2012 FIRST QUARTER REPORT

TO OUR SHAREHOLDERS

Imperial's comparative financial results for the three months ended March 31, 2012 and March 31, 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 MARCH 31	
	2012	2011
Revenues	$72,225	$97,180
Income from mine operations	$17,111	$36,277
Net Income	$4,599	$19,753
Net Income Per Share	$0.06	$0.27
Adjusted Net Income (1)	$8,205	$12,995
Adjusted Net Income Per Share (1)	$0.11	$0.18
Cash Flow (1)	$20,856	$35,400
Cash Flow Per Share (1)	$0.28	$0.48

(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 $72.2 million in the March 2012 quarter compared to $97.2 million in the 2011 quarter. The March 2012 quarter includes two concentrate shipments from the Mount Polley mine and one concentrate shipment from the Huckleberry mine, compared to two concentrate shipments from Mount Polley mine and three from Huckleberry mine in the comparative 2011 quarter. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

The Company recorded net income of $4.6 million in the March 2012 quarter compared to net income of $19.8 million in the 2011 quarter. Adjusted net income in the quarter was $8.2 million or $0.11 per share, versus $13.0 million or $0.18 per share in the March 2011 quarter. Adjusted net income is calculated by removing the unrealized gains and losses, net of related income taxes, resulting from mark to market revaluation of copper and foreign exchange derivative instruments. Adjusted net income is not a term recognized under IFRS in Canada however, it does show the current period financial results excluding the effect of items not settling in the current period.

Losses on derivative instruments were $5.3 million in the March 2012 quarter compared to gains of $2.8 million in the March 2011 quarter including unrealized net losses on copper derivatives of $4.8 million in the March 2012 quarter compared to unrealized net gains of $9.2 million in the March 2011 quarter. The Company realized losses of $0.5 million on copper derivatives in the March 2012 quarter compared to losses of $6.4 million in the March 2011 quarter.

Cash flow decreased to $20.9 million in the three months ending March 31, 2012 from $35.4 million in the comparative 2011 quarter. The $14.5 million decrease is primarily the result of reduced income from mine operations resulting from lower sales volumes.

Capital expenditures increased to $20.9 million from $11.2 million in the comparative 2011 quarter. All expenditures in the March 2012 quarter were financed from cash flow from the Mount Polley and Huckleberry mines and from short term debt. At March 31, 2012 the Company had $53.5 million in cash and short term investments.

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

MOUNT POLLEY MINE OPERATIONS

PRODUCTION	THREE MONTHS ENDED MARCH 31	
	2012	2011
Ore milled (tonnes)	1,924,701	1,714,950
Ore milled per calendar day (tonnes)	21,151	19,055
Grade % - copper	0.268	0.279
Grade g/t - gold	0.289	0.260
Recovery % - copper	65.65	58.50
Recovery % - gold	63.42	64.30
Copper (lbs)	7,455,346	6,163,206
Gold (oz)	11,346	9,232
Silver (oz)	24,832	22,815

Throughput was up 12% from the comparable quarter in 2011 and as a result, copper and gold production were both up from the levels achieved in 2011. Copper recovery increased 12% as less oxidized ore from deeper in the phase three Springer pit was treated. This higher throughput and copper recovery more than offset the lower copper grade achieved. Gold production was up almost 23% on higher grade and throughput and slightly lower recovery.

March and April were very good months for gold production with over 9,800 ounces produced during the two month period. Gold grades averaged over 0.3 g/t in each month, as slightly higher than expected gold grades were mined in the north central portion of the Springer pit.

To more fully utilize the loading capacity of the P&H 2300 shovel recently commissioned, Mount Polley has acquired two Caterpillar 793 (240 tonne) haul trucks. These larger trucks will help reduce mining costs, and free up five Caterpillar 777 (85 tonne) haul trucks for transfer to Red Chris for use during construction.

MOUNT POLLEY EXPLORATION

Underground work continues in the Boundary zone, with ramping underway that will provide access to all levels of the proposed test stope. During the 2012 first quarter 166 metres of ramp and cross cuts were completed.

Surface drilling continues, with two rigs currently onsite. The drilling is focusing on testing the mineralization beneath the Springer pit, and gathering more data in the area where the higher than expected gold grades were encountered. During the 2012 first quarter, 4,451 metres of diamond drilling were completed.

HUCKLEBERRY MINE OPERATIONS

PRODUCTION	THREE MONTHS ENDED MARCH 31	
[stated 100% - Imperial's allocation= 50%]	2012	2011
Ore milled (tonnes)	1,446,300	1,360,100
Ore milled per calendar day (tonnes)	15,893	15,112
Grade (%) – copper	0.291	0.477
Recovery (%) – copper	89.0	92.3
Copper (lbs)	8,269,000	13,194,000
Gold (oz)	643	877
Silver (oz)	42,065	74,064
Molybdenum (lbs)	-	6,929

As expected, copper grade and recovery were lower in the 2012 first quarter compared to the 2011 first quarter as the mine plan included a significant portion of mill feed from low grade stockpiles, while the pushback of the Main Zone extension pit is being completed. In January 2012, heavy snowfalls negatively impacted mill throughput. Throughput for January averaged 14,275 tonnes per day (13% less than budget) however, with March throughput averaging 17,334 tonnes per day (6% over budget) and copper grades delivered being about 4% over budget for the quarter, by the end of the first quarter Huckleberry was back on budget for copper production.

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Imperial's share of Huckleberry's income from mine operations was $3.3 million in the March 2012 quarter compared to $24.5 million in the March 2011 quarter. Huckleberry's income from mine operations decreased due to significantly lower sales volumes in 2012 over 2011. There was only one concentrate shipment in the 2012 March quarter compared to three shipments in the 2011 quarter. Huckleberry's concentrate inventory at March 31, 2012 was more than six times the quantity of inventory compared to March 31, 2011 (8,898 tonnes versus 1,318 tonnes).

HUCKLEBERRY MINE EXPLORATION

Exploration continues and a follow-up program of diamond drilling that includes drilling of two deep (+500 metre holes) and three shallower holes in the Main zone was recently approved. This drill program is underway and preliminary results are expected by July, 2012. The goal of the shallower drilling to the northwest of the Main Zone Optimization pit will be to identify higher grade near surface mineralization. The deep drilling will constitute the deepest test to date of the mineralization in the Main zone.

RED CHRIS

Exploration at Red Chris continues with one drill rig. A total of two holes have been drilled in the Gully zone, and one hole in each of the Main, Saddle and East zones. This drilling will be suspended once construction activities begin as the exploration camp will be required to support the initial construction activities.

Engineering work continues and the detailed design is now estimated to be 38% complete. Five Caterpillar 777 haul trucks and a Caterpillar 992 front end loader are being released from Mount Polley mine to Red Chris, to aid in the construction of the Red Chris facility. In addition two Caterpillar D-10 bulldozers, two Caterpillar 16G motor graders, three Atlas Copco 780 drills and various support equipment purchased from the Kemess mine are also being mobilized to Red Chris to be used in the construction of the mine.

On May 4 the Province of British Columbia issued a Mines Act permit for Red Chris, which will allow for construction activities to begin.

STERLING

In March the loading of the pad with stockpiled material was started and leaching commenced. By the end of March a total of 32,583 tonnes grading 0.082 ounces per ton were placed on the pad.

RUDDOCK CREEK

In the March 2012 quarter, joint venture partners Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation confirmed they would proceed with their Year 3 option to earn an additional 15% interest in the Ruddock Creek property by spending an additional $6.0 million by March 31, 2013.

OUTLOOK

At Sterling, pregnant solution was initially delivered to the recovery plant on April 24, and the first gold pour is expected in the second quarter.

At Huckleberry, extremely heavy snowfalls in January negatively impacted production, however, this was offset by better than average throughput in March and slightly higher than budgeted copper head grades for the first quarter. Mount Polley also had good production in March, with over 3.5 million pounds copper and 4,900 ounces gold being produced. Overall metal production for Imperial's account was close to guidance, with 11.6 million pounds copper, 11,668 ounces gold and 45,865 ounces silver being produced. This quarter production was 92%, 97%, and 115% of guidance respectively. As winter conditions typically make the first quarter the lowest production quarter, we expect to be able to meet our target production of 50.5 million pounds copper, 48,000 ounces gold and 160,000 ounces silver for 2012. Only one shipment was made during the quarter from Huckleberry, but two are scheduled for the second quarter.

With substantially high gold production (+23%), increased copper production, and slightly lower total cost of production at

Mount Polley compared to the same quarter in 2011, cash flow from Mount Polley was $16.3 million for the quarter, an increase of 10% from 2011. These items more than offset the sharply lower copper prices averaging US$3.77/lb in the 2012 first quarter compared to US$4.38/lb in the comparative 2011 quarter. It will be important to maintain good production levels so that cash flow from Mount Polley can be used to fund expenditures to the greatest extent possible.

The extension of the reserve at Mount Polley that will allow the mine to continue production to 2023 was announced during the first quarter. With this in place, both the Huckleberry and Mount Polley mines are expected to be in operation during the initial years of operation at Red Chris.

With the receipt of a Mines Act permit for the Red Chris project, work on the construction of the Red Chris mine can now commence. A significant fleet of mine equipment owned by Imperial is being mobilized to Red Chris to complete the required earthworks. By using this equipment, we hope to offset some of the inflationary pressures on construction costs being experienced in northern British Columbia.

Engineering and procurement for Red Chris has been funded by cash flow from operations and the line of credit. Initial construction at Red Chris will be funded in the same manner. However, with the construction permit now in hand, work to finalize approximately $300 million in debt financing for Red Chris can proceed.

Brian Kynoch
President

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation (the "Company") should be read with the unaudited Condensed Consolidated Interim Financial Statements for the period ended March 31, 2012 ("Interim Financial Statements"), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2011.

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

The reporting currency of the Company is the CDN Dollar.

FORWARD-LOOKING STATEMENTS AND RISKS NOTICE

This Management's Discussion and Analysis is a review of the Company's operations and financial position as at and for the period ended March 31, 2012, and plans for the future based on facts and circumstances as of May 10, 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 $72.2 million in the March 2012 quarter compared to $97.2 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 March 2012 quarter over the 2011 quarter is due to lower sales volumes at the Huckleberry mine. There were three concentrate shipments in the March 2012 quarter, consisting of two from Mount Polley and one from Huckleberry, compared to five shipments in the comparative 2011 quarter consisting of two from Mount Polley and three from Huckleberry.

Revenue in the March 2012 quarter was increased by a $4.4 million positive revenue revaluation compared to a negative revenue revaluation of $1.5 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$3.48 per pound and ended the quarter at US$3.85 per pound.

Income from mine operations decreased to $17.1 million from $36.3 million in the comparative 2011 quarter as result of lower contribution margins from mine operations due to lower sales volumes.

Net income for the quarter ended March 31, 2012 was $4.6 million ($0.06 per share) compared to net income of $19.8 million ($0.27 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 were $1.8 million lower than in 2011.

In the 2012 quarter, net realized and unrealized losses on derivative instruments were $5.3 million compared to net realized and unrealized gains of $2.8 million in the comparative quarter.

Share based compensation was $0.9 million in the current period compared to $1.5 million in the comparative period.

Income and mining tax expense decreased by $9.4 million from 2011 to 2012 with $3.1 million of the change resulting from a decrease in BC Mineral taxes, and $6.3 million of the change resulting from a decrease in federal and BC income tax due to lower taxable income in the current quarter.

Income and mining tax expense for the period ended March 31, 2012 includes $2.5 million for BC Mineral taxes, comprised of $0.5 million in current tax expense and $2.0 million in deferred income tax expense.

Adjusted net income in the March 2012 quarter was $8.2 million ($0.11 per share) compared to $13.0 million ($0.18 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 [expressed in thousands of dollars, except share amounts]	Three Months Ended Mar 31 2012	 2011
Net income as reported	$4,599	$19,753
Unrealized losses (income) on derivative instruments, net of tax (a)	3,606	(6,758)
Adjusted Net Income (b)	$8,205	$12,995
Adjusted Net Income Per Share (b)	$0.11	$0.18

(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 to $20.9 million in the March 2012 quarter from $35.4 million in the comparative 2011 quarter. The $14.5 million decrease is primarily the result of lower sales volumes in the March 2012 quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS in Canada. Cash flow is defined as cash flow from operations, excluding income and mining taxes and before the net change in non-cash working capital balances. The Company believes cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were $20.9 million, up from $11.2 million in the comparative 2011 quarter. Expenditures in both 2012 and 2011 were primarily financed by cash flow from the Mount Polley and Huckleberry mines and short term debt. At March 31, 2012 the Company had $53.5 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 $52.4 million (December 31, 2011-$55.9 million). The short term debt balance at March 31, 2012 was $36.9 million.

DERIVATIVE INSTRUMENTS

In the three month period ending March 31, 2012 the Company only had derivative instruments for copper. During the March 2012 quarter the Company recorded losses of $5.3 million on derivative instruments compared to gains of $2.8 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 $0.5 million in the March 2012 quarter and $6.4 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 51% of the estimated copper settlements through February 2013 via min/max zero cost collars. Derivative instruments for Huckleberry include puts and min/max zero cost collars extending out to April 2014 covering about 51% of the estimated copper settlements in the period.

At March 31, 2012 the Company has unrealized gains on its derivative instruments. This represents an increase in fair value of the derivative instruments from the dates of purchase to March 31, 2012.

The Company has granted security to certain derivative instrument counterparties to cover potential losses in excess of the credit facilities granted by the counterparties. At March 31, 2012 the Company had $0.5 million on deposit with counterparties, all related to Huckleberry. No security deposits are payable by the Company to its counterparties other than the security deposits required to be paid by Huckleberry.

DEVELOPMENTS DURING THE MARCH 2012 QUARTER

GENERAL

The London Metals Exchange copper price per pound averaged US$3.77 in the March 2012 compared to US$4.38 in the comparative 2011 quarter. The London Metals Exchange gold price per troy ounce averaged US$1,691 in the March 2012 compared to US$1,384 in the comparative 2011 quarter. The US Dollar compared to the CDN Dollar averaged about 2% higher in the March 2012 quarter than in the comparative 2011 quarter. In CDN Dollar terms the average copper price in the March 2012 quarter was 13% lower than in the comparative 2011 quarter, and the average gold price in the March 2012 quarter was 24% higher than in the comparative 2011 quarter.

MOUNT POLLEY

Exploration, development and capital expenditures at Mount Polley were $3.6 million in the March 2012 quarter compared to $6.1 million in the comparative 2011 quarter.

Throughput was up 12% from the comparable quarter in 2011 and as a result, copper and gold production were both up from the levels achieved in 2011. Copper recovery increased 12% as less oxidized ore from deeper in the phase three Springer pit was treated. This higher throughput and copper recovery more than offset the lower copper grade achieved. Gold production was up almost 23% on higher grade and throughput and slightly lower recovery.

To more fully utilize the loading capacity of the P&H 2300 shovel recently commissioned, Mount Polley has acquired two Caterpillar 793 (240 tonne) haul trucks. These larger trucks will help reduce mining costs, and free up five Caterpillar 777 (85 tonne) haul trucks for transfer to Red Chris for use during construction.

Underground work continues in the Boundary zone, with ramping underway that will provide access to all levels of the proposed test stope. During the 2012 first quarter 166 metres of ramp and cross cuts were completed.

Surface drilling continues, with two rigs currently onsite. The drilling is focusing on testing the mineralization beneath the Springer pit, and gathering more data in the area where the higher than expected gold grades were encountered. During the 2012 first quarter, 4,451 metres of diamond drilling were completed.

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 $8.1 million in the March 2012 quarter compared to $0.4 million in the comparative 2011 quarter.

The financial results from Huckleberry continue to have a significant impact on Imperial's results. Note 19 to the Interim Financial Statements of the Company for the period ended March 31, 2012 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

As expected, copper grade and recovery were lower in the 2012 first quarter compared to the 2011 first quarter as the mine plan included a significant portion of mill feed from low grade stockpiles, while the pushback of the Main Zone extension pit is being completed. In January 2012, heavy snowfalls negatively impacted mill throughput. Throughput for January averaged 14,275 tonnes per day (13% less than budget) however, with March throughput averaging 17,334 tonnes per day (6% over budget) and copper grades delivered being about 4% over budget for the quarter, by the end of the first quarter Huckleberry was back on budget for copper production.

Imperial's share of Huckleberry's income from mine operations was $3.3 million in the March 2012 quarter compared to $24.5 million in the March 2011 quarter. Huckleberry's income from mine operations decreased due to lower sales volumes in 2012 over 2011 and lower copper prices. There was only one concentrate shipment in the 2012 March quarter compared to three shipments in the 2011 quarter. Huckleberry's concentrate inventory at March 31, 2012 was more than six times the quantity of inventory compared to March 31, 2011 (8,898 tonnes versus 1,318 tonnes).

Exploration continues and a follow-up program of diamond drilling that includes drilling of two deep (+500 metre holes) and three shallower holes in the Main zone was recently approved. This drill program is underway and preliminary results are expected by July 2012. The goal of the shallower drilling to the northwest of the Main Zone Optimization pit will be to identify higher grade near surface mineralization. The deep drilling will constitute the deepest test to date of the mineralization in the Main zone.

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 $7.6 million in the March 2012 quarter compared to $3.4 million in the March 2011 quarter.

Exploration at Red Chris continues with one drill rig. During the first quarter, a total of two holes have been drilled in the Gully zone, and one hole in each of the Main, Saddle and East zones. This drilling will be suspended once construction activities begin as the exploration camp will be required to support the initial construction activities.

During the first quarter, engineering work continued.

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

STERLING

Exploration, development and capital expenditures at Sterling were $1.3 million in the March 2012 quarter compared to $1.1 million in the comparative 2011 quarter.

Good progress was made underground with the completion of a vent/escape raise and 850 feet of development. Total underground development to March 31, 2012 has generated a surface stockpile of 38,295 tons grading 0.12 ounces per short ton.

Carbon columns and related piping have been water tested, and the new 3.5 acre leach pad is lined and being prepared for loading. By the end of March a total of 32,583 tonnes grading 0.082 ounces per ton were placed on the pad. Pregnant solution was initially delivered to the recovery plant on April 24, and Sterling's first gold pour of its second mine life is expected in the next quarter.

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

RUDDOCK CREEK

In the March 2012 quarter, joint venture partners Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation confirmed they would proceed with their Year 3 option to earn an additional 15% interest in the Ruddock Creek property by spending an additional $6.0 million by March 31, 2013.

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

RESULTS OF OPERATIONS FOR 2012 COMPARED to 2011

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

FINANCIAL RESULTS

Overview

Revenues were $72.2 million in the March 2012 quarter compared to $97.2 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 March 2012 quarter over the 2011 quarter is due to lower sales volumes on lower copper prices. There were three concentrate shipments in the March 2012 quarter, consisting of two from Mount Polley and one from Huckleberry, compared to five shipments in the comparative 2011 quarter consisting of two from Mount Polley and three from Huckleberry.

Revenue in the March 2012 quarter was increased by a $4.4 million positive revenue revaluation compared to a negative revenue revaluation of $1.5 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$3.48 per pound and ended the quarter at US$3.85 per pound.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed $13.8 million to Imperial's income from mine operations in the March 2012 quarter compared to $11.8 million in the comparative 2011 quarter. Imperial's share of Huckleberry's income from mine operations was $3.3 million in the March 2012 quarter compared to $24.5 million operating income in the comparative 2011 quarter.

Income from mine operations decreased to $17.1 million from $36.3 million in the comparative 2011 quarter as result of lower contribution margins from mine operations due to lower sales volumes.

Net income for the quarter ended March 31, 2012 was $4.6 million ($0.06 per share) compared to net income of $19.8 million ($0.27 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	
	March 31 2012	March 31 2011
Operating expenses	$49,748	$53,089
Depletion and depreciation	5,301	7,704
Share based compensation	65	110
	$55,114	$60,903

Cost of sales were $55.1 million in the March 2012 quarter comprised of $46.3 million from Mount Polley and $8.8 million representing the Company's 50% share of Huckleberry. This compares to $60.9 million in the comparative 2011 quarter, comprised of $45.3 million from Mount Polley and $15.6 million from Huckleberry. The increase is due to increased power and explosives costs.

General and Administration Costs

[expressed in thousands of dollars]

	Three Months Ended	
	March 31 2012	March 31 2011
Administration	$1,110	$1,290
Share based compensation	809	1,362
Depreciation	41	49
Foreign exchange loss	229	1,922
Mineral property holding costs	3	250
	$2,192	$4,873

General and administration costs decreased to $2.2 million in the March 2012 quarter from $4.9 million in the comparative 2011 quarter primarily due to a $0.6 million decrease in share based compensation and a $1.7 million decrease in foreign exchange loss.

The average CDN/US Dollar exchange rate of 1.001 in the March 2012 quarter was higher than the average of 0.986 in the comparative 2011 quarter. During 2012 the CDN/US Dollar exchange rate started the year stronger at 1.009 but was on a decreasing trend going from 1.009 to 0.999 resulting in a $0.2 million foreign exchange loss being recorded in the March 2012 quarter. Foreign exchange losses of $1.9 million were recorded in the comparative 2011 quarter as the CDN/US Dollar exchange rate was on a decreasing trend from 0.999 to 0.972. 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]

	Three Months Ended	
	March 31 2012	March 31 2011
Derivatives	$(5,325)	$2,753
Interest expense	(347)	(52)
Foreign exchange	139	55
Interest income and other	140	(64)
	$(5,393)	$2,692

Finance costs were $5.4 million in the March 2012 quarter compared to finance income of $2.7 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 March 31, 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 and foreign exchange rate, resulted in a loss of $5.3 million during the three months ending 2012 compared to a gain of $2.8 million in the comparative 2011 quarter.

The unrealized gains on the derivative instrument contracts outstanding at March 31, 2012 were $2.0 million compared to unrealized losses of $6.3 million at March 31, 2011. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Income and Mining Taxes

Income and mining taxes expense was $4.9 million in the March 2012 quarter compared $14.3 million in the comparative 2011 quarter. Current income taxes, excluding mineral taxes, in the March 2012 quarter were $3.9 million compared to $9.6 million in the comparative 2011 quarter. As a result of reduced mine operating profits, $0.5 million in current tax expense was recorded for mineral tax payable to the Province of British Columbia in the 2012 period compared to $0.9 million in the 2011 period. A deferred income tax expense of $0.5 million was recorded in the March 2012 quarter compared to $3.8 million in the comparative 2011 quarter.

CAPITAL RISK MANAGEMENT

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

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

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

LIQUIDITY & CAPITAL RESOURCES

Credit Risk

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

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

The Company enters into derivative instruments with a number of counterparties. The credit risks associated with these counterparties is considered to be minimal because of their strong capital base, diversity and multinational operations. In addition, to reduce risk related to derivative instruments the Company utilizes multiple counterparties.

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

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. Based on current plans and assumptions, the Company expects to have sufficient cash resources to support its normal operating requirements on an ongoing basis. The Company's primary sources of credit are a $75.0 million line of credit with the Bank of Montreal and other short term debt secured by accounts receivables and concentrate inventory.

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs.

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

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

The Company's overall liquidity risk is unchanged from December 31, 2011. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, short term investments, trade and other receivables, derivative instrument assets and margin deposits, future site reclamation deposits, trade and other payables, derivative instrument liabilities, and short term debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the period ended March 31, 2012 would have been higher/lower by $3.6 million.

Cash Flow

The Company recorded net income of $4.6 million in the three months ending March 31, 2012 compared to net income of $19.8 million in the March 2011 quarter. Cash flow was $20.9 million in the March 2012 quarter compared to cash flow of $35.4 million in the comparative quarter. The $14.5 million decrease is primarily the result of decreased sales volumes.

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

Working Capital

At March 31, 2012 the Company had working capital, defined as current assets less current liabilities of $69.6 million, a decrease of $6.9 million from working capital of $76.5 million at December 31, 2011. The March 31, 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.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totalled $20.9 million in the March 2012 quarter compared to $11.2 million in the March 2011 quarter.

Acquisition and development expenditures in 2012 and 2011 were financed from cash flow from operations and short term debt.

[expressed in thousands of dollars]	Three Months Ended	
	March 31 2012	March 31 2011
Capital and Development Expenditures		
Mount Polley	$1,812	$3,104
Huckleberry	8,142	437
Red Chris	6,815	1,112
Sterling	1,016	234
Other	234	59
	18,019	4,946
Exploration Expenditures		
Mount Polley	1,774	2,984
Red Chris	810	2,254
Sterling	299	911
Other	28	92
	2,911	6,241
	$20,930	$11,187

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 preparation for mining startup.

Exploration expenditures of $1.8 million at Mount Polley consist of drilling and underground expenditures at the Boundary zone. Red Chris exploration expenditures, primarily drilling, totaled $0.8 million in the quarter.

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

DEBT AND OTHER OBLIGATIONS

INTEREST RATE RISK

The Company is exposed to interest rate risk on its outstanding borrowings and short term investments. Presently, the majority of the Company's outstanding borrowings are at 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 March 31, 2012:

[expressed in thousands of dollars]	2012	2013	2014	2015	2016	Total
Non-current debt	$789	$448	$83	$ -	$ -	$1,320
Short term debt	36,895	-	-	-	-	36,895
Operating leases	269	215	181	150	139	954
Capital expenditures and other	48,636	39,364	450	195	195	88,840
Reclamation bonding	7,302	-	3,000	3,000	2,500	15,802
Mineral properties [(1)]	282	530	555	595	667	2,629
Total	$94,173	$40,557	$4,269	$3,940	$3,501	$127,544

(1) Mineral property commitments are the estimated payments required to keep the Company's claims or option agreements in good standing. Total is to the year 2016 only.

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

As at March 31, 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			
	March 31 2012	December 31 2011	September 30 2011	June 30 2011
Total Revenues	$72,225	$47,181	$69,409	$39,405
Net Income	$4,599	$3,303	$17,617	$8,035
Income per share (1)	$0.06	$0.05	$0.24	$0.11
Diluted Income per share (1)	$0.06	$0.04	$0.24	$0.11
Adjusted Net Income (2)	$8,205	$8,229	$4,755	$5,354
Adjusted Net Income per share(1) (2)	$0.11	$0.11	$0.06	$0.07
Cash Flow (3)	$20,856	$23,664	$17,441	$11,210
Cash Flow per share (1) (3)	$0.28	$0.32	$0.24	$0.15
Average LME copper price/lb in US$	$3.768	$3.408	$4.079	$4.151
Average LME gold price/troy oz in US$	$1,691	$1,684	$1,700	$1,504
Average US/CDN$ exchange rate	$1.001	$1.023	$0.980	$0.968
Period end US/CDN$ exchange rate	$0.999	$1.017	$1.039	$0.964

	Three Months Ended			
	March 31 2011	December 31 2010	September 30 2010	June 30 2010
Total Revenues	$97,180	$55,039	$68,477	$53,435
Net Income	$19,753	$19,230	$7,236	$13,596
Income per share (1)	$0.27	$0.26	$0.10	$0.19
Diluted Income per share (1)	$0.26	$0.25	$0.10	$0.18
Adjusted Net Income (2)	$12,995	$23,161	$13,065	$1,815
Adjusted Net Income per share(1) (2)	$0.18	$0.31	$0.18	$0.03
Cash Flow (3)	$35,400	$25,491	$27,079	$8,504
Cash Flow per share (1) (3)	$0.48	$0.35	$0.37	$0.12
Average LME copper price/lb in US$	$4.378	$3.917	$3.285	$3.188
Average LME gold price/troy oz in US$	$1,384	$1,109	$1,195	$1,227
Average US/CDN$ exchange rate	$0.986	$1.012	$1.039	$1.028
Period end US/CDN$ exchange rate	$0.972	$1.005	$1.030	$1.061

(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 March 31, 2012.

OTHER

As of May 10, 2012 the Company had 74,282,750 common shares outstanding, and on a diluted basis 77,422,384 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROLS AND PROCEDURES

The Company's management evaluated the design and operational effectiveness of its internal control and procedures over financial reporting as defined under National Instrument 52-109. Management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Huckleberry Mines Ltd. ("Huckleberry"), in which the Company holds a 50% interest and is proportionally consolidated in the Company's consolidated financial statements. The Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. Huckleberry constitutes 23% of net assets, 21% of total assets, 17% of revenues, 19% of income from mine operations and net loss of $0.3 million of the consolidated financial statement amounts as of and for the three months ended March 31, 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 March 31, 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 is anticipated 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 quarter of 2012. Additional financing will be required in 2012 to fund accelerating expenditures at Red Chris. Management plans to finance a large part of the Red Chris development costs through a debt facility to minimize equity dilution.

Cash flow protection for 2012 is supported by derivative instruments that will see the Company receive certain minimum average copper prices as disclosed under the heading Derivative Instruments. However, quarterly revenues will fluctuate depending on copper and gold prices, the US Dollar/CDN Dollar exchange rate, and the timing of concentrate sales which is dependent on concentrate production and the availability and scheduling of transportation.

EXPLORATION

The Company's plans for 2012 include exploration at the Mount Polley, Huckleberry, Red Chris, Ruddock Creek and Sterling properties.

At Mount Polley, underground work continues in the Boundary zone, with ramping underway that will provide access to all levels of the proposed test stope. Surface drilling continues, with two rigs currently onsite. The drilling is focusing on testing the mineralization beneath the Springer pit, and gathering more data in the area where the higher than expected gold grades were encountered.

Exploration at Huckleberry continues and a follow-up program of diamond drilling that includes drilling of two deep (+500 metre holes) and three shallower holes in the Main zone, with preliminary results expected by July, 2012. The goal of the shallower drilling to the northwest of the Main Zone Optimization pit will be to identify higher grade near surface mineralization. The deep drilling will constitute the deepest test to date of the mineralization in the Main zone.

Exploration at Red Chris continues with one drill rig however drilling will be suspended once construction activities begin as the exploration camp will be required to support the initial construction activities.

At Ruddock Creek, exploration will include the excavation of a bulk sample for metallurgical testing from the E zone mineralization, continued underground drilling to further define the lower E zone. It will also include surface drilling in the V zone, located three kilometers to the west of the E zone, and in the Creek zone. This work is expected to commence in June.

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

DEVELOPMENT

Mount Polley plans to produce 34.0 million pounds of copper in 2012. To achieve this production goal, the Company has added a P&H 2300 shovel with a 23 cubic metre bucket which will significantly reduce loading times for the fleet of Caterpillar 785 haul trucks. This will decrease mining costs and increase mining productivity ensuring the movement of waste material required to access the deeper higher grade ore in the Springer pit. In addition, underground excavation of ramps and other facilities in the Boundary zone, required to test mine approximately 300,000 tonnes grading 1.26% copper, 0.85 g/t gold and 5.5 g/t silver using a modified sub-level caving method, is planned to confirm the costs and efficacy of this underground mining method.

At Huckleberry mine construction of a new tailings storage facility to provide storage for the waste and tailings from the Main Zone Optimization pit will be the focus of construction work at Huckleberry.

With the receipt of a Mines Act permit for the Red Chris project, work on the construction of the Red Chris mine can now commence. A significant fleet of mine equipment owned by Imperial is being mobilized to Red Chris to be used to complete the earthworks required. By using this equipment, we hope to offset some of the inflationary pressures on construction costs being experienced in northern British Columbia. Engineering and procurement for Red Chris has been funded by cash flow from operations and the line of credit, and initial construction will be funded in the same manner. However, with the permit allowing construction work to proceed now in hand, work to finalize the plans to raise approximately $300.0 million in debt financing to fund the construction of Red Chris can proceed.

At Sterling, leaching and loading of gold to carbon began in April, and the first gold pour and sale is expected in the second quarter. Good progress was made underground with the completion of a vent/escape raise and 850 feet of development. Underground stoping operations are expected to begin in the next quarter.

Ruddock Creek joint venture partners Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation confirmed they would proceed with their Year 3 option to earn an additional 15% interest in the Ruddock Creek property by spending an additional $6.0 million by March 31, 2013. The exploration program in 2012 will include the excavation of a bulk sample for metallurgical testing from the E zone mineralization, continued underground drilling to further define the lower E zone. It will also include surface drilling in the V zone, located three kilometers to the west of the E zone, and in the Creek zone. This work is expected to commence in June.

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 2012 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	March 31 2012	December 31 2011
ASSETS			
Current Assets			
Cash		$28,457	$34,475
Short term investments		25,000	27,500
Marketable securities		847	703
Trade and other receivables	3	54,178	26,756
Inventory	4	32,220	38,905
Derivative instrument assets and margin deposits	11	3,118	6,144
Prepaid expenses and deposits		1,300	1,709
		145,120	136,192
Derivative Instrument Assets and Margin Deposits	11	2,070	2,362
Mineral Properties	6	343,377	326,989
Deferred Income Taxes		5,314	4,859
Other Assets	5	14,524	15,977
		$510,405	$486,379
LIABILITIES			
Current Liabilities			
Trade and other payables	7	$29,372	$27,873
Taxes payable		6,196	2,441
Short term debt	8	36,895	26,940
Derivative instrument liabilities	11	1,345	513
Current portion of non-current debt	9	952	1,081
Current portion of future site reclamation provisions	10	776	845
		75,536	59,693
Derivative Instrument Liabilities	11	1,346	266
Non-Current Debt	9	368	531
Future Site Reclamation Provisions	10	29,898	29,858
Deferred Income Taxes		62,544	61,545
		169,692	151,893
EQUITY			
Share Capital	12	116,382	114,563
Share Option Reserve		12,675	12,474
Currency Translation Adjustment		(664)	(272)
Retained Earnings		212,320	207,721
		340,713	334,486
		$510,405	$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 May 10, 2012

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2012 and 2011

Unaudited – Prepared by Management

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

	Notes	First Quarter Three Months Ended March 31 2012	March 31 2011
Revenue		$72,225	$97,180
Cost of Sales	13	(55,114)	(60,903)
Income from Mine Operations		17,111	36,277
General and Administration	14	(2,192)	(4,873)
Finance (Costs) Income	15	(5,393)	2,692
Income before Taxes		9,526	34,096
Income and Mining Taxes	16	(4,927)	(14,343)
Net Income		4,599	19,753
Other Comprehensive Income (Loss) – currency translation adjustment		(392)	(372)
Total Comprehensive Income		$4,207	$19,381
Income Per Share			
Basic [(1)]	17	$0.06	$0.27
Diluted [(1)]	17	$0.06	$0.26
Weighted Average Number of Common Shares Outstanding			
Basic [(1)]	17	74,179,240	73,795,182
Diluted [(1)]	17	75,690,280	74,978,386

(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	32,666	285	(140)	-	-	145
Share based compensation expense	-	-	1,472	-	-	1,472
Total comprehensive income	-	-	-	(372)	19,753	19,381
Balance March 31, 2011	73,799,382	$112,063	$10,201	$(1,114)	$203,895	$325,045
Balance December 31, 2011	74,084,150	$114,563	$12,474	$(272)	$207,721	$334,486
Issued on exercise of options	179,100	1,819	(673)	-	-	1,146
Share based compensation expense	-	-	874	-	-	874
Total comprehensive income	-	-	-	(392)	4,599	4,207
Balance March 31, 2012	74,263,250	$116,382	$12,675	$(664)	$212,320	$340,713

(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 Three Months Ended March 31, 2012 and 2011

Unaudited – Prepared by Management

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

	Notes	Three Months Ended March 31 2012	March 31 2011
OPERATING ACTIVITIES			
Net income before taxes		$9,526	$34,096
Items not affecting cash flows			
Depletion and depreciation		5,342	7,753
Share based compensation		874	1,472
Accretion of debt and future site reclamation provisions		276	205
Unrealized foreign exchange loss (gain)		185	1,104
Unrealized losses (gains) on derivative instruments		4,808	(9,194)
Other		(155)	(36)
		20,856	35,400
Net change in non cash operating working capital balances	18	(19,683)	3,463
Income and mining taxes paid		(385)	(4,747)
Interest paid		(349)	(63)
Cash provided by operating activities		439	34,053
FINANCING ACTIVITIES			
Proceeds of short term debt		57,422	16,606
Repayment of short term debt		(47,332)	(27,003)
Repayment of non-current debt		(288)	(346)
Issue of share capital		1,146	145
Cash provided by (used in) financing activities		10,948	(10,598)
INVESTING ACTIVITIES			
Purchase of short term investments		-	(2,500)
Sale of short term investments		2,500	-
Acquisition and development of mineral properties		(20,930)	(11,187)
(Increase) decrease in future site reclamation deposits		(1,277)	40
Other		2,639	(26)
Cash used in investing activities		(17,068)	(13,673)
EFFECT OF FOREIGN EXCHANGE ON CASH		(337)	(1,155)
(DECREASE) INCREASE IN CASH		(6,018)	8,627
CASH, BEGINNING OF PERIOD		34,475	28,818
CASH, END OF PERIOD		$28,457	$37,445

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 Three Months Ended March 31, 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, BC, Canada V6C 3B6. The Company's shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "III".

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance 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.

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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.

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3. TRADE AND OTHER RECEIVABLES

	March 31 2012	December 31 2011
Trade receivables	$49,928	$22,264
Taxes receivable	4,250	4,492
	$54,178	$26,756

4. INVENTORY

	March 31 2012	December 31 2011
Stockpile ore	$2,517	$2,793
Stockpiles and ore under leach	1,587	471
Concentrate	15,566	22,441
Supplies	12,550	13,200
	$32,220	$38,905

	Three Months Ended	
	March 31 2012	March 31 2011
Inventory recognized as expense during the period	$45,994	$57,145

As at March 31, 2012, the Company had $21,353 (December 31, 2011 - $28,310) inventory pledged as security for reclamation bonds and short term debt.

5. OTHER ASSETS

	March 31 2012	December 31 2011
Future site reclamation deposits	$13,579	$12,352
Other	945	3,625
	$14,524	$15,977

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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	-	7,355	3,831	-	11,186
Reclassifications	-	-	-	-	-
Foreign exchange movement	(130)	(317)	(32)	-	(479)
Balance as at March 31, 2011	$126,665	$175,992	$304,395	$ -	$607,052
Balance as at December 31, 2011	$149,396	$178,312	$336,365	$5,464	$669,537
Additions	-	3,717	9,775	7,188	20,680
Reclassifications	10,043	(15,507)	5,464	-	-
Foreign exchange movement	(120)	(327)	(46)	-	(493)
Balance as at March 31, 2012	$159,319	$166,195	$351,558	$12,652	$689,724

	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	2,729	-	2,021	-	4,750
Foreign exchange movement	(127)	-	-	-	(127)
Balance as at March 31, 2011	$90,911	$1,719	$234,656	$ -	$327,286
Balance as at December 31, 2011	$97,429	$1,719	$243,400	$ -	$342,548
Depletion & depreciation	859	-	3,062	-	3,921
Disposals	-	(4)	-	-	(4)
Foreign exchange movement	(92)	-	(26)	-	(118)
Balance as at March 31, 2012	$98,196	$1,715	$246,436	$ -	$346,347
Carrying Amount					
Balance as at March 31, 2011	$35,754	$174,273	$69,739	$ -	$279,766
Balance as at December 31, 2011	$51,967	$176,593	$92,965	$5,464	$326,989
Balance as at March 31, 2012	$61,123	$164,480	$105,122	$12,652	$343,377

The Company has $80,760 (2011-$nil) contractual commitments for the acquisition of property, plant and equipment as at March 31, 2012 (Note 23). At March 31, 2012 assets with a fair value of $14,949 (March 31, 2011-$7,828) are legally restricted for the purposes of settling future site reclamation provisions.

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property 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% (March 31, 2011-88%) interest in the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The Red Chris property encompasses 68 mineral claims totalling 16,994 hectares. 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 65% (March 31, 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 March 31, 2013.

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

Other Exploration Properties

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

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7. TRADE AND OTHER PAYABLES

	March 31 2012	December 31 2011
Trade payables	$13,554	$11,635
Accrued liabilities	15,818	16,238
	$29,372	$27,873

8. SHORT TERM DEBT

Amounts due for short term debt facilities are:	March 31 2012	December 31 2011
Bank loan facilities aggregating $75,000 secured by trade and other receivables, inventory, shares of certain subsidiaries and a floating charge on certain assets of the Company. The facility is due on demand and is subject to maintenance of certain covenants.		
Bankers Acceptances with a maturity value of $37,000 (December 31, 2011-$27,000)	$36,895	$26,940

The movement of the amounts due for short term debt are:	Three Months Ended March 31 2012	Year Ended December 31 2011
Balance, beginning of period	$26,940	$10,439
Amounts advanced	57,422	275,983
Amounts repaid	(47,332)	(258,763)
Foreign exchange gains	(135)	(719)
	$36,895	$26,940

9. NON-CURRENT DEBT

The movement of the amounts due for non-current debt are:	Three Months Ended March 31 2012	Year Ended December 31 2011
Balance, beginning of period	$1,612	$2,515
Amounts advanced	-	698
Foreign exchange (gain) loss	(4)	4
Amounts repaid	(288)	(1,605)
Balance, end of period	$1,320	$1,612
Less portion due within one year	(952)	(1,081)
	$368	$531

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10. FUTURE SITE RECLAMATION PROVISIONS

Changes to the future site reclamation provisions are as follows:	Three Months Ended March 31 2012	Year Ended December 31 2011
Balance, beginning of period	$30,703	$21,801
Accretion	276	766
Costs incurred during the period	(11)	(623)
Change in estimates of future costs and effect of translation of foreign currencies	(294)	8,759
Balance, end of period	30,674	30,703
Less portion due within one year	(776)	(845)
	$29,898	$29,858

11. DERIVATIVE INSTRUMENTS

	March 31 2012	December 31 2011
Assets		
Current		
Copper contracts	$3,118	$6,144
Non-current		
Security deposits with counterparties	$499	$509
Copper contracts	1,571	1,853
	$2,070	$2,362
Liabilities		
Current		
Copper contracts	$1,345	$513
Non-Current		
Copper contracts	$1,346	$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 March 31, 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 March 31, 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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Option contracts outstanding at March 31, 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	$3.34	$4.76	22,294,000	20,338,000
2013	$3.32	$4.64	9,039,000	7,826,000
2014	$3.30	$4.33	1,433,000	1,433,000

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

12. SHARE CAPITAL

(a) Share Capital

Authorized
50,000,000 First Preferred shares without par value with special rights and restrictions to be determined by the directors (outstanding – nil)
50,000,000 Second Preferred shares without par value with rights and restrictions to be determined by the directors (outstanding – nil)
Unlimited number of Common Shares without par value

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

(b) Share Option Plan

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

	Three Months Ended March 31, 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	$8.46	3,733,668	$7.77
Exercised	(179,100)	$6.40	(317,434)	$3.86
Forfeited	(16,000)	$7.98	(42,000)	$8.46
Expired	-	-	(20,000)	$12.00
Outstanding at end of period	3,159,134	$8.21	3,354,234	$8.11
Options exercisable at end of period	1,223,134	$6.95	1,322,234	$6.94

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The following table summarizes information about the Company's share options outstanding at March 31, 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-$4.93	1,140,668	$4.39	6.67	596,668	$4.38	6.60
$4.94-$8.59	450,800	$6.23	5.80	290,800	$6.40	4.73
$8.60-$10.79	136,000	$10.03	8.75	40,000	$10.03	8.75
$10.80-$14.33	1,394,000	$11.55	8.54	258,000	$11.55	8.54
$14.34-$17.10	37,666	$17.10	0.22	37,666	$17.10	0.22
	3,159,134	$8.21	7.39	1,223,134	$6.95	6.44

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

13. COST OF SALES

	Three Months Ended	
	March 31 2012	March 31 2011
Operating expenses	$49,748	$53,089
Depletion and depreciation	5,301	7,704
Share based compensation	65	110
	$55,114	$60,903

14. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended	
	March 31 2012	March 31 2011
Administration	$1,110	$1,290
Share based compensation	809	1,362
Depreciation	41	49
Foreign exchange loss	229	1,922
Mineral property holding costs	3	250
	$2,192	$4,873

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15. FINANCE (COSTS) INCOME

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

	Three Months Ended	
	March 31 2012	March 31 2011
Accretion of future site reclamation provisions	$(276)	$(205)
Interest on non-current debt	(18)	(29)
Other interest expense	(329)	(23)
Foreign exchange gain on short term debt	135	42
Foreign exchange gain on non-current debt	4	13
Fair value adjustment to marketable securities	143	(23)
Realized losses on derivative instruments	(517)	(6,441)
Unrealized (losses) gains on derivative instruments	(4,808)	9,194
	(5,666)	2,528
Interest income	273	164
Finance (costs) income	$(5,393)	$2,692

16. INCOME AND MINING TAXES

	Three Months Ended	
	March 31 2012	March 31 2011
Current income and mining taxes	$4,383	$10,516
Deferred income and mining taxes	544	3,827
	$4,927	$14,343

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 three months ended March 31, 2012 is $1,140 of current income taxes payable originating from Mount Polley taxable income in 2011 that was deferred to 2012, and $3,278 of current income taxes payable originating from Mount Polley taxable income in 2012 not being eligible for deferral.

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17. INCOME PER SHARE

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

	Three Months Ended	
	March 31 2012	March 31 2011
Numerator:		
Net Income	$4,599	$19,753
Denominator:		
Basic weighted-average number of common shares outstanding [1]	74,179,240	73,795,182
Effect of dilutive securities:		
Stock options [1]	1,511,040	1,183,204
Diluted potential common shares [1]	1,511,040	1,183,204
Diluted weighted-average number of common shares outstanding [1]	75,690,280	74,978,386
Basic net income per common share [1]	$0.06	$0.27
Diluted net income per common share [1]	$0.06	$0.26

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

Excluded from the calculation of diluted net income per common share for the three months ended March 31, 2012 were 37,666 shares (March 31, 2011–1,507,666[1] shares) related to stock options.

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended	
	March 31 2012	March 31 2011
Trade and other receivables	$(27,665)	$(12,014)
Inventory	5,304	11,074
Derivative instrument assets and margin deposits	1,372	1,585
Prepaid expenses and deposits	757	374
Trade and other payables	1,499	669
Derivative instrument liabilities	(950)	1,775
	$(19,683)	$3,463

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

During the three months ended March 31, 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 65% interest (2011-100%) in the Ruddock Creek Joint Venture (Notes 6 and 20):

Statements of Financial Position	March 31 2012[1]	December 31 2011 [1] [2]
Current Assets		
Cash	$27,437	$28,403
Short term investments	25,000	27,500
Derivative instrument assets	1,679	3,478
Other current assets	18,461	15,586
	72,577	74,967
Mineral properties	38,432	31,499
Other non-current assets	9,901	12,503
	120,910	118,969
Current Liabilities		
Trade and other payables	(8,210)	(7,068)
Non-current future site reclamation provisions	(21,804)	(21,792)
Other non-current liabilities	(1,346)	(265)
	$89,550	$89,844

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

[1] Effective May 31, 2007 the Company holds a 35% interest in the Porcher Island Joint Venture whose only asset is the Porcher Island mineral property $533 (December 31, 2011 - $536). There have been no operations since the inception of the Porcher Island Joint Venture as the joint venture is currently in the exploration stage. The balances related to the Porcher Island Joint Venture are included in the disclosure above and below.

[2] The Company's interest in the Ruddock Creek mineral property was reduced to 65% during the year ended December 31, 2011 upon formation of the Ruddock Creek Joint Venture as described further in Note 6. There have been no operations 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 mineral properties of $11,480 (December 31, 2010-$11,480) are included in the disclosure above and below.

Statements of (Loss) Income and Comprehensive (Loss) Income	Three Months Ended	
	March 31 2012	March 31 2011
Revenues	$12,101	$40,128
Cost of Sales	(8,772)	(15,642)
Income from Mine Operations	3,329	24,486
General and Administration	(183)	(851)
Finance Income (Costs)	(3,171)	1,076
Income and Mining Taxes	(250)	(10,252)
Net (Loss) Income and Total Comprehensive (Loss) Income	$(275)	$14,459
Statements of Cash Flows		
Cash provided by operating activities	$2,166	$11,806
Cash used in investing activities	(2,981)	(2,937)
Effect of foreign exchange on cash	(151)	(850)
(Decrease) increase in cash	$(966)	$8,019

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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	
	March 31 2012	March 31 2011
Cost of sales	$6	$ 6
Mineral exploration costs	$ -	$1,688

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 months ended March 31, 2012 and 2011 are as follows:

	Three Months Ended	
	March 31 2012	March 31 2011
Short term benefits(1)	$316	$292
Share based payments (2)	$ -	$ -

(1) Short term employee benefits include salaries, bonuses payable within six months of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2012 and 2011.
(2) Share-based payments are the fair value of options granted to directors and other key management personnel.

22. REPORTABLE OPERATING SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets totalling $26,997 as at March 31, 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 March 31, 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 March 31, 2012				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$59,963	$12,101	$ -	$568	$72,632
Less inter-segment revenues	(115)	-	-	(292)	(407)
Revenues from external sources	$59,848	$12,101	$ -	$276	$72,225
Net Income (Loss)	$5,576	$(275)	$(15)	$(687)	$4,599
Depletion and Depreciation	$4,509	$658	-	$175	$5,342
Finance (Costs) Income	$(3,688)	$(3,171)	$3	$1,463	$(5,393)
Capital Expenditures	$3,587	$8,142	$7,774	$1,429	$20,932
Total Assets	$189,613	$109,098	$160,267	$51,427	$510,405
Total Liabilities	$88,097	$31,092	$4,427	$46,076	$169,692

	Three Months Ended March 31, 2011				
	Mount Polley	Huckleberry	Red Chris	Corporate	Total
Reportable segmented revenues	$56,452	$40,128	$ -	$622	$97,202
Less inter-segment revenues	-	-	-	(22)	(22)
Revenues from external sources	$56,452	$40,128	$ -	$600	$97,180
Net Income (Loss)	$(495)	$14,459	$(231)	$6,020	$19,753
Depletion and Depreciation	$6,481	$1,108	$ -	$164	$7,753
Finance (Costs) Income	$76	$1,076	$ -	$1,540	$2,692
Capital Expenditures	$6,088	$437	$3,366	$1,296	$11,187
Total Assets	$186,102	$92,314	$127,073	$36,872	$442,361
Total Liabilities	$63,173	$27,290	$2,228	$24,625	$117,316

	Three Months Ended	
	March 31 2012	March 31 2011
Revenue by geographic area		
Japan [1]	$70,356	$68,013
United States	-	(199)
Europe	1,593	28,544
Canada	276	822
	$72,225	$97,180

[1] Including $12,101 (2011-$40,128) related to Huckleberry.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2012 and 2011
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

In the three months ended March 31, 2012, the Company had three principal customers (March 31 2011–three principal customers) with each customer accounting for 40%, 40% and 11% of revenues (March 31, 2011–29%, 28% and 26% 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	
	March 31 2012	March 31 2011
Copper	$47,120	$74,420
Gold	23,524	18,562
Silver	1,306	3,067
Other	275	1,131
	$72,225	$97,180

23. COMMITMENTS AND PLEDGES

(a) At March 31, 2012 the Company is committed to future minimum operating lease payments, including $198 related to Huckleberry, as follows:

2012	$269
2013	215
2014	181
2015	150
2016	139
	$954

(b) As at March 31, 2012 Huckleberry had outstanding copper derivative instruments with two counterparties. In coordination with the outstanding derivative instruments, Huckleberry is obligated to provide security deposits which are dependent upon the net fair value of the outstanding derivative instruments at period end. Huckleberry had US$1,000 of security deposits outstanding at March 31, 2012 representing US$1,000 in initial margin security deposits and US$nil in mark to market security deposits. The initial security deposit is not subject to change and will remain outstanding until the maturity of the final derivative instrument with the counterparty. Should Huckleberry acquire additional derivative instruments then Huckleberry may be required to increase the initial security margin deposits the amount of which is dependent upon the quantity, type and maturity date of the derivative instrument and the counterparty. The mark to market security deposit required is calculated as the net fair value liability of the outstanding copper derivative instruments with the counterparty less the borrowing limit granted by the counterparty. As at March 31, 2012 Huckleberry's derivative instruments not yet settled were a net fair value asset of US$3,294 (December 31, 2011-US$9,147).

(c) The Company has pledged cash deposits of $13,579 (December 31, 2011-$12,352), including $6,114 (December 31, 2011-$6,114) related to Huckleberry, shown as future site reclamation deposits and certain mining equipment and supplies inventory with a pledged value of $1,370 (December 31, 2011-$1,370) as security for future site reclamation obligations (Note 13).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2012 and 2011
Unaudited – Prepared by Management
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(d) 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 March 31, 2012 the Company had the following commitments:

	Other than Huckleberry	Huckleberry (50% Share)	Total
2012	$34,521	$6,845	$41,366
2013	38,577	562	39,139
2014	255	-	255
	$73,353	$7,407	$80,760

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 will have a material effect on the Company's consolidated financial position or financial performance.

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Ed Yurkowski 1/2/3

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2 Compensation Committee
3 Corporate Governance & Nominating 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

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