% working interest. They elected to spend a further $6 million by March 31, 2013 to earn an additional 15% working interest, at which point Ruddock Creek Joint Venture will be owned 50% Imperial, 30% Mitsui and 20% Itochu.

OUTLOOK

Production from Mount Polley and Imperial's 50% share of Huckleberry for the nine months of 2012 totalled 37,438,357 pounds copper, 39,890 ounces gold and 155,197 ounces silver, which is respectively 99%, 111% and 129% of the planned production. We expect to be very close to our 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.

Construction at Red Chris is well underway. Mass excavation is complete in the process plant area, and is ongoing in the truck shop and reclaim tunnel areas. The access road from the plant area to the tailings impoundment area (TIA) is also complete, enabling haulage to the process plant of concrete aggregates produced from a gravel source located in the TIA. September 24 marked the first concrete pour of the project, in the foundation of the concentrate storage shed. Red Chris is on schedule for plant start-up in 2014.

The first construction of the new tailing storage facility at Huckleberry is ahead of schedule and should be ready to receive tailings when required next summer.

Work at Red Chris is currently being financed through cash flow from existing operations and an existing $75 million credit facility from the Company's bankers. To provide Imperial with additional working capital, the Company's bankers have agreed to increase Imperial's credit facility from $75 million to $150 million, and to extend the maturity date of the entire credit facility to September 30, 2013. The Company's forecast cash flow and the increased credit facility will support Red Chris construction until mid-2013 and will enable the Company to substantially reduce the risk related to the development prior to completing additional financing, as more than 50% of development costs are projected to be spent or committed by that date. This will also enable the Company to finalize arrangements for power supply with BC Hydro prior to completing additional financing.

Brian Kynoch
President

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Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation (the "Company") should be read with the unaudited Condensed Consolidated Interim Financial Statements for the period ended September 30, 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 MD&A is a review of the Company's operations and financial position as at and for the period ended September 30, 2012, and plans for the future based on facts and circumstances as of November 5, 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 $49.2 million in the September 2012 quarter compared to $69.4 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 decrease in revenue in the September 2012 quarter compared to the 2011 quarter is due to lower sales volumes and lower copper and gold prices in the current quarter compared to the 2011 quarter. There were three concentrate shipments in the September 2012 quarter, consisting of one shipment from Mount Polley mine and two shipments from Huckleberry mine, compared to four shipments in the comparative 2011 quarter consisting of two shipments each from Mount Polley and Huckleberry.

Revenue in the September 2012 quarter was increased by a $3.7 million positive revenue revaluation compared to a negative revenue revaluation of $14.6 million in the comparative 2011 quarter. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the quarter at US$3.47 per pound and ended the quarter at US$3.75 per pound.

Income from mine operations increased to $15.2 million from $8.5 million in the comparative 2011 quarter as result of higher contribution margins from mine operations. Production volumes in the 2012 quarter were higher, which in turn decreased the cost per pound of copper sold in that quarter, increasing income from mine operations.

Net income for the quarter ended September 30, 2012 was $4.3 million ($0.06 per share) compared to net income of $17.6 million ($0.24 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 $1.1 million compared to foreign exchange gains of $4.4 million in the 2011 comparative quarter. The average exchange rate in the 2012 quarter was on a decreasing trend compared to an increasing trend in the 2011 quarter.

In the 2012 quarter, net realized and unrealized losses on derivative instruments were $4.3 million compared to net realized and unrealized gains of $16.7 million in the comparative quarter.

Share based compensation was $0.8 million in the current quarter compared to $1.3 million in the comparative quarter.

Income and mining tax expense decreased by $4.5 million from 2011 to 2012 as a result of lower income in the current quarter.

Income and mining tax expense for the quarter ended September 30, 2012 includes $1.8 million for BC Mineral taxes, comprised of $0.4 million in current tax expense and $1.4 million in deferred tax expense.

Adjusted net income in the September 2012 quarter was $7.4 million ($0.10 per share) compared to $4.8 million ($0.06 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 Sept 30		Nine Months Ended Sept 30	
[expressed in thousands of dollars, except share amounts]	2012	2011	2012	2011
Net income as reported	$4,343	$17,617	$20,908	$45,405
Unrealized losses (income) on derivative instruments, net of tax (a)	3,089	(12,862)	5,264	(22,301)
Adjusted Net Income (b)	$7,432	$4,755	$26,172	$23,104
Adjusted Net Income Per Share (b)	$0.10	$0.06	$0.35	$0.31

(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 decreased marginally to $17.2 million in the September 2012 quarter from $17.4 million in the comparative 2011 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 $62.3 million, up from $13.4 million in the comparative 2011 quarter. The Company financed $8.6 million of the capital additions in the September quarter via long term debt compared to $0.7 million in the comparative quarter. The balance of the expenditures in both 2012 and 2011 were financed by cash flow from the Mount Polley and Huckleberry mines and short term debt. In September 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 September 30, 2012 the Company had $45.2 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 $44.9 million (December 31, 2011-$55.9 million). The short term debt balance at September 30, 2012 was $58.6 million compared to $26.9 million at December 31, 2011. The increase is primarily due to funding the development of the Red Chris project.

DERIVATIVE INSTRUMENTS

In the three month period ending September 30, 2012 the Company only had derivative instruments for copper. During the September 2012 quarter the Company recorded losses of $4.3 million on derivative instruments compared to gains of $16.7 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 losses of $0.2 million in the September 2012 quarter compared to losses of $0.8 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 65% of the estimated copper settlements through December 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 35% of the estimated copper settlements in the period.

At September 30, 2012 the Company has unrealized losses on its derivative instruments. This represents a decrease in fair value of the derivative instruments from the dates of purchase to September 30, 2012.

The Company is required to provide security to certain derivative instrument counterparties to cover potential losses in excess of the credit facilities granted by the counterparties. At September 30, 2012 the Company had no security deposits payable to its counterparties. These security requirements only pertain to Huckleberry.

DEVELOPMENTS DURING THE SEPTEMBER 2012 QUARTER

GENERAL

The London Metals Exchange copper price per pound averaged US$3.50 in the September 2012 quarter compared to US$4.08 in the comparative 2011 quarter. The London Metals Exchange gold price per troy ounce averaged US$1,655 in the September 2012 quarter compared to US$1,700 in the comparative 2011 quarter. The US Dollar compared to the CDN Dollar averaged about 1.5% higher in the September 2012 quarter than in the comparative 2011 quarter. In CDN Dollar terms the average copper price in the September 2012 quarter was 12.8% lower than in the comparative 2011 quarter, and the average gold price in the September 2012 quarter was 1.3% lower than in the comparative 2011 quarter.

MOUNT POLLEY

Exploration, development and capital expenditures at Mount Polley were $5.9 million in the September 2012 quarter compared to $8.3 million in the comparative 2011 quarter.

Throughput continues to exceed plan averaging 22,395 tonnes per day for the first nine months of 2012. Throughput for the quarter averaged 22,278 tonnes per calendar day was up from 22,160 achieved in the comparable period in 2011. Increased throughput, improved recoveries, and better grades resulted in increased copper and gold production of 29% and 28% respectively from the levels achieved in the first nine months of 2011. Gold production for the third quarter was 13,869 ounces up slightly from 13,703 ounces produced in the second quarter, setting another a record quarterly gold production since the restart of Mount Polley operations in 2005.

Surface diamond drilling continues at Mount Polley with two exploration drill rigs onsite. The drill program is testing for mineralization beneath and adjacent to the Springer pit, and at the Quarry zone north of the Wight pit. During the 2012 third quarter 12,200 metres of diamond drilling were completed in 22 drill holes. The two surface drills are still working beneath the Cariboo pit, immediately adjacent to Springer, and at Quarry zone. Underground drilling resumes at the Boundary zone in the first week of November, at which time one surface rig will be shut down.

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 $16.0 million in the September 2012 quarter compared to $1.8 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 September 30, 2012 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

Imperial's share of Huckleberry's income from mine operations was $4.1 million in the September 2012 quarter compared to $3.9 million in the September 2011 quarter. Although Huckleberry had two shipments in each of the September 2012 and 2011 quarters, Huckleberry's income from mine operations increased due to positive revenue revaluations in 2012 compared to large negative revenue revaluations in 2011.

Copper grade and recovery were both lower in the first nine months of 2012 compared to the same period in 2011. A significant portion of the mill feed this year is from low grade stockpiles. Throughput for the period averaged 16,098 tonnes per day, virtually the same as for 2011. With lower grade and recovery, copper production was just over 26 million pounds, down about 23% from the same nine month period in 2011.

Work on the construction of the new tailings facility was suspended in October after a successful first year of construction. The starter dam at the new tailings storage facility was completed to an elevation of approximately 927 metres, exceeding the target elevation of 924 for the first year construction program by three metres. Over 2.1 million cubic metres of material was placed in the starter dam to the end of September 2012.

Three main targets were the focus of the exploration drilling program at Huckleberry: MZ Deep, Old Nag Quarry and NW MZO. The drill results obtained may indicate the presence of a continuous zone of copper mineralization at depth that connects the Main zone and East zone deposits. Additional drill holes are planned to further assess the potential of this target.

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 $38.1 million in the September 2012 quarter, including capitalized interest of $0.4 million, compared to $4.7 million in the September 2011 quarter.

Mass excavation is complete in the process plant but is ongoing in the truck shop and reclaim tunnel areas. Completion is expected by the end of October. Concrete aggregates have been produced from a gravel source located within the tailings impoundment area (TIA) and are being hauled to the plant site area via the TIA access road. Final ditching and surfacing of this road is expected to be complete by end of October. The first foundation pour for the concentrate storage shed was on September 24th. The main access road has been completed to single lane access from 3.2 km to 8 km at Coyote Creek. Over 35,000 cubic yards of aggregate has been crushed and is available to surface this road.

A Nordberg 54" x 80" gyratory crusher, purchased used, was totally dismantled and trucked from Sahuarita, Arizona to Mount Polley for refurbishing. The right of way for conveyors, light vehicle road and heavy vehicle road has been cleared and grubbed for the first 1.4 km between the proposed coarse ore stockpile and the primary crusher. Engineering is approximately 59% complete.

The work at Red Chris is being funded by cash flow from operations and an expanded 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 the end of May 2014.

The most significant of the new drilling at Red Chris is RC12-580 which has extended the deep mineralization discovered below the Gully zone in late 2011. The mineralized intersection is 605.8 metres grading 0.39% copper, 0.43 g/t gold and 2.00 g/t silver. The drill hole was collared approximately 200 metres grid north from previously reported hole RC11-477, which intersected 807.5 metres grading 0.31% copper, 0.29 g/t gold and 1.61 g/t silver. Two higher grade intervals contained within the mineralized intersection in RC12-580 were 47.5 metres grading 1.00% copper, 1.06 g/t gold and 3.87 g/t silver and 95.0 metres grading 0.77% copper, 0.73 g/t gold and 2.69 g/t silver. These two intervals contain breccia fragments displaying alteration and mineralization very similar to the high grade feeder system observed in the deep portions of the East zone. The presence of these breccia fragments support the exploration model that the Gully zone mineralization is related to a separate feeder system to the one defined below the East zone.

Exploration drilling at Red Chris was suspended once construction began in May 2012 and the project focus shifted to mine development.

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

STERLING

Underground mining developed 948 feet of drift on the 3292, 3260, and 3220 levels. Cross cuts from the main access drifts into and through the ore body were driven. Underground core drilling focused on delineating the extents of the 144 zone ore body within the stoping area, and drilling into the hanging wall for geo-technical assessment. Installation of a refurbished main ventilation fan near the bottom of the ventilation raise was completed. The ventilation system was modified utilizing the new main fan to draw fresh air down the main haulage ramp and out the vent raise. The new ventilation system provides sufficient airflow to allow for the use of a larger, more efficient haulage vehicle.

Loading of the leach pad continued, and in the third quarter an additional 14,000 tons containing approximately 1,250 ounces were loaded onto the leach pad. The average grade of this material was 0.084 oz/ton. A total of 2,077 ounces of gold was poured and shipped to the refinery.

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

RUDDOCK CREEK

The 2012 exploration program commenced in early July and was completed the last week of October. The program included surface diamond drilling on the V and Creek zones, underground diamond drilling of the Lower E zone and an additional 69 metres of underground development of the Lower E zone for the collection of a metallurgical bulk sample. In total 18 holes were completed in the V zone, 7 holes in the Creek zone and 26 holes from underground for a total of 10,081 metres of surface drilling and 5,843 metres of underground drilling.

Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation have an option to earn a 50% interest in the Ruddock Creek Property. Mitsui and Itochu spent $14 million by March 31, 2012 to earn a 35% working interest. They elected to spend a further $6 million by March 31, 2013 to earn an additional 15% working interest, at which point Ruddock Creek Joint Venture will be owned 50% Imperial, 30% Mitsui and 20% Itochu. The entire 2012 program and related studies continue to be funded by Mitsui and Itochu under the terms of the option agreement.

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 THE THREE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2011.

FINANCIAL RESULTS

Overview

Revenues were $49.2 million in the September 2012 quarter compared to $69.4 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 decrease in revenue in the September 2012 quarter over the 2011 quarter is due to lower sales volumes and lower copper and gold prices in the current quarter compared to the 2011 quarter. There were three concentrate shipments in the September 2012 quarter, consisting of one shipment from Mount Polley mine and two shipments from Huckleberry mine, compared to four shipments in the comparative 2011 quarter consisting of two shipments each from Mount Polley and Huckleberry.

Revenue in the September 2012 quarter was increased by a $3.7 million positive revenue revaluation compared to a negative revenue revaluation of $14.6 million in the comparative 2011 quarter. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the quarter at US$3.47 per pound and ended the quarter at US$3.74 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 $11.5 million to Imperial's income from mine operations in the September 2012 quarter compared to $4.6 million in the comparative 2011 quarter. Imperial's share of Huckleberry's income from mine operations was $4.1 million in the September 2012 quarter compared to $3.9 million operating income in the comparative 2011 quarter.

Income from mine operations increased to $15.2 million from $8.5 million in the comparative 2011 quarter as result of higher contribution margins from mine operations. Metal production in the 2012 comparative quarter where higher, which in turn decreased the cost per pound of copper sold in that quarter, increasing income from mine operations.

Net income for the quarter ended September 30, 2012 was $4.3 million ($0.06 per share) compared to net income of $17.6 million ($0.24 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	
	Sept 30 2012	Sept 30 2011
Operating expenses	$29,872	$53,795
Depletion and depreciation	4,006	6,993
Share based compensation	59	90
	$33,937	$60,878

Cost of sales were $33.9 million in the September 2012 quarter comprised of $18.4 million from Mount Polley and $15.5 million representing the Company's 50% share of Huckleberry. This compares to $60.9 million in the comparative 2011 quarter, comprised of $48.6 million from Mount Polley and $12.3 million from Huckleberry. Cost of sales decreased due to lower sales volumes and lower cost of production in the current quarter compared to the comparative quarter.

General and Administration Costs

[expressed in thousands of dollars]

	Three Months Ended	
	Sept 30 2012	Sept 30 2011
Administration	$1,088	$1,306
Share based compensation	743	1,176
Depreciation	38	28
Foreign exchange loss (gain)	1,109	(4,431)
Mineral property holding costs	(4)	26
	$2,974	$(1,895)

General and administration costs were $3.0 million in the September 2012 quarter compared to a $1.9 million cost recovery in the comparative 2011 quarter primarily due to a $5.5 million swing in foreign exchange gains to a loss in the current quarter.

The average CDN/US Dollar exchange rate of 0.995 in the September 2012 quarter was higher than the average of 0.980 in the comparative 2011 quarter. During the September 2012 quarter the CDN/US Dollar exchange rate started the quarter at 1.01 and fluctuated between a high of 1.021 and a low of 0.971 resulting in a foreign exchange loss of $1.1 million for the current quarter. Foreign exchange gains of $4.4 million were recorded in the comparative 2011 quarter as the CDN/US Dollar exchange rate was on a increasing trend from 0.970 to 1.000. 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	
	Sept 30 2012	Sept 30 2011
Derivatives	$(4,265)	$16,658
Interest expense, net of $390 (2011-$nil) capitalized to construction in progress	(131)	(461)
Foreign exchange gain (loss) on debt	338	(630)
Other including interest income	9	11
	$(4,049)	$15,578

Finance costs were $4.0 million in the September 2012 quarter compared to income of $15.6 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 September 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 loss of $4.3 million during the three months ending September 2012 compared to a gain of $16.7 million in the comparative 2011 quarter including unrealized losses on copper derivative of $4.1 million in the 2012 quarter compared to unrealized gains of $17.5 million in the September 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 $0.4 million was capitalized to construction in progress during the September 2012 quarter as a result of the construction at the Red Chris mine.

Income and Mining Taxes

Income and mining taxes expense recovery was $0.2 million in the September 2012 quarter compared $1.8 million expense in the comparative 2011 quarter. Current income tax recovery excluding mineral taxes in the September 2012 quarter was $0.5 million compared to an expense of $1.2 million in the comparative 2011 quarter. Deferred income tax expense of $2.7 million was recorded in the September 2012 quarter compared to $2.5 million in the comparative 2011 quarter. As a result of reduced mine operating profits for mineral tax purposes, $0.3 million in current mineral tax expense was recorded in the September 2012 quarter compared to $0.7 million in the comparative quarter. Deferred mineral taxes of $1.4 million were recorded in the September 2012 quarter compared to $4.0 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 Company's bankers and other short term debt secured by accounts receivables and concentrate inventory. Subsequent to September 30, 2012 the Company increased the line of credit with its bankers to $150.0 million to provide additional funding for the Red Chris project pending securing of senior financing for the project.

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 2013 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 September 30, 2012 would have been higher/lower by $1.8 million.

CASH FLOW

Cash flow was $17.2 million in the September 2012 quarter compared to cash flow of $17.4 million in the comparative quarter.

Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS and may not be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations, excluding mining and income taxes and before the net change in working capital balances.

WORKING CAPITAL

At September 30, 2012 the Company had working capital, defined as current assets less current liabilities of $6.3 million, a decrease of $70.2 million from working capital of $76.5 million at December 31, 2011. The September 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 $61.9 million in the September 2012 quarter compared to $12.7 million in the September 2012 quarter. Acquisition and development expenditures in 2012 and 2011 were financed from cash flow from operations and short term debt except for $8.6 million of mobile equipment financed by long term debt in the current quarter and $0.7 million of mobile mining equipment financed by long term debt in the September 2011 quarter.

[expressed in thousands of dollars]	Three Months Ended	
	Sept 30 2012	Sept 30 2011
Capital and Development Expenditures		
Mount Polley	$3,300	$3,000
Huckleberry	16,000	1,800
Red Chris (including capitalized interest of $400 (2011-$nil))	38,000	4,000
Sterling	400	-
Other	100	1,100
	$57,800	$9,900
Exploration Expenditures		
Mount Polley	$2,600	$1,800
Red Chris	100	700
Sterling	1,700	1,000
Other	100	-
	$4,500	$3,500
	$62,300	$13,400

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 as well as site clearing and other preconstruction activities. Capital and development expenditures at Sterling included development and construction of the leach pad and recovery plant and preproduction development costs, net of preproduction revenues.

Exploration expenditures of $2.6 million at Mount Polley consist of drilling and underground expenditures at the Boundary zone. Red Chris exploration expenditures, totalled $0.1 million in the 2012 quarter which reflects final costs of the exploration program now wound down to accommodate construction activities at the site.

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

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2011

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

FINANCIAL RESULTS

Overview

Revenues were $190.4 million in the September 2012 period compared to $206.0 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 decrease in revenue in the September 2012 period over the 2011 period is due to decreased concentrate sales volumes attributable to the Company and lower metal prices. There were ten concentrate shipments in the September 2012 period, consisting of five from Mount Polley and five from Huckleberry, compared to eleven shipments in the comparative 2011 period consisting of five from Mount Polley and six from Huckleberry.

Revenue in the September 2012 period was decreased by a $0.2 million negative revenue revaluation compared to a negative revenue revaluation of $16.0 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$3.43 per pound and ended the period at US$3.75 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 $38.2 million to Imperial's income from mine operations in the September 2012 period compared to $23.3 million in the comparative 2011 period. Imperial's share of Huckleberry's income from mine operations was $11.3 million in the September 2012 period compared to $33.3 million operating income in the comparative 2011 period.

Income from mine operations decreased to $49.5 million from $56.6 million in the comparative 2011 period as result of lower sales volumes and lower metal prices.

Net income for the period ended September 30, 2012 was $20.9 million ($0.28 per share) compared to net income of $45.4 million ($0.62 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]

	Nine Months Ended	
	Sept 30 2012	Sept 30 2011
Operating expenses	$125,756	$131,393
Depletion and depreciation	15,010	17,676
Share based compensation	175	311
	$140,941	$149,380

Cost of sales were $140.9 million in the September 2012 period comprised of $102.2 million from Mount Polley and $38.7 million representing the Company's 50% share of Huckleberry. This compares to $149.4 million in the comparative 2011 period, comprised of $115.7 million from Mount Polley and $33.7 million from Huckleberry. Cost of sales decreased due to lower sales volumes in the current period and decreased cost per pound sold in the current period as a result of higher production volumes in 2012 than in the comparative period.

General and Administration Costs

[expressed in thousands of dollars]

	Nine Months Ended	
	Sept 30 2012	Sept 30 2011
Administration	$3,582	$3,650
Share based compensation	2,210	3,855
Depreciation	104	113
Foreign exchange loss (gain)	1,331	(1,436)
Mineral property holding costs	-	130
	$7,227	$6,312

General and administration costs increased to $7.2 million in the September 2012 period from $6.3 million in the comparative 2011 period primarily due to a $2.7 million swing in foreign exchange gains to a loss in the current period.

The average CDN/US Dollar exchange rate of 1.002 in the September 2012 period was higher than the average of 0.978 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 0.971 resulting in a $1.3 million foreign exchange loss being recorded in the September 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]

	Nine Months Ended	
	Sept 30 2012	Sept 30 2011
Derivatives	$(7,530)	$21,127
Interest expense, net of $875 (2011-$nil) capitalized to construction in progress	(379)	(644)
Foreign exchange on debt	608	185
Other including interest income	(45)	(183)
	$(7,346)	$20,485

Finance costs were $7.4 million in the September 2012 period compared to finance income of $20.5 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 September 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 $7.5 million during the nine months ending 2012 compared to a gain of $21.1 million in the comparative 2011 period.

The unrealized losses on the derivative instrument contracts outstanding At September 30, 2012 were $7.0 million compared to unrealized gains of $30.3 million at September 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 $0.9 million was capitalized to construction in progress during the September 2012 period as a result of the construction at the Red Chris mine.

Income and Mining Taxes

Income and mining taxes expense was $14.1 million in the September 2012 period compared $25.7 million in the comparative 2011 period. Current income taxes, excluding mineral taxes, in the September 2012 period were $5.4 million compared to $10.5 million in the comparative 2011 period. Deferred income tax expense of $3.3 million was recorded in the September 2012 period compared to $8.3 million in the comparative 2011 period. As a result of decreased current mine operating profits, $1.0 million in current mineral tax expense was recorded for mineral tax payable to the Province of British Columbia in the 2012 period compared to $1.8 million in the 2011 period. Deferred mineral taxes of $4.4 million were recorded in the September 2012 period compared to $5.1 million in the September 2011 period.

LIQUIDITY & CAPITAL RESOURCES

CASH FLOW

Cash flow was $59.9 million in the September 2012 period compared to cash flow of $64.1 million in the comparative period. The $4.2 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 September 30, 2012 the Company had working capital, defined as current assets less current liabilities of $6.3 million, a decrease of $70.2 million from working capital of $76.5 million at December 31, 2011. The September 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 $127.9 million in the September 2012 period compared to $52.6 million in the September 2011 period. Acquisition and development expenditures in 2012 and 2011 were financed from cash flow from operations and short term debt except for $8.6 million of mobile equipment financed by long term debt in the September 2012 period and $0.7 million of mobile equipment financed by long term debt in the September 2011 period.

[expressed in thousands of dollars]	Nine Months Ended	
	Sept 30 2012	Sept 30 2011
Capital and Development Expenditures		
Mount Polley	$15,900	$12,700
Huckleberry	34,300	4,300
Red Chris (including capitalized interest of $900 (2011-$nil))	63,700	21,000
Sterling	3,200	300
Other	200	-
	117,300	38,300
Exploration Expenditures		
Mount Polley	6,900	6,900
Red Chris	1,400	3,900
Sterling	2,000	3,000
Other	300	500
	10,600	14,300
	$127,900	$52,600

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 and preproduction development costs, net of preproduction revenues.

Exploration expenditures of $6.9 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 September 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 September 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 parent ownership interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions and therefore the purchase price of $24.0 million and 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 September 30, 2012:

[expressed in thousands of dollars]	2012	2013	2014	2015	2016	2017	Total
Non-current debt	$558	$1,891	$1,568	$1,682	$1,949	$1,163	$8,811
Short term debt	58,616	-	-	-	-	-	58,616
Operating leases	171	440	413	388	384	180	1,976
Capital expenditures and other	15,826	96,718	255	-	-	-	112,799
Reclamation bonding	7,302	-	3,000	3,000	2,500	-	15,802
Mineral properties (1)	123	528	554	593	665	885	3,348
Total	$82,596	$99,577	$5,790	$5,663	$5,498	$2,228	$201,352

(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 2017 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, including the recently expanded short term debt facility with the Company's bankers, to manage its day to day financing needs. The Company is looking at alternatives to secure debt financing that will be required to fund the 2013 construction costs for the Red Chris project.

At September 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
	September 30 2012	June 30 2012	March 31 2012	December 31 2011
Total Revenues	$49,163	$69,021	$72,225	$47,181
Net Income	$4,343	$11,966	$4,599	$3,303
Income per share (1)	$0.06	$0.16	$0.06	$0.05
Diluted Income per share (1)	$0.06	$0.16	$0.06	$0.04
Adjusted Net Income (2)	$7,432	$10,535	$8,205	$8,229
Adjusted Net Income per share(1) (2)	$0.10	$0.14	$0.11	$0.11
Cash Flow (3)	$17,172	$21,841	$20,856	$23,664
Cash Flow per share (1) (3)	$0.23	$0.29	$0.28	$0.32
Average LME copper price/lb in US$	$3.50	$3.567	$3.768	$3.408
Average LME gold price/troy oz in US$	$1,655	$1,611	$1,691	$1,684
Average US/CDN$ exchange rate	$0.995	$1.006	$1.001	$1.023
Period end US/CDN$ exchange rate	$0.984	$1.019	$0.999	$1.017

				Three Months Ended
	September 30 2011	June 30 2011	March 31 2011	December 31 2010
Total Revenues	$69,409	$39,405	$97,180	$55,039
Net Income	$17,617	$8,035	$19,753	$19,230
Income per share (1)	$0.24	$0.11	$0.27	$0.26
Diluted Income per share (1)	$0.24	$0.11	$0.26	$0.25
Adjusted Net Income (2)	$4,755	$5,354	$12,995	$23,161
Adjusted Net Income per share(1) (2)	$0.06	$0.07	$0.18	$0.31
Cash Flow (3)	$17,441	$11,210	$35,400	$25,491
Cash Flow per share (1) (3)	$0.24	$0.15	$0.48	$0.35
Average LME copper price/lb in US$	$4.079	$4.151	$4.378	$3.917
Average LME gold price/troy oz in US$	$1,700	$1,504	$1,384	$1,109
Average US/CDN$ exchange rate	$0.980	$0.968	$0.986	$1.012
Period end US/CDN$ exchange rate	$1.039	$0.964	$0.972	$1.005

(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 September 30, 2012.

OTHER

As of November 5, 2012 the Company had 74,300,750 common shares outstanding, and on a diluted basis 77,344,718 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 MD&A, 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 MD&A, 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, 20% of total assets, 26% of revenues, 23% of income from mine operations and net income of $3.8 million of the consolidated financial statement amounts as of and for the nine months ended September 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 September 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 nine months of 2012. With the increase in the line of credit facility to $150.0 million the Company has sufficient funding for the Red Chris project until at least through the first quarter of 2013. Additional financing will be required in 2013 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

At the Red Chris property, mass excavation is ongoing in the truck shop and reclaim tunnel areas. The first concrete pour of the project was September 24 for the foundation of the concentrate storage shed. The access road from the plant area to the tailings impoundment area (TIA) is complete, enabling haulage to the process plant of concrete aggregates produced from a gravel source located in the TIA. Red Chris remains on schedule for plant start-up in 2014.

At Huckleberry mine, the first construction of the new tailing storage facility is ahead of schedule and should be ready to receive tailings when required next summer.

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	September 30 2012	December 31 2011
ASSETS			
Current Assets			
Cash		$20,150	$34,475
Short term investments		25,000	27,500
Marketable securities		843	703
Trade and other receivables	3	33,438	26,756
Inventory	4	38,335	38,905
Derivative instrument assets and margin deposits	11	1,751	6,144
Prepaid expenses and deposits		1,404	1,709
		120,921	136,192
Derivative Instrument Assets and Margin Deposits	11	865	2,362
Mineral Properties	6	440,970	326,989
Deferred Income Taxes		4,222	4,859
Other Assets	5	15,123	15,977
		$582,101	$486,379
LIABILITIES			
Current Liabilities			
Trade and other payables	7	$45,289	$27,873
Taxes payable		5,693	2,441
Short term debt	8	58,616	26,940
Derivative instrument liabilities	11	2,567	513
Current portion of non-current debt	9	2,017	1,081
Current portion of future site reclamation provisions	10	475	845
		114,657	59,693
Derivative Instrument Liabilities	11	620	266
Non-Current Debt	9	6,794	531
Future Site Reclamation Provisions	10	32,525	29,858
Deferred Income Taxes		69,250	61,545
		223,846	151,893
EQUITY			
Share Capital	12	116,727	114,563
Share Option Reserve		14,046	12,474
Currency Translation Adjustment		(1,147)	(272)
Retained Earnings		228,629	207,721
		358,255	334,486
		$582,101	$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 November 5, 2012

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2012 and 2011

Unaudited – Prepared by Management

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

	Notes	Third Quarter Three Months Ended September 30 2012	2011	Year to Date Nine Months Ended September 30 2012	2011
Revenue		$49,163	$69,409	$190,409	$205,994
Cost of Sales	13	(33,937)	(60,878)	(140,941)	(149,380)
Income from Mine Operations		15,226	8,531	49,468	56,614
General and Administration	14	(2,974)	1,895	(7,227)	(6,312)
Finance (Costs) Income	15	(4,049)	15,578	(7,346)	20,485
Other Income		9	-	80	281
Income before Taxes		8,212	26,004	34,975	71,068
Income and Mining Taxes	16	(3,869)	(8,387)	(14,067)	(25,663)
Net Income		4,343	17,617	20,908	45,405
Other Comprehensive (Loss) Income – currency translation adjustment		(997)	1,368	(875)	886
Total Comprehensive Income		$3,346	$18,985	$20,033	$46,291
Income Per Share					
Basic [(1)]	17	$0.06	$0.24	$0.28	$0.62
Diluted [(1)]	17	$0.06	$0.24	$0.28	$0.61
Weighted Average Number of Common Shares Outstanding					
Basic [(1)]	17	74,298,185	73,841,028	74,253,218	73,818,456
Diluted [(1)]	17	75,092,210	74,920,814	75,481,643	74,895,117

[(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			Currency		
	Number of Shares[1]	Amount	Share Option Reserve	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	141,666	1,236	(660)	-	-	576
Purchase price, including transaction costs, in excess of book value of minority interest in American Bullion Minerals Ltd.	-	-	-	-	(25,129)	(25,129)
Share based compensation expense	-	-	4,166	-	-	4,166
Total comprehensive income	-	-	-	886	45,405	46,291
Balance September 30, 2011	73,908,382	$113,014	$12,375	$144	$204,418	$329,951
Balance January 1, 2012	74,084,150	$114,563	$12,474	$(272)	$207,721	$334,486
Issued on exercise of options	216,600	2,164	(813)	-	-	1,351
Share based compensation expense	-	-	2,385	-	-	2,385
Total comprehensive income	-	-	-	(875)	20,908	20,033
Balance September 30, 2012	74,300,750	$116,727	$14,046	$(1,147)	$228,629	$358,255

(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 Nine Months Ended September 30, 2012 and 2011

Unaudited – Prepared by Management

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

		Third Quarter Three Months Ended September 30		Year to Date Nine Months Ended September 30	
	Notes	2012	2011	2012	2011
OPERATING ACTIVITIES					
Net income before taxes		$8,212	$26,004	$34,975	$71,068
Items not affecting cash flows					
Depletion and depreciation		4,044	7,021	15,114	17,789
Share based compensation		802	1,266	2,385	4,166
Accretion of future site reclamation provisions		276	178	828	588
Unrealized foreign exchange (gain) loss		54	465	(1)	1,047
Unrealized losses (gains) on derivative instruments		4,118	(17,499)	7,018	(30,341)
Other		(334)	6	(450)	(266)
		17,172	17,441	59,869	64,051
Net change in non cash operating working capital balances	18	13,529	26,695	(5,136)	27,775
Income and mining taxes received (paid)		2,046	(3,916)	711	(12,474)
Interest paid		(507)	(339)	(1,241)	(518)
Cash provided by operating activities		32,240	39,881	54,203	78,834
FINANCING ACTIVITIES					
Proceeds of short term debt		81,319	126,402	223,080	247,088
Repayment of short term debt		(63,772)	(139,437)	(191,110)	(216,284)
Repayment of non-current debt		(528)	(589)	(1,106)	(1,319)
Issue of share capital		18	301	1,351	576
Cash provided by (used in) financing activities		17,037	(13,323)	32,215	30,061
INVESTING ACTIVITIES					
Purchase of short term investments		-	(24,500)	-	(27,000)
Sale of short term investments		-	-	2,500	
Acquisition and development of mineral properties		(53,281)	(12,691)	(118,400)	(51,863)
(Increase) decrease in future site reclamation deposits		297	(1,126)	(980)	(1,361)
Purchase of minority interest in American Bullion Minerals Ltd. including transaction costs of $1,118		-	(31)	-	(25,129)
Other		(293)	(603)	1,733	(339)
Net change in non-cash investing working capital balances	18	(3,976)	-	15,052	-
Cash used in investing activities		(57,253)	(38,951)	(100,095)	(105,692)
EFFECT OF FOREIGN EXCHANGE ON CASH		(457)	161	(648)	(1,227)
(DECREASE) INCREASE IN CASH		(8,433)	(12,232)	(14,325)	1,976
CASH, BEGINNING OF PERIOD		28,583	43,026	34,475	28,818
CASH, END OF PERIOD		$20,150	$30,794	$20,150	$30,794

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 Nine Months Ended September 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 Nine Months Ended September 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

	September 30 2012	December 31 2011
Trade receivables	$31,940	$22,264
Taxes receivable	1,498	4,492
	$33,438	$26,756

4. INVENTORY

	September 30 2012	December 31 2011
Stockpile ore	$2,642	$2,793
Stockpiles and ore under leach	-	471
Concentrate	20,849	22,441
Supplies	14,844	13,200
	$38,335	$38,905

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Inventory recognized as expense during the period	$26,955	$49,248	$114,637	$119,508

As at September 30, 2012, the Company had $33,195 (December 31, 2011 - $28,310) inventory pledged as security for reclamation bonds and short term debt.

5. OTHER ASSETS

	September 30 2012	December 31 2011
Future site reclamation deposits	$13,240	$12,352
Other	1,883	3,625
	$15,123	$15,977

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 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	254	16,868	35,810	-	52,932
Disposals	-	(3)	(1,477)	-	(1,480)
Capitalized interest	-	-	-	-	-
Foreign exchange movement	222	784	72	-	1,078
Balance as at September 30, 2011	$127,271	$186,603	$335,001	$ -	$648,875
Balance as at December 31, 2011	$149,396	$178,312	$336,365	$5,464	$669,537
Additions	1,204	9,505	48,233	71,599	130,541
Reclassifications	10,043	(10,043)	-	-	-
Disposals	-	-	(27)	-	(27)
Foreign exchange movement	(222)	(671)	(145)	-	(1,038)
Balance as at September 30, 2012	$160,421	$177,103	$384,426	$77,063	$799,013

	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	4,610	-	10,129	-	14,739
Disposals	-	-	(1,454)	-	(1,454)
Foreign exchange movement	219	-	65	-	284
Balance as at September 30, 2011	$93,138	$1,719	$241,375	$ -	$336,232
Balance as at December 31, 2011	$97,429	$1,719	$243,400	$ -	$342,548
Depletion & depreciation	4,572	-	11,146	-	15,718
Disposals	-	(4)	(6)	-	(10)
Foreign exchange movement	(173)	-	(40)	-	(213)
Balance as at September 30, 2012	$101,828	$1,715	$254,500	$ -	$358,043
Carrying Amount					
Balance as at September 30, 2011	$34,133	$184,884	$93,626	$ -	$312,643
Balance as at December 31, 2011	$51,967	$176,593	$92,965	$5,464	$326,989
Balance as at September 30, 2012	$58,593	$175,388	$129,926	$77,063	$440,970

The Company has $112,799 (2011-$10,893) of contractual commitments for the acquisition of property, plant and equipment as at September 30, 2012 (Note 23). At September 30, 2012 assets with a fair value of $14,610 (September 30, 2011-$9,412) are legally restricted for the purposes of settling future site reclamation provisions.

During the nine months ended September 30, 2012 the Company capitalized borrowing costs of $875 (2011-$nil) into construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months Ended September 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 17,028 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 44 mineral claims encompassing 11,887 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% (September 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 September 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. Itochu/Mitsui have subsequently funded their option to earn an additional 15% interest in the Ruddock Creek Joint Venture. As at September 30, 2012 approximately $18,497 (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 Nine Months Ended September 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

	September 30 2012	December 31 2011
Trade payables	$22,207	$11,635
Accrued liabilities	23,082	16,238
	$45,289	$27,873

8. SHORT TERM DEBT

Amounts due for short term debt facilities are:	September 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 (Note 25).		
(a) Bankers Acceptances with a maturity value of $54,000 (December 31, 2011-$27,000)	$53,912	$26,940
(b) Bank loan $4,612 (December 31, 2011-$nil)	4,612	-
(c) Bank loan US$94 (December 31, 2011-$nil)	92	-
	$58,616	$26,940

The movement of the amounts due for short term debt are:	Nine Months Ended September 30 2012	Year Ended December 31 2011
Balance, beginning of period	$26,940	$10,439
Amounts advanced	223,080	275,983
Amounts repaid	(191,110)	(258,763)
Foreign exchange gains	(294)	(719)
	$58,616	$26,940

9. NON-CURRENT DEBT

The movement of the amounts due for non-current debt are:	Nine Months Ended September 30 2012	Year Ended December 31 2011
Balance, beginning of period	$1,612	$2,515
Amounts advanced	8,619	698
Foreign exchange (gain) loss	(314)	4
Amounts repaid	(1,106)	(1,605)
Balance, end of period	8,811	1,612
Less portion due within one year	(2,017)	(1,081)
	$6,794	$531

During the quarter ending September 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.

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10. FUTURE SITE RECLAMATION PROVISIONS

Changes to the future site reclamation provisions are as follows:

	Nine Months Ended September 30 2012	Year Ended December 31 2011
Balance, beginning of period	$30,703	$21,801
Accretion	828	766
Costs incurred during the period	(230)	(623)
Change in estimates of future costs and effect of translation of foreign currencies	1,699	8,759
Balance, end of period	33,000	30,703
Less portion due within one year	(475)	(845)
	$32,525	$29,858

11. DERIVATIVE INSTRUMENTS

	September 30 2012	December 31 2011
Assets		
Current		
Copper contracts	$1,751	$6,144
Non-current		
Security deposits with counterparties	$ -	$509
Copper contracts	865	1,853
	$2,616	$2,362
Liabilities		
Current		
Copper contracts	$2,567	$513
Non-Current		
Copper contracts	$620	$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 September 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 September 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.

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(a) Option contracts outstanding at September 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	$3.24	$4.43	4,712,000	4,409,000
2013	$3.21	$4.39	15,295,000	14,385,000
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.

Forward sales contracts outstanding at September 30, 2012 for copper are as follows:

	Weighted Average Price	
Contract Period	*US$/lb*	*lbs of copper*
2012	$3.47	3,924,000

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 forward sales copper price specified in the contract.

(b) Transactions subsequent to September 30, 2012

From September 1 to November 5, 2012 the Company purchased put options and sold call options to manage its exposure to changes in copper prices.

	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	$3.25	$4.21	3,086,000	3,086,000
2013	$3.05	$4.40	8,146,000	8,146,000

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.

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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 nine months ended September 30, 2012 and the year ended December 31, 2011 were as follows:

	Nine Months Ended September 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	(216,600)	$6.24	(317,434)	$3.86
Forfeited	(56,000)	$8.75	(42,000)	$8.46
Expired	(37,666)	$17.10	(20,000)	$12.00
Outstanding at end of period	3,043,968	$8.12	3,354,234	$8.11
Options exercisable at end of period	1,443,968	$6.32	1,322,234	$6.94

The following table summarizes information about the Company's share options outstanding at September 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	0.99	16,668	$3.30	0.99
$3.87-$4.93	1,079,500	$4.41	6.25	815,500	$4.41	6.25
$4.94-$8.59	450,800	$6.23	5.30	290,800	$6.40	4.23
$8.60-$10.79	129,000	$10.03	8.25	65,000	$10.03	8.25
$10.80-$11.55	1,368,000	$11.55	8.04	256,000	$11.55	8.04
	3,043,968	$8.12	6.97	1,443,968	$6.32	6.19

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.

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13. COST OF SALES

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Operating expenses	$29,872	$53,795	$125,756	$131,393
Depletion and depreciation	4,006	6,993	15,010	17,676
Share based compensation	59	90	175	311
	$33,937	$60,878	$140,941	$149,380

14. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Administration	$1,087	$1,306	$3,582	$3,650
Share based compensation	743	1,176	2,210	3,855
Depreciation	38	28	104	113
Foreign exchange loss (gain)	1,109	(4,431)	1,331	(1,436)
Mineral property holding costs (recovery)	(3)	26	-	130
	$2,974	$(1,895)	$7,227	$6,312

15. FINANCE (COSTS) INCOME

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

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Accretion of future site reclamation provisions	$(276)	$(178)	$(828)	$(588)
Interest on non-current debt	(66)	(29)	(99)	(88)
Other interest expense	(65)	(432)	(280)	(556)
Foreign exchange gain (loss) on current debt	26	(602)	294	196
Foreign exchange gain (loss) on non-current debt	312	(28)	314	(11)
Fair value gains (losses) on marketable securities	119	(62)	139	(140)
Realized (losses) on derivative instruments	(147)	(841)	(512)	(9,214)
Unrealized (losses) gains on derivative instruments	(4,118)	17,499	(7,018)	30,341
	(4,215)	15,327	(7,990)	19,940
Interest income	166	251	644	545
Finance (costs) income	$(4,049)	$15,578	$(7,346)	$20,485

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16. INCOME AND MINING TAXES

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Current income and mining taxes	$(203)	$1,809	$6,372	$12,276
Deferred income and mining taxes	4,072	6,578	7,695	13,387
	$3,869	$8,387	$14,067	$25,663

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 nine months ended September 30, 2012 is $1,140 of current income taxes payable originating from Mount Polley taxable income in 2011 that was deferred to 2012, and $5,644 of current income taxes payable originating from Mount Polley taxable income in 2012 not being eligible for deferral.

17. INCOME PER SHARE

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

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Numerator:				
Net Income	$4,343	$17,617	$20,908	$45,405
Denominator:				
Basic weighted-average number of common shares outstanding (1)	74,298,185	73,841,028	74,253,218	73,818,456
Effect of dilutive securities:				
Stock options (1)	794,025	1,097,786	1,228,425	1,076,661
Diluted potential common shares (1)	794,025	1,097,786	1,228,425	1,076,661
Diluted weighted-average number of common shares outstanding (1)	75,092,210	74,920,814	75,481,643	74,895,117
Basic net income per common share (1)	$0.06	$0.24	$0.28	$0.62
Diluted net income per common share (1)	$0.06	$0.24	$0.28	$0.61

Excluded from the calculation of diluted net income per common share for the nine months ended September 30, 2012 were nil shares (September 30, 2011–1,467,666(1) shares) related to stock options.

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

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18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Trade and other receivables	$16,952	$2,529	$(9,676)	$4,374
Inventory	(7,236)	14,530	227	9,540
Derivative instrument assets and margin deposits	1,045	(3,178)	1,850	(473)
Prepaid expenses and deposits	257	701	684	1,414
Trade and other payables	2,711	8,756	2,350	7,992
Derivative instrument liabilities	(200)	3,357	(571)	4,928
	$13,529	$26,695	$(5,136)	$27,775

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

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Trade and other payables	$(3,976)	$ -	$15,052	$ -

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

During the three months ended September 30, 2012 the Company purchased mobile mining equipment at a cost of $8,619 which was financed by long term debt (Note 9).

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

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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	September 30 2012[1]	December 31 2011 [1] [2]
Current Assets		
Cash	$21,177	$28,403
Short term investments	25,000	27,500
Derivative instrument assets	1,071	3,478
Other current assets	14,169	15,586
	61,417	74,967
Mineral properties	61,437	31,499
Other non-current assets	6,746	12,503
	129,600	118,969
Current Liabilities		
Trade and other payables	(12,283)	(7,068)
Non-current future site reclamation provisions	(22,145)	(21,792)
Other non-current liabilities	(620)	(265)
	$94,552	$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 September 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 $1,258 (December 31, 2011-$nil), mineral properties of $11,269 (December 31, 2011-$11,480), trade and other payables of $503 (December 31, 2011-$nil), and non-current future site reclamation provisions of $285 (December 31, 2011-$250) are included in the disclosure above and below.

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Statements of Income and Comprehensive Income	Three Months Ended	
	September 30 2012	September 30 2011
Revenues	$19,617	$16,147
Cost of Sales	(15,535)	(12,297)
Income from Mine Operations	4,082	3,850
General and Administration	(539)	1,485
Finance Income	(2,274)	10,104
Income and Mining Taxes	(705)	(4,546)
Net Income and Total Comprehensive Income	$564	$10,893
Statements of Cash Flows		
Cash provided by operating activities	$9,576	$8,931
Cash provided by financing activities	-	-
Cash used in investing activities	(13,741)	(26,879)
Effect of foreign exchange on cash	(296)	1,020
(Decrease) increase in cash	$(4,461)	$(16,928)

Statements of Income and Comprehensive Income	Nine Months Ended	
	September 30 2012	September 30 2011
Revenues	$49,993	$66,959
Cost of Sales	(38,738)	(33,692)
Income from Mine Operations	11,255	33,267
General and Administration	(550)	544
Finance (Costs) Income	(4,237)	11,579
Income and Mining Taxes	(2,655)	(15,991)
Net Income and Total Comprehensive Income	$3,813	$29,399
Statements of Cash Flows		
Cash provided by operating activities	$17,933	$31,946
Cash provided by financing activities	-	-
Cash used in investing activities	(24,910)	(31,844)
Effect of foreign exchange on cash	(249)	93
(Decrease) increase in cash	$(7,226)	$195

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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		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Cost of sales	$ -	$ -	$6	$8
Mineral exploration costs	$ -	$40	$ -	$3,031

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 nine months ended September 30, 2012 and 2011 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Compensation including director's fees(1)	$320	$310	$935	$894

(1) Short term employee benefits include salaries, bonuses payable within nine 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 September 30, 2012 and 2011.

22. REPORTABLE OPERATING SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets totalling $29,454 as at September 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 September 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.

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

	Three Months Ended September 30, 2012				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$28,994	$19,618	$ -	$1,258	$49,870
Less inter-segment revenues	(411)	-	-	(296)	(707)
Revenues from external sources	$28,583	$19,618	$ -	$962	$49,163
Net Income (Loss)	$3,761	$564	$88	$(70)	$4,343
Depletion and Depreciation	$1,951	$1,985	$ -	$108	$4,044
Finance (Costs) Income	$(3,320)	$(2,274)	$ -	$1,545	$(4,049)
Capital Expenditures	$5,847	$16,034	$38,114	$2,297	$62,292
Total Assets	$187,327	$116,353	$221,449	$56,972	$582,101
Total Liabilities	$125,924	$34,259	$15,713	$47,950	$223,846

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

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(reportable operating segments continued)

	Nine Months Ended September 30, 2012				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$139,445	$49,993	$ -	$2,770	$192,208
Less inter-segment revenues	(918)	-	-	(881)	(1,799)
Revenues from external sources	$138,527	$49,993	$ -	$1,889	$190,409
Net Income (Loss)	$18,874	$3,813	$(598)	$(1,181)	$20,908
Depletion and Depreciation	$10,647	$4,056	$ -	$411	$15,114
Finance (Costs) Income	$(7,490)	$(4,239)	$4	$4,377	$(7,346)
Capital Expenditures	$22,767	$34,246	$65,073	$5,810	$127,896
Total Assets	$187,327	$116,353	$221,449	$56,972	$582,101
Total Liabilities	$125,924	$34,259	$15,713	$47,950	$223,846

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

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	Three Months Ended		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Revenue by geographic area				
Japan [(1)]	$968	$39,953	$160,214	$144,534
United States	(915)	-	28,585	(199)
Europe	-	27,227	(284)	55,787
Canada	49,110	2,229	1,894	5,872
	$49,163	$69,409	$190,409	$205,994

(1) Including in the nine months ended September 30, 2012 $30,376 (2011-$66,959) related to Huckleberry, and in the three months ended September 30, 2012 $18,275 (2011-$16,147) related to Huckleberry.

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

In the nine months ended September 30, 2012, the Company had four principal customers (September 30 2011–four principal customers) with each customer accounting for 29%, 28%, 17% and 15% of revenues (September 30, 2011–27%, 25%, 21% and 13% of revenues). The Company is not reliant on any one customer to remain as a going concern.

In the three months ended September 30, 2012, the Company had two principal customers (September 30 2011–three principal customers) with each customer accounting for 24% and 11% of revenues (September 30, 2011–39%, 39% and 15% 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		Nine Months Ended	
	September 30 2012	September 30 2011	September 30 2012	September 30 2011
Copper	$35,169	$37,907	$126,370	$138,839
Gold	11,751	27,005	58,142	54,467
Silver	1,275	2,268	4,002	6,815
Other	968	2,229	1,895	5,873
	$49,163	$69,409	$190,409	$205,994

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For the Nine Months Ended September 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 September 30, 2012 the Company is committed to future minimum operating lease payments, including $183 related to Huckleberry, as follows:

2012	$171
2013	440
2014	413
2015	388
2016	384
2017	180
	$1,976

(b) As at September 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 no security deposits outstanding at September 30, 2012. Should Huckleberry acquire additional derivative instruments then Huckleberry may be required to increase the initial security margin deposits the amount of which is dependent upon the quantity, type and maturity date of the derivative instrument and the counterparty. The mark to market security deposit required is calculated as the net fair value liability of the outstanding copper derivative instruments with the counterparty less the borrowing limit granted by the counterparty. As at September 30, 2012 Huckleberry's derivative instruments not yet settled were a net fair value asset of US$689 (December 31, 2011-US$9,147).

(c) As at September 30, 2012 the Company has pledged cash deposits of $13,240 (December 31, 2011-$12,352), including $6,082 (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 $3,280 (December 31, 2011-$nil) as security for future site reclamation obligations (Note 10).

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

	Other than Huckleberry	Huckleberry (50% Share)	Total
2012	$1,302	$6,000	$7,302
2013	-	-	-
2014	-	3,000	3,000
2015	-	3,000	3,000
2016	-	2,500	2,500
	$1,302	$14,500	$15,802

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 September 30, 2012 the Company had the following contractual commitments for the acquisition of property, plant and equipment:

	Other than Huckleberry	Huckleberry (50% Share)	Total
2012	$10,815	$5,011	$15,826
2013	92,145	4,573	96,718
2014	255	-	255
	$103,215	$9,584	$112,799

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.

25. SUBSEQUENT EVENT

Subsequent to September 30, 2012 the Company's bankers agreed to increase the Company's credit facility from $75,000 to $150,000 and to extend the maturity date of the entire credit facility to September 30, 2013. The additional $75,000 has been guaranteed by Mr. N. Murray Edwards, a significant shareholder of the Company. In consideration of the guarantee, Mr. Edwards will receive an annual fee of $473 representing 0.63% of the additional $75,000.

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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.