

MANAGEMENT'S DISCUSSION & ANALYSIS

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis is a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of March 24, 2009. Except for statements of fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward looking statements are based on the opinions, plans and estimates of management at the date the statements are made and are subject to a variety of risks, uncertainties and other factors that could cause the actual results to differ materially from those projected by such statements. The primary risk factors affecting the Company are discussed further under the heading "Risk Factors" below. The Company undertakes no obligation to update forward looking statements if circumstances or management's estimates, plans or opinions should change. The reader is cautioned not to place undue reliance on forward looking statements.

OVERVIEW

Revenues were \$229.7 million in 2008 compared to \$265.0 million in 2007. The decrease is the result of lower sales volumes on lower copper prices. The London Metals Exchange cash settlement copper price per pound averaged US\$3.15 in 2008 compared to US\$3.23 in 2007. The average US Dollar/CDN Dollar exchange rate over the same period was about 1% less in 2008 compared to 2007. In CDN Dollar terms the average copper price in 2008 was 3% less than the 2007 average copper price.

Revenue in the fourth quarter of 2008 was reduced by \$50.1 million for the revaluation of accounts receivable at September 30, 2008 for shipments settling in the fourth quarter of 2008, and for shipments sold in the fourth quarter of 2008 settling in 2009. The copper price was significantly lower than when the revenue was initially recorded.

Operating income decreased to \$25.4 million from \$57.2 million in 2007 as result of lower contribution margins from mine operations and a \$16.2 million impairment charge against mineral properties.

Net income for the year ended December 31, 2008 was \$59.6 million (\$1.83 per share) compared to \$22.7 million (\$0.71 per share) in 2007. Although operating income declined by \$31.8 million from 2007 to 2008 net income was higher in 2008 as the decline was more than offset by the large increase in realized and unrealized gains on derivative instruments, net of provisions for loss on counterparty default.

Adjusted net income in 2008 was \$55.5 million (\$1.71 per share) compared to \$31.9 million (\$1.00 per share) in 2007. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of copper and foreign exchange hedging not related to the current period, removing the unrealized share based compensation expense, net of taxes, and removing the writedown of mineral properties, net of taxes, as further detailed on the following table.

Calculation of Adjusted Net Income

Years Ended December 31

[expressed in thousands of dollars, except share amounts]

	2008	2007
Net Income as reported	\$ 59,617	\$ 22,729
Unrealized (gain) loss on derivative instruments, net of tax (a)(d)	(10,986)	3,700
Unrealized share based compensation (recovery) expense, net of tax (b)	(4,332)	5,456
Writedown of mineral properties, net of tax	11,169	-
Adjusted Net Income (c)	\$ 55,468	\$ 31,885
Adjusted Net Income Per Share (c)	\$ 1.71	\$ 1.00

(a) Derivative financial instruments are recorded at fair value on the balance sheet, with changes in the fair value, net of taxes, flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper and foreign exchange hedged.

(b) Effective with the June 30, 2007 quarter, the Company's employee stock option plan provides for a cash payment option. Accordingly, the intrinsic value of the outstanding vested options is recorded as a liability on the Company's balance sheet and periodic changes in the intrinsic value, net of taxes, flow through net income.

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

(d) The calculation of unrealized gain on derivative instruments for the year ended December 31, 2008 is net of the provision for loss on counterparty default on derivative instruments. The unrealized gains related to the derivative instruments with Lehman Brothers were written off during the year ended December 31, 2008 as described under the heading Derivative Instruments.

Cash flow increased to \$76.3 million in 2008 from \$61.9 million in 2007. The \$14.4 million increase is primarily the result of reduced cash income taxes. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances. The Company believes cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were \$46.7 million, down slightly from \$47.7 million in 2007. In 2007 the Company spent \$58.7 million to complete the acquisition of bcMetals.

Expenditures in 2008 were financed by cash flow from the Mount Polley and Huckleberry mines. At December 31, 2008 the Company had \$41.4 million (2007-\$30.3 million) in cash and cash equivalents and short term investments.

Derivative Instruments

The Company has not hedged gold or silver, only copper and the CDN/US Dollar exchange rate. During 2008 the Company recorded \$84.5 million in gains on derivative instruments, almost exclusively for copper, compared to losses of \$19.7 million in 2007. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper and the CDN/US Dollar exchange rate. The rapid decline in the price of copper during the latter part of 2008 resulted in large gains being recorded by the Company. The Company does not use hedge accounting therefore accounting rules require that derivative instruments be recorded at fair value on each balance sheet 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 instruments for hedging including the purchase of puts, forward sales and the use of min/max zero cost collars. Imperial's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper price and exchange rates compared to the copper price and exchange rate at the time when these contracts were entered into and the type and length of time to maturity of the contracts.

During the year ended December 31, 2008 a portion of the Company's derivative instruments were with Lehman Brothers Commodity Services Inc. ("LBCS"), a subsidiary of Lehman Brothers Holdings Inc. ("Lehman"). Both Lehman and LBCS have filed for bankruptcy protection. As a result of the bankruptcy filing of LBCS and Lehman, the uncertainty regarding the timing of, and the ultimate recovery of the LBCS derivatives, the Company has made a provision for the full amount of the LBCS derivatives.

In October 2008 the Company gave notice of default and termination of the derivative instruments to LBCS. The value of the LBCS derivatives on the termination date was US\$21.9 million. LBCS has not provided valuation of the derivative instruments (the "LBCS derivatives") held by the Company at the termination date and therefore the Company obtained valuations of the derivatives from other counterparties and recorded the value of the LBCS derivatives in its accounts based on those valuations. The LBCS derivatives consisted of puts purchased by the Company which were financed by the sale of calls with no net cash outlay by the Company. The net impact on the financial statements of the Company resulting from the loss of the LBCS derivatives is the same as if the Company had never entered into the derivative instruments with LBCS.

Hedges for Mount Polley cover about 17% of 2009 copper settlements via min/max zero cost collars. Hedges for Huckleberry include puts extending out to the first quarter of 2010 covering about 100% of copper settlements in the period and forwards sales in 2009 covering about 30% of copper settlements in 2009.

At December 31, 2008 the Company has unrealized income of \$47.4 million on its derivative instruments. This represents an increase in fair value of the derivative instruments from the dates of purchase to December 31, 2008 due to the decline in the price of copper in the last half of 2008. Refer to Note 13 to the audited consolidated financial statements for the year ended December 31, 2008 for further details.

The Company has granted security to certain hedge counterparties to cover potential losses in excess of the credit facilities granted by the counterparties. At December 31, 2008 the Company had \$4.2 million on deposit with counterparties.

Share Based Compensation Expense

During the June 2007 quarter the shareholders of the Company approved an amendment to the Company's stock option plans (the "Plan") that provides option holders the right to receive common shares or a direct cash payment in exchange for options exercised. The amendment to the Plan balances the need for a long term compensation program to retain employees and the concerns of shareholders regarding the dilution caused by the exercise of stock options. As a result of the change to the Plan, generally accepted accounting principles result in a liability and related expense being recorded for the intrinsic value of the stock options. Additionally, payments made to option holders by the Company are deductible for income tax purposes.

As a result of the amendment to the Plan, the Company recorded an initial expense of \$11.9 million for the expected cash settlements based on the intrinsic value of the outstanding stock options (the difference between the exercise price of the stock options and the market price of the Company's common shares). The liability associated with the Company's stock options are revalued quarterly to reflect changes in the market price of the Company's common shares and the vesting of additional stock options. The net change is recognized in net income for the period.

Selected Annual Financial Information

Years Ended December 31

[expressed in thousands of dollars, except share amounts]

	2008	2007	2006
Total Revenues	\$ 229,745	\$ 264,987	\$ 211,447
Net Income	\$ 59,617	\$ 22,729	\$ 82,007
Net Income per share	\$ 1.83	\$ 0.71	\$ 2.75
Diluted Income per share	\$ 1.83	\$ 0.70	\$ 2.63
Adjusted Net Income (2)	\$ 55,468	\$ 31,885	\$ 72,793
Adjusted Net Income per share (2)	\$ 1.71	\$ 1.00	\$ 2.44
Working Capital	\$ 54,211	\$ 9,030	\$ 37,093
Total Assets	\$ 384,901	\$ 320,741	\$ 214,096
Total Long Term Debt (including current portion)	\$ 4,648	\$ 9,514	\$ 15,571
Cash dividends declared per common share	\$ 0.00	\$ 0.00	\$ 0.00
Cash Flow (1)	\$ 76,334	\$ 61,876	\$ 70,364
Cash Flow per share (1)	\$ 2.35	\$ 1.94	\$ 2.36

(1) Cash flow and cash flow per share are measures used by the Company to evaluate its performance however, they are not terms recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the period.

(2) Refer to previous table under heading Calculation of Adjusted Net Income for details of the calculation of these amounts for 2008 and 2007.

(3) Defined as current assets less current liabilities.

The reporting currency of the Company is the CDN Dollar. The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles.

DEVELOPMENTS DURING 2008

General

Copper prices were slightly lower in 2008 than in 2007, averaging about US\$3.15/lb compared to US\$3.23/lb in 2007. The US Dollar declined during 2008 ending the year stronger against the CDN Dollar. Factoring in the decrease in the average exchange rate the price of copper averaged CDN\$3.36/lb in 2008, about 3% less than the 2007 average of CDN\$3.47/lb. The copper price fell rapidly in the last quarter of 2008 averaging US\$1.79/lb or CDN\$2.17/lb.

The increases during the last few years in certain costs resulting from changes in market conditions for such items as labour, fuel and other consumables, impacted the profitability of Mount Polley, Huckleberry and of resource projects generally. Changes in economic conditions in the latter part of 2008 have reversed this trend with some items such as fuel, falling significantly in the last six months. These cost reductions will offset a portion of the decline in copper price.

Mount Polley

Production for the past three years is provided in the following table.

For the Years Ended December 31	2008	2007	2006
Ore milled (tonnes)	6,848,983	6,444,112	6,235,221
Ore milled per calendar day (tonnes)	18,713	17,655	17,083
Grade % - Copper	0.552	0.461	0.474
Grade g/t - Gold	0.306	0.242	0.265
Recovery % - Copper	72.41	78.66	85.31
Recovery % - Gold	69.71	69.34	71.89
Copper produced (lbs)	60,305,759	51,506,144	55,548,194
Gold produced (oz)	47,001	34,833	38,164
Silver produced (oz)	522,340	370,731	422,568

Mining in the Bell pit was completed in the 2008 third quarter, and mining in the Wight pit will be completed in 2009. The Springer pit will supply the majority of mill feed in 2009.

Exploration at Mount Polley focused on the Pond and Boundary zones. Pond zone exploration led to the design of a small open pit containing proven and probable reserves of 1,372,216 tonnes ore grading 0.476% copper, 0.27 g/t gold and 6.898 g/t silver. This reserve is planned for open pit mining in 2009 subject to obtaining required approvals. Drilling at the Boundary zone continued to intersect high grade copper/gold mineralization at depth, with intercepts such as hole ND08-56 which graded 4.29% copper and 1.42 g/t gold over 13.7 metres. This zone can add to the potential underground resource already outlined below the Wight pit. The Boundary zone may become the first zone to be mined underground at Mount Polley. Further drilling to define the extent of this higher grade mineralization is underway.

Mount Polley exploration expenditures were \$3.2 million in 2008 compared to \$4.8 million in 2007. With the expanded land base, ongoing exploration at Mount Polley focused on identification of additional mineralized zones and expansion of identified zones. Drilling in 2008 tested eight zones on the property and provided further encouraging results. Drilling in 2008 included 63 diamond drill holes totaling 19,440 metres compared to 121 diamond drill holes totaling 39,503 metres in 2007.

In February 2008 the Company's unionized workforce at Mount Polley ratified an extension to the collective agreement to December 31, 2012.

Huckleberry

The financial results of Huckleberry continue to have a significant impact on Imperial's results. Huckleberry contributed \$8.3 million in net income to Imperial in 2008 compared to \$11.1 million in net income in 2007. Huckleberry's net income declined due to a \$15.8 million impairment charge taken against mineral properties which reduced the carrying value of Huckleberry's depletable mineral properties to nil. Notes 5 and 16 to the audited consolidated financial statements of the Company disclose information regarding the writedown and the impact of Huckleberry operations on the financial position and results of operations of Imperial.

The following table provides Huckleberry's total mine production, 50% of which is allocable to Imperial.

For the Years Ended December 31	2008	2007	2006
Ore milled (tonnes)	6,031,300	6,477,600	6,646,200
Ore milled per calendar day (tonnes)	16,479	17,747	18,209
Grade % – Copper	0.316	0.442	0.556
Grade % – Molybdenum	0.006	0.013	0.015
Recovery % – Copper	88.5	87.4	86.9
Recovery % – Molybdenum	23.2	8.1	14.3
Copper produced (lbs)	37,219,000	55,145,000	70,838,000
Gold produced (oz)	3,058	5,847	9,255
Silver produced (oz)	245,781	212,735	246,353
Molybdenum produced (lbs)	187,798	304,224	306,250

Mining progresses in the Main Zone Extension (MZX) and both the copper grade and the mill through-put increased from an average of 0.295% copper and 15,830 tonnes per day for the first quarter to 0.325% copper and 17,101 tonnes per day in the fourth quarter. As a result, copper production increased from 8.2 million pounds in the first quarter to 10.1 million pounds in the fourth quarter. Mine design work continues on a plan to further expand the MZX pit, which could potentially add about two years of mine life.

Exploration in 2008 focused on targets resulting from the regional exploration program. At the Whiting Creek property, located eight kilometres north of the Huckleberry mill, seven diamond drill holes totaling 2,028 metres were completed. Molybdenum results were encouraging. Diamond drill hole WC08-02 graded 0.022% molybdenum and 0.056% copper over 360.45 metres. Further work is planned for 2009.

Red Chris

At the Red Chris copper/gold property, a 17 kilometre access road to the camp was completed in September 2008. The new road allows all weather access to the site, extends the working season, lowers exploration costs, and reduces the need for helicopter support resulting in safer working conditions.

The Red Chris camp became operational in September and was upgraded for winter operation. A 12 hole deep drill program was initiated in the East zone. The target depth of these holes is 1,500 metres. By year end, three holes were drilled, two of which returned excellent grades over the entire length, but were lost prior to reaching their target depth of 1,500 metres due to drilling difficulty. The third hole collared outside the mineralized zone intersected mineralization at a depth of 800 metres confirming the zone is widening at depth. Drilling of the remaining 9 holes is expected to continue in 2009. The Company spent \$1.5 million on the 2008 drill program.

The development of the Red Chris project into a mine is dependant upon a number of factors including the construction of a power line to service the northwest portion of British Columbia and the resolution of the challenge to the Federal environmental assessment review as described in Note 21(a) to the audited consolidated financial statements.

Sterling

At the Sterling property during 2008 an underground drill program was conducted to define and expand the 144 zone. A total of 52 holes totaling over 13,000 feet were completed. Positive results received included confirmation of high grade mineralization within the 144 zone, discovery and definition of the east extension of the 144 zone, discovery of an open mineralization trend on the west side of the 144 zone, and discovery of the gold-hosting potential of the latite dike which divides the main 144 zone from the east extension. To follow up on this work, 150 feet of underground development is being completed to provide additional underground drill stations. The site has been permitted and bonding has been put in place to allow for a restart of mine operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The critical accounting policies adopted by the Company and used in preparation of its consolidated financial statements include the following:

(a) Mineral Properties

Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties in Note 5 to the consolidated financial statements.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as non-depletable mineral properties in Note 5 to the consolidated financial statements. At least annually or when otherwise appropriate, and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs are depleted and depreciated by property using either a unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate, or for plant and equipment, using the straight line method over their estimated useful lives of 4-12 years for mobile mine equipment and vehicles and 4-5 years for office, computer and communications equipment.

Maintenance and repairs are charged to operations when incurred. Renewals and betterments, which extend the useful life of the assets, are capitalized.

The Company follows the method of accounting for these mineral properties whereby all costs related to acquisition, exploration and development are capitalized by property. Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production. On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred.

Management reviews the carrying value of mineral exploration properties at least annually for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest. When the results of this review indicate that an impairment exists, the Company estimates the net recoverable amount of pre-feasibility study exploration properties by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of rights. An impairment is considered to exist on post-feasibility exploration properties and producing mining properties, plant and equipment if the total undiscounted cash flows are less than the carrying amount of the assets. When the carrying values of post-feasibility study exploration properties and producing mining properties, plant and equipment are estimated to exceed their net recoverable amounts, an impairment loss is measured and recorded based on estimated discounted cash flows.

(b) Depreciation and Depletion

Described in (a) above are the methods used by the Company to determine the depreciation and depletion of its producing mineral properties. The majority of capitalized costs are depreciated and depleted using a unit-of-production basis. This method relies on management's estimate of the ultimate amount of recoverable reserves, an amount that is dependant on a number of factors including the extent and grade of the ore, commodity prices, capital, mining, processing and reclamation costs, and success of exploration activities identifying additional mineral reserves.

(c) Future Site Reclamation Costs

The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value, for the estimated future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using the Company's credit adjusted risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. The estimated present value of the future site reclamation costs are remeasured annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method.

(d) Share Based Compensation

The Company has stock option plans that provide all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. Stock based compensation is accounted for using the intrinsic value method. Under this method, the Company accrues a liability for stock options based on the excess of the market price of the Company's common shares over the exercise price. The accrued liability is adjusted at each balance sheet date for the effect of stock option grants, vesting of stock options, stock options exercised, as well as the effect of changes in the underlying price of the Company's common shares. The net effect of these items is charged or credited to share based compensation expense. Any consideration received on the exercise of stock options is credited to share capital.

(e) Derivative Instruments

The Company uses derivative financial instruments to manage its exposure to metal prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the balance sheet. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income at each balance sheet date. Gains or losses resulting from changes in the fair value of hedged items are included in income or expense on the date the related hedged item is settled.

(f) Convertible Debentures

Convertible debentures are a compound financial instrument. Accordingly, the fair value of the conversion privilege forming part of the convertible debenture is classified as part of shareholders' equity with the balance of the proceeds classified as a financial liability. The carrying value of the financial liability is accreted to the principal amount as additional interest expense over the term of the convertible debenture.

(g) Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the consolidated financial statements when title to the concentrate transfers to the customer which generally occurs on date of shipment. Revenue is recorded in the statement of income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each balance sheet date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which is usually four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations.

(h) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such assets will be ultimately realized. These future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. Business acquisitions result in a gross up of mineral properties to recognize future income tax liabilities for the tax effect of such differences.

The tax deduction for the expenditures incurred related to flow through share financings has been assigned to the related shareholders, resulting in a future income tax liability which has been recorded as a charge to share capital when the expenditures are renounced. Any recognition of a portion of previously unrecognized future income tax assets is recorded as a future income tax recovery in the statement of income.

(i) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short term investments, marketable securities, accounts receivable, derivative instrument assets and margin deposits, future site reclamation deposits, accounts payable and accrued liabilities, concentrate sales repayable, short term debt, derivative instrument liabilities, long term debt and debt component of convertible debentures.

Cash and cash equivalents, short term investments and future site reclamation deposits are classified as held-for-trading and recorded at fair value. Accounts receivable and margin deposits are classified as loans and receivables. Marketable securities are classified as a held-for-trading because the Company holds these securities for the purpose of trading. The fair value of marketable securities is based on quoted market prices. Held-for-trading financial assets are measured at fair value with mark-to-market gains and losses recorded in earnings in the period they occur. Accounts payable and accrued liabilities, concentrate sales repayable, short and long term debt, and debt component of convertible debentures are classified as other financial liabilities and recorded at amortized cost.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company uses derivative financial instruments to mitigate the risk of revenue changes due to changes in copper price and the US/CDN Dollar exchange rate. These instruments do not meet the criteria for hedge accounting and consequently are measured at their fair values with changes in fair values recorded in earnings in the period they occur. Fair values for these derivative instruments are determined by counterparties using standard valuation techniques for derivative instruments by reference to current and projected market conditions as of the balance sheet date.

Transaction costs related to financial instruments are expensed when they are incurred, unless they are directly attributable to the acquisition or construction of mineral properties, plant and equipment. Development and construction of these assets require a substantial period of time prior to commissioning them and therefore transaction costs for these assets are added to the cost of these assets until such time as the assets are substantially ready for their intended use or sale.

RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS

Several new accounting standards will be applicable to the Company commencing January 1, 2009 with most focused on providing additional disclosure on various items.

- (a) In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible assets and Section 3450 – Research and Development Costs. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets by profit-oriented enterprises. The section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, and is not expected to have a material impact on the Company's financial condition or operating results.
- (b) In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011. IFRS employs a conceptual framework that is similar to Canadian GAAP however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. The Company is currently evaluating the impact of IFRS on its financial position and results of operations and changes required to its systems and processes including management reporting and investor relations activities.
- (c) In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. In addition, acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

CHANGE IN ACCOUNTING POLICIES

(a) Capital Disclosures and Financial Instruments- Disclosures and Presentation

The Company adopted three new presentation and disclosure standards that were issued by the CICA: Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862") and Handbook Section 3863, Financial Instruments – Presentation ("Section 3863").

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

(b) Inventories

The Company adopted the new standard on inventories that was issued by the CICA: Section 3031 Inventories (“Section 3031”), which replaces Section 3030. Section 3031 establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of Section 3031 did not result in a material impact on the Company’s consolidated financial position and results of operations.

(c) Assessing Going Concern

The Company adopted CICA Handbook Section 1400, Assessing Going Concern, which was amended to include requirements for management to assess and disclosure the entity’s ability to continue as a going concern.

RESULTS OF OPERATIONS FOR 2008 COMPARED TO 2007

This review of the results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2008.

Financial Results

Overview

Revenues decreased to \$229.7 million for the year ended December 31, 2008 from \$265.0 million in the year ended 2007 due to lower sales volumes and lower copper prices.

In the year ended December 31, 2008 Imperial recorded net income of \$59.6 million (\$1.83 per share) compared to net income of \$22.7 million (\$0.71 per share) in the prior year. Most of the increase is due to large increase in unrealized gains on derivative instruments, net of \$28.3 million provision for counterparty default, resulting from the decline in copper prices in late 2008.

The financial results of the Company are closely tied to the profitability of the Mount Polley and Huckleberry mines. The Mount Polley mine contributed \$49.5 million to Imperial’s operating income in 2008 compared to \$33.5 million in 2007. Imperial’s share of Huckleberry, inclusive of a \$15.8 million writedown of mineral properties, was an operating loss of \$27.3 million in 2008 versus an operating profit of \$37.3 million in 2007.

Imperial’s net income in 2008 benefited from a net \$56.2 million in gains on derivative instruments after deduction of a \$28.3 million provision for counterparty default on derivative instruments compared to a loss of \$19.7 million on derivative instruments in 2007. These derivative instruments were put in place to provide cash flow protection against declines in the price of copper.

Mineral Production and Transportation Costs

Mineral production and transportation costs were \$160.3 million in 2008 comprised of \$111.2 million from Mount Polley and \$49.1 million representing the Company’s 50% share of Huckleberry. This compares to \$158.0 million in 2007, comprised of \$117.8 million from Mount Polley and \$40.2 million from Huckleberry. The impact of high oil and steel prices in 2008 led to substantially higher costs for many key inputs including diesel fuel, explosives, and grinding media. Transportation costs to move concentrates from mine to shipping port also increased due to higher diesel fuel prices. Ocean freight rates were also substantially higher in 2008 compared to 2007. This trend of higher costs reversed in the 2008 third quarter as prices for oil and steel began to drop.

Mineral Property Holding Costs

Mineral property holdings costs increased slightly to \$1.1 million in the year ended December 31, 2008.

Depletion and Depreciation

Depletion and depreciation increased to \$29.2 million in 2008 from \$22.7 million in 2007 due to a higher depletion and depreciation base in the current year.

General and Administration

General and administration expense increased to \$2.5 million in 2008 from \$2.1 million in 2007 due to higher staff, office and occupancy costs.

Share Based Compensation

Share based compensation expense was a recovery of \$5.0 million in 2008 compared to a \$10.9 million expense in 2007. The large decline in the Company's share price in the latter part of 2008 resulted in the elimination of the share based expense obligations at December 31, 2008 as all options are no longer in-the-money. See heading Share Based Compensation Expense for further details.

Interest Expense on Long Term Debt

Interest expense on long term debt decreased to \$1.1 million in 2008 from \$1.4 million in 2007 due to a lower level of debt in 2008.

Other Interest Expense

Other interest expense decreased to \$1.2 million in 2008 compared to \$2.9 million in 2007. The 2007 period included interest on the \$40.0 million short term loan facility for acquisition of bcMetals and higher short term borrowing on concentrate advances.

Interest Accretion on Short and Long Term Debt

Interest accretion increased slightly to \$1.1 million in 2008 from \$1.0 million in 2007.

Financing Costs

Financing costs in 2008 associated with a short term loan facility were \$1.1 million compared to \$0.4 million for the loan to acquire bcMetals in 2007.

Foreign Exchange Loss

The average CDN/US Dollar exchange rate of 1.067 in 2008 was within 1% of the 2007 average of 1.074 however by December 31, 2008 the rate had climbed to 1.225 compared to 0.988 at December 31, 2007. During 2008 the CDN/US Dollar exchange rate was on an increasing trend versus a declining trend in 2007 and this resulted in a \$5.6 million foreign exchange gain being recorded in 2008 versus a loss of \$6.6 million in 2007. These gains and losses are attributable to holding US Dollar denominated cash, accounts receivable and derivative instruments, partially offset by gains on short term debt. These net US Dollar asset balances are the result of the operations at the Mount Polley and Huckleberry mines.

Writedown of Mineral Properties

In 2008 the Company wrotedown the carrying value of Huckleberry by \$15.8 million as a result of the decline in copper price leading to lower expected cash flows in future years resulting in an impairment charge. Impairment charges of \$0.4 million were also taken on a number of exploration properties. There were no comparable items in 2007.

Gains on Derivative Instruments

During the year ended December 31, 2008 the Company entered into additional hedge contracts for the sale of copper and US Dollars to protect the Company's cash flow against a decline in the price of copper and US Dollar. None of the Company's contracts qualify for hedge accounting and therefore the Company must mark to market the unrealized gains and losses on all its contracts. Changes in valuation of this hedge position and the hedge position carrying over from 2007 resulted in a gain of \$84.5 million during the year ended December 31, 2008 compared to a loss of \$19.7 million in 2007. The unrealized net gains on the hedge contracts outstanding at December 31, 2008 totaled \$49.8 million. The ultimate gain or loss on these contracts will be determined by the copper prices in the periods when these contracts settle.

Provision for Loss on Counterparty Default on Derivative Instruments

During the year ended December 31, 2008 the Company recorded a provision of \$28.3 million for collection risk of unrealized gains on derivative instruments as described under heading Derivative Instruments.

Income and Mining Taxes

Income and mining taxes increased to \$21.3 million in 2008 from \$15.1 million in 2007. Huckleberry became taxable in 2007 as a result of utilizing all its loss carry forwards and other tax deductions. Imperial's share of the Huckleberry cash income taxes in 2008 was a recovery of \$1.0 million compared to an expense of \$12.5 million in 2007. A total of \$1.1 million expense was recorded for mineral taxes payable to the Province of British Columbia in 2008 compared to \$1.3 million in 2007. Future income tax expense, a non cash item, increased to \$21.1 million in 2008 from \$1.3 million in 2007. Falling income tax rates in future periods resulted in the Company recording a benefit of \$1.9 million in 2008 compared to a benefit of \$5.3 million in 2007.

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 2007.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, long term debt, convertible debt and equity attributable to common shareholders, comprised of share capital, contributed surplus, equity component of convertible debentures and retained earnings.

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

LIQUIDITY & CAPITAL RESOURCES

Credit Risk

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

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

The Company enters into derivative instruments with a number of counterparties. The credit risks associated with these counterparties was previously thought to be minimal because of their strong capital base, diversity and multinational operations. However, the bankruptcy of one of the Company's counterparties, Lehman Brothers Commodity Services Inc. has demonstrated that counterparty risk going forward will be significantly greater than in the past.

The Company's maximum exposure to credit risk at December 31, 2008 is \$127.9 million compared to \$67.8 million at December 31, 2007 as further detailed in Note 18 to the consolidated financial statements.

During 2008 the Company's credit risk changed significantly from the prior year as a result of increased economic uncertainty, related reduction in credit liquidity and increase in counterparty risk.

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 and cash equivalents and short term investment balances there are sufficient committed credit facilities, including the advance payment facilities noted above, to provide the necessary cash to meet projected cash requirements. The Company's primary sources of credit are short term debt secured by concentrate inventory and a \$1.0 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 asset backed commercial securities.

The Company's overall liquidity risk has changed significantly from the prior year as a result in the rapid drop in the price of copper in the second half of 2008, partially offset by a beneficial change due to the US Dollar/CDN Dollar exchange rate. These changes have sharply reduced operating margins and cash flow. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash and cash equivalents, short term investments, accounts receivable, derivative instrument assets and margin deposits, reclamation deposits, accounts payable, derivative instrument liabilities, and short term debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2008 would have been higher/lower by \$4.7 million. In the last quarter of 2008 and subsequent to December 31, 2008 the Company entered into derivative instruments to manage the US Dollar/CDN Dollar exchange rate related to Huckleberry production as disclosed in (Notes 13(b) and (c)) to the consolidated financial statements.

Cash Flow

The Company had net income of \$59.6 million in the year ended December 31, 2008 compared to net income of \$22.7 million in 2007. Cash flow was \$76.3 million in 2008 compared to cash flow of \$61.9 million in the prior year. The \$14.4 million increase is primarily the result of reduced cash income taxes. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations before the net change in working capital balances.

Working Capital

At December 31, 2008 the Company had working capital, defined as current assets less current liabilities, of \$54.2 million an increase of \$44.4 million from working capital of \$9.8 million at December 31, 2007. The December 31, 2008 working capital position reflects the profitable operations of the Company during 2008 and the value of the Company's derivative instruments. Current liabilities at December 31, 2008 include \$30.5 million in concentrate sales repayable resulting from the decline in the copper since the date the sales were initially recorded. A portion of this liability will be funded by proceeds from the settlement of derivative instruments.

Property Expenditures and Other Investment Activities

Property acquisition and development expenditures were \$35.9 million in 2008 compared to \$33.1 million in 2007 excluding the purchase of bcMetals. Expenditures of \$31.0 million in 2008 at Mount Polley included Springer and Southeast pit stripping, tailings dam construction and capital to maintain production capacity. Expenditures at Huckleberry in 2008 were \$4.0 million for ongoing capital programs. Development expenditures at Red Chris totaled \$0.6 million in the 2008. The 2007 expenditures at Mount Polley were for stripping the Springer pit and ongoing capital to maintain and expand productive capacity at the Mount Polley mine. The 2007 expenditures at Huckleberry were \$4.0 million for ongoing capital projects. Capital expenditures in 2008 and 2007 were financed from cash flow from operations.

Exploration expenditures were \$10.8 million in 2008 compared to \$14.6 million in 2007. Mount Polley exploration totaled \$3.2 million, \$5.1 million was spent on exploration at Red Chris including the access road, and \$1.2 million was spent on underground drilling at Sterling.

The acquisition of bcMetals, which was completed in early 2007, consumed \$58.7 million of cash. This acquisition was financed by cash on hand and a \$40.0 million credit facility from a related party. The \$10.0 million balance owing at December 31, 2007 was rolled over into a new short term revolving working capital facility which was repaid in June 2008.

Debt repayment and working capital requirements for 2009 are expected to be met from cash on hand and cash flow generated by Mount Polley and Huckleberry. The Company currently does not forecast the requirement for any long term debt or equity financings during 2009 however long term debt may be utilized when terms are favourable. The Company will continue to utilize short term debt to manage its day to day financing needs.

DEBT AND OTHER OBLIGATIONS

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings and short term investments. Presently, the majority of the Company's outstanding borrowings are at fixed 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. The weighted average interest rate paid by the Company in the year ended December 31, 2008 on its outstanding borrowings was 6.2%.

If interest rates had been 100 basis points higher/lower on the Company's floating rate debt and all other variables were held constant, the amount of interest expense in the year ended December 31, 2008 would have increased/decreased by \$0.1 million.

The Company did not incur any new long term debt during 2008 or 2007.

The primary source of short term funding in 2007 was a \$40.0 million credit facility with a related party to assist with the purchase of bcMetals. This facility was due on November 30, 2007 and extended to February 29, 2008. The remaining balance of \$10.0 million was paid in February 2008 from a new \$30.0 million short term revolving working capital facility with a syndicate of lenders. Both these credit facilities are described further under the heading Related Party Transactions.

Select use of short term debt during both 2008 and 2007 from purchasers of the Company's concentrate provided working capital to meet day to day cash requirements.

There were no conversions of the Company's convertible debentures during either 2008 or 2007. These debentures bear interest at 6% per annum and are due in March 2010. They are convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of \$8.65 per common share. In accordance with the accounting standards for convertible instruments the net proceeds of the convertible debenture has been allocated between debt and equity components at the date of issue and reflected as such in the consolidated balance sheet of the Company. As of December 31, 2008 and 2007 debentures with a face value of \$14.0 million remain outstanding.

Payments on the non-interest bearing Mount Polley mine construction loan of \$1.8 million are only due when the mine and mill are in operation. Payments are limited to \$116,667 per month, to a maximum of \$1,166,667 per year. This debt is similar in nature to a capped royalty on operations. This debt is non-recourse to Imperial and secured only by the mining property assets on which the funds were invested.

The Company had the following contractual obligations as of December 31, 2008:

[expressed in thousands of dollars]	2009	2010	2011	2012	2013	Total
Long term debt	\$ 2,977	\$ 1,070	\$ 601	\$ -	\$ -	\$ 4,648
Convertible debentures (1)		13,980	-	-	-	\$ 13,980
Operating leases	692	354	256	108	-	\$ 1,410
Capital expenditures and other	3,724	-	-	-	-	\$ 3,724
Mineral properties (2)	358	346	390	390	390	\$ 1,874
Total	\$ 7,751	\$ 15,750	\$ 1,247	\$ 498	\$ 390	\$ 25,636

(1) Assumes non-conversion of debentures.

(2) 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 2013 only.

Debt repayment and working capital requirements for 2009 are expected to be met from cash on hand and cash flow generated by Mount Polley and Huckleberry and other debt or equity financings as may be required.

As at December 31, 2008 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 and share based compensation liabilities. 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. Share based compensation liabilities arise because the option holders have the right, in lieu of receiving common shares, to receive a cash payment from the Company equal to the difference between the exercise price of each stock option and the market price of the Company's common shares on the date of exercise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher or lower:

- (a) net income for the year ended December 31, 2008 would have decreased/increased by under \$0.1 million as a result of the change in the equity price of the Company's common shares and the equity prices of marketable securities. The Company does not hold significant balances of marketable securities and therefore the impact on net income would be minimal. Changes in the fair value of the marketable securities and share based compensation have been reflected in net income for the year; and
- (b) other comprehensive income would not have changed as a result of changes in the fair value of marketable securities and share based compensation liabilities.

The Company's sensitivity to equity prices has not changed significantly from the prior year.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as held for trading securities and share based compensation liabilities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The quoted market price used for financial liabilities owed by the Company is the current ask price.

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

The carrying value less impairment provision, if necessary, of trade receivables and payables are assumed to approximate their fair values. The Company has no short term debt at December 31, 2008. Management believes that the carrying value of long term debt approximates fair value. Although the interest rates and credit spreads have changed since the long term debt was issued the fixed rate portion of the long term debt is close to maturity, will not be refinanced and therefore the carrying value is not materially different from fair value. The debt component of the convertible debentures is estimated to have a fair value of \$11.8 million at December 31, 2008 based on the estimated interest rate expected on a similar instrument at December 31, 2008.

SELECTED QUARTERLY FINANCIAL INFORMATION

Unaudited

[expressed in thousands of dollars, except share amounts,
copper price and exchange rates]

	Three Months Ended			
	December 31 2008	September 30 2008	June 30 2008	March 31 2008
Total Revenues	\$ (5,405)	\$ 53,642	\$ 124,911	\$ 56,597
Net Income (Loss)	\$ (9,736)	\$ 23,452	\$ 44,236	\$ 1,665
Income (Loss) per share (1)	\$ (0.30)	\$ 0.72	\$ 1.35	\$ 0.05
Diluted Income (Loss) per share (1)	\$ (0.30)	\$ 0.72	\$ 1.34	\$ 0.05
Adjusted Net Income (Loss) (2)	\$ (4,510)	\$ 5,361	\$ 42,571	\$ 12,046
Adjusted Net Income (Loss) per share (1) (2)	\$ (0.14)	\$ 0.17	\$ 1.30	\$ 0.37
Cash Flow (3)	\$ (16,210)	\$ 7,891	\$ 66,124	\$ 18,529
Cash Flow per share (1) (3)	\$ (0.50)	\$ 0.24	\$ 2.02	\$ 0.57
Average LME cash settlement copper price/lb in US\$	\$ 1.787	\$ 3.489	\$ 3.832	\$ 3.522
Average US/CDN\$ exchange rate	\$ 1.2125	\$ 1.0420	\$ 1.010	\$ 1.004
Period end US/CDN\$ exchange rate	\$ 1.2246	\$ 1.0599	\$ 1.019	\$ 1.0279

	Three Months Ended			
	December 31 2007	September 30 2007	June 30 2007	March 31 2007
Total Revenues	\$ 32,747	\$ 84,784	\$ 93,210	\$ 54,246
Net Income (Loss)	\$ 13,851	\$ 7,576	\$ 3,224	\$ (1,922)
Income (Loss) per share (1)	\$ 0.42	\$ 0.23	\$ 0.10	\$ (0.06)
Diluted Income (Loss) per share (1)	\$ 0.42	\$ 0.23	\$ 0.10	\$ (0.06)
Adjusted Net Income (Loss) (1) (2)	\$ (10,489)	\$ 12,184	\$ 19,482	\$ 10,708
Adjusted Net Income (Loss) per share (1) (2)	\$ (0.32)	\$ 0.37	\$ 0.62	\$ 0.35
Cash Flow (3)	\$ (6,757)	\$ 22,165	\$ 24,412	\$ 22,056
Cash Flow per share (1) (3)	\$ (0.21)	\$ 0.68	\$ 0.78	\$ 0.72
Average LME cash settlement copper price/lb in US\$	\$ 3.283	\$ 3.499	\$ 3.464	\$ 2.695
Average US/CDN\$ exchange rate	\$ 0.982	\$ 1.045	\$ 1.098	\$ 1.172
Period end US/CDN\$ exchange rate	\$ 0.988	\$ 0.996	\$ 1.063	\$ 1.153

(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 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 generally accepted accounting principles and are therefore unlikely to be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before net change in working capital balances and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the period.

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.

FOURTH QUARTER RESULTS

Mineral sales volumes in the fourth quarter of 2008 were below normal quarterly shipment levels and slightly above the fourth quarter of 2007.

Revenue in the fourth quarter of 2008 was reduced by \$50.1 million for the revaluation of sales. The revaluation included a reduction in accounts receivable at September 30, 2008 for shipments settling at a later date and for sales in the fourth quarter that were reduced due to the copper price at December 31, 2008 being significantly lower than the copper price when the revenue was initially recorded on shipping.

Sales revenue is recorded when title for concentrate is transferred during shipment. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

The Company recorded a net loss of \$9.7 million (\$0.30 per share) in the fourth quarter of 2008 compared to net income of \$13.9 million (\$0.42 per share) in the prior years quarter. The decline in the fourth quarter 2008 compared to the fourth quarter 2007 was primarily

due to the significant reduction in contribution margins from the Mount Polley and Huckleberry mines on lower copper prices, downward revaluations of previously booked sales revenues and the writedown of the Huckleberry mine, partially offset by gains on derivative instruments.

Expenditures for exploration, Southeast zone pit stripping and ongoing capital projects at the Mount Polley and Huckleberry mines totaled \$6.2 million during the three months ended December 31, 2008. This was a decrease of \$10.0 million from the \$16.2 million in the 2007 period which included significant expenditures for Springer pit stripping and higher exploration expenditures. Springer pit stripping at Mount Polley was completed in the third quarter of 2008.

RELATED PARTY TRANSACTIONS

Corporate

In September 2006 the Company obtained a \$40.0 million credit facility with Edco Capital Corporation ("Edco"), a company controlled by N. Murray Edwards, a significant shareholder of Imperial, to assist with the acquisition of bcMetals. The facility is subject to conditions usual in commercial lending transactions of this kind. Interest on the outstanding principal amount and interest on overdue interest will compound monthly at the rate of 9% per annum. In February 2007, the Company drew the full \$40.0 million to assist with the purchase of bcMetals. A draw fee of 1% was paid on the amount drawn. The amount drawn down was evidenced by a promissory note and secured by a floating charge debenture on the Company's assets and a guarantee from its subsidiary, Mount Polley Mining Corporation. The facility was scheduled to expire on November 30, 2007 and its continuance was subject to satisfactory periodic reviews and no adverse changes occurring. In October, 2007 the due date on the facility was extended to February 29, 2008 and the interest rate increased to 10% effective December 1, 2007. The credit facility was repaid in February 2008 from a new short term revolving credit facility with a syndicate of lenders.

In February 2008 the Company entered into a \$30.0 million short term revolving working capital facility with a syndicate of lenders which include Edco and a company controlled by Larry Moeller, a director of Imperial. Edco's share of the facility is 75%, Mr. Moeller's share is 8.3% and the balance of 16.7% is held by four funds that are shareholders of the Company. This facility bears interest at 10% per annum, payable monthly, and was due on February 15, 2009. The facility was secured by a floating charge on all the assets of the Company plus guarantees by Mount Polley Mining Corporation and Red Chris Development Company Ltd. In consideration of the facility, the lenders would be granted one warrant for each \$25.00 advanced under the facility such that warrants to purchase up to 1,200,000 common shares of the Company at \$10.00 per share, exercisable until July 31, 2009 could be granted. A maximum of 1,200,000 warrants would be issued if the facility were fully drawn. An arrangement fee of \$225,000 was paid to the lenders. Until expiry on February 15, 2009 \$15.0 million was drawn on the facility and 600,000 warrants had been issued. There was no balance owing on this facility at December 31, 2008.

Further details on related party transactions can be found in Note 15 to the audited consolidated financial statements for the year ended December 31, 2008.

OTHER

As of March 23, 2009 the Company had 32,128,985 common shares outstanding, and on a diluted basis 36,321,837 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

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

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such term are defined under Multilateral 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 Multilateral Instrument 52-109. Management has excluded from its assessment the internal control over financial reporting at Huckleberry Mines Ltd. ("Huckleberry"), in which the Company holds a 50% interest and is proportionally consolidated in the Company's consolidated financial statements, because Imperial's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity. Huckleberry constitutes 22% of net assets, 21% of total assets, 20% of revenues, a loss of \$27.3 million from operations, and 14% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2008.

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 December 31, 2008, the Company's internal control over financial reporting was effective.

There has been no change in the Company's design of these internal controls and procedures over financial reporting that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

Contingent Liabilities

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

In 2007 the Company acquired bcMetals Corporation which is a party to a number of legal actions and contingent liabilities pertaining to the Red Chris project. The status of the principal actions is as follows:

Screening Level Review of Red Chris Project under the Canadian Environmental Assessment Act ("CEAA")

MiningWatch Canada has claimed that the Federal review of the Red Chris project under the CEAA was procedurally incorrect. There is no impact on the Provincial Environmental Certificate. MiningWatch Canada has taken its case to the Supreme Court of Canada and, if successful, the responsible Federal authorities will be required to carry out a comprehensive study level review similar to the work that has been carried out by the Province under the B.C. Environmental Assessment Act.

American Bullion Minerals Ltd. ("ABML")

In 2006 two minority shareholders of ABML ("Petitioners") commenced action against the Company seeking a declaration that the affairs of ABML had been conducted in a manner oppressive to its minority shareholders and asking that the Company purchase the shares of the minority shareholders of ABML. The Petitioners are also seeking to certify their action as a class action proceeding. The Company has expressed an interest in purchasing the shares of the minority shareholders of ABML subject to such regulatory approvals that will be required given that ABML, a reporting issuer, has been cease traded since 2001 and is delisted.

RISK FACTORS

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee or assurance other factors will or will not adversely affect the Company.

Risks Inherent in the Mining and Metals Business

The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non productive for reasons that cannot be anticipated in advance. Title Claims can impact the exploration, development, operation and sale of any natural resource project. Availability of skilled people, equipment and infrastructure (including roads, ports, power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

Commodity Price Fluctuations and Hedging

The results of the Company's operations are significantly affected by the market price of base metals and gold which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, expectations with respect to the rate of inflation, the relative strength of the US Dollar and of certain other currencies, interest rates, global or regional political or economic crises and sales of gold and base metals by holders in response to such factors. If prices should decline below the Company's cash costs of production and remain at such levels for any sustained period, the Company could determine that it is not economically feasible to continue commercial production at any or all of its mines.

The objectives of any hedging programs that are in place are to reduce the risk of a decrease in a commodity's market price while optimizing upside participation, to maintain adequate cash flows and profitability to contribute to the long-term viability of the Company's business. There are, however, risks associated with hedging programs including (among other things), an increase in the world price of the commodity, an increase in gold lease rates (in the case of gold hedging), an increase in interest rates, rising operating costs, counterparty risks, liquidity issues with funding margin calls to cover mark to market losses and production interruption events. The Company's results of operations are also affected by fluctuations in the price of labour, electricity, fuel, steel, chemicals, blasting materials, transportation and shipping and other cost components.

Competition for Mining Properties

Because the life of a mine is limited by its ore reserves, the Company is continually seeking to replace and expand its reserves through the exploration of its existing properties as well as through acquisitions of new properties or of interests in companies which own such properties. The Company encounters strong competition from other mining companies in connection with the acquisition of properties.

Sale of Products and Future Market Access

The Company is primarily a producer of concentrates. These must be processed into metal by independent smelters under concentrate sales agreement in order for the Company to be paid for its products. There can be no assurance or guarantee that the Company will be able to enter into concentrate sale agreements on terms that are favorable to the Company or at all. Access to the Company's markets is subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import of certain commodities. Although there are currently no significant trade barriers existing or impending of which the Company is aware that do, or could, materially affect the Company's access to certain markets, there can be no assurance that the Company's access to these markets will not be restricted in the future.

Mineral Reserves and Recovery Estimates

Disclosed reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral reserves in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves. The Company's reserves and resources are estimated by persons who are employees of the respective operating Company for each of our operations under the supervision of employees of the Company. These individuals are not "independent" for purposes of applicable securities legislation. The Company does not use outside sources to verify reserves or resources. The mineral reserve and resource figures are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral reserves or resources may be material. In addition, short term operating factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different ores, may cause mineral reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating reserves.

Currency Fluctuations

The Company's operating results and cash flow are affected by changes in the CDN Dollar exchange rate relative to the currencies of other countries, especially the US Dollar. Exchange rate movements can have a significant impact on operating results as a significant portion of the Company's operating costs are incurred in CDN Dollars and most revenues are earned in US Dollars. To reduce the exposure to currency fluctuations the Company may enter into foreign exchange contracts from time to time, but such hedges do not eliminate the potential that such fluctuations may have an adverse effect on the Company. In addition, foreign exchange contracts expose the Company to the risk of default by the counterparties to such contracts, which could have a material adverse effect on the Company.

Interest Rate Risk

The Company's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates, and may enter into interest rate swap agreements to manage interest rate risk associated with that debt. There can be no assurance that the Company will not be materially adversely affected by interest rate changes in the future, notwithstanding its possible use of interest rate swaps. In addition, the Company's possible use of interest rate swaps exposes it to the risk of default by the counterparties to such arrangements. Any such default could have a material adverse effect on the Company.

Financing

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependant upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

Environment

Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean up costs arising out of contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from existing operations, but from operations that have been closed or sold to third parties. The Company's historical operations have generated chemical and metals depositions in the form of tailing ponds, rock waste dumps, and heap leach pads. There can be no assurances that the Company will at all times be in compliance with all environmental regulations or that steps to achieve compliance

would not materially adversely affect the Company. Environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent environment regulation. Further changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits could require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company. Changes in environmental legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution.

Foreign Activities

The Company operates in the United States and from time to time in other foreign countries where there are added risks and uncertainties due to the different legal, economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Further, developing country status or unfavorable political climate may make it difficult for the Company to obtain financing for projects in some countries.

Legal Proceedings

The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits and other proceedings. The results of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

OUTLOOK

Operations, Earnings and Cash Flow

Imperial's equity share of production from the Mount Polley mine and the Huckleberry mine is expected to be about 60 million pounds of copper, 54 thousand ounces of gold and 325 thousand ounces of silver during 2009 and at current metals prices it is expected to generate sufficient cash flow for repayment of debt and limited exploration. Cash flow protection for 2009 is supported by derivative instruments that will see the Company receive certain minimum average copper prices and exchange rates as disclosed under the heading Derivative Instruments.

However, the quarterly revenues will fluctuate depending on the timing of concentrate sales which is dependant on the availability and scheduling of transportation, copper and gold prices and the US Dollar/CDN Dollar exchange rate.

Exploration

The Company's plans for 2009 are to continue exploration at its two operating mines Mount Polley and Huckleberry, and at its Red Chris and Sterling properties.

At Mount Polley ongoing exploration into 2009 will continue to focus on locating high grade ore to replace the high grade Wight pit mill feed that has been mined for the past three years. The Pond zone, within the Southeast zone, is one of the high grade discoveries expected to be in production by year end. Drilling at the Boundary zone will be a high priority during 2009 exploration.

Exploration work is expected to continue at Huckleberry's Whiting Creek property to follow up encouraging results from the 2008 drill program.

In 2009 exploration at Red Chris is expected to complete the 12 hole deep drill program, initiated in the East zone, with drilling of the remaining 9 holes.

At the Sterling property plans are to complete underground development to provide additional underground drill stations within the 144 zone.

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

Development

Development of the Red Chris project will be dependant on the timing of the construction of a power line to serve the northwest portion of British Columbia, and resolution of the challenge to the Federal environmental assessment review. The Company is reviewing Red Chris data to maximize the economics of the project. Some development work is expected to be completed during 2009 to advance the Red Chris property toward production.

Financing

Debt repayment and working capital requirements for 2009 are expected to be met from cash on hand, cash flow from the Mount Polley and Huckleberry mines and short term debt facilities. Selective debt financings may also be entered into during 2009. The Company currently does not forecast the requirement for any equity financings during 2009.

Acquisitions

Management continues to evaluate potential acquisitions to further grow the Company.