2013 SECOND QUARTER REPORT

TO OUR SHAREHOLDERS:

Effective January 1, 2013 the Company adopted IFRS11 *Joint Arrangements* which 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. The Company has reviewed its joint arrangements and concluded that its investment in the Huckleberry Mines Ltd. joint venture should be accounted for on the equity basis. The Ruddock Creek Joint Venture and the Porcher Island Joint Venture continue to be accounted for as joint operations whereby the assets, liabilities, revenues and expenses of these entities will be proportionately consolidated. As a result of the change in the requirements for the application of the equity method, when accounting for investments in associates and joint ventures from proportionate consolidation for Huckleberry, the comparative consolidated financial statements have been restated. Refer to Note 2 of the condensed consolidated interim financial statements for the six months ending June 30, 2013 for details on the specific judgements and assumptions applied in determining the type of joint arrangement for each entity and Note 28 for details of the changes to the comparative financial statements.

Imperial's comparative financial results for the six months ended June 30, 2013 and 2012 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").

In thousands of CDN$ except per share amounts	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
Revenues	$41,317	$50,883	$92,183	$111,144
Income from mine operations	$13,272	$13,287	$26,818	$27,069
Equity income in Huckleberry	$2,279	$3,524	$4,213	$3,249
Net Income	$7,541	$11,966	$18,162	$16,565
Net Income Per Share	$0.10	$0.16	$0.24	$0.22
Adjusted Net Income [(1)]	$5,968	$10,535	$16,185	$18,740
Adjusted Net Income Per Share [(1)]	$0.08	$0.14	$0.22	$0.25
Cash Flow [(1)]	$16,036	$15,825	$32,487	$33,720
Cash Flow Per Share [(1)]	$0.22	$0.21	$0.44	$0.45

[(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 and before net change in working capital balances, income and mining taxes paid, and interest paid. 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.*

The Sterling mine recommenced operations on July 2012 and reached commercial production in March 2013. In accordance with the Company's accounting policy, all revenue and related operating costs prior to commercial production are applied to the carrying value of the Sterling mineral property. In the six months ended June 30, 2013 a total of 1,900 ounces gold were sold and the sale proceeds applied to the carrying value of the mineral property.

Revenues were $41.3 million in the June 2013 quarter compared to $50.9 million in the 2012 quarter primarily due to lower copper and gold prices and related negative revenue valuations.

The Company recorded net income of $7.5 million in the June 2013 quarter compared to net income of $12.0 million in the 2012 quarter. Adjusted net income in the quarter was $6.0 million or $0.08 per share, versus $10.5 million or $0.14 per share in the June 2012 quarter. Adjusted net income is calculated by removing the unrealized gains and losses, net of related income taxes, resulting from mark to market revaluation of copper and foreign exchange derivative instruments. Adjusted net income is not a measure recognized under IFRS in Canada. It is intended to show the current period financial results excluding the effect of items not settling in the current period.

The Company recorded $1.1 million gains on copper derivatives in the June 2013 quarter compared to gains of $0.8 million in the comparative quarter. The Company had no realized losses or gains on copper derivatives in the June 2013 quarter compared to realized gains of $0.2 million in the June 2012 quarter.

Cash flow increased to $16.0 million in the three months ended June 30, 2013 from $15.8 million in the comparative quarter.

Capital expenditures increased to $83.2 million from $34.6 million in the comparative 2012 quarter. Expenditures were financed from cash flow from the Mount Polley mine, short term debt and non-current debt of $15.2 million for equipment financed in the current quarter. At June 30, 2013 the Company had $6.3 million in cash.

During the June 2013 quarter the Company did not purchase any common shares for cancellation.

MOUNT POLLEY MINE OPERATIONS

PRODUCTION	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
Ore milled (tonnes)	2,007,735	2,161,954	3,977,644	4,086,655
Ore milled per calendar day (tonnes)	22,063	23,758	21,976	22,454
Grade % - copper	0.306	0.276	0.287	0.272
Grade g/t - gold	0.271	0.306	0.263	0.296
Recovery % - copper	74.06	63.35	72.54	64.40
Recovery % - gold	68.32	65.22	66.12	64.40
Copper (lbs)	10,035,328	8,341,391	18,242,816	15,796,737
Gold (oz)	11,932	13,703	22,244	25,049
Silver (oz)	33,162	30,196	61,866	55,028

Quarterly copper production was 10,035,328 pounds, up by 20% from the comparable quarter in 2012. The increase in copper production is the result of the higher copper grade and better recovery more than offsetting the slightly lower throughput. Gold production for the quarter was down 13% due to lower gold grade ore being treated.

Copper recovery in July 2013 was 80%, the highest yet achieved from Springer pit ore.

Work on the test stope at the Boundary zone is continuing with 156 metres of ramp and cross cut completed in the quarter and the commencement of excavation of a 200 metre raise to provide increased ventilation and a secondary escape way.

HUCKLEBERRY MINE OPERATIONS

PRODUCTION	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
[stated 100% - Imperial's allocation= 50%]	2013	2012	2013	2012
Ore milled (tonnes)	1,538,687	1,470,600	3,019,356	2,917,000
Ore milled per calendar day (tonnes)	16,909	16,160	16,682	16,027
Grade (%) – copper	0.343	0.320	0.335	0.306
Recovery (%) – copper	91.8	90.5	91.3	89.8
Copper (lbs)	10,681,105	9,391,000	20,361,072	17,661,000
Gold (oz)	791	686	1,501	1,329
Silver (oz)	60,444	51,130	118,316	93,196

Throughput for the second quarter 2013 averaged 16,909 tonnes per calendar day up from the 16,160 tonnes achieved in the second quarter 2012. Copper production was up over 13% on higher grades, throughput and recovery. During the second quarter virtually all of the ore delivered to the mill came from the 954 to 946 benches within the MZX pit. Stripping of the tailings and waste from the old Main zone pit constituted the bulk of the waste mining.

The new tailings storage facility (TMF-3) construction continued with good progress on the starter and saddle dams, as well as the piping, pumping and cycloning infrastructure required to operate the TMF3.

Huckleberry received approval from the Chief Inspector of Mines in July to operate the TMF-3. This facility and the new cyclone sand plant are expected to be in operation by the end of August 2013.

HUCKLEBERRY EXPLORATION

A 2013 diamond drill program of approximately 3,500 metres over nine holes is planned to expand several targets within the mine site area outlined by 2011 and 2012 drilling. In addition, Huckleberry will complete a soil sampling program within the nearby North Huckleberry claims to test for new geophysical or drill targets. Huckleberry's exploration program commenced in July 2013.

RED CHRIS CONSTRUCTION UPDATE

Red Chris mine development is proceeding with 91% of the engineering complete as of June 30, 2013. Start of commissioning is scheduled for May 2014.

The 287 kV Northwest Transmission Line (NTL) from Skeena substation to Bob Quinn is under construction by BC Hydro with a planned completion date of May 2014. A subsidiary of Imperial will construct the 93 kilometre extension (Iskut Extension) from Bob Quinn to Tatogga. Work on construction of access roads and right of way clearing for the Iskut Extension began in July after the required permits were issued by the Province of British Columbia. The clearing and access road work had originally been scheduled to start in the spring of 2013. More work will be done during winter months to compensate for the delay. This additional winter work will be required to meet the scheduled start of commissioning and will likely put pressure on our budget for this item.

Site work continued through spring 2013. Work items in the second quarter 2013 included:

- Construction of power line structure accesses on the 18 kilometre route from Tatogga to the mine site
- Preparation of the primary crusher, MSE wall and transfer tower foundations
- Installation 6,751 m3 of concrete to date into the process building foundations, grade beams, mill piers and raft slab
- Construction of crane pads around the process building for steel erection starting in July
- Installation of a water diversion and sediment control structures around the Tailings Impoundment Area (TIA)
- Construction of foundation drains for the TIA North Starter Dam

The crews have worked 599,881 personnel hours with 66 first aids, 7 medical aids and 0 lost time accidents. Construction camp occupancy reached 325 in June.

The first concrete pour in 2013 was on March 24. Concrete pours are planned to mid-November 2013. The process plant building structural steel erection started in early July with completion planned by October 31. The primary crusher, MSE wall, overland conveyor and coarse ore reclaim tunnel are to be installed this year. Construction has begun on the site electrical substation.

The North Starter Dam earthworks are ongoing in the TIA utilizing a combination of equipment owned by Red Chris with support from the Tahltan Nation Development Corporation and other contractors. The mining fleet Caterpillar 793 trucks (4) and 994 loader arrived on site for assembly over the summer.

The work at Red Chris to date has been funded by cash flow from operations, equipment financed by non-current debt, the Company's line of credit and a new $75.0 million line of credit facility with a significant shareholder. This line of credit facility was increased to $130.0 million after June 30, 2013. Total expenditures and commitments at Red Chris mine development were $316.1 million at quarter end of which $171.6 million has been paid.

RED CHRIS EXPLORATION

Exploration at Red Chris has been temporarily suspended while the Company completes the development of the Red Chris mine.

STERLING MINE

PRODUCTION	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
Ore Stacked – tons	47,112	49,822	76,800	49,822
Gold Grade – oz/ton	0.081	0.082	0.078	0.082
Gold ounces – added to heap	3,826	4,109	5,964	4,109
Gold ounces – in-process & poured	3,147	1,194	3,916	1,194
Gold shipped – ounces	2,205	817	2,974	817

Stoping operations from the 3292, 3260 and 3220 levels produced 41,884 tons of ore. Development work, both drifting and raising produced 5228 tons of ore and 2525 tons of waste. Development work included completion of a ventilation raise from 3260 to 3220 levels, an ore-pass from 3220 to the 3180 levels and the associated access drifts.

In the second quarter 2013 a total of 47,112 tons of ore, containing 3,826 ounces of gold, were stacked onto the leach pad at an average grade of 0.081 ounces per ton.

RUDDOCK CREEK

The Ruddock Creek Joint Venture is owned by Imperial (50%), Mitsui Mining and Smelting Co. Ltd. (30%) and Itochu Corporation (20%). 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.

The Joint Venture is currently completing the 2013 program which will include site infrastructure studies and metallurgical testing of dense media separation, flotation, acid base accounting, paste backfill, humidity cell testing. The metallurgical work, which is well underway, will include the collecting and testing of the Upper E, Lower E, Creek and V zones separately. Also continuing is the collection of baseline environmental and geotechnical information, including trenching and geotechnical core drilling, for future permitting and engineering studies. New higher capacity water control structures for underground discharge are being constructed for future programs.

OUTLOOK

With production from Mount Polley, Sterling and our 50% share of Huckleberry production totalling 28.4 million pounds copper, 26,910 ounces gold and 123,023 ounces silver during the first six months of 2013, production for the year should be close to our guidance of 58.5 million pounds of copper, 54,600 ounces of gold and 195,000 ounces of silver.

Sterling production is expected to increase as the monthly tonnage delivered the heap leach pad increased from 12,198 tons in April to 17,718 tons in June. In July 19,519 tons were stacked on the heap. The gold grade is also expected to increase in the second quarter as mining operations move into the core of the 144 zone.

At Huckleberry mine the TMF-3 should be in service in August. Operations will focus on removal of waste and tailings from the old Main zone pit, so the MZO pit will be ready to supply mill feed in 2014.

Virtually all Mount Polley ore for the rest of the year will come from the Springer pit, but ongoing stripping of the old Cariboo pit is beginning to release some ore.

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 three and six months ended June 30, 2013 ("Interim Financial Statements"), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2012.

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 Canadian Dollar.

FORWARD-LOOKING STATEMENTS AND RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the period ended June 30, 2013, and plans for the future based on facts and circumstances as of August 12, 2013. 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 transmission lines; 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.

CHANGES IN ACCOUNTING STANDARDS

Accounting Standards Issued and Effective January 1, 2013

The Company has adopted these accounting standards effective January 1, 2013. Other than the adoption of IFRS11 (Note 28) the adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 7 *Financial Instruments Disclosures*
IFRS 10 *Consolidated Financial Statements*
IFRS11 *Joint Arrangements*
IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 19 *Employee Benefits*
IAS 27 *Separate Financial Statements*
IAS 28 *Investments in Associates and Joint Ventures*
IFRIC 20 *Stripping Costs in the Production Phase of a Mine*

JOINT ARRANGEMENTS

The Company adopted IFRS11 *Joint Arrangements* effective January 1, 2013. This standard replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. The Company has two types of joint arrangements:

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the next assets of the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

JUDGMENTS AND ESTIMATES

Interests in Other Entities

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as

(i) the determination of the level of control or significant influence held by the Company,
(ii) the standard's applicability to the operations,
(iii) the legal structure and contractual terms of the arrangement,
(iv) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and
(v) when relevant, other facts and circumstances.

The Company has determined that joint control of Huckleberry Mines Ltd. exists as all decisions related to relevant activities require unanimous approval of the board of directors. The Company deems the following relevant activities to be material:

- capital expenditures;
- disposition of assets;
- approval of borrowings;
- approval of the annual and five year plan; and
- loans or guarantees.

In concluding that Huckleberry Mines Ltd. is a joint venture, the Company determined that:

- it is an incorporated company which is a separate vehicle;
- the legal form of the vehicle does not provide the Company with rights to its assets and obligations;
- there are no terms in the shareholder agreement or similar contractual arrangements which provide the Company with rights to its assets and obligations for its liabilities; and
- that other facts and circumstances indicate that Huckleberry Mines Ltd. is not reliant on the Company as its only source of cash flows and therefore does not directly or indirectly have rights to the assets and obligations for its liabilities.

The Company has determined that the Ruddock Creek Joint Venture and the Porcher Island Joint Venture represent joint operations as they are unincorporated entities.

OVERVIEW

As a result of the change in accounting for Huckleberry discussion and disclosure of the Company's 50% equity share of Huckleberry is confined to the headings "Huckleberry" and "Equity Income in Huckleberry".

Revenues were $41.3 million in the June 2013 quarter compared to $50.9 million in the comparative 2012 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 related to concentrate shipments where copper price will settle at a future date. The decrease in revenue in the June 2013 quarter compared to the June 2012 quarter is primarily due to lower copper and gold prices in the current quarter compared to the June 2012 quarter and slightly lower gold sales in the June 2013 quarter compared to the 2012 comparative quarter. This was partially offset by reduced negative revenue revaluation in the 2013 quarter compared to the 2012 quarter.

Revenue in the June 2013 quarter was reduced by a negative revenue revaluation of $5.2 million compared to a negative revenue revaluation of $7.1 million in the comparative June 2012 quarter. Negative revenue revaluation are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. In 2013 the copper price started the June quarter at US$3.37 per pound and ended the quarter at US$3.06 per pound. In the 2012 comparative quarter the copper price started the quarter at US$3.85 per pound and ended the quarter at US$3.45 per pound.

Income from mine operations was unchanged at $13.3 million in both quarters.

Net income for the quarter ended June 30, 2013 was $7.5 million ($0.10 per share) compared to net income of $12.0 million ($0.16 per share) in the comparative 2012 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 the movement in realized and unrealized gains and losses on derivative instruments.

In the June 2013 quarter foreign exchange losses were $1.1 million compared to $0.1 million in the comparative 2012 quarter primarily on foreign exchange movements on the increased US Dollar debt being carried by the Company. The average CDN/US Dollar exchange rate in both the 2013 and 2012 quarters was on an increasing trend ending at 1.051 at June 2013.

In the June 2013 quarter the Company recorded gains on derivative instruments of $1.1 million compared to gains of $0.8 million in the comparative June 2012 quarter. The decline in the copper price compared to the price in the derivative contracts was greater in the June 2013 quarter compared to the June 2012 quarter resulting in a larger gain in the June 2013 quarter.

Huckleberry contributed $2.3 million to net income on the current quarter compared to $3.5 million in the comparative 2012 quarter.

Income and mining tax expense increased to $6.0 million in 2013 from $3.6 million in 2012 primarily due to a $2.3 million adjustment that increased deferred income taxes during the June 2013 quarter resulting from the British Columbia provincial income tax rate increasing from 15% to 16%.

Adjusted net income in the June 2013 quarter was $6.0 million ($0.08 per share) compared to $10.5 million ($0.14 per share) in the comparative 2012 quarter. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of derivative instruments for copper not related to the current period as further detailed on the following table.

CALCULATION OF ADJUSTED NET INCOME	Three Months Ended June 30		Six Months Ended June 30	
[expressed in thousands of dollars, except share amounts]	2013	2012	2013	2012
Net income as reported	$7,541	$11,966	$18,162	$16,565
Unrealized losses (income) on derivative instruments, net of tax (a)	(1,573)	(1,431)	(1,977)	2,175
Adjusted Net Income (b)	$5,968	$10,535	$16,185	$18,740
Adjusted Net Income Per Share (b)	$0.08	$0.14	$0.22	$0.25

(a) Derivative financial instruments are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes, including the Company`s 50% share of derivative instruments of Huckleberry flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper and foreign exchange hedged.

(b) Adjusted net income and adjusted net income per share are not terms recognized under IFRS in Canada however it does show the current year's financial results excluding the effect of items not settling in the current period. The Company believes these measures are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Cash flow increased to $16.0 million in the June 2013 quarter from $15.8 million in the comparative 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, interest paid 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 $83.2 million, up from $34.6 million in the comparative 2012 quarter. The expenditures in 2013 were financed by cash flow from the Mount Polley mine, short term debt and $15.2 million equipment financing. At June 30, 2013 the Company had $6.3 million (December 31, 2012-$2.8 million) in cash. The short term debt balance at June 30, 2013 was $135.3 million (December 31, 2012-$92.4 million). The increase is primarily due to funding the development of the Red Chris projects via short term debt pending completion of long debt arrangements for the project.

DERIVATIVE INSTRUMENTS

During the June 2013 quarter the Company recorded gains of $1.1 million on derivative instruments compared to gains of $0.8 million in the comparative 2012 quarter. Realized gains were nil in the June 30, 2013 quarter compared to $0.2 million in the comparable quarter of 2012. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper. 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 43% of the estimated copper settlements through March 2014 via min/max zero cost collars.

At June 30, 2013 the Company has unrealized gains on its derivative instruments. This represents an increase in fair value of the derivative instruments from the dates of purchase to June 30, 2013.

Subsequent to June 30, 2013 the Company entered into derivative instruments for gold to hedge a portion of its production. A total of 12,000 ounces of gold for the period September 2013 to August 2014 was hedged at a floor price of US$1,225 per ounce and a ceiling price of $1,430 per ounce.

DEVELOPMENTS DURING THE JUNE 2013 QUARTER

GENERAL

The London Metals Exchange copper price per pound averaged US$3.24 in the June 2013 quarter compared to US$3.57 in the comparative 2012 quarter. The London Metals Exchange gold price per troy ounce averaged US$1,413 in the June 2013 quarter compared to US$1,611 in the comparative 2012 quarter. The average CDN/US Dollar exchange rate of 1.023 in the June 2013 quarter was slightly higher compared to the average CDN/US Dollar exchange of 1.006 in the comparative quarter. In CDN Dollar terms the average copper price in the June 2013 quarter was 8% lower than in the comparative 2012 quarter, and the average gold price in the June 2013 quarter was 11% lower than in the comparative 2012 quarter.

MOUNT POLLEY

Exploration, development and capital expenditures at Mount Polley were $23.7 million in the June 2013 quarter compared to $13.3 million in the comparative 2012 quarter.

Quarterly copper production was 10,035,328 pounds, up 20% from the comparable quarter in 2012. The increase in copper production is the result of the higher copper grade and better recovery more than offsetting the slightly lower throughput. Gold production for the quarter was down 13% due to lower gold grade ore being treated.

Copper recovery in July 2013 was 80%, the highest yet achieved from the Springer pit ore.

Work on the test stope at the Boundary zone is continuing with 156 metres of ramp and cross cut completed in the quarter and commencement of the excavation of a 200 metre raise to provide increased ventilation and a secondary escape way.

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

HUCKLEBERRY

In accordance with the changes to IFRS11 *Joint Arrangements* the financial results are now accounted for on an equity basis and are not proportionately consolidated. The comparative periods have been restated to reflect this change in accounting policy. Refer to Note 28 of the Interim Financial Statements for details of changes to the comparative quarter and Note 5 of the Interim Financial Statements for information on Huckleberry and the Company's investment in Huckleberry. Unless otherwise noted Huckleberry amounts are stated below at 100% and Imperial's equity share is 50% thereof.

Exploration, development and capital expenditures at Huckleberry were $26.4 million in the June 2013 quarter compared to $20.1 million in the comparative 2012 quarter.

Huckleberry revenues in the 2013 quarter were $32.9 million compared to $36.6 million in the comparative 2012 quarter. Revenue was impacted by a $4.6 million negative revenue revaluation in 2013 compared to a positive revenue revaluation of $2.3 million in the 2012 quarter.

Income from mine operations was $1.9 million in the 2013 quarter compared to $7.7 million in the comparative 2012 quarter. Lower copper and gold prices and a related negative revenue revaluation resulted in the decline in income from mine operations.

During the June 2013 quarter gains on copper derivatives were $2.1 million compared to gains of $2.5 million in the 2012 quarter. Derivative instruments for Huckleberry cover about 26% of the estimated copper settlements through April 2014 via min/max zero cost collars.

Net income was $4.6 million in 2013 compared to $7.0 million in 2012. Imperial`s equity income from Huckleberry was $2.3 million in the 2013 quarter versus $3.5 million in the comparative quarter.

Throughput for the second quarter 2013 averaged 16,909 tonnes per calendar day up from the 16,160 tonnes achieved in the second quarter 2012. Copper production was up over 13% on higher grades, throughput and recovery. During the second quarter virtually all of the ore delivered to the mill came from the 954 to 946 benches within the MZX pit. Stripping of the tailings and waste from the old Main zone pit constituted the bulk of the waste mining.

The new tailings storage facility (TMF-3) construction continued with good progress on the starter and saddle dams, as well as the piping, pumping and cycloning infrastructure required to operate the TMF-3.

Huckleberry received approval from the Chief Inspector of Mines in July to operate the TMF-3. This facility and the new cyclone sand plant are expected to be in operation by the end of August 2013.

Imperial holds a 50% interest in Huckleberry Mines Ltd. The remaining 50% interest is held by a consortium consisting of Mitsubishi Materials 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

Red Chris mine development is proceeding with 91% of the engineering complete as of June 30, 2013. Start of commissioning is scheduled for May 2014.

The 287 kV Northwest Transmission Line (NTL) from Skeena substation to Bob Quinn is under construction by BC Hydro with a planned completion date of May 2014. A subsidiary of Imperial will construct the 93 kilometre extension (NTL Extension) from Bob Quinn to Tatogga. Work on construction of access roads and right of way clearing for the Iskut Extension began in July after the required permits were issued by the Province of British Columbia. The clearing and access road work had originally been scheduled to start in the spring of 2013. More work will be done during winter months to compensate for this delay. This additional winter work will be required to meet the scheduled start of commissioning and will likely put pressure on our budget for this item.

Site work continued through spring 2013. Work items in the second quarter 2013 included:

- Construction of power line structure accesses on the 18 kilometre route from Tatogga to the mine site
- Preparation of the primary crusher, MSE wall and transfer tower foundations
- Installation 6,751 m3 of concrete to date into the process building foundations, grade beams, mill piers and raft slab
- Construction of crane pads around the process building for steel erection starting in July
- Installation of a water diversion and sediment control structures around the Tailings Impoundment Area (TIA)
- Construction of foundation drains for the TIA North Starter Dam

The crews have worked 599,881 personnel hours with 66 first aids, 7 medical aids and 0 lost time accidents. Construction camp occupancy reached 325 in June.

The first concrete pour in 2013 was on March 24. Concrete pours are planned to mid-November 2013. The process plant building structural steel erection started in early July with completion planned by October 31. The primary crusher, MSE wall, overland conveyor and coarse ore reclaim tunnel are to be installed this year. Construction has begun on the site electrical substation.

The North Starter Dam earthworks are ongoing in the TIA utilizing a combination of equipment owned by Red Chris with support from the Tahltan Nation Development Corporation and other contractors. The mining fleet Caterpillar 793 trucks (4) and 994 loader arrived on site for assembly over the summer.

The work at Red Chris to date has been funded by cash flow from operations, equipment financed by non-current debt, the Company's line of credit and a new $75.0 million line of credit facility with a significant shareholder. This line of credit facility was increased to $130.0 million after June 30, 2013. Total expenditures and commitments at Red Chris mine development were $316.1 million at quarter end of which $171.6 million has been paid.

Exploration at Red Chris has been temporarily suspended while the Company completes the development of the Red Chris mine.

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

STERLING

Stoping operations from the 3292, 3260 and 3220 levels produced 41884 tons of ore. Development work, both drifting and raising produced 5228 tons of ore and 2525 tons of waste. Development work included completion of a ventilation raise from 3260 to 3220 levels, an ore-pass from 3220 to the 3180 levels and the associated access drifts.

In the second quarter 2013 a total of 47,112 tons of ore, containing 3,826 ounces of gold, were stacked onto the leach pad at an average grade of 0.081 ounces per ton.

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

RUDDOCK CREEK

The Ruddock Creek Joint Venture is owned by Imperial (50%), Mitsui Mining and Smelting Co. Ltd. (30%) and Itochu Corporation (20%). 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.

The Joint Venture is currently completing the 2013 program which will include site infrastructure studies and metallurgical testing of dense media separation, flotation, acid base accounting, paste backfill, humidity cell testing. The metallurgical work, which is well underway, will include the collecting and testing of the Upper E, Lower E, Creek and V zones separately. Also continuing is the collection of baseline environmental and geotechnical information, including trenching and geotechnical core drilling, for future permitting and engineering studies. New higher capacity water control structures for underground discharge are being constructed for future programs.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2013 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2012

REVISED

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three months ended June 30, 2013 and the audited consolidated financial statements of the Company for the year ended December 31, 2012.

FINANCIAL RESULTS

Overview

Revenues were $41.3 million in the June 2013 quarter compared to $50.9 million in the comparative 2012 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.

Income from mine operations was unchanged at $13.3 million in both quarters.

Net income for the quarter ended June 30, 2013 was $7.5 million ($0.10 per share) compared to net income of $12.0 million ($0.16 per share) in the comparative 2012 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 the movement in realized and unrealized gains and losses on derivative instruments.

Revenue

[expressed in thousands of dollars, except quantity amounts]

	Three Months Ended	
	June 30 2013	June 30 2012 Note 27
Copper 000's pounds sold	*9,646*	*9,599*
Gold ounces sold	*11,779*	*15,147*
Revenue before revaluation	$46,473	$58,025
Revenue revaluation	(5,156)	(7,142)
	$41,317	$50,883

The decrease in revenue in the June 2013 quarter over the 2012 quarter is due primarily to lower copper and gold prices in the current quarter compared to the 2012 quarter and related negative revenue revaluation. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the June quarter at US$3.37 per pound and ended the quarter at US$3.06 per pound.

Cost of Sales

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2013	June 30 2012 Note 27
Operating expenses	$15,884	$22,297
Salaries, wages and benefits	8,074	10,960
Depletion and depreciation	4,049	4,288
Share based compensation	38	51
	$28,045	$37,596

Cost of sales decreased primarily due to improved copper production in the current quarter compared to the June 2012 quarter.

General and Administration Costs

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2013	June 30 2012 Note 27
Administration	$1,404	$1,385
Share based compensation	457	658
Depreciation	27	25
Foreign exchange gain	(240)	176
	$1,642	$2,244

Administration costs increased slightly in the June 2013 quarter compared to the comparative 2012 quarter. Share based compensation expense declined from 2012 as there were no new option grants.

The average CDN/US Dollar exchange rate for the June 2013 quarter was 1.023 compared to 1.010 in the comparative quarter. The June 30, 2013 CDN/US Dollar exchange rate of 1.051 resulted in a foreign exchange gain of $0.2 million during the 2013 quarter compared to minimal losses in the 2012 comparative quarter. These gains and losses are attributable to holding US Dollar denominated cash, accounts receivable, accounts payable and non-current debt. These net US Dollar asset and liability balances are the result of the operations at Mount Polley and financing arrangements for Mount Polley and Red Chris.

Finance (Costs) Income

[expressed in thousands of dollars]

	Three Months Ended	
	June 30 2013	June 30 2012
Gains on derivatives instruments	$1,074	$835
Interest expense, net of $1,340 (2012-$485), capitalized to construction in progress	(18)	100
Financing fees	(375)	-
Foreign exchange gain (loss) on debt	(852)	131
Other	(172)	(178)
	$(343)	$888

The inclusion of gains and losses on derivative instruments results in large variances in finance costs depending on the gains and losses on derivative instruments. During the period ended June 30, 2013 the Company did not enter into an additional derivative instrument contracts for the sale of copper to provide some protection to the Company's cash flow against declines in the price of copper. None of the Company's contracts qualify for hedge accounting and therefore the Company marks to market the unrealized gains and losses on all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous quarters, due to changes in copper price, resulted in a gain of $1.1 million during the three months ending June 2013 compared to a gain of $0.8 million in the comparative June 2012 quarter. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Interest expense of $1.3 million was capitalized to construction in progress during the June 2013 quarter as a result of the construction at the Red Chris mine. In the comparative 2012 quarter $0.5 million was capitalized.

Financing fees of $0.4 million financing fees in the current quarter originate from the $75.0 million line of credit facility for interim funding of the Red Chris project arranged in the quarter.

The Company increased its US Dollar denominated debt in the June 2013 quarter. With the higher CDN/US Dollar exchange rate this resulted in a foreign exchange loss of $0.9 million compared to a $0.1 million gain in the comparative 2012 quarter.

Equity Income in Huckleberry

The Company's 50% share of income from Huckleberry was $2.3 million in the June 2013 quarter compared to $3.5 million on the comparative 2012 quarter. The decline was primarily due to lower copper and gold prices and related negative revenue revaluation and partially offset by reduced income tax expense due to valuation allowance adjustments.

[stated 100% - Imperial's equity share is 50%]
[expressed in thousands of dollars, except quantity amounts]

	Three Months Ended	
	June 30 2013	June 30 2012 Note 27
Copper 000's pounds sold	*11,873*	*11,087*
Revenue before revaluations	$37,490	$38,884
Revenue revaluation	(4,612)	(2,334)
	32,878	36,550
Cost of sales	(30,999)	(28,862)
Income from mine operations	1,879	7,688
Other	2,622	2,760
Income before taxes	4,501	10,448
Income and mining taxes	57	(3,400)
Net Income	$4,558	$7,048

Cost of sales was consistent with the increased quantities of copper sold. Included in Other is the benefit of derivative instruments which offset a large portion of the decline in the copper price recorded as revenue revaluation. Tax expense benefitted from a significant reduction in the valuation allowance in the 2013 quarter, more than offsetting the increase in BC tax rate.

Income and Mining Taxes

[expressed in thousands of dollars, except quantity amounts]

	Three Months Ended	
	June 30 2013	June 30 2012
Current Taxes		
Income taxes	$68	$56
BC Mineral taxes	(2,057)	1,144
	(1,989)	1,200
Deferred Taxes		
Income taxes	582	782
BC Mineral Taxes	7,457	1,589
	8,033	2,371
	$6,044	$3,571

The Company's effective tax rate, excluding equity income from Huckleberry, was 53.5% of pre-tax income. This is higher than the expected 35.6% due to the current quarter including a $2.3 million charge to deferred income taxes for the impact of the increase in the British Columbia provincial income tax rate from 15% to 16%.

LIQUIDITY & CAPITAL RESOURCES

CASH FLOW

Cash flow was $16.0 million in the June 2013 quarter compared to cash flow of $15.8 million in the comparative quarter. Although coper and gold prices were lower in the June 2013 quarter this decline was offset by higher production.

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 interest paid and before the net change in working capital balances.

WORKING CAPITAL

At June 30, 2013 the Company had a working capital deficiency, defined as current assets less current liabilities of $154.2 million, an increase of $79.8 million from working capital deficiency of $74.4 million at December 31, 2012. The June 30, 2013 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine as well as an increase in current trade payables associated with increased operational and development activities.

ACQUISITION AND DEVELOPMENT OF MINERAL PROPERTIES

Acquisition and development of mineral properties totalled $83.2 million in the June 2013 quarter compared to $34.6 million in the June 2012 quarter. Acquisition and development expenditures in 2013 and 2012 were financed from cash flow from operations and long and short term debt.

[expressed in thousands of dollars]	Three Months Ended	
	June 30 2013	June 30 2012
Capital and Development Expenditures		
Mount Polley	$21,911	$10,835
Red Chris (including capitalized interest of $1,340 (2012-$485))	59,906	18,769
Sterling	215	1,757
Other	12	38
	82,044	31,399
Exploration Expenditures		
Mount Polley	1,812	2,499
Red Chris	213	565
Sterling, net of pre-production revenues	(987)	1
Other	157	140
	1,195	3,205
	$83,239	$34,604

Capital and development expenditures at Mount Polley included deferred stripping and a 793 CAT haul truck and Pit Viper drill in addition to capital to maintain and extend productive capacity. Capital and development expenditures at Red Chris were primarily for engineering and progress payments on mill and mining equipment as well as installation of the concrete placement for the process plant site and work at the tailings dam site. Expenditures at Sterling included preproduction development costs, net of preproduction revenues. The Sterling mine recommenced operations in July 2012. Commercial production was reached in March 2013.

Exploration expenditures of $1.8 million at Mount Polley consist of underground expenditures and drilling at the Boundary zone. Red Chris exploration expenditures, totalled $0.2 million in the 2013 quarter reflecting the residual costs of the exploration program now wound down to accommodate construction activities at the site.

The Company's 50% share of exploration and development expenditures in the June 2013 quarter at Ruddock Creek was $0.1 million.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2013 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2012

REVISED

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three and six month periods ended June 30, 2013 and the audited consolidated financial statements of the Company for the year ended December 31, 2012.

FINANCIAL RESULTS

Overview

Revenues were $92.2 million in the June 2013 period compared to $111.1 million in the comparative 2012 period. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where copper price will settle at a future date.

Income from mine operations was stable, marginally lower at $26.8 million in the June 30, 2013 period from $27.1 million in the comparative 2012 period.

Net income for the period ended June 30, 2013 was $18.2 million ($0.24 per share) compared to net income of $16.6 million ($0.22 per share) in the comparative 2012 period. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to the movement in realized and unrealized gains and losses on derivative instruments.

Revenue

[expressed in thousands of dollars, except quantity amounts]

	Six Months Ended	
	June 30 2013	June 30 2012 Note 27
Copper 000's pounds sold	*19,621*	*18,979*
Gold ounces sold	*24,407*	*29,526*
Revenue before revaluations	$100,530	$115,716
Revenue revaluation	(8,347)	(4,572)
	$92,183	$111,144

The decrease in revenue in the June 2013 period over the 2012 period is due to lower copper and gold prices in the current period compared to the 2012 period and related negative revenue revaluation.

Revenue revaluation are the result of the copper price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the period at US$3.60 per pound and ended the period at US$3.06 per pound.

Cost of Sales

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2013	June 30 2012 Note 27
Operating expenses	$38,491	$51,087
Salaries, wages and benefits	18,421	23,939
Depletion and depreciation	8,378	8,933
Share based compensation	75	116
	$65,365	$84,075

Cost of sales decreased due to improved copper production in the current period compared to the 2012 period.

General and Administration Costs

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2013	June 30 2012 Note 27
Administration	$2,789	$2,498
Share based compensation	915	1,467
Depreciation	57	66
Foreign exchange (gain) loss	(132)	222
	$3,629	$4,253

Administration costs increased to $2.8 million in the June 2013 period compared to $2.5 million the comparative 2012 period due to additional corporate activities related to financing the Red Chris project. Share based compensation expense declined as there have been no new option grants.

The average CDN/US Dollar exchange rate for the June 2013 period was 1.016 compared to 1.006 in the comparative period. These gains and losses are attributable to holding US Dollar denominated cash, accounts receivable, accounts payable and non-current debt. These net US Dollar asset and liability balances are the result of the operations at Mount Polley.

Finance (Costs)

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2013	June 30 2012
Gains (losses) on derivatives instruments	$1,564	$(1,377)
Interest expense, net of $$2,390 (2012-$485), capitalized to construction in progress	(29)	(210)
Financing fees	(375)	-
Foreign exchange (loss) gain on debt	(1,089)	270
Other	(449)	(17)
	$(378)	$(1,334)

The inclusion of gains and losses on derivative instruments results in large variances in finance costs depending on the gains and losses on derivative instruments. During the period ended June 30, 2013 the Company did not enter into an additional derivative instrument contracts for the sale of copper to provide some protection to the Company's cash flow against declines in the price of copper. None of the Company's contracts qualify for hedge accounting and therefore the Company marks to market the unrealized gains and losses on all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous periods, due to changes in copper price, resulted in a gain of $1.6 million during the six months ending June 2013 compared to a loss of $1.4 million in the comparative 2012 period. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Interest expense of $2.4 million was capitalized to construction in progress during the June 2013 period as a result of the construction at the Red Chris mine. In the 2012 comparative period $0.5 million was capitalized.

Financing fees of $0.4 million in the current period originate from the $75.0 million line of credit facility for interim funding of the Red Chris project.

The Company increased its US Dollar denominated debt in the June 2013 period. With the higher CDN/US Dollar exchange rate this resulted in a foreign exchange loss of $1.1 million compared to a $0.3 million gain in the comparative 2012 period.

Equity Income in Huckleberry

The Company's 50% share of income from Huckleberry was $4.2 million in the June 2013 period compared to $3.2 million on the comparative 2012 period. The increase was due to increased copper shipments offset by lower copper and gold prices and related negative revenue revaluation and reduced income tax expense due to revaluation allowance adjustments.

[stated 100% - Imperial's equity share is 50%]
[expressed in thousands of dollars, except quantity amounts]

	Six Months Ended	
	June 30 2013	June 30 2012 Note 27
Copper 000's pounds sold	*23,471*	*16,535*
Revenue before revaluations	$78,798	$57,171
Revenue revaluation	(6,138)	3,581
	72,660	60,752
Cost of sales	(63,507)	(46,406)
Income from mine operations	9,153	14,346
Other	2,596	(3,948)
Income before taxes	11,749	10,398
Income and mining taxes	(3,323)	(3,900)
Net Income	$8,426	$6,498

Cost of sales increased in the 2013 period compared to the 2012 period consistent with the higher quantities of copper sold in the 2013 period. Included in Other is the benefit of derivative instruments which offset a large portion of the decline in the copper price and revenue revaluation. Tax expense benefitted from a significant reduction in the valuation allowance in the 2013 period, more than offsetting the increase in the BC tax rate.

Income and Mining Taxes

[expressed in thousands of dollars]

	Six Months Ended	
	June 30 2013	June 30 2012
Current Taxes		
Income taxes	$347	$460
BC Mineral taxes	1,577	4,497
	1,924	4,957
Deferred Taxes		
Income taxes	2	2,614
BC Mineral Taxes	6,986	677
	6,988	3,291
	$8,912	$8,248

The Company's effective tax rate, excluding equity income from Huckleberry, was 53.5% of pre-tax income. This is higher than the expected 35.6% due to a $2.3 million charge for deferred income taxes in the current period for the increase in the British Columbia provincial income tax rate from 15% to 16%.

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 2012.

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, trade and other receivables, future site reclamation deposits and derivative instruments in the ordinary course of business. The credit risk of cash 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, 2012.

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. The Company ensures that in addition to cash there are sufficient committed credit facilities, including the advance payment facilities noted above, to provide the necessary cash to meet projected cash requirements. At June 30, 2013 the Company's primary sources of credit are short term debt secured by concentrate inventory and a $150.0 million line of credit with a financial institution.

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 Master Asset Vehicle Notes.

The Company's overall liquidity risk has increased as the Company faces higher than normal capital expenditures in 2013 and 2014 related to the development of the Red Chris mine. At June 30, 2013, the Company had outstanding commitments of $97.4 million primarily relating to the construction of the Red Chris project, with commitments of $59.8 million for the remainder of fiscal year 2013 and $37.6 million for fiscal year 2014. At June 30, 2013, long term debt facilities totalling $55.5 million were available to be drawn to finance capital additions for Red Chris and Mount Polley. The Company's short term bank facility of $150.0 million is due on demand and matures on September 30, 2013, with the Company currently in discussion with its bankers to extend such maturity date. The Company's $75.0 million line of credit facility is due on October 1, 2014, of which $20.0 million was drawn as of June 30, 2013. In addition, in August 2013 the line of credit facility was increased from a maximum amount $75.0 million to a maximum amount $130.0 million. The increase in the line of credit facility will be used to provide the Company with additional resources for construction of the Red Chris project and for general working capital purposes. At June 30, 2013, the Company had utilized $142.1 million of the $150.0 million short term bank facility and $20.0 million of the line of credit facility.

The Company is targeting to conclude long term financing arrangements for the Red Chris project before the end of fiscal 2013. However, there can be no assurance that financing will be available on terms acceptable to the Company or at all. 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, 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% stronger/weaker versus the Canadian Dollar and all other variables were held constant, net income and comprehensive income for the period ended June 30, 2013 would have been higher/lower by $0.2 million.

CASH FLOW

Cash flow was $32.5 million in the June 2013 period compared to cash flow of $33.7 million in the comparative period. Although copper and gold prices were lower in the June 2013 period compared to the June 2012 period this decline was offset by higher production reducing per pound production costs.

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 interest paid and before the net change in working capital balances.

WORKING CAPITAL

At June 30, 2013, the Company had a working capital deficiency, defined as current assets less current liabilities of $154.2 million, an increase of $79.8 million from working capital deficiency of $74.4 million at December 31, 2012. The June 30, 2013 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine as well as an increase in current trade payables associated with increased operational and development activities.

ACQUISITION AND DEVELOPMENT OF MINERAL PROPERTIES

Acquisition and development of mineral properties totalled $142.6 million in the June 2013 period compared to $47.4 million in the June 2012 period. Acquisition and development expenditures in 2013 and 2012 were financed from cash flow from operations and long and short term debt.

[expressed in thousands of dollars]	Six Months Ended	
	June 30 2013	June 30 2012
Capital and Development Expenditures		
Mount Polley	$36,560	$12,647
Red Chris (including capitalized interest of $2,390 (2012-$485))	101,777	25,584
Sterling	530	2,773
Other	21	272
	138,888	41,276
Exploration Expenditures		
Mount Polley	4,091	4,273
Red Chris	233	1,375
Sterling, net of pre-production revenues	(896)	300
Other	268	168
	3,696	6,116
	$142,584	$47,392

Capital and development expenditures at Mount Polley included deferred stripping, and two 793 CAT haul trucks and a Pit Viper drill in addition to capital to maintain and extend productive capacity. Capital and development expenditures at Red Chris were primarily for engineering and progress payments on mill and mining equipment as well as installation of the permanent camp facility and maintenance shop complex and concrete placement for the process plant site and work at the tailings dam site. Expenditures at Sterling included preproduction development costs, net of preproduction revenues. The Sterling mine recommenced operations in July 2012. Commercial production was reached in March 2013.

Exploration expenditures of $4.1 million at Mount Polley consist of underground expenditures at the Boundary zone. Red Chris exploration expenditures of $0.2 million in the 2013 period which reflects residual costs of the exploration program now wound down to accommodate construction activities at the site.

The Company's 50% share of exploration and development expenditures in the June 2013 period at Ruddock Creek was $0.2 million.

DEBT AND OTHER OBLIGATIONS

INTEREST RATE RISK

The Company is exposed to interest rate risk on its outstanding borrowings. Presently, the majority of the Company's outstanding borrowings are at floating interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk.

Select use of short term debt from purchasers of the Company's concentrate and short term advances from the line of credit facility provided working capital to meet day to day cash requirements.

The Company had the following contractual obligations as of June 30, 2013:

[expressed in thousands of dollars]	2013	2014	2015	2016	2017	2018	Total
Non-current debt	$2,395	$24,660	$4,885	$5,270	$4,535	$1,121	$42,866
Short term debt	135,269	-	-	-	-	-	135,269
Operating leases	222	406	396	390	198	-	1,612
Capital expenditures and other	60,038	37,799	208	208	28	28	98,309
Reclamation bonding	-	4,500	-	-	-	-	4,500
Mineral properties [(1)]	190	433	618	698	909	1,105	3,953
Total	$198,114	$67,798	$6,107	$6,566	$5,670	$2,254	$286,509

(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 2018 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, exclusive of Red Chris project development costs. The Company expects to continue to utilize its short term bank facilities to manage its day to day financing needs. The Company is looking at alternatives to secure long term debt financing that will be required to fund 2013 and 2014 construction costs for the Red Chris project. In the interim the Company has access to funds for the construction of the Red Chris project via the $130.0 million line of credit facility.

At June 30, 2013 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

REVISED

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

	Three Months Ended			
	June 30 2013	March 31 2013	December 31 2012[4]	September 30 2012[4]
Total sales including 50% equity share of Huckleberry				
Copper 000's pounds sold	*15,583*	*15,775*	*12,716*	*10,005*
Gold ounces sold	*12,172*	*12,982*	*15,167*	*7,504*
Silver ounces sold	*65,977*	*67,749*	*48,850*	*46,016*
Total sales excluding Huckleberry				
Copper 000's pounds sold	*9,646*	*9,975*	*9,975*	*4,756*
Gold ounces sold	*11,779*	*12,628*	*14,979*	*7,171*
Silver ounces sold	*32,784*	*33,990*	*32,883*	*17,028*
Total Revenues	$41,317	$50,866	$58,547	$29,682
Equity Income in Huckleberry	$2,279	$1,934	$1,704	$564
Net Income	$7,541	$10,621	$11,718	$4,343
Income per share [1]	$0.10	$0.14	$0.16	$0.06
Diluted Income per share [1]	$0.10	$0.14	$0.16	$0.06
Adjusted Net Income [2]	$5,968	$10,217	$10,635	$7,432
Adjusted Net Income per share[1] [2]	$0.08	$0.14	$0.14	$0.10
Cash Flow [3]	$16,036	$16,451	$20,816	$10,492
Cash Flow per share [1] [3]	$0.22	$0.22	$0.28	$0.14
Average LME copper price/lb in US$	$3.24	$3.60	$3.59	$3.50
Average LME gold price/troy oz in US$	$1,413	$1,630	$1,719	$1,655
Average CDN/US$ exchange rate	$1.023	$1.009	$0.991	$0.995
Period end CDN/US$ exchange rate	$1.051	$1.016	$0.995	$0.984

	Three Months Ended			
	June 30 2012[4]	March 31 2012[4]	December 31 2011[4]	September 30 2011[4]
Total sales including 50% equity share of Huckleberry				
Copper 000's pounds sold	*15,143*	*12,105*	*10,047*	*14,757*
Gold ounces sold	*15,508*	*14,550*	*8,191*	*16,347*
Silver ounces sold	*62,228*	*49,537*	*45,084*	*66,517*
Total sales excluding Huckleberry				
Copper 000's pounds sold	*9,599*	*9,380*	*4,731*	*9,048*
Gold ounces sold	*15,147*	*14,379*	*7,829*	*16,030*
Silver ounces sold	*33,612*	*34,334*	*17,453*	*36,057*
Total Revenues	$50,883	$60,261	$26,476	$53,292
Equity Income (loss) in Huckleberry	$3,524	$(275)	$(1,683)	$10,894
Net Income	$11,966	$4,599	$3,303	$17,617
Income per share [1]	$0.16	$0.06	$0.05	$0.24
Diluted Income per share [1]	$0.16	$0.06	$0.04	$0.24
Adjusted Net Income [2]	$10,535	$8,205	$8,229	$4,755
Adjusted Net Income per share[1] [2]	$0.14	$0.11	$0.11	$0.06
Cash Flow [3]	$15,825	$17,895	$17,778	$12,697
Cash Flow per share [1] [3]	$0.21	$0.24	$0.24	$0.17
Average LME copper price/lb in US$	$3.567	$3.768	$3.408	$4.079
Average LME gold price/troy oz in US$	$1,611	$1,691	$1,684	$1,700
Average CDN/US$ exchange rate	$1.006	$1.001	$1.023	$0.980
Period end CDN/US$ exchange rate	$1.019	$0.999	$1.017	$1.039

(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 and before net change in working capital balances, income and mining taxes paid, and interest paid. 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.

(4) The Company adopted IFRS11 on January 1, 2013 which resulted in the Company changing the accounting for its investment in Huckleberry Mines Ltd. from proportionate consolidation to the equity method. All comparative periods have been restated to reflect the impact of the adoption of IFRS11.

The financial information for each of the most recently completed eight quarters has been prepared in accordance with International Financial Reporting Standards.

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:

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the CDN/US Dollar exchange rate.
(b) 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.

The significantly lower net income in the September 2012 and December 2011 quarters was primarily due to lower quantities of copper and gold sold by the Company during these quarters as shipment levels were lower than in the other quarters. The lower income in the March 2012 quarter is primarily due to the lower quantity of copper sold during that quarter by Huckleberry negatively impacting the Company's 50% equity income from Huckleberry included in the Company's net income.

RELATED PARTY TRANSACTIONS

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

[expressed in thousands of dollars]	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Cost of sales	$ -	$ -	$6	$6
Loan guarantee fee	$117	$ -	$234	$ -
Financing fees	$375	$ -	$375	$ -
Interest expense	$83	$ -	$83	$ -
Non-current debt	$20,000	$ -	$20,000	$ -

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. The financing fees are related to the $75.0 million line of credit facility entered into by the Company with a significant shareholder during the June 2013 quarter for interim funding of the Red Chris project. Loan guarantee fees to the same significant shareholder relate to the guarantee of $75.0 million of the Company's credit facility with its bank.

OTHER

As of August 12, 2013 the Company had 74,493,350 common shares outstanding, and on a diluted basis 77,258,718 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROLS AND PROCEDURES

The Company's management evaluated the design and operational effectiveness of its internal control and procedures over financial reporting as defined under National Instrument 52-109. Management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Huckleberry Mines Ltd. ("Huckleberry"), in which the Company holds a 50% interest. 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.

The evaluation of effectiveness of internal controls over financial reporting was completed using the framework and criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation management has concluded that as of June 30, 2013 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 2013 from the Mount Polley, Huckleberry and Sterling mines is anticipated to be 58.5 million pounds copper, 54,600 ounces gold and 195,000 ounces silver. Additional financing will be required in 2013 to fund accelerating expenditures at Red Chris. Management plans to finance a large part of the Red Chris development costs through a debt facility to minimize equity dilution.

Cash flow protection for the balance of 2013 is supported by derivative instruments that will see the Company receive certain minimum prices for copper and gold as disclosed under the heading Derivative Instruments. However, the quarterly revenues will fluctuate depending on copper and gold prices, the CDN Dollar/US Dollar exchange rate, and the timing of concentrate sales which is dependent on concentrate production and the availability and scheduling of transportation.

EXPLORATION

Exploration in 2013 will be limited in scope and be conducted at our existing mining operations: Mount Polley, Huckleberry and Sterling.

Ongoing exploration at Mount Polley will continue to focus on the excavation of a test stope in the Boundary zone.

Underground drilling at Sterling will continue in the 144 zone.

At Huckleberry a drill program for 2013 is planned to expand on several targets intersected in 2011 and 2012 within the mine site area. Approximately 3,500 metres over nine holes are currently planned. In addition, Huckleberry will complete a soil sampling program within the nearby North Huckleberry claims to test for new geophysical or drill targets. Huckleberry's exploration program will commence in July 2013.

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

DEVELOPMENT

Copper recovery in July 2013 was 80%, the highest yet achieved from the Springer pit ore. For the remainder of 2013, the majority of Mount Polley ore will be from the Phase 3 Springer pit, and should continue to yield good copper recoveries.

Work on the test stope at the Boundary zone continues with 156 metres of ramp and cross cut completed in the quarter, and commencement of the excavation of a 200 metre raise to provide increased ventilation and a secondary escape way.

In July, Huckleberry received approval from the Chief Inspector of Mines to operate the TMF-3. The TMF-3 and the new cyclone sand plant are expected to be in operation by the end of August 2013. The majority of ore for the remainder of 2013 will come from the MZX pit, while stripping operations will focus on removal of tailings and waste from the Main zone pit.

At the Red Chris project the three key construction goals are to complete the process building by October to allow work on installation of equipment to be conducted over the winter, to complete construction of the North Starter dam in the tailings impoundment area to an elevation that will allow sufficient water collection for startup during the 2014 run-off, and to complete clearing of the Iskut Extension right of way to allow power line construction to begin in fall 2013.

At Sterling the mining operation will focus on delivering more ounces to the heap to meet the goal of producing 10,000 ounces gold this year.

The 2013 program at Ruddock Creek will include metallurgical testing of ores from various zones and the continued collection of baseline environmental and geotechnical information for future permitting and engineering studies.

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 bank facilities to manage its day to day financing needs. The Company will need to secure further debt financing in 2013 to fund construction costs for the Red Chris project.

ACQUISITIONS

Management continues to evaluate potential acquisitions.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
ASSETS				
Current Assets				
Cash		$6,269	$2,800	$6,072
Marketable securities		1,023	1,557	703
Trade and other receivables	3	13,561	29,930	18,503
Inventory	4	21,835	26,755	31,778
Derivative instrument assets	12	1,784	701	2,666
Prepaid expenses and deposits		1,243	2,140	1,503
		45,715	63,883	61,225
Derivative Instrument Assets	12	-	549	-
Investment in Huckleberry Mines Ltd.	5	88,012	83,799	78,282
Mineral Properties	6	578,651	442,404	307,504
Deferred Income Taxes		1,527	1,693	4,329
Other Assets	7	8,254	8,020	6,415
		$722,159	$600,348	$457,755
LIABILITIES				
Current Liabilities				
Trade and other payables	8	$53,332	$37,946	$21,420
Taxes payable		6,407	5,050	2,441
Short term debt	9	135,269	92,403	26,940
Derivative instrument liabilities	12	49	614	99
Current portion of non-current debt	10	4,749	1,908	1,081
Current portion of future site reclamation provisions	11	100	400	645
		199,906	138,321	52,626
Derivative Instrument Liabilities	12	-	465	-
Non-Current Debt	10	38,117	6,433	531
Future Site Reclamation Provisions	11	12,728	11,997	8,567
Deferred Income Taxes		79,109	72,183	61,545
		329,860	229,399	123,269
EQUITY				
Share Capital	13	117,768	116,892	114,563
Share Option Reserve		15,222	14,547	12,474
Currency Translation Adjustment		800	(837)	(272)
Retained Earnings		258,509	240,347	207,721
		392,299	370,949	334,486
		$722,159	$600,348	$457,755
Commitments and Pledges	25			
Contingent Liabilities	26			
Subsequent Events	27			

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on August 12, 2013

Larry G. Moeller
Director

J. Brian Kynoch
Director

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three and Six Months Ended June 30, 2013 and 2012

Unaudited – Prepared by Management

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

		Second Quarter Three Months Ended June 30		Year to Date Six Months Ended June 30	
	Notes	2013	2012	2013	2012 Note 28
Revenue		$41,317	$50,883	$92,183	$111,144
Cost of Sales	14	(28,045)	(37,596)	(65,365)	(84,075)
Income from Mine Operations		13,272	13,287	26,818	27,069
General and Administration	15	(1,642)	(2,244)	(3,629)	(4,253)
Finance (Costs) Income	16	(343)	888	(378)	(1,334)
Other Income		19	82	50	82
Equity Income in Huckleberry	5	2,279	3,524	4,213	3,249
Income before Taxes		13,585	15,537	27,074	24,813
Income and Mining Taxes	17	(6,044)	(3,571)	(8,912)	(8,248)
Net Income		7,541	11,966	18,162	16,565
Other Comprehensive Income					
Items that may be subsequently reclassified to profit or loss					
Foreign currency translation adjustment		1,027	514	1,637	122
Total Comprehensive Income		$8,568	$12,480	$19,799	$16,687
Income Per Share					
Basic	18	$0.10	$0.16	$0.24	$0.22
Diluted	18	$0.10	$0.16	$0.24	$0.22
Weighted Average Number of Common Shares Outstanding					
Basic	18	74,391,817	74,281,734	74,373,114	74,230,487
Diluted	18	75,251,740	75,416,615	75,382,814	75,567,496

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Share Capital					
	Number of Shares	Amount	Share Option Reserve	Currency Translation Adjustment	Retained Earnings	Total
Balance December 31, 2011	74,084,150	$114,563	$12,474	$(272)	$207,721	$334,486
Issued on exercise of options	212,600	2,128	(795)	-	-	1,333
Share based compensation expense	-	-	1,583	-	-	1,583
Total comprehensive income	-	-	-	122	16,565	16,687
Balance June 30, 2012	74,296,750	$116,691	$13,262	$(150)	$224,286	$354,089
Balance December 31, 2012	74,319,750	$116,892	$14,547	$(837)	$240,347	$370,949
Issued on exercise of options	84,600	876	(315)	-	-	561
Share based compensation expense	-	-	990	-	-	990
Total comprehensive income	-	-	-	1,637	18,162	19,799
Balance June 30, 2013	74,404,350	$117,768	$15,222	$800	$258,509	$392,299

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

	Notes	Second Quarter Three Months Ended June 30 2013	Second Quarter Three Months Ended June 30 2012	Year to Date Six Months Ended June 30 2013	Year to Date Six Months Ended June 30 2012
OPERATING ACTIVITIES					
Income before taxes		$13,585	$15,537	$27,074	$24,813
Items not affecting cash flows					
Equity income in Huckleberry		(2,279)	(3,524)	(4,213)	(3,249)
Depletion and depreciation		4,076	4,313	8,435	8,999
Share based compensation		489	709	990	1,583
Accretion of future site reclamation provisions		69	75	138	149
Unrealized foreign exchange loss		885	(44)	1,113	(9)
Unrealized gains on derivative instruments		(1,073)	(661)	(1,563)	1,532
Other		284	(580)	513	(98)
		16,036	15,825	32,487	33,720
Net change in non-cash operating working capital balances	19	39,822	733	25,087	(18,331)
Income and mining taxes paid		(2,017)	(876)	(2,460)	(1,085)
Income and mining taxes received		2,179	-	2,179	-
Interest paid		(1,353)	(348)	(2,408)	(697)
Cash provided by operating activities		54,667	15,334	54,885	13,607
FINANCING ACTIVITIES					
Proceeds from short term debt	9	106,068	84,339	327,469	141,761
Repayment of short term debt	9	(116,456)	(80,006)	(284,829)	(127,338)
Proceeds from non-current debt	10	20,000	-	20,000	-
Repayment of non-current debt	10	(979)	(290)	(1,500)	(578)
Issue of share capital		193	187	561	1,333
Cash provided by financing activities		8,826	4,230	61,701	15,178
INVESTING ACTIVITIES					
Acquisition and development of mineral properties		(66,031)	(34,120)	(124,326)	(46,907)
Net change in non-cash investing working capital balances	19	8,738	17,393	11,185	17,393
Increase in future site reclamation deposits		(91)	-	(91)	(1,277)
Other		16	(234)	47	(257)
Cash used in investing activities		(57,368)	(16,961)	(113,185)	(31,048)
EFFECT OF FOREIGN EXCHANGE ON CASH		47	(52)	68	(238)
INCREASE (DECREASE) IN CASH		6,172	2,551	3,469	(2,501)
CASH, BEGINNING OF PERIOD		97	1,020	2,800	6,072
CASH, END OF PERIOD		$6,269	$3,571	$6,269	$3,571

See Note 19 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 and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

1. NATURE OF OPERATIONS AND LIQUIDITY

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:

- development stage Red Chris copper/gold property in northwest British Columbia.
- open pit copper/gold producing Mount Polley mine in central British Columbia;
- open pit copper/molybdenum producing Huckleberry mine in northern British Columbia;
- underground gold producing Sterling property in southwest Nevada.

At June 30, 2013, the Company had cash of $6,269 and a working capital deficiency of $154,191. These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due. The Company has in place a planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans.

At June 30, 2013, the Company had outstanding commitments of $97,392 primarily relating to the construction of the Red Chris project, with commitments of $59,801 for the remainder of fiscal year 2013 and $37,591 for fiscal year 2014. At June 30, 2013, long term debt facilities totalling $55,500 were available to be drawn to finance capital additions for Red Chris and Mount Polley. The Company's short term bank facility of $150,000 is due on demand and matures on September 30, 2013, with the Company currently in discussion with its bankers to extend such maturity date. The Company's $75,000 line of credit facility is due on October 1, 2014, of which $20,000 was drawn as of June 30, 2013. In addition, in August 2013 the line of credit facility was increased from a maximum amount $75,000 to a maximum amount $130,000. The increase in the line of credit facility will be used to provide the Company with additional resources for construction of the Red Chris project and for general working capital purposes. At June 30, 2013, the Company had utilized $142,089 of the $150,000 short term bank facility and $20,000 of the line of credit facility.

The Company is targeting to conclude long term financing arrangements for the Red Chris project before the end of fiscal 2013. However, there can be no assurance that financing will be available on terms acceptable to the Company or at all.

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, 2012, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board which are applicable from January 1, 2013. The adoption of these amendments and standards has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company, with the exception of IFRS11 *Joint Arrangements* for which its effects of adoption are included in Note 28.

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, 2012 prepared in accordance with IFRS.

The preparation of interim consolidated financial statements 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, 2012.

Changes in Accounting Standards

Accounting Standards Issued and Effective January 1, 2013

The Company has adopted these accounting standards effective January 1, 2013. Other than the adoption of IFRS11 (Note 28) the adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 7 *Financial Instruments Disclosures*
IFRS 10 *Consolidated Financial Statements*
IFRS11 *Joint Arrangements*
IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 19 *Employee Benefits*
IAS 27 *Separate Financial Statements*
IAS 28 *Investments in Associates and Joint Ventures*
IFRIC 20 *Stripping Costs in the Production Phase of a Mine*

Joint Arrangements

The Company adopted IFRS11 *Joint Arrangements* effective January 1, 2013. This standard replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. The Company has two types of joint arrangements:

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint venture are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

Judgments and Estimates

Interests in Other Entities

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as

(i) the determination of the level of control or significant influence held by the Company,
(ii) the standard's applicability to the operations,
(iii) the legal structure and contractual terms of the arrangement,
(iv) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and
(v) when relevant, other facts and circumstances.

The Company has determined that joint control of Huckleberry Mines Ltd. exists as all decisions related to relevant activities require unanimous approval of the board of directors. The Company deems the following relevant activities to be material:

- capital expenditures;
- disposition of assets;
- approval of borrowings;
- approval of the annual and five year plan; and
- loans or guarantees.

In concluding that Huckleberry Mines Ltd. is a joint venture, the Company determined that:

- it is an incorporated company which is a separate vehicle;
- the legal form of the vehicle does not provide the Company with rights to its assets and obligations;
- there are no terms in the shareholder agreement or similar contractual arrangements which provide the Company with rights to its assets and obligations for its liabilities; and
- that other facts and circumstances indicate that Huckleberry Mines Ltd. is not reliant on the Company as its only source of cash flows and therefore does not directly or indirectly have rights to the assets and obligations for its liabilities.

The Company has determined that the Ruddock Creek Joint Venture and the Porcher Island Joint Venture represent joint operations as they are unincorporated entities.

Accounting Standards Issued and Effective January 1, 2014 or later

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. The effective date for this standard is January 1, 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

3. TRADE AND OTHER RECEIVABLES

	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Trade receivables	$13,276	$29,010	$17,601
Taxes receivable	285	920	902
	$13,561	$29,930	$18,503

4. INVENTORY

	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Stockpile ore	$1,423	$1,735	$1,125
Stockpiles and ore under leach	2,656	-	471
Concentrate	6,060	13,824	19,107
Supplies	11,696	11,196	11,075
	$21,835	$26,755	$31,778

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Inventory recognized as expense during the period	$21,009	$29,957	$51,091	$68,499

As at June 30, 2013, the Company had $18,999 (December 31, 2012 - $28,026; January 1, 2012-$28,310) inventory pledged as security for short term debt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

5. INVESTMENT IN HUCKLEBERRY MINES LTD.

The Huckleberry open pit copper/molybdenum mine is 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.

The Company has a 50% interest in Huckleberry Mines Ltd. ("Huckleberry") which is accounted for using the equity method.

	As at June 30 2013	As at December 31 2012 Note 28
Balance, beginning of period	$83,799	$78,282
Equity income for the period	4,213	5,517
Balance, end of period	$88,012	$83,799

Summarized financial information for Huckleberry is as follows [1]:

Statement of Financial Position [stated 100% - Imperial's equity share is 50%]	June 30 2013	December 31 2012	January 1 2012
ASSETS			
Current Assets			
Cash	$23,812	$19,128	$56,802
Short term investments	50,000	50,000	55,000
Other current assets	24,384	39,758	38,132
	98,196	108,886	149,934
Mineral Properties	136,745	112,164	38,972
Other Non-Current Assets	12,994	13,852	24,906
	$247,935	$234,902	$213,812
LIABILITIES			
Current Liabilities			
Trade and other payables	$23,245	$16,692	$12,906
Other current liabilities	1,056	1,032	1,228
	24,301	17,724	14,134
Derivative Instrument Liabilities	-	342	532
Future Site Reclamation Provisions	39,641	44,714	42,582
Other Non-Current Liabilities	7,969	4,524	-
	71,911	67,304	57,248
EQUITY			
Share Capital	57,596	57,596	57,596
Retained Earnings	118,428	110,002	98,968
	176,024	167,598	156,564
	$247,935	$234,902	$213,812

[1] Certain of the financial information of Huckleberry disclosed above has been reclassified to be consistent with the classifications used by the Company. In addition, the Company's equity share of earnings of Huckleberry includes certain adjustments to ensure consistency of accounting policies with those of the Company. These adjustments are reflected in the above figures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

5. INVESTMENT IN HUCKLEBERRY MINES LTD. (continued)

Statement of Income and Comprehensive Income and Retained Earnings

[stated 100% - Imperial's equity share is 50%]

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012 Note 28	2013	2012 Note 28
Revenue	$32,878	$36,550	$72,660	$60,752
Cost of Sales	(30,999)	(28,862)	(63,507)	(46,406)
Income from Mine Operations	1,879	7,688	9,153	14,346
General and Administration	1,993	344	1,981	(22)
Finance Income (Costs)	629	2,416	615	(3,926)
Income before Taxes	4,501	10,448	11,749	10,398
Income and Mining Taxes	57	(3,400)	(3,323)	(3,900)
Net Income and Comprehensive Income	$4,558	$7,048	$8,426	$6,498

Statement of Cash Flows

[stated 100% - Imperial's equity share is 50%]

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012 Note 28	2013	2012 Note 28
OPERATING ACTIVITIES				
Net income before taxes	$4,501	$10,448	$11,749	$10,398
Items not affecting cash flows				
Depletion and depreciation	6,327	2,830	12,009	4,142
Unrealized foreign exchange loss (gain)	218	(393)	194	(93)
Unrealized (gains) losses on derivative instruments	(2,090)	(2,493)	(2,196)	2,737
Other	500	1,640	482	770
	9,456	12,032	22,238	17,954
Net change in non-cash operating working capital balances	7,935	426	17,887	(1,823)
Income and mining taxes paid	(472)	(150)	(772)	(500)
Income and mining taxes received	2,603	73	2,603	1,156
Interest paid	-	-	-	(74)
Cash provided by operating activities	19,522	12,381	41,956	16,713
INVESTING ACTIVITIES				
Sale of short term investments	-	-	-	5,000
Acquisition and development of mineral properties	(26,414)	(20,138)	(40,546)	(36,424)
Net change in non-cash financing working capital balances	6,214	3,270	3,304	3,270
Other	208	(758)	164	4,566
Cash used in investing activities	(19,992)	(17,626)	(37,078)	(23,588)
EFFECT OF FOREIGN EXCHANGE ON CASH	(218)	395	(194)	93
INCREASE (DECREASE) IN CASH	(688)	(4,850)	4,684	(6,782)
CASH, BEGINNING OF PERIOD	24,500	54,874	19,128	56,806
CASH, END OF PERIOD	$23,812	$50,024	$23,812	$50,024

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

5. INVESTMENT IN HUCKLEBERRY MINES LTD. (continued)

(a) Mineral Properties

	Cost	Accumulated Depletion, Depreciation and Impairment Losses	Net Carrying Amount
Balance January 1, 2012	$330,546	$291,574	$38,972
Additions	91,216	-	91,216
Depletion & Depreciation	-	15,788	(15,788)
Disposals	(3,300)	(1,064)	(2,236)
Balance December 31, 2012	$418,462	$306,298	$112,164
Balance December 31, 2012	$418,462	$306,298	$112,164
Additions	37,188	-	37,188
Depletion & Depreciation	-	12,607	(12,607)
Balance June 30, 2013	$455,650	$318,905	$136,745

Refer to notes 5(c) and (f) for pledged assets and contractual commitments.

(b) Derivative Instruments

Security deposits required to be paid by Huckleberry to counterparties are calculated based on the fair value of the derivative instrument on each trading date, net of the credit facility provided by the counterparties. At June 30, 2013, security deposits totalled $nil (December 31, 2012-$nil; June 30, 2012-$1,018; January 1, 2012-$1,018).

Option contracts outstanding at June 30, 2013 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*
2013	$3.34	$4.36	6,614,000	6,614,000
2014	$3.30	$4.33	2,866,000	2,866,000

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.

(c) Pledged Assets

At June 30, 2013, Huckleberry had pledged cash deposits of $12,166 (December 31, 2012-$12,166; June 30, 2012-$12,228; January 1, 2012-$12,228) included in other assets and certain mining equipment with a net book value of $12,082 (December 31, 2012-$10,904; June 30, 2012-$nil; January 1, 2012-$nil) as security for future site reclamation obligations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

5. INVESTMENT IN HUCKLEBERRY MINES LTD. (continued)

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	Six Months Ended June 30 2013	Year Ended December 31 2012 Note 28
Balance, beginning of period	$45,260	$42,982
Accretion	763	1,612
Costs incurred during the period	(281)	(332)
Change in estimates of future costs	(5,081)	998
Balance, end of period	40,661	45,260
Less portion due within one year	(1,020)	(546)
	$39,641	$44,714

(e) Reclamation Bonding Obligations

Huckleberry is obligated to increase its reclamation bond funding as follows:

2013	$ -
2014	18,000
2015	6,000
2016	5,000
	$29,000

(f) Commitments

As at June 30, 2013, Huckleberry is committed to future minimum operating lease payments as follows:

2013	$65
2014	90
2015	77
2016	77
2017	7
	$316

As at June 30, 2013, Huckleberry had contractual commitments to purchase plant and equipment at a cost of $7,879.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

6. MINERAL PROPERTIES

Cost	Mineral Properties being depleted	Mineral Properties not being depleted: Projects not in Production	Mineral Properties not being depleted: Exploration & Evaluation Assets	Plant and Equipment	Construction in Progress	Total Note 28
Balance as at January 1, 2012	$126,181	$139,227	$37,070	$196,323	$5,464	$504,265
Additions	2,191	9,584	3,739	27,480	107,889	150,883
Reclassifications	10,043	(10,043)	-	-	-	-
Disposals	-	-	(10)	(4,769)	-	(4,779)
Foreign exchange movement	(141)	-	(448)	(76)	-	(665)
Balance as at December 31, 2012	$138,274	$138,768	$40,351	$218,958	$113,353	$649,704
Balance as at December 31, 2012	$138,274	$138,768	$40,351	$218,958	$113,353	$649,704
Additions	11,963	6,972	2,962	25,086	96,204	143,187
Reclassifications	33,270	(9,533)	(23,737)	-	-	-
Disposals	-	-	(46)	(1,029)	-	(1,075)
Foreign exchange movement	825	-	755	342	-	1,922
Balance as at June 30, 2013	$184,332	$136,207	$20,285	$243,357	$209,557	$793,738

Accumulated depletion & depreciation & impairment losses	Mineral Properties being depleted	Mineral Properties not being depleted: Projects not in Production	Mineral Properties not being depleted: Exploration & Evaluation Assets	Plant and Equipment	Construction in Progress	Total Note 28
Balance as at January 1, 2012	$80,562	$ -	$1,649	$114,550	$ -	$196,761
Depletion & depreciation	5,644	-	-	9,773	-	15,417
Disposals	-	-	(4)	(4,726)	-	(4,730)
Foreign exchange movement	(114)	-	-	(34)	-	(148)
Balance as at December 31, 2012	$86,092	$ -	$1,645	$119,563	$ -	$207,300
Balance as at December 31, 2012	$86,092	$ -	$1,645	$119,563	$ -	$207,300
Depletion & depreciation	2,659	-	-	5,772	-	8,431
Disposals	-	-	-	(1,029)	-	(1,029)
Foreign exchange movement	292	-	-	93	-	385
Balance as at June 30, 2013	$89,043	$ -	$1,645	$124,399	$ -	$215,087
Carrying Amount						
Balance as at January 1, 2012	$45,619	$139,227	$35,421	$81,773	$5,464	$307,504
Balance as at December 31, 2012	$52,182	$138,768	$38,706	$99,395	$113,353	$442,404
Balance as at June 30, 2013	$95,289	$136,207	$18,640	$118,958	$209,557	$578,651

At June 30, 2013, the Company has contractual commitments for the acquisition of property, plant and equipment totalling $97,392 (2012-$114,067) (Note 25(c)). At June 30, 2013, assets with a fair value of $8,739 (June 30, 2012-$8,891; January 1, 2012-$7,609) are legally restricted for the purposes of settling future site reclamation provisions.

During the six months ended June 30, 2013, the Company capitalized borrowing costs of $2,390 (2012-$485) related to the Red Chris project into construction in progress at a weighted average borrowing rate of 3.06% (2012-3.53%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

Mount Polley

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

Red Chris

The Company owns 100% of the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The Red Chris property covers a total area of 29,187.57 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 83 mineral claims encompassing 24,046.57 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 with the construction of a power line to service the northwest portion of British Columbia, now underway. A net smelter royalty of 1.0% is payable on production.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine operated as both an underground and open pit mine from 1980 to suspension of mining operations in 1997. Certain parts of the Sterling property have been reclaimed. The main Sterling property consists of 272 lode mining claims plus one water well site. Net smelter royalties of 2.25% are payable on production with minimum advance royalties on a small portion of these claims.

Ruddock Creek

The Company owns 50% 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. During 2012 Itochu Corporation and Mitsui Mining and Smelting Co. Ltd. completed the earn-in on the property pursuant to a Memorandum of Understanding signed in July 2010 whereby they had the option to earn a 50% interest in the property by providing $20,000 in exploration and development funding on or before June 30, 2013. The Ruddock Creek property and certain related assets and liabilities form the Ruddock Creek Joint Venture owned by the Company, Itochu Corporation and Mitsui Mining and Smelting Co. Ltd. (Note 20).

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.

7. OTHER ASSETS

	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Future site reclamation deposits	$7,391	$7,147	$6,238
Other	863	873	177
	$8,254	$8,020	$6,415

8. TRADE AND OTHER PAYABLES

	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Trade payables	$29,821	$26,737	$11,300
Accrued liabilities	23,511	11,209	10,120
	$53,332	$37,946	$21,420

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

9. SHORT TERM DEBT

Amounts due for short term debt facilities are:	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Bank loan facilities aggregating $150,000 (December 31, 2012 -$150,000, January 1, 2012 -$75,000) secured by trade and other receivables, inventory, shares of certain subsidiaries and a floating charge on certain assets of the Company. The loan amount in excess of $75,000 is guaranteed by a related party (Note 21). The facility is due on demand and matures on September 30, 2013. A portion of the facility has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 25(b)).			
(i) Bankers Acceptances with a maturity value of $130,000 (December 31, 2012-$75,000; January 1, 2012-$27,000)	$129,925	$74,846	$26,940
(ii) Bank loan	-	11,519	-
(iii) Cheques issued in excess of funds on deposit to be funded from the loan facility	5,344	6,038	-
	$135,269	$92,403	$26,940

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

	Six Months Ended June 30 2013	Year Ended December 31 2012 Note 28
Balance, beginning of period	$92,403	$26,940
Amounts advanced	327,469	363,595
Amounts repaid	(284,829)	(298,173)
Foreign exchange losses	226	41
Balance, end of period	$135,269	$92,403

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

10. NON-CURRENT DEBT

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

	Six Months Ended June 30 2013	Year Ended December 31 2012 Note 28
Balance, beginning of period	$8,341	$1,612
Amounts advanced	35,162	8,620
Foreign exchange loss (gain)	863	(224)
Amounts repaid	(1,500)	(1,667)
Balance, end of period	42,866	8,341
Less portion due within one year	(4,749)	(1,908)
	$38,117	$6,433

During the three months ended June 30, 2013 the Company:

(a) financed certain Red Chris property, plant and equipment with a US$10,863 term loan repayable over five years at a fixed interest rate of 3.42% with monthly payments, inclusive of interest, of US$197, secured by the financed assets;

(b) financed certain mobile mining equipment at the Mount Polley mine with a US$3,994 term loan repayable over five years at a fixed interest rate of 2.50% with monthly payments, inclusive of interest, of US$71, secured by the financed equipment;

(c) arranged a line of credit facility from a related party (Notes 21 and 27(b)) aggregating $75,000 (December 31, 2012-$nil; January 1, 2012-$nil) unsecured and due on October 1, 2014 with interest payable monthly at 7% per annum. $20,000 was drawn at June 30, 2013 (December 31, 2012 $nil; January 1, 2012 $nil)

11. FUTURE SITE RECLAMATION PROVISIONS

Changes to the future site reclamation provisions are as follows:

	Six Months Ended June 30 2013	Year Ended December 31 2012 Note 28
Balance, beginning of period	$12,397	$9,212
Accretion	138	292
Costs incurred during the period	-	(145)
Change in estimates of future costs and effect of translation of foreign currencies	293	3,038
Balance, end of period	12,828	12,397
Less portion due within one year	(100)	(400)
	$12,728	$11,997

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

12. DERIVATIVE INSTRUMENTS

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.

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.

At June 30, 2013, the Company had entered into various contracts to protect the cash flow from Mount Polley 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 derivative instruments and records changes in the unrealized gains or losses on these contracts through profit and loss each period and records the fair value of these derivative instruments as an asset or liability at each reporting date. The fair value of these financial instruments has been recorded as either an asset or a liability as of June 30, 2013 depending on the attributes of the contracts.

Option contracts outstanding at June 30, 2013 for copper are as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/lb	*US$/lb*	*lbs of copper*	*lbs of copper*
Contract Period				
2013	$3.00	$4.44	7,606,000	7,606,000
2014	$3.00	$4.26	3,803,000	3,803,000

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.

Subsequent to June 30, 2013 the Company entered into option contracts for gold as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/oz	*US$/oz*	*ounces of gold*	*ounces of gold*
Contract Period				
2013	$1,225	$1,430	4,000	4,000
2014	$1,225	$1,430	8,000	8,000

The Company will receive/pay the counterparty the difference between the monthly average p.m. gold fix on the London Metals Exchange and the gold price specified in the put/call option contract.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

13. SHARE CAPITAL

(a) Share Capital

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

(b) Share Option Plan

The changes in share options were as follows:

	Six Months Ended June 30, 2013		Year Ended December 31, 2012	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,014,968	$8.13	3,354,234	$8.11
Exercised	(84,600)	$6.63	(235,600)	$6.18
Forfeited	(76,000)	$9.38	(66,000)	$8.95
Expired	-	-	(37,666)	$17.10
Outstanding at end of period	2,854,368	$8.14	3,014,968	$8.13
Options exercisable at end of period	1,958,368	$6.78	1,700,968	$7.17

The following table summarizes information about the Company's share options outstanding at June 30, 2013:

	Options Outstanding			Options Exercisable		
Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Options Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
$3.30-$3.86	16,668	$3.30	0.24	16,668	$3.30	0.24
$3.87-$5.17	1,052,800	$4.41	5.50	1,052,800	$4.41	5.50
$5.18-$8.59	380,400	$6.30	4.45	312,400	$6.38	4.00
$8.60-$10.79	52,500	$10.03	7.50	52,500	$10.03	7.50
$10.80-$11.55	1,352,000	$11.55	7.29	524,000	$11.55	7.29
	2,854,368	$8.14	6.22	1,958,368	$6.78	5.75

Refer to Notes 12(b)(c) of the audited consolidated financial statements for the year ended December 31, 2012 for further details of the Company's Share Options Plans and Normal Course Issuer Bid.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

14. COST OF SALES

	Three Months Ended		Six Months Ended	
	2013	2012 Note 28	2013	2012 Note 28
Operating expenses	$15,884	$22,297	$38,491	$51,087
Salaries, wages and benefits	8,074	10,960	18,421	23,939
Depletion and depreciation	4,049	4,288	8,378	8,933
Share based compensation	38	51	75	116
	$28,045	$37,596	$65,365	$84,075

15. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended		Six Months Ended	
	2013	2012 Note 28	2013	2012 Note 28
Administration	$1,404	$1,385	$2,789	$2,498
Share based compensation	451	658	915	1,467
Depreciation	27	25	57	66
Foreign exchange (gain) loss	(240)	176	(132)	222
	$1,642	$2,244	$3,629	$4,253

16. FINANCE COSTS

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Accretion of future site reclamation provisions	$(69)	$(75)	$(138)	$(149)
Interest on non-current debt	-	(15)	-	(33)
Other interest expense	(18)	115	(29)	(177)
Financing fees	(375)	-	(375)	-
Foreign exchange (loss) gain on current debt	(148)	133	(226)	268
Foreign exchange (loss) gain on non-current debt	(704)	(2)	(863)	2
Fair value adjustment to marketable securities	(288)	(123)	(537)	20
Realized gains on derivative instruments	-	174	-	155
Unrealized gains (losses) on derivative instruments	1,074	661	1,564	(1,532)
	(528)	868	(604)	(1,446)
Interest income	185	20	226	112
Finance (costs) income	$(343)	$888	$(378)	$(1,334)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

17. INCOME AND MINING TAXES

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Current income and mining tax (recovery) expense	$(1,989)	$1,200	$1,924	$4,957
Deferred income and mining taxes	8,033	2,371	6,988	3,291
	$6,044	$3,571	$8,912	$8,248

18. INCOME PER SHARE

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Numerator:				
Net Income	$7,541	$11,966	$18,162	$16,565
Denominator:				
Basic weighted-average number of common shares outstanding	74,391,817	74,281,734	74,373,114	74,230,487
Effect of dilutive securities:				
Stock options	859,923	1,134,881	1,009,700	1,337,009
Diluted weighted-average number of common shares outstanding	75,251,740	75,416,615	75,382,814	75,567,496
Basic net income per common share	$0.10	$0.16	$0.24	$0.22
Diluted net income per common share	$0.10	$0.16	$0.24	$0.22

Excluded from the calculation of diluted net income per common share for the three and six months ended June 30, 2013 were nil shares (June 30, 2012–nil shares) related to stock options.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Trade and other receivables	$36,432	$101	$15,732	$(28,213)
Inventory	(1,717)	1,172	4,270	9,591
Derivative instrument assets	-	(1,527)	-	369
Prepaid expenses and deposits	159	(366)	897	295
Trade and other payables	4,948	(2)	4,188	150
Derivative instrument liabilities	-	1,355	-	(523)
	$39,822	$733	$25,087	$(18,331)

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Trade and other payables	$8,738	$17,393	$11,185	$17,393

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

During the three and six months ended June 30, 2013 the Company purchased certain property, plant and equipment at a cost of $15,162 and $15,162 respectively, which was financed by long term debt (Note 10).

During the three and six months ended June 30, 2013 the Company received marketable securities with a fair value of $nil and $3 respectively, as an option payment on a mineral property.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

20. JOINT OPERATIONS

Included in the consolidated financial statements are the following amounts representing the Company's interests in joint ventures consisting primarily of a 50% (2012-50%) joint venture interest in the Ruddock Creek Joint Venture (Note 6) assets, liabilities and results of operations and a 35% interest (2012-35%) in the Porcher Island Joint Venture:

Statements of Financial Position	June 30 2013	December 31 2012 Note 28	January 1 2012 Note 28
Current Assets			
Cash	$288	$45	$ -
Other current assets	3	227	-
	291	272	-
Mineral properties	12,006	11,816	12,013
Other non-current assets	45	25	50
	12,342	12,113	12,063
Current Liabilities			
Trade and other payables	(13)	(170)	-
Non-current future site reclamation provisions	(303)	(299)	(500)
	$12,026	$11,644	$11,563

Statements of Cash Flows	Six Months Ended June 30 2013	2012 Note 28
Cash provided by financing activities	$500	$750
Cash used in investing activities	(257)	(125)
Increase in cash	$243	$625

The Company's interest in the Ruddock Creek mineral property was reduced to 50% during the year ended December 31, 2012 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.

There have been no operations since the inception of the Porcher Island Joint Venture as the joint venture is currently in the exploration stage.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

21. RELATED PARTY TRANSACTIONS

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Cost of sales	$ -	$ -	$6	$6
Loan guarantee fee	$117	$ -	$234	$ -
Financing fees	$375	$ -	$375	$ -
Interest expense	$83	$ -	$83	$ -
Non-current debt (Note 10(c))	$20,000	$ -	$20,000	$ -

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.

22. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the three and six months ended June 30, 2013 and 2012 are as follows:

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Short term benefits[(1)]	$330	$299	$658	$615
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 and six months ended June 30, 2013 and 2012.
(2) Share-based payments are the fair value of options granted to directors and other key management personnel.

23. REPORTABLE OPERATING SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets, comprised primarily of the Sterling mine mineral property, totalling $34,831 as at June 30, 2013 (June 30, 2012-$31,581; December 31, 2012-$30,818) located in the United States, all of its assets are located in Canada. The Company's reportable operating segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

At June 30, 2013:

- The Company has five reportable operating segments each including related exploration and development activities; Mount Polley, Huckleberry, Red Chris, Sterling 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.
- Sterling commenced commercial production as of March 1, 2013 but did not record any revenue in the statement of income in the six months ended June 30, 2013 as gold produced from the heaps to June 30, 2013 was from ore placed on the heaps during the preproduction period and therefore the revenue was applied to development costs.
- The Red Chris segment has yet to achieve commercial production.
- The Corporate segment does not include any properties that have achieved commercial production, and earns minimal revenue as finance income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

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

	Three Months Ended June 30, 2013					
	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$41,037	$ -	$36	$ -	$523	$41,596
Less inter-segment revenues	-	-	(36)	-	(243)	$(279)
Revenues from external sources	$41,307	$ -	$ -	$ -	$280	$41,317
Depletion and Depreciation	$3,941	$ -	$ -	$ -	$135	$4,076
Finance (Costs) Income	$2,070	$ -	$(15)	$(284)	$(2,114)	$(343)
Equity Income in Huckleberry	$ -	$2,279	$ -	$ -	$ -	$2,279
Net Income (Loss)	$10,427	$2,279	$6	$(1,689)	$(3,482)	$7,541
Capital Expenditures	$23,723	$ -	$(861)	$59,529	$142	$82,533
Equity Investment	$ -	$88,012	$ -	$ -	$ -	$88,012
Total Assets	$209,207	$88,012	$34,831	$365,885	$24,224	$722,159
Total Liabilities	$231,135	$ -	$3,412	$31,526	$63,787	$329,860

	Three Months Ended June 30, 2012 Note 28					
	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$50,488	$ -	$21	$ -	$923	$51,432
Less inter-segment revenues	(392)	-	(20)	-	(137)	(549)
Revenues from external sources	$50,096	$ -	$1	$ -	$786	$50,883
Depletion and Depreciation	$4,187	$ -	$(32)	$ -	$158	$4,313
Finance (Costs) Income	$(482)	$ -	$(22)	$1	$1,391	$888
Equity Income in Huckleberry	$ -	$3,524	$ -	$ -	$ -	$3,524
Net Income (Loss)	$9,537	$3,524	$26	$(671)	$(450)	$11,966
Capital Expenditures	$13,333	$ -	$1,759	$19,185	$325	$34,602
Equity Investment	$ -	$81,531	$ -	$ -	$ -	$81,531
Total Assets	$196,902	$81,531	$31,581	$180,639	$24,008	$514,661
Total Liabilities	$102,936	$ -	$3,348	$11,241	$43,047	$160,572

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

(reportable operating segments continued)

	Six Months Ended June 30, 2013					
	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$91,624	$ -	$62	$ -	$1,047	$92,733
Less inter-segment revenues	-	-	(62)	-	(488)	(550)
Revenues from external sources	$91,624	$ -	$ -	$ -	$559	$92,183
Depletion and Depreciation	$8,165	$ -	$ -	$ -	$270	$8,435
Finance (Costs) Income	$844	$ -	$(31)	$(277)	$(914)	$(378)
Equity Income in Huckleberry	$ -	$4,213	$ -	$ -	$ -	$4,213
Net Income (Loss)	$19,875	$4,213	$(10)	$(999)	$(4,917)	$18,162
Capital Expenditures	$40,651	$ -	$(451)	$101,420	$258	$141,878
Equity Investment	$ -	$88,012	$ -	$ -	$ -	$88,012
Total Assets	$209,207	$88,012	$34,831	$365,885	$24,224	$722,159
Total Liabilities	$231,135	$ -	$3,412	$31,526	$63,787	$329,860

	Six Months Ended June 30, 2012 Note 28					
	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$110,451	$ -	$45	$ -	$1,467	$111,963
Less inter-segment revenues	(507)	-	(44)	-	(268)	(819)
Revenues from external sources	$109,944	$ -	$1	$ -	$1,199	$111,144
Depletion and Depreciation	$8,696	$ -	$32	$ -	$271	$8,999
Finance (Costs) Income	$(4,170)	$ -	(42)	$4	$2,874	$(1,334)
Equity Income in Huckleberry	$ -	$3,249	$ -	$ -	$ -	$3,249
Net Income (Loss)	$15,113	$3,249	$(8)	$(686)	$(1,103)	$16,565
Capital Expenditures	$16,920	$ -	$3,074	$26,959	$439	$47,392
Equity Investment	$ -	$81,531	$ -	$ -	$ -	$81,531
Total Assets	$196,902	$81,531	$31,581	$180,639	$24,008	$514,661
Total Liabilities	$102,936	$ -	$3,348	$11,241	$43,047	$160,572

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Revenue by geographic area				
Japan	$17,850	$22,471	$44,121	$80,728
United States	23,203	29,500	47,502	29,500
Europe	-	(1,877)	-	(284)
Canada	264	789	560	1,200
	$41,317	$50,883	$92,183	$111,144

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

In the six months ended June 30, 2013, the Company had three principal customers (June 30, 2012–three principal customers) with each customer accounting for 52%, 25% and 23% of revenues (June 30, 2012–49%, 27% and 24% of revenues). The Company is not reliant on any one customer to remain as a going concern.

In the three months ended June 30, 2013, the Company had two principal customers (June 30 2012–two principal customers) with each customer accounting for 56% and 51% of revenues[(1)] (June 30, 2012–58%, and 51% of revenues[(1)]). The Company is not reliant on any one customer to remain as a going concern.

[(1)] Percentage exceeds 100%. Negative adjustments to revenue for other customers reduces total percentage to 100%.

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
Copper	$25,532	$26,940	$55,387	$62,901
Gold	14,982	22,381	34,855	45,300
Silver	521	773	1,381	1,743
Other	282	789	560	1,200
	$41,317	$50,883	$92,183	$111,144

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

24. FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets (such as marketable securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of derivative instrument assets and liabilities are determined by the counterparties using standard valuation techniques for these derivative instruments.

The carrying value less impairment provision, if necessary, of trade and other receivables and trade and other payables approximate their fair values due to the short term nature of these investments. Management believes that the carrying value of short term and non-current debt approximates fair value. Although the interest rates and credit spreads have changed since the non-current debt was issued the fixed rate portion of the non-current debt is close to current market rates, will not be refinanced and therefore the carrying value is not materially different from fair value.

IFRS 7 - *Financial Statements–Disclosures* was amended to require disclosures about the inputs to fair value measurement, including their classifications within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; and
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2013 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$6,269	$ -	$6,269
Marketable securities	1,023	-	1,023
Provisionally priced receivables	-	6,043	6,043
Derivative instruments assets	-	1,784	1,784
Future site reclamation deposits	7,391	-	7,391
	14,683	7,827	22,510
Financial Liabilities			
Provisionally priced revenue repayable	-	(1,126)	(1,126)
Derivative instrument liabilities	-	(49)	(49)
	$14,683	$6,652	$21,335

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

25. COMMITMENTS AND PLEDGES

(a) At June 30, 2013, the Company is committed to future minimum operating lease payments as follows:

2013	$222
2014	406
2015	396
2016	390
2017	198
	$1,612

(b) At June 30, 2013, the Company has pledged the following assets for settlement of future site reclamation provisions:

Cash deposits shown as other assets	$7,391
Mineral property, plant and equipment	1,370
Letters of credit (Note 9)	9,082
	$17,843

(c) At June 30, 2013, the Company had commitments to purchase plant and equipment, primarily for the Red Chris project, at a cost of $97,392 with commitments of $59,801 for the year 2013 and $37,591 for the year 2014. Commitments totalling $55,500 for the year 2013 are expected to be funded via non-current debt.

26. 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.

27. SUBSEQUENT EVENTS

Subsequent to June 30, 2013:

(a) the Company financed certain mobile mining and related equipment at the Mount Polley mine with a US$3,994 term loan repayable over five years at a fixed rate of interest of 2.50% with monthly payments, inclusive of interest, of US$71, secured by the financed equipment.

(b) the Company increased the line of credit facility (Note 10(c)) from $75,000 to $130,000 on the same terms and conditions to provide the Company with additional funds to construct the Red Chris mine and for general working capital purposes.

(c) Reclamation bonding requirements at the Mount Polley mine have changed as a result of the extension of the mine life. The revisions provide for an extended PAG (potentially acid generating) rock storage area. Additional bonding requirements for the years 2013 to 2023 could increase by approximately $30,000 depending on the actual amount of PAG stored.

(d) the Company entered into derivative instruments for gold (Note 12).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars, except for share and per share amounts

28. TRANSITION NOTE

Effective January 1, 2013, the Company adopted IFRS11 *Joint Arrangements* ("IFRS11") which replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The most significant result from the adoption is the change in the method of accounting for the Company's investment in Huckleberry. Under the previous standards, Huckleberry was proportionately consolidated whereas under IFRS11 the Company is required to account for the investment using the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated as at the beginning of the immediately preceding period, that is, January 1, 2012.

In order for users of the consolidated financial statements to better understand the impact of the adoption of this new standard, the Company's consolidated statements of financial position, consolidated statements of comprehensive income, and consolidated statements of cash flow have been reconciled to reflect the new standards and amendments. The following reconciliations have been provided:

(i) Reconciliation of consolidated statement of financial position as at:
January 1, 2012; and December 31, 2012.
(ii) Reconciliation of consolidated statement of comprehensive income for:
Three months ended June 30, 2012; six months ended June 30, 2012; and the year ended December 31, 2012.
(iii) Reconciliation of consolidated statement of cash flows for:
Three months ended June 30, 2012; six months ended June 30, 2012; and the year ended December 31, 2012.

Transition Date Statements

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2012

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	As Reported	IFRS11 Adjustments	As Adjusted
ASSETS			
Current Assets			
Cash	$34,475	$(28,403)	$6,072
Short term investments	27,500	(27,500)	-
Marketable securities	703	-	703
Trade and other receivables	26,756	(8,253)	18,503
Inventory	38,905	(7,127)	31,778
Derivative instrument assets and margin deposits	6,144	(3,478)	2,666
Prepaid expenses and deposits	1,709	(206)	1,503
	136,192	(74,967)	61,225
Derivative Instrument Assets and Margin Deposits	2,362	(2,362)	-
Investment in Huckleberry Mines Ltd.	-	78,282	78,282
Mineral Properties	326,989	(19,485)	307,504
Deferred Income Taxes	4,859	(530)	4,329
Other Assets	15,977	(9,562)	6,415
	$486,379	$(28,624)	$457,755
LIABILITIES			
Current Liabilities			
Trade and other payables	$27,873	$(6,453)	$21,420
Taxes payable	2,441	-	2,441
Short term debt	26,940	-	26,940
Derivative instrument liabilities	513	(414)	99
Current portion of non-current debt	1,081	-	1,081
Current portion of future site reclamation provisions	845	(200)	645
	59,693	(7,067)	52,626
Derivative Instrument Liabilities	266	(266)	-
Non-Current Debt	531	-	531
Future Site Reclamation Provisions	29,858	(21,291)	8,567
Deferred Income Taxes	61,545	-	61,545
	151,893	(28,624)	123,269
EQUITY			
Share Capital	114,563	-	114,563
Share Option Reserve	12,474	-	12,474
Currency Translation Adjustment	(272)	-	(272)
Retained Earnings	207,721	-	207,721
	334,486	-	334,486
	$486,379	$(28,624)	$457,755

Reconciliation of Consolidated Statements of Financial Position as at December 31, 2012

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	As Reported	IFRS11 Adjustments	Reclassification of Short Term Debt[1]	As Adjusted
ASSETS				
Current Assets				
Cash	$12,364	$(9,564)	$ -	$2,800
Short term investments	25,000	(25,000)	-	-
Marketable securities	1,557	-	-	1,557
Trade and other receivables	63,209	(7,546)	(25,733)	29,930
Inventory	38,044	(11,289)	-	26,755
Derivative instrument assets and margin deposits	1,558	(857)	-	701
Prepaid expenses and deposits	2,325	(185)	-	2,140
	144,057	(54,441)	(25,733)	63,883
Derivative Instrument Assets and Margin Deposits	896	(347)	-	549
Investment in Huckleberry Mines Ltd.	-	83,799	-	83,799
Mineral Properties	498,487	(56,083)	-	442,404
Deferred Income Taxes	1,693	-	-	1,693
Other Assets	14,599	(6,579)	-	8,020
	$659,732	$(33,651)	$(25,733)	$600,348
LIABILITIES				
Current Liabilities				
Trade and other payables	$46,292	$(8,346)	$ -	$37,946
Taxes payable	5,050	-	-	5,050
Short term debt	118,136	-	(25,733)	92,403
Derivative instrument liabilities	857	(243)	-	614
Current portion of non-current debt	1,908	-	-	1,908
Current portion of future site reclamation provisions	672	(272)	-	400
	172,915	(8,861)	(25,733)	138,321
Derivative Instrument Liabilities	636	(171)	-	465
Non-Current Debt	6,433	-	-	6,433
Future Site Reclamation Provisions	34,354	(22,357)	-	11,997
Deferred Income Taxes	74,445	(2,262)	-	72,183
	288,783	(33,651)	(25,733)	229,399
EQUITY				
Share Capital	116,892	-	-	116,892
Share Option Reserve	14,547	-	-	14,547
Currency Translation Adjustment	(837)	-	-	(837)
Retained Earnings	240,347	-	-	240,347
	370,949	-	-	370,949
	$659,732	$(33,651)	$(25,733)	$600,348

[1] The Consolidated Statement of Financial Position at December 31, 2012 has been restated to reflect a decrease in trade and other receivables of $25,733 and a reduction of the same amount in short term debt. The Company believes net presentation is appropriate. There was no impact on the Consolidated Statements of Income and Comprehensive Income and the Consolidated Statement of Changes in Equity as a result of this restatement.

Reconciliation of Condensed Consolidated Interim Statements of Income and Comprehensive Income
For the Three Months Ended June 30, 2012

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

	As Reported	IFRS11 Adjustments	As Adjusted
Revenue	$69,021	$(18,138)	$50,883
Cost of Sales	(51,890)	14,294	(37,596)
Income from Mine Operations	17,131	(3,844)	13,287
General and Administration	(2,061)	(183)	(2,244)
Finance (Costs) Income	2,096	(1,208)	888
Other Income	71	11	82
Equity Loss in Huckleberry	-	3,524	3,524
Income Before Taxes	17,237	(1,700)	15,537
Income and Mining Taxes	(5,271)	1,700	(3,571)
Net Income	11,966	-	11,966
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustment	514	-	514
Total Comprehensive Income	$12,480	-	$12,480
Income Per Share			
Basic	$0.16	$ -	$0.16
Diluted	$0.16	$ -	$0.16

Reconciliation of Condensed Consolidated Interim Statements of Income and Comprehensive Income
For the Six Months Ended June 30, 2012

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

	As Reported	IFRS11 Adjustments	As Adjusted
Revenue	$141,246	$(30,102)	$111,144
Cost of Sales	(107,004)	22,929	(84,075)
Income from Mine Operations	34,242	(7,173)	27,069
General and Administration	(4,253)	-	(4,253)
Finance (Costs) Income	(3,297)	1,963	(1,334)
Other Income	71	11	82
Equity Income in Huckleberry	-	3,249	3,249
Income Before Taxes	26,763	(1,950)	24,813
Income and Mining Taxes	(10,198)	1,950	(8,248)
Net Income	16,565	-	16,565
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustment	122	-	122
Total Comprehensive Income	$16,687	$ -	$16,687
Income Per Share			
Basic	$0.22	$ -	$0.22
Diluted	$0.22	$ -	$0.22

Reconciliation of Consolidated Statements of Income and Comprehensive Income
For the Year Ended December 31, 2012

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

	As Reported	IFRS11 Adjustments	As Adjusted
Revenue	$257,783	$(58,410)	$199,373
Cost of Sales	(188,492)	46,030	(142,462)
Income from Mine Operations	69,291	(12,380)	56,911
General and Administration	(9,077)	509	(8,568)
Finance (Costs) Income	(7,614)	4,207	(3,407)
Other Income	736	(23)	713
Equity Income in Huckleberry	-	5,517	5,517
Income Before Taxes	53,336	(2,170)	51,166
Income and Mining Taxes	(20,710)	2,170	(18,540)
Net Income	32,626	-	32,626
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustment	(565)	-	(565)
Total Comprehensive Income	$32,061	$ -	$32,061
Income Per Share			
Basic	$0.44	$ -	$0.44
Diluted	$0.43	$ -	$0.43

Reconciliation of Condensed Consolidated Interim Statements of Cash Flow
For the Three Months Ended June 30, 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	As Reported	IFRS11 Adjustments	As Adjusted
OPERATING ACTIVITIES			
Net income before taxes	$17,237	$(1,700)	$15,537
Items not affecting cash flows			
Equity loss in Huckleberry	-	(3,524)	(3,524)
Depletion and depreciation	5,728	(1,415)	4,313
Share based compensation	709	-	709
Accretion of future site reclamation provisions	276	(201)	75
Unrealized foreign exchange loss (gain)	(240)	196	(44)
Unrealized losses (gains) on derivative instruments	(1,908)	1,247	(661)
Other	39	(619)	(580)
	21,841	(6,016)	15,825
Net change in non-cash operating working capital balances	1,018	(285)	733
Income and mining taxes paid	(950)	74	(876)
Interest paid	(385)	37	(348)
Cash provided by operating activities	21,524	(6,190)	15,334
FINANCING ACTIVITIES			
Proceeds of short term debt	84,339	-	84,339
Repayment of short term debt	(80,006)	-	(80,006)
Repayment of non-current debt	(290)	-	(290)
Issue of share capital	187	-	187
Cash provided by (used in) financing activities	4,230	-	4,230
INVESTING ACTIVITIES			
Acquisition and development of mineral properties	(44,189)	10,069	(34,120)
Net change in non-cash investing working capital balances	19,028	(1,635)	17,393
Other	(613)	379	(234)
Cash used in investing activities	(25,774)	8,813	(16,961)
EFFECT OF FOREIGN EXCHANGE ON CASH	146	(198)	(52)
INCREASE IN CASH	126	2,425	2,551
CASH, BEGINNING OF PERIOD	28,457	(27,437)	1,020
CASH, END OF PERIOD	$28,583	$(25,012)	$3,571

Reconciliation of Condensed Consolidated Interim Statements of Cash Flow
For the Six Months Ended June 30, 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	As Reported	IFRS11 Adjustments	As Adjusted
OPERATING ACTIVITIES			
Net income before taxes	$26,763	$(1,950)	$24,813
Items not affecting cash flows			
Equity loss in Huckleberry	-	(3,249)	(3,249)
Depletion and depreciation	11,070	(2,071)	8,999
Share based compensation	1,583	-	1,583
Accretion of future site reclamation provisions	552	(403)	149
Unrealized foreign exchange loss (gain)	(55)	46	(9)
Unrealized losses (gains) on derivative instruments	2,900	(1,368)	1,532
Other	(116)	18	(98)
	42,697	(8,977)	33,720
Net change in non-cash operating working capital balances	(18,665)	334	(18,331)
Income and mining taxes paid	(1,335)	250	(1,085)
Interest paid	(734)	37	(697)
Cash provided by operating activities	21,963	(8,356)	13,607
FINANCING ACTIVITIES			
Proceeds of short term debt	141,761	-	141,761
Repayment of short term debt	(127,338)	-	(127,338)
Repayment of non-current debt	(578)	-	(578)
Issue of share capital	1,333	-	1,333
Cash provided by (used in) financing activities	15,178	-	15,178
INVESTING ACTIVITIES			
Sale of short term investments	2,500	(2,500)	-
Acquisition and development of mineral properties	(65,119)	18,212	(46,907)
Net change in non-cash investing working capital balances	19,028	(1,635)	17,393
(Increase) decrease in future site reclamation deposits	(1,277)	-	(1,277)
Other	2,026	(2,283)	(257)
Cash used in investing activities	(42,842)	11,794	(31,048)
EFFECT OF FOREIGN EXCHANGE ON CASH	(191)	(47)	(238)
(DECREASE) INCREASE IN CASH	(5,892)	3,391	(2,501)
CASH, BEGINNING OF PERIOD	34,475	(28,403)	6,072
CASH, END OF PERIOD	$28,583	$(25,012)	$3,571

Reconciliation of Consolidated Statements of Cash Flows
For the Year Ended December 31, 2012
Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	As Reported	IFRS11 Adjustments	Reclassification of Short Term Debt[1]	As Adjusted
OPERATING ACTIVITIES				
Income before taxes	$53,336	$(2,170)	$ -	$51,166
Items not affecting cash flows				
Equity income in Huckleberry	-	(5,517)	-	(5,517)
Depletion and depreciation	21,471	(5,871)	-	15,600
Share based compensation	2,945	-	-	2,945
Accretion of future site reclamation provisions	1,098	(806)	-	292
Unrealized foreign exchange losses (gains)	69	112	-	181
Unrealized losses (gains) on derivative instruments	5,575	(3,198)	-	2,377
Other	(548)	150	-	(398)
	83,946	(17,300)	-	66,646
Net change in non-cash operating working capital balances	(40,015)	4,137	25,733	(10,145)
Income and mining taxes paid	(2,465)	510	-	(1,955)
Income and mining taxes received	3,015	(3,015)	-	-
Interest paid	(2,075)	39	-	(2,036)
Cash provided by operating activities	42,406	(15,629)	25,733	52,510
FINANCING ACTIVITIES				
Proceeds of short term debt	385,973	-	(25,733)	360,240
Repayment of short term debt	(294,818)	-	-	(294,818)
Repayment of non-current debt	(1,667)	-	-	(1,667)
Issue of share capital	1,457	-	-	1,457
Cash provided by financing activities	90,945	-	(25,733)	65,212
INVESTING ACTIVITIES				
Sale of short term investments	2,500	(2,500)	-	-
Acquisition and development of mineral properties	(182,048)	44,154	-	(137,894)
Net change in non-cash investing working capital balances	21,884	(2,951)	-	18,933
Increase in future site reclamation deposits	(938)	(32)	-	(970)
Proceeds on sale of mineral properties	1,256	(1,140)	-	116
Other	2,179	(2,951)	-	(772)
Cash used in investing activities	(155,167)	34,580	-	(120,587)
			-	
EFFECT OF FOREIGN EXCHANGE ON CASH	(295)	(112)	-	(407)
(DECREASE) INCREASE IN CASH	(22,111)	18,839	-	(3,272)
CASH, BEGINNING OF YEAR	34,475	(28,403)	-	6,072
CASH, END OF YEAR	$12,364	$(9,564)	$ -	$2,800

[1] The Statement of Cash Flows for the year ended December 31, 2012 has been restated by a decrease of $25,733 in proceeds of short term debt and an increase of $25,733 in net change in non-cash operating working capital balances to reflect the change in presentation of concentrate advances previously recognized as short term debt. There was no impact on the Consolidated Statement of Income and Comprehensive Income and the Consolidated Statement of Changes in Equity as a result of this restatement.

Imperial Metals Corporation
200-580 Hornby Street
Vancouver, BC V6C 3B6

604.669.8959 general inquiries
inquiries@imperialmetals.com

604.488.2657 investor inquiries
investor@imperialmetals.com

www.imperialmetals.com

TSX:III

DIRECTORS

Pierre Lebel | Chairman
Brian Kynoch
Larry Moeller
Ted Muraro
Laurie Pare
Ed Yurkowski

MANAGEMENT

Brian Kynoch | President
Andre Deepwell | Chief Financial Officer & Corporate Secretary
Don Parsons | Chief Operating Officer
Kelly Findlay | Vice President Finance
Steve Robertson | Vice President Corporate Affairs
Gordon Keevil | Vice President Corporate Development
Patrick McAndless | Vice President Exploration

AUDITORS

Deloitte LLP

BANKERS

Bank of Montreal

LEGAL COUNSEL

Fasken Martineau DuMoulin LLP

TRANSFER AGENT

Computershare Investor Services Inc.