Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements. Deloitte LLP, Chartered Professional Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee, which is comprised of a majority of non-management Directors, meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

/s/ J. Brian Kynoch	*/s/ Andre Deepwell*
J. Brian Kynoch President	Andre Deepwell Chief Financial Officer

March 28, 2018

Independent Auditor's Report

To the Shareholders of

Imperial Metals Corporation

We have audited the accompanying consolidated financial statements of Imperial Metals Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Imperial Metals Corporation as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has a working capital deficiency of $238.3 million as at December 31, 2017. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

/s/ Deloitte LLP

Chartered Professional Accountants
March 28, 2018
Vancouver, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

expressed in thousands of Canadian dollars

	Notes	December 31 2017	December 31 2016
ASSETS			
Current Assets			
Cash		$51,895	$14,251
Marketable securities		2,270	123
Trade and other receivables	3	24,447	11,152
Inventory	4	50,187	66,441
Prepaid expenses and deposits		3,879	2,873
		132,678	94,840
Investment in Huckleberry Mines Ltd.	5	-	78,389
Mineral Properties	6	1,545,860	1,332,023
Other Assets	7	45,230	22,526
		$1,723,768	$1,527,778
LIABILITIES			
Current Liabilities			
Trade and other payables	8, 29	$110,043	$115,649
Taxes payable		2,205	1,868
Short term debt	10	-	13,277
Provision for rehabilitation costs	18	3,651	2,051
Current portion of debt	11	213,874	18,727
Current portion of other obligations	9	41,034	32,210
Current portion of future site reclamation provisions	12	140	166
		370,947	183,948
Provision for rehabilitation costs	18	1,684	-
Non-Current Debt	11	638,504	803,361
Other Obligations	9	31,476	41,708
Future Site Reclamation Provisions	12	98,202	42,215
Deferred Income Taxes	19	69,454	67,923
		1,210,267	1,139,155
EQUITY			
Share Capital	13	290,201	243,525
Share Option Reserve	13	18,582	17,477
Warrant Reserve	13	689	-
Equity Component of Convertible Debentures	11	25,534	25,534
Currency Translation Adjustment		7,537	8,242
Retained Earnings		170,958	93,845
		513,501	388,623
		$1,723,768	$1,527,778
Commitments and Pledges	4, 6, 26		
Contingent Liabilities	27		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on March 28, 2018

/s/ Larry G. Moeller	*/s/ J. Brian Kynoch*
Director	Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2017 and 2016

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

	Notes	2017	2016
Revenue		$453,113	$428,218
Cost of Sales	14	(433,635)	(400,293)
Income from Mine Operations		19,478	27,925
General and Administration	15	(4,259)	(6,463)
Idle Mine Costs		(5,270)	-
Interest Expense	16	(75,523)	(70,242)
Other Finance Income, Net	17	28,322	9,253
Gain on Bargain Purchase of Huckleberry and revaluation of equity investment in Huckleberry	5	109,818	-
Gain on Sale of Sterling	28	641	-
Impairment of Mineral Properties	6	-	(7,300)
Rehabilitation Costs	18	(5,840)	-
Other (Expense) Income		(251)	897
Share of Loss in Huckleberry	5	(557)	(11,345)
Income (Loss) before Taxes		66,559	(57,275)
Income and Mining Tax Recovery	19	10,554	3,195
Net Income (Loss)		77,113	(54,080)
Other Comprehensive Loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		(705)	(927)
Total Comprehensive Income (Loss)		$76,408	$(55,007)
Income (Loss) Per Share			
Basic	20	$0.82	$(0.66)
Diluted	20	$0.82	$(0.66)
Weighted Average Number of Common Shares Outstanding			
Basic	20	94,384,477	81,795,510
Diluted	20	94,384,477	81,795,510

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2017 and 2016

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

	Share Capital		Share		Equity Component of	Currency		
	Number of Shares	Amount	Option Reserve	Warrant Reserve	Convertible Debentures	Translation Adjustment	Retained Earnings	Total
Balance December 31, 2015	81,761,028	$178,730	$14,789	$870	$25,534	$9,169	$147,055	$376,147
Private Placement	11,818,182	64,710	-	-	-	-	-	64,710
Issued on exercised options	7,500	85	(39)	-	-	-	-	46
Share based compensation expense	-	-	2,727	-	-	-	-	2,727
Expiry of warrants	-	-	-	(870)	-	-	870	-
Total comprehensive loss	-	-	-	-	-	(927)	(54,080)	(55,007)
Balance December 31, 2016	93,586,710	243,525	17,477	-	25,534	8,242	93,845	388,623
Private Placement	1,818,182	4,283	-	689	-	-	-	4,972
Rights offering	19,080,978	42,282	-	-	-	-	-	42,282
Issued pursuant to Employee Share Purchase Plan	19,602	111	-	-	-	-	-	111
Share based compensation expense	-	-	1,105	-	-	-	-	1,105
Total comprehensive income (loss)	-	-	-	-	-	(705)	77,113	76,408
Balance December 31, 2017	114,505,472	$290,201	$18,582	$689	$25,534	$7,537	$170,958	$513,501

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

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

	Notes	2017	2016
OPERATING ACTIVITIES			
Income (loss) before Taxes		$66,559	$(57,275)
Items not affecting cash flows			
Share of loss in Huckleberry	5	557	11,345
Gain on bargain purchase of Huckleberry and revaluation of equity investment in Huckleberry	5	(109,818)	-
Gain on sale of Sterling	28	(641)	-
Depletion and depreciation		83,216	81,387
Impairment of mineral properties		-	7,300
Share based compensation		1,105	2,727
Accretion of future site reclamation provisions		2,310	925
Unrealized foreign exchange gains		(30,242)	(13,764)
Reversal of unrealized gains on derivative instruments		-	30,632
Realized gains on derivative instruments related to foreign currency derivatives		-	(26,162)
Interest expense	16	75,523	70,242
Other		(188)	234
		88,381	107,591
Net change in non-cash operating working capital balances	21	(43)	26,716
Income and mining taxes paid		(1,114)	(1,870)
Income and mining taxes recovered		48	1,013
Interest paid		(61,828)	(57,485)
Cash provided by operating activities		25,444	75,965
FINANCING ACTIVITIES			
Proceeds of short term debt	10	345,297	327,026
Repayment of short term debt	10	(337,630)	(338,420)
Proceeds of non-current debt	11, 21(b)	75,544	64,976
Repayment of non-current debt	11	(53,671)	(130,519)
Issue of share capital, net of issue costs		47,254	64,754
Cash provided by (used in) financing activities		76,794	(12,183)
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(77,099)	(89,578)
Net change in non-cash investing working capital balances	21	(13,698)	6,536
Payment of Northwest Transmission Line payable		(5,619)	(1,192)
Proceeds on sale of derivative instruments related to foreign currency derivatives		-	26,162
Proceeds on sale of mineral properties		26	156
Cash received on acquisition of Huckleberry	5	18,440	-
Cash received on sale of Sterling	28	13,570	-
Other		(9)	7
Cash used in investing activities		(64,389)	(57,909)
EFFECT OF FOREIGN EXCHANGE ON CASH		(205)	(810)
INCREASE IN CASH		37,644	5,063
CASH, BEGINNING OF YEAR		14,251	9,188
CASH, END OF YEAR		$51,895	$14,251

See accompanying notes to these consolidated financial statements.

1. NATURE OF OPERATIONS

Imperial Metals Corporation (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration, development and production of base and precious metals from its mineral properties. The head office, principal address and registered and records office of the Company are located at 580 Hornby Street, Suite 200, Vancouver, British Columbia, Canada V6C 3B6. The Company's shares are listed as symbol "III" on the Toronto Stock Exchange.

The Company's key projects are:

- Red Chris copper-gold mine in northwest British Columbia;
- Mount Polley copper-gold mine in central British Columbia; and
- Huckleberry copper mine in west central British Columbia.

These consolidated 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 service its debt obligations, 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 determine the funds required to support the Company's operations and expansionary plans.

At December 31, 2017, the Company had cash of $51,895, available capacity of $5,409 for future draws under the senior secured revolving credit facility (Note 11(a)), $10,000 undrawn on the 2017 LOC Loan Facility (Note 11(i)), and a working capital deficiency of $238,269. The working capital deficiency is primarily due to debt of $201,573 related to the Senior Credit Facility and the Second Lien Credit Facility which mature in the fourth quarter of 2018. At December 31, 2016, the Company had cash of $14,251, available capacity of $49,880 for future draws under the senior secured revolving credit facility, and a working capital deficiency of $89,108.

The payment of interest for certain debt facilities will be paid in common shares of the Company until December 31, 2018 (Notes 11(d), 11(e) and 11(f)). The payment of interest in common shares will result in cash savings of approximately $16,000 per annum.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the Company is able to successfully extend or refinance the Senior Credit Facility and the Second Lien Credit Facility prior to their maturity in the fourth quarter of 2018. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all, which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Basis of Presentation

The Company's consolidated financial statements and those of all of its controlled subsidiaries are presented in Canadian dollars as this is the presentation and functional currency for all its operations except for the Company's US subsidiary, Sterling Gold Mining Corporation, which has US dollars as its functional currency.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and those entities which are controlled by the Company. Control is achieved when the Company has power over the investee; is exposed to or has rights to variable returns from its investment with the investee; and has the ability to use its power to affect its returns. All inter-company balances, transactions, revenues and expenses have been eliminated upon consolidation.

Marketable Securities

Marketable securities are classified as fair value through profit or loss because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to fair value through profit or loss securities are included in the statement of income and comprehensive income in each period. Transaction costs incurred to acquire marketable securities are expensed when incurred.

The Company records the fair value of marketable securities at the reporting date using quoted market prices.

Inventory

Copper concentrates, inclusive of contained gold and silver, and costs associated with stockpile ore and ore under leach, and gold bullion are valued on a first in first out basis at the lower of production cost to produce saleable metal and net realizable value. Net realizable value is calculated as described under "Revenue Recognition". Production costs include direct labour, operating materials and supplies, transportation costs and applicable overhead, and depletion and depreciation.

Stores and supplies inventories are valued at the lower of cost and net realizable value. Cost includes acquisition cost and any directly related costs, including freight.

The portion of the ore stockpile that is to be processed more than 12 months from the reporting date and critical spare items, which might impact the production if unavailable, are classified as other assets.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock and a general allowance for obsolescence. A regular review is undertaken to determine the extent of any provision for obsolescence.

Mineral Properties

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

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 mineral properties being depleted in Note 6.

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 mineral properties not being depleted in Note 6. 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 for mineral properties being depleted are depleted by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

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. Management considers a number of factors related to the ability of a property to operate at its design capacity over a specified period of time in determining when a property has reached commercial production. These factors include production levels as intended by management, plant throughput quantities, recovery rates, and number of uninterrupted days of production.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Capitalized costs include the fair value of consideration given to acquire or construct an asset, capitalized interest related to that asset and includes the direct charges associated with bringing the asset to the location and condition necessary for placing it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The costs of major overhauls of parts of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income or loss as incurred.

Milling equipment and related buildings, intangible assets used in production, and tailings facilities are depleted on a unit-of-production basis over the estimated recoverable proven and probable reserves at the mines to which they relate.

Mobile mine equipment and vehicles are depreciated over the estimated useful lives of the assets either on a unit-of-production basis or using the straight line method with useful lives of 4-12 years. Office, computer and communications equipment are depreciated using the straight line method with useful lives of 4-5 years. The estimated residual value and useful lives are reassessed at each year end and depreciation expense is adjusted on a prospective basis.

Stripping Costs

Costs associated with the removal of overburden and rock 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.

Assessment of Impairment

Management reviews the carrying value of exploration and evaluation properties at the end of each reporting period for evidence of impairment. This review is generally made with reference to timing of exploration work, work programs proposed, and the exploration results achieved by the Company and by others in the related area of interest.

Post-feasibility exploration properties, producing mining properties and plant and equipment are reviewed at the end of each reporting period for evidence of impairment at the cash generating unit (CGU) level. A CGU is defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any such indication exists, the entity shall estimate the recoverable amount of the CGU to determine if it exceeds the CGU's carrying value.

The recoverable amount for a CGU is the greater of the fair value less cost to sell and the value in use. Fair value less cost to sell is the amount that would be received by the Company to sell a CGU in a transaction between arms-length parties less any costs directly attributable to the disposal of the CGU. Value in use is the present value of future cash flows expected to be derived by the Company from the CGU, which is estimated using discounted cash flow techniques. When it is not possible to determine fair value less cost to sell by quotes from an active market, a written offer to purchase the CGU, or a binding sales agreement to purchase the CGU, the Company estimates the fair value less cost to sell using discounted cash flow techniques. Resources in the measured and indicated categories are valued using estimated fair values based on market transactions.

Discounted cash flow techniques are dependent on a number of factors, including future metal prices, the amount of reserves, resources and exploration potential, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and future site reclamation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts in assessing these factors.

An impairment loss or reversal thereof is recognized in income or loss to the extent that the carrying amount exceeds or is below the recoverable amount.

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 best estimate of 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 a pre-tax risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to income or loss. The estimated present value of the future site reclamation costs are reviewed for material changes at each reporting date and re-measured at least 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. Subsequent changes to future site reclamation costs are recorded with a corresponding change to the carrying amounts of related mineral property.

Income and Mining Taxes

The Company accounts for income and mining taxes using the liability method. Under this method, deferred tax assets and deferred 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 deferred tax assets, including unused tax losses and tax credits, are recognized to the extent that it is probable that taxable profit will be available against the deductible temporary difference and the tax loss and tax credits can be utilized. These deferred 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.

In a business combination, temporary differences arise as a result of differences in the fair values of identifiable assets and liabilities acquired and their respective tax bases. Deferred tax assets and liabilities are recognized for the tax effects of these differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill or from the initial recognition of assets and liabilities acquired in a transaction other than a business combination which does not affect either accounting or taxable income or loss. Government assistance, including investment tax credits, is credited against the expenditure generating the assistance when it is probable that the government assistance will be realized.

Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the 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 and comprehensive income net of treatment and refining costs and royalties 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 reporting date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which could be as long as 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. The net realizable value of copper concentrate inventory is calculated on the basis of current market prices less treatment and refining costs.

Mineral revenues other than copper concentrate are recognized when title passes to the customer and price is reasonably determinable.

Financial Derivatives

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 statement of financial position. 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 or loss.

Financial Instruments

The Company's financial instruments consist of cash, marketable securities, trade and other receivables, derivative instrument assets and future site reclamation deposits, trade and other payables, short term debt, derivative instrument liabilities and non-current debt.

Financial instruments are initially recorded at fair value including transaction costs except for those items recorded as fair value through profit or loss for which costs are expensed as incurred.

Cash and future site reclamation deposits are classified as fair value through profit or loss and recorded at fair value. The fair value of these assets is based on bank statements or counterparty valuation reports. Marketable securities are classified as fair value through profit or loss because the Company holds these securities for the purpose of trading. The fair value of marketable securities is based on quoted market prices. Fair value through profit or loss financial assets are measured at fair value with mark-to-market gains and losses recorded in income or loss in the period they occur.

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 CDN/US 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 income or loss 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 reporting date.

Trade and other receivables are classified as loans and receivables. Trade and other payables, short term debt, and non-current debt are classified as other financial liabilities and recorded at amortized cost.

Financial assets are assessed for indicators of impairment at each financial position reporting date except those measured at fair value through profit or loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant or prolonged decline in the fair value of securities below its cost; or
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Impairment losses are recognized in income or loss in the period they occur based on the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the cost would have been had the impairment not been recognized.

Foreign Currency Translation

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the actual rate prevailing at the date of transaction. Each reporting period foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of the entity are recognized in the statement of income and comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at the actual rate prevailing at the date of transaction. Equity is translated at historical cost. The resulting translation adjustments are included in currency translation adjustment in other comprehensive income. Additionally, foreign exchange gains and losses related to the settlement of certain intercompany loans are also included in equity as the settlement of these loans is neither planned nor likely to occur in the foreseeable future.

Foreign exchange gains and losses that relate to debt are presented in the statement of income and comprehensive income within "Finance Costs". All other foreign exchange gains and losses are presented in the statement of income and comprehensive income within "General and Administration".

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 arrangement 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 arrangement 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.

Reportable Segmented Information

The Company's operations are primarily directed towards the exploration, development and production from its mineral properties in Canada. The Company has five reportable segments, Mount Polley, including related exploration and development activities, Red Chris, including related exploration and development activities, Huckleberry, including related exploration and development activities, Sterling, including related exploration and development activities and Corporate, including all other properties and related exploration and development activities.

Share Based Payments

The Company has a share option plan that provides all option holders the right to receive common shares in exchange for the options exercised which is described in Note 13(b). The fair value of each option award that will ultimately vest is estimated on the date of grant using the Black-Scholes option-pricing model. Compensation expense is determined when stock options are granted and recognized in operations over the vesting period of the option. Consideration received on the exercise of stock options is recorded as share capital and the related share-based amounts of share option reserve are credited to share capital.

Borrowing Costs

The Company expenses borrowing costs when they are incurred, unless they are directly attributable to the acquisition of mineral properties or construction of property, plant and equipment extending over a period of more than twelve months.

Income (Loss) Per Common Share

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is computed in accordance with the treasury stock method and "if converted" method, as applicable, which uses the weighted average number of common shares outstanding during the period and also includes the dilutive effect of potentially issuable common shares from outstanding stock options, warrants and convertible debentures.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

(i) Critical Judgments

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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

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

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

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Canadian dollar is the functional currency for all operations of the Company except for the Company's US subsidiary which uses the US dollar as its functional currency. Determination of the functional currency involves certain judgments to determine the primary economic environment of each entity. If events and conditions in this environment change then the Company may need to reconsider the functional currency of these entities.

Impairment of Mineral Properties

Both external and internal information is reviewed and considered by management in their assessment of whether mineral properties are impaired. External sources of information include changes in the market, economic and legal environment, in which the Company operates, that are not within its control and affect the recoverable amount of its mineral properties, plant and equipment. The internal sources of information include the manner in which mineral properties, plant and equipment are being used or are expected to be used and indications of economic performance of assets. Management concluded that the difference between the Company's market capitalization and net assets per the Consolidated Statement of Financial Position is a result of the amount of debt being carried by the Company rather than the value of Company's assets. In determining the recoverable amounts of producing mineral properties management estimates the discounted future pre-tax cash flows expected to be derived from the Company's producing mineral properties. Reductions in commodity prices, increases in estimated future production and capital costs, reductions in mineral reserves and exploration potential and adverse economic events can result in impairment charges. In determining the economic recoverability and probability of future economic benefit of non-producing mineral properties management also considers geological information, likelihood of conversion of resources to reserves, scoping and feasibility studies, permitting, infrastructure, development costs, and life of mine plans.

(ii) Critical Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Reserve and Resource Estimates

The Company estimates its reserves and resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projec*ts. There are numerous uncertainties inherent in estimating reserves and resources, including many factors beyond the Company's control. Assumptions used in estimating reserves and resources include the forecast prices of commodities, exchange rates, production and capital costs, recovery rates and judgments used in engineering and geological interpretation of available data. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Estimated reserves are used in the calculation of depreciation and depletion, impairment assessment, assessment of life of pit stripping ratios and for forecasting the timing of future site reclamation costs. Therefore, changes in the estimates and assumptions used to determine reserves could have a material effect in the future on the Company's financial position and results of operations.

Depletion and Depreciation of Mineral Properties

Depletion and depreciation of mineral properties is based on the estimated mineral reserves for each mineral property subject to depletion and estimated useful lives and depreciation rates for property, plant and equipment. Should asset life, depletion rates or depreciation rates differ from the initial estimate then this would impact the carrying value of the assets resulting in the adjustment being recognized in the consolidated statement of income.

Stripping Costs

The determination of costs associated with the removal of overburden and rock involve estimates related to whether or not these costs represent a betterment to the mineral property. Management uses several factors to determine whether to capitalize stripping costs including quantity and grade of materials being accessed, estimated future commodity prices, operating costs and life of mine plan. If any of these factors change then the determination of which materials are included in stripping costs may change resulting in higher mine operating costs in future periods.

Future Site Reclamation Provisions

Future site reclamation provisions represent management's estimate of the present value of future cash outflows required to settle estimated reclamation obligations at the end of a mine's life. The provision incorporates estimated future costs, inflation, and risks associated with the future cash outflows, discounted at the risk free rate for the future cash outflows. Changes in any of these factors can result in a change to future site reclamation provisions and the related accretion of future site reclamation provisions. Changes to future site reclamation provisions are charged or credited to mineral properties and may result in changes to future depletion expense.

Provision for Rehabilitation Costs

The provision for rehabilitation costs represents management's estimate of the present value of the future cash outflows and related depreciation expense required to settle the estimated rehabilitation costs related to the August 4, 2014 Mount Polley mine tailings dam breach. The provision incorporates the Company's estimate of costs for rehabilitation, including geotechnical investigations, environmental monitoring, community relations, communications and related corporate support costs. The provision is based on the scope and timing of work as determined by the Company in consultation with regulatory agencies and incorporates the risks associated with each activity. Changes in any of these factors can result in a change to the provision for rehabilitation costs.

Income Taxes

In determining tax assets and liabilities and related tax expense management makes estimates of future taxable income, tax rates, expected timing of reversals of existing temporary differences and the likelihood that tax returns as filed by the Company will be assessed by taxation authorities as filed. Recoveries of deferred tax assets require management to assess the likelihood that the Company will generate sufficient taxable income in future periods to recognize the deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets could be impacted.

Share Based Compensation

The Company used the Black-Scholes Option Pricing Model for valuation of share based compensation. This pricing model requires the input of subjective assumptions including expected price volatility, interest rate and estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate of share based compensation and the related equity accounts of the Company.

New and Amended Standards and Interpretations

The Company applied certain amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2017. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements.

Amendment to IAS 12, Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied the amendments retrospectively. However, their application has had no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Company's consolidated financial statements.

Amendment to IAS 7, Statement of Cash Flows

This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The Company has presented the required disclosures for the current and the comparative period in Note 11.

Accounting Standards Issued But Not Yet Adopted

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model, and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

The Company will adopt IFRS 9 for financial statements beginning from January 1, 2018, using the full retrospective method. The Company has identified financial instruments that would be impacted by this standard, and have assessed if the new standard has impacted the financial reporting of these instruments. Upon assessing the impact of the new standard on the financial statements of the Company, the Company has determined that the new measurement requirements under IFRS 9 are expected to impact certain debt instruments held by the Company as a result of modification to those debt instruments. The Company, at this time, is unable to quantify the expected impact in these consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18, Revenue, IAS 11, Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

The Company will adopted IFRS 15 for the year beginning January 1, 2018. Upon assessing the impact of the new standard on the financial statements of the Company, and applying the IFRS 15 model to the Company's revenue recognition process, the Company has determined that the new revenue recognition model of IFRS 15 is not expected to have a material and/or quantitative impact on the Company's consolidated financial statements and revenue recognition accounting policy.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16") which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

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

3. TRADE AND OTHER RECEIVABLES

	December 31 2017	December 31 2016
Trade receivables	$24,231	$10,644
Taxes receivable	216	508
	$24,447	$11,152

4. INVENTORY

	December 31 2017	December 31 2016
Stockpile ore	$22,450	$15,400
Dore	-	13
Concentrate	9,761	32,047
Supplies	48,335	35,946
Total inventories	80,546	83,406
Less non-current inventories included in other assets (Note 7)	(30,359)	(16,965)
Total current inventories	$50,187	$66,441

During the year ended December 31, 2017 an inventory amount of $402,314 was recognized in cost of sales (2016-$283,691) and an impairment charge of $9,549 (2016-$23,287) on stockpile ore, concentrate and supplies inventory was included in cost of sales and $186 (2016-$nil) was included in idle mine cost. As at December 31, 2017, the Company had $80,546 (2016-$83,406) of inventory pledged as security for debt.

5. INVESTMENT IN HUCKLEBERRY MINES LTD.

On April 28, 2017 the Company became the sole owner of Huckleberry Mines Ltd. ("Huckleberry") by virtue of Huckleberry exercising its right of first refusal to purchase for cancellation all the shares of Huckleberry held by a syndicate of Japanese companies in exchange for cash consideration of $2,000. Huckleberry became a wholly-owned subsidiary of the Company on that date.

Prior to April 28, 2017 the Company had a 50% interest in Huckleberry that was accounted for on the equity basis of accounting. The Company has accounted for the acquisition of the remaining 50% interest in Huckleberry as a business combination whereby the net assets acquired are recorded at fair value.

The Company has estimated the acquisition date fair values of the acquired assets and liabilities of Huckleberry. The previously held 50% interest in Huckleberry was re-measured at its acquisition date fair value, and the resulting gain is recognised in the statement of income (loss) and other comprehensive income (loss).

The Company used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plans. Expected future cash flows are based on estimated future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date.

Mineral resources which were not included in the life-of-mine plan and exploration potential were separately valued using a market approach, referring recent comparable transactions. A replacement cost approach was used to determine the fair value of plant and equipment, and the fair value of supplies inventory.

The fair value of cash, reclamation bonds, prepaid and other receivables is equal to its contractual amount and is fully collectible. The fair value of trade and other payable is recognized at the expected cash outflows arisen to settle the contractual obligations.

The Company estimated the fair value of Huckleberry's contractual and legal obligations for protection of the environment as a liability, discounted to net present value, for the best estimate of future costs to retire a mining property asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using a pre-tax credit risk adjusted interest rate of 6.28%.

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

The following table summarizes the consideration transferred to acquire 100% interest in Huckleberry and the fair values of identified assets acquired and liabilities assumed at the acquisition date:

Identifiable Assets Acquired and Liabilities Assumed	
Cash (net of $2,000 paid for cancellation of shares)	$18,440
Reclamation bonds	14,135
Prepaid and other receivables	785
Inventories	12,048
Mineral properties	186,034
Deferred income tax assets	12,037
Trade and other payables	(1,668)
Deferred trade payables	(4,925)
Future site reclamation provisions	(22,042)
Deferred income tax liabilities	(26,185)
	188,659
Assets Relinquished	
Accrued receivable due to the Company	$1,009
Company's investment in Huckleberry held before the business combination	77,832
	78,841
Total Gain	$109,818
Gain on bargain purchase of Huckleberry	$93,321
Gain on revaluation of 50% interest in Huckleberry	16,497
Total Gain	$109,818

From the date of acquisition on April 28, 2017 to December 31, 2017, Huckleberry incurred idle mine costs comprised of $3,521 in operating costs, $1,749 in depreciation expense and $1,160 of other expenses.

If the acquisition of Huckleberry had taken place at the beginning of the year, the Company's revenue and profit before tax for 2017 would have been $453,113 and $63,933 respectively.

Before April 28, 2017, the Company had a 50% interest in Huckleberry and determined the joint arrangement qualified as a joint venture which was accounted for using the equity method.

	January 1, 2017 to April 28, 2017	January 1, 2016 to December 31, 2016
Balance, beginning of period	$78,389	$89,734
Share of loss for the period	(557)	(11,345)
Revaluation of 50% interest to its fair value at the date of acquisition	16,497	-
Consolidation on acquisition of additional 50% interest in Huckleberry	(94,329)	-
Balance, end of period	$ -	$78,389

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

6. MINERAL PROPERTIES

		Mineral Properties not being Depleted			
Cost	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Total
Balance December 31, 2015	$331,921	$55,765	$50,745	$1,118,048	$1,556,479
Additions	10,599	403	396	148,043	159,441
Disposals	-	-	(181)	(1,882)	(2,063)
Foreign exchange movement		-	(1,457)	50	(1,407)
Balance December 31, 2016	342,520	56,168	49,503	1,264,259	1,712,450
Additions	38,249	713	7,352	83,862	130,176
Sale of Sterling	-	-	(34,014)	(2,118)	(36,132)
Acquisition of Huckleberry	82,662	-	79,934	23,438	186,034
Disposals	-	-	(2)	(603)	(605)
Foreign exchange movement	-	-	(608)	(60)	(668)
Balance December 31, 2017	$463,431	$56,881	$102,165	$1,368,778	$1,991,255

		Mineral Properties not being Depleted			
Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Total
Balance December 31, 2015	$114,407	$ -	$1,645	$178,870	$294,922
Depletion and depreciation	24,821	-	-	54,747	79,568
Disposals	-	-	-	(876)	(876)
Impairments	-	-	7,300	-	7,300
Foreign exchange movement	-	-	(375)	(112)	(487)
Balance December 31, 2016	139,228	-	8,570	232,629	380,427
Depletion and depreciation	22,625	-	-	57,078	79,703
Disposals	-	-	-	(525)	(525)
Foreign exchange movement	-	-	22	(288)	(266)
Sale of Sterling	-	-	(6,947)	(6,997)	(13,944)
Balance December 31, 2017	$161,853	$ -	$1,645	$281,897	$445,395
Carrying Amount					
Balance December 31, 2015	$217,514	$55,765	$49,100	$939,178	$1,261,557
Balance December 31, 2016	$203,292	$56,168	$40,933	$1,031,630	$1,332,023
Balance December 31, 2017	$301,578	$56,881	$100,520	$1,086,881	$1,545,860

At December 31, 2017, the deferred stripping costs of $54,237 (2016-$65,378) were included in mineral properties.

At December 31, 2017, the Company had $6,674 of contractual commitments (2016-$nil) for the expenditures on property, plant and equipment.

At December 31, 2017, mineral property assets with a carrying value of $9,805 (December 31, 2016-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 26(b)).

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

Red Chris Mine

The Red Chris copper/gold mine is owned and operated by Red Chris Development Company Ltd., a subsidiary of the Company. The property, located in northwest British Columbia, is comprised of the Red Chris Main claim group and the Red Chris South group, and consists of 77 mineral tenures that cover a total area of 23,142 hectares. Five of the tenures (5,141 hectares) are mining leases.

The Red Chris project was issued a Mines Act permit in May 2012 by the Province of British Columbia. Commissioning of the Red Chris mine began in late 2014, and commercial production was achieved July 1, 2015. Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

Mount Polley Mine

The Mount Polley copper/gold mine is owned and operated by Mount Polley Mining Corporation, a subsidiary of the Company. The property, located in central British Columbia, is comprised of 20,113 hectares, consisting of seven mining leases totalling 2,007 hectares, and 46 mineral claims encompassing 18,106 hectares. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2017 nor is any planned in 2018.

Huckleberry Mine

The Huckleberry copper mine is owned and operated by Huckleberry Mines Ltd., a subsidiary of the Company. The property, located in west central British Columbia, is comprised of 24,387 hectares, consisting of two mining leases totalling 2,422 hectares, and 44 mineral claims encompassing 21,965 hectares. Huckleberry mine operations were suspended in August 2016 and the mine was put on care and maintenance.

Sterling Mine

During the year ended December 31, 2016 the Company recorded an impairment of $7,300 on the Sterling gold mine property and related assets. On May 30, 2017 the Company completed the sale of its interest in the Sterling gold mine property and related assets (Note 28).

Other Exploration Properties

The Company has interests in other early stage exploration properties located primarily in Canada. These properties were primarily acquired by acquisition or amalgamation, and the cost of maintaining ownership is not significant.

7. OTHER ASSETS

	December 31 2017	December 31 2016
Future site reclamation deposits	$14,319	$4,667
Non-current inventory - ore stockpile	17,545	14,650
Non-current inventory - supplies	7,730	-
Non-current inventory - critical spare parts	5,084	2,315
Other	552	894
	$45,230	$22,526

8. TRADE AND OTHER PAYABLES

	December 31 2017	December 31 2016
Trade payables	$68,307	$68,947
Accrued liabilities (Note 29)	41,736	46,702
	$110,043	$115,649

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

9. OTHER OBLIGATIONS

	December 31 2017	December 31 2016
Deferred trade payables	$22,121	$17,910
Northwest Transmission Line payable	50,389	56,008
	72,510	73,918
Less portion due within one year	(41,034)	(32,210)
	$31,476	$41,708

(a) Deferred Trade Payable

The deferred trade payables consist of amounts invoiced for electricity billings by British Columbia Hydro and Power Authority ("BC Hydro") that have been deferred pursuant to a tariff supplement. The tariff supplement allows for deferral of up to 75% of the monthly electricity billing (the "Payment Plan") depending on the average London Metals Exchange settlement copper price converted to CDN dollars at the Bank of Canada's daily average closing exchange rate. The period for calculating the copper price in CDN dollars is the 30 day period prior to the billing date on the 15th of each month.

Interest on the deferred amounts is charged and added to the deferred trade payables balance at Bank Prime Rate plus 5% except for Huckleberry which is at 12%.

The Payment Plan commenced in March 2016 and has a five year term with payment deferrals allowed only during the first two years. Repayments of deferred amounts are required at up to 75% of the monthly electricity billing when the copper price exceeds CDN$3.40 per pound. At a copper price of CDN$3.40 per pound there is no deferral or repayment. The maximum deferral of 75% is available at a copper price of CDN$3.04 per pound or less and the maximum repayments are required at a copper price of CDN$3.76 per pound or more.

Payment of any remaining balance under the Payment Plan is due at the end of the five year term in March 2021.

(b) Northwest Transmission Line Payable

Pursuant to a tariff supplement the Company is obligated to reimburse BC Hydro for its portion of the costs related to BC Hydro's construction of the Northwest Transmission Line which provides power to the Red Chris mine. Repayments are due monthly of $1,192 plus interest at 4.05% per annum. The interest rate is subject to review annually.

10. SHORT TERM DEBT

Amounts due for short term debt are:

	December 31 2017	December 31 2016
Concentrate advances of US$nil (December 31, 2016-US$9,889) from purchasers of the concentrate at the Red Chris and Mount Polley mines repayable from sale of concentrate secured by a first charge on the concentrate	$ -	$13,277

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

	December 31 2017	December 31 2016
Balance, beginning of year	$13,277	$24,754
Amounts advanced	345,297	327,026
Bridge loan reclassified to non-current debt (Note 11 (a))	(20,000)	-
Amounts repaid	(337,630)	(338,420)
Foreign exchange gains	(944)	(83)
Balance, end of year	$ -	$13,277

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

11. NON-CURRENT DEBT

Amounts due for non-current debt are:

		December 31 2017	December 31 2016
Senior secured revolving credit facility, net of issue costs	(a)	$151,628	$109,967
Second lien secured revolving credit facility, net of issue costs	(b)	49,945	49,789
Senior unsecured notes, net of issue costs	(c)	404,841	430,984
Junior credit facility	(d)	75,000	75,000
Convertible debentures - 2014	(e)	101,198	96,475
Convertible debentures - 2015	(f)	25,744	24,686
Bridge loan	(g)	26,000	-
Equipment loans	(h)	18,022	35,187
2017 LOC loan facility	(i)	-	-
		852,378	822,088
Less portion due within one year		(213,874)	(18,727)
		$638,504	$803,361

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

	December 31 2017	December 31 2016
Balance, beginning of year	$822,088	$889,707
Amounts advanced, net of issue costs	84,490	68,695
Bridge loan reclassified from short term debt (Note 10)	20,000	-
Foreign exchange gains	(29,280)	(14,474)
Accretion of debt issue costs	2,970	3,262
Accretion of interest on convertible debentures	5,781	5,517
Amounts repaid	(53,671)	(130,619)
Balance, end of year	852,378	822,088
Less portion due within one year	(213,874)	(18,727)
	$638,504	$803,361

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating $200,000 (December 31, 2016-$200,000) due on October 1, 2018. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company. Of this facility, $42,091 (December 31, 2016-$39,520) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 26(b)).

(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating $50,000 (December 31, 2016-$50,000) due on December 1, 2018. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company, subject to the priority interests held on those assets by the senior credit facility syndicate. This facility has been guaranteed by a related party (Note 22).

(c) Senior Unsecured Notes

Senior unsecured notes (the "Notes") due March 15, 2019 aggregating US$325,000 with interest at 7% per annum payable each March 15 and September 15. The Notes, net of transaction costs, are accounted for at amortized cost using the effective interest method.

The indenture governing the Notes places certain transaction-based restrictions on the Company's ability to incur additional indebtedness; prepay, redeem or repurchase certain debt; pay dividends or make other distributions or repurchase or redeem shares; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; consolidate, merge or sell all or substantially all of the Company's assets, in each case subject to certain exceptions.

(d) Junior Credit Facility

The junior credit facility is from a related party (Note 22). It aggregates $75,000 (December 31, 2016-$75,000) and is unsecured with interest payable quarterly at 10% per annum. The facility is due on March 15, 2019, however the facility must be repaid upon (i) receipt of proceeds from specific sources as described in the agreement, (ii) the debt ratio in the senior credit facility permitting repayment of the debt. Interest payments during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange (Note 29).

(e) Convertible Debentures - 2014

The debentures with a face value of $115,000 mature on September 4, 2020 and bear interest at 6% per year with interest payable semi-annually on June 30 and December 31. As a result of the rights offering completed in December 2017 the conversion price was reduced from $11.91 to $11.69 per common share. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of $11.69 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. At the option of the Company, subject to the separate approval of the Toronto Stock Exchange and compliance with all applicable securities laws, such interest may be paid through the issuance of additional convertible debentures or common shares of the Company. Interest payments during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange (Note 29).

(f) Convertible Debentures - 2015

The debentures with a face value of $30,000 mature on August 25, 2021 and bear interest at 6% per year with interest payable semi-annually on June 30 and December 31 with the first payment paid on December 31, 2016. As a result of the rights offering completed in December 2017 the conversion price was reduced from $12.00 to $11.77 per common share. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of $11.77 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days. Interest payments on $27,900 of the $30,000 outstanding debentures during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange (Note 29).

(g) Bridge loan

Bridge loan of $26,000 (December 31, 2016-nil) maturing on January 5, 2019, of which 50% is provided by a related party, is secured by all assets of the Company and is subordinated to the Senior Credit Facility and Second Lien Credit Facility lenders. Interest on the Bridge loan is payable monthly at the rate of 8% per annum.

(h) Equipment Loans

At December 31, 2017, the Company had equipment loans outstanding denominated in US Dollars totalling US$5,716 or $7,171 (2016–US$14,679; $19,710) at a weighted average interest rate of 2.67% with monthly payments of US$771 or $967. The Company also had equipment loans outstanding denominated in Canadian Dollars totalling $10,851 (2016-$15,477) at a weighted average interest rate of 5.26% with monthly payments of $1,043. All equipment loans are secured by the financed equipment.

(i) 2017 LOC Loan Facility

Unsecured loan facility of $10,000 (December 31, 2016 - $nil) from a related party (note 22) with interest at 12% payable on the last day of each calendar quarter. The loan matures on January 5, 2019.

At December 31, 2017 the Company was in full compliance under its debt agreements with all financial covenants that existed at that time.

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

12. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, Huckleberry (effective April 28, 2017), Sterling (to May 30, 2017), Ruddock Creek and Catface properties. Although the ultimate amounts of the future site reclamation provisions are uncertain, the fair value of these obligations is based on information currently available, including closure plans and applicable regulations. The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

Changes to the future site reclamation provisions are:

	December 31 2017	December 31 2016
Balance, beginning of year	$42,381	$32,743
Accretion (Note 17)	2,310	925
Costs incurred during the year	(495)	(33)
Liability assumed at fair value at acquisition of Huckleberry (Note 5)	22,042	-
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	37,182	8,746
Sale of Sterling (Note 28)	(5,078)	-
Balance, end of year	98,342	42,381
Less portion due within one year	(140)	(166)
	$98,202	$42,215

The total undiscounted amount of estimated future cash flows required to settle the obligations is $173,348 (December 31, 2016-$57,147). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2016-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.20% (December 31, 2016-3.34%) except for obligations related to Mount Polley and Huckleberry beyond 2046 that are discounted using a rate of 4.20%. Obligations in amount of $86,068 are expected to be settled in the years 2018 through 2046.

The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Refer to Notes 26(b) and (c) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and the obligation to increase reclamation bond funding.

expressed in thousands of Canadian dollars, except 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, of which 3,100,000 have been designated as "Series A First Preferred shares" (issued and outstanding – nil)

50,000,000 Second Preferred shares without par value with rights and restrictions to be determined by the directors (issued and outstanding – nil)

An unlimited number of Common Shares without par value

(b) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At December 31, 2017, a total of 7,848,647 common share options remain available for grant under the plans. Under the plans, the exercise price of each option cannot be greater than the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

During the year ended December 31, 2017, the Company granted 65,000 stock options at a weighted average exercise price of $5.75. During the year ended December 31, 2016 the Company granted 15,000 stock options at a weighted average exercise price of $8.00. The weighted average fair value for the options granted in the year ended December 31, 2017 was $2.49 per option (2016-$3.83), which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free interest rate - 1.05% (2016- 1.18%); expected dividend yield - $nil (2016- $nil); expected stock price volatility – 51.0% (2016- 60.9%); expected option life - 6.5 years (2016- 6.5 years); and, estimated forfeiture rate - 5.00% (2016- 5%).

Movements in Share Options

The changes in share options were as follows:

	December 31, 2017		December 31, 2016	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,871,900	$8.16	4,157,450	$8.20
Granted	65,000	$5.75	15,000	$8.00
Exercised	-	$ -	(7,500)	$5.93
Forfeited	(252,000)	$8.00	(251,000)	$8.28
Expired	(83,000)	$8.12	(42,050)	$11.55
Outstanding at end of year	3,601,900	$8.13	3,871,900	$8.16
Options exercisable at end of year	2,627,900	$8.24	2,407,900	$8.26

The following table summarizes information about the Company's share options outstanding at December 31, 2017:

	Options Outstanding		Options Exercisable	
Exercise Prices	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
$4.41	783,900	1.00	783,900	1.00
$5.75	65,000	10.01	-	-
$5.93	156,000	2.00	156,000	2.00
$8.00	1,537,000	7.93	628,000	7.93
$11.55	1,060,000	2.79	1,060,000	2.79
	3,601,900	4.69	2,627,900	3.44

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

No share options were exercised during the year ended December 31, 2017. For share options exercised during the year ended December 31, 2016, the weighted average share price at the date of exercise was $6.42.

(c) Warrants

In connection with a private placement concluded on October 27, 2017 the Company issued 909,091 warrants to related parties at an ascribed value of $689. Each warrant is exercisable at $3.25 and entitles the holder to purchase one common share of the Company. The warrants expire on October 27, 2019. The fair value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.42%, expected dividend yield of nil, expected stock price volatility of 61.97% and expected life of 2 years. At December 31, 2017 all warrants remain outstanding.

14. COST OF SALES

	2017	2016
Operating expenses	$262,078	$238,273
Salaries, wages and benefits	89,829	79,906
Depletion and depreciation	81,338	81,060
Share based compensation	390	1,054
	$433,635	$400,293

Included in cost of sales is $9,549 (2016-$23,287) of impairment charges in relation to stockpile ore, concentrate inventory and supplies inventory (Note 4).

15. GENERAL AND ADMINISTRATION

	2017	2016
Administration costs	$3,632	$3,468
Share based compensation	715	1,673
Depreciation	129	327
Foreign exchange (gain) loss	(217)	995
	$4,259	$6,463

16. INTEREST EXPENSE

	2017	2016
Interest on non-current debt	$67,987	$65,301
Other interest	7,536	4,941
	$75,523	$70,242

17. OTHER FINANCE INCOME, NET

	2017	2016
Accretion of future site reclamation provisions	$(2,310)	$(925)
Foreign exchange gain on short term debt	944	83
Foreign exchange gain on non-current debt	29,280	14,474
Fair value adjustment to marketable securities	242	38
Realized gain on derivative instruments	-	26,162
Unrealized loss on derivative instruments	-	(30,632)
	28,156	9,200
Interest income	166	53
Other finance income, net	$28,322	$9,253

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

18. PROVISION FOR REHABILITATION COSTS

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached.

At that time the Company charged to expense the estimated rehabilitation costs and during the year ended December 31, 2017 the rehabilitation provision was increased by $5,840 to reflect assumptions and estimates as of that date.

The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at December 31, 2017, and is subject to revision in the future as further information becomes available to the Company.

Changes in the provision for rehabilitation costs are as follows:

	December 31 2017	December 31 2016
Balance, beginning of the year	$2,051	$2,123
Costs incurred in the year	(2,556)	(72)
Increase in provision	5,840	-
Balance, end of the year	5,335	2,051
Less portion expected to be incurred within one year	(3,651)	(2,051)
	$1,684	$ -

19. INCOME AND MINING TAX RECOVERY

The reported income tax provision differs from the amounts computed by applying the Canadian federal and provincial statutory rates to the loss before income taxes due to the following reasons:

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Income (loss) before taxes	$66,559	100.0	$(57,275)	100.0
Income tax expense (recovery) thereon at statutory rates	17,305	26.0	(14,892)	(26.0)
Decrease (increase) resulting from:				
Non-deductible share based compensation	287	0.4	709	1.2
Non-taxable gain on bargain purchase of Huckleberry and revaluation of equity investment in Huckleberry	(28,553)	(42.9)	-	-
Share of loss in Huckleberry	145	0.2	2,950	5.2
Non-taxable portion of foreign exchange gain	(3,192)	(4.8)	(739)	(1.3)
Non-deductible (taxable) portion of loss (gain) on derivatives	-	-	581	1.0
Deferred income tax assets not recognized	1,267	1.9	5,405	9.4
Revisions to prior year estimates	315	0.5	113	0.2
Rate difference	2,193	3.3	-	-
B.C. mineral tax (recovery)	(16)	(0.0)	3,314	5.8
Other	(305)	(0.5)	(636)	(1.1)
Income and mining tax recovery	$(10,554)	(15.9)	$(3,195)	(5.6)
Current income and mining tax expense	$2,064		$2,463	
Deferred income and mining tax recovery	(12,618)		(5,658)	
	$(10,554)		$(3,195)	

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

	December 31 2017	December 31 2016
Deferred income and mining tax (assets) and liabilities		
Mineral properties	$187,780	$142,788
Mineral properties – mineral tax	8,668	5,981
Future tax deductions related to mineral properties	-	(15,992)
Debt component of convertible debentures	4,876	6,334
Other	(1,016)	(867)
Net operating tax losses carried forward[1]	(130,854)	(70,321)
Net deferred income and mining tax liabilities	$69,454	$67,923

[1] The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

As at December 31, 2017, the Company had net operating tax loss carry forwards in Canada of $486,836 which can be applied to reduce future Canadian taxable income and will expire between 2026 and 2037. In addition, the Company had net operating tax loss carry forwards in the United States of US$19,246 which can be applied to reduce future US taxable income and will expire in 2031 to 2035.

The Company had the following temporary differences and unused tax losses at December 31, 2017 in respect of which no deferred tax asset has been recognized:

	Mineral Properties & Other	Tax Losses	Total
Expiry 2027 and beyond	$ -	$30,550	$30,550
No expiry date	103,224	-	103,224
	$103,224	$30,550	$133,774

20. EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

	December 31 2017	December 31 2016
Net Income (Loss)	$77,113	$(54,080)
Weighted-average number of common shares outstanding	94,384,477	81,795,510
Basic and diluted earnings (loss) per common share	$0.82	$(0.66)

The following common shares that may be issued in relation to the following items have been excluded from the calculation of diluted loss per common share as the result would be anti-dilutive:

	December 31 2017	December 31 2016
Stock options	3,601,900	3,871,900
Warrants	909,091	-
Convertible debentures	12,386,321	12,155,751

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2017	2016
Trade and other receivables	$(16,226)	$(3,085)
Inventory	11,380	(3,413)
Derivative instruments	-	1,347
Prepaid expenses and deposits	(1,057)	(711)
Trade and other payables	3,290	14,740
Deferred trade payables (Note 9(a))	(714)	17,910
Provision for rehabilitation costs	3,284	(72)
	$(43)	$26,716

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

During the year ended December 31, 2017 the Company purchased certain mobile equipment at a cost of $8,946 (December 31, 2016 - $3,719) which was financed by long-term debt (Note 11(h)).

In October 2016 the Company capitalized $57,200 for the Northwest Transmission Line construction contribution (Note 9 (b) and recognized a liability payable to BC Hydro.

During the year ended December 31, 2017, the Company issued of $111 (2016-$nil) of shares pursuant to the Employee Share Purchase Plan.

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

	2017	2016
Trade and other payables	$(13,698)	$6,536

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

22. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Imperial Metals Corporation and its subsidiaries and joint ventures listed in the following tables:

		% Equity Interest	
Subsidiaries	Incorporation	2017	2016
416898 BC Ltd.	Canada	100%	100%
Bethlehem Resources Corporation	Canada	100%	100%
Catface Copper Mines Limited	Canada	100%	100%
CAT-Gold Corporation	Canada	100%	100%
Goldstream Mining Corporation	Canada	100%	100%
HML Mining Inc.	Canada	100%	100%
High G Minerals Corporation	Canada	100%	100%
Highway 37 Power Corp.	Canada	100%	100%
Huckleberry Mines Ltd.(1)	Canada	100%	50%
Mount Polley Mining Corporation	Canada	100%	100%
Princeton Exploration Ltd.	Canada	100%	100%
Red Chris Development Company Ltd.	Canada	100%	100%
Ruddock Creek Mining Corporation	Canada	100%	100%
Selkirk Metals Corp.	Canada	100%	100%
Sterling Gold Mining Corporation(2)	USA	100%	100%

(1) acquired additional 50% interest on April 28, 2017 to hold 100%
(2) sale of Sterling gold mine property was completed on May 30, 2017

Related party transactions and balances with a significant shareholder, a company controlled by a significant shareholder, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

	2017	2016
Loan guarantee fee for guarantee of second lien credit facility	$1,814	$1,284
Interest expense	$16,359	$15,916

Statement of Financial Position

	December 31 2017	December 31 2016
Accrued interest on senior unsecured notes, convertible debentures, Junior credit facility and Bridge loan (Note 29)	$5,088	$3,326
Junior credit facility	$75,000	$75,000
Senior unsecured notes (US$53,300)	$66,865	$71,566
Convertible debentures	$59,000	$59,000
Bridge loan	$13,000	$ -
Share issue expenses (backstop fees)	$310	$ -
Deferred financing fees for debt	$138	$ -

The Company incurred the above transactions and balances in the normal course of operations.

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

23. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel are as follows:

	December 31 2017	December 31 2016
Short term benefits[1]	$1,636	$1,442
Share based payments[2]	$ -	$ -

[1] Short term employee benefits include salaries, estimated bonuses payable within the year 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 years ended December 31, 2017 and 2016.
[2] Share based payments are the fair value of options granted in the period to directors and other key management personnel.

24. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of the Sterling mine totalling $8,482 as at December 31, 2017 (December 31, 2016-$26,814), which are located in the USA. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

						December 31, 2017
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	$289,207	$165,492	$156	$359	$2,109	$457,323
Less inter-segment revenues	(125)	(1,948)	(156)	(18)	(1,963)	(4,210)
Revenues from external sources	$289,082	$163,544	$ -	$341	$146	$453,113
Depletion and depreciation	$50,458	$30,721	$1,749	$159	$129	$83,216
Interest (expense) and other finance income (expense)	$(31,115)	$(14,993)	$(1,264)	$120	$51	$(47,201)
Gain on bargain purchase of Huckleberry and revaluation of investment in Huckleberry	$ -	$ -	$ -	$ -	$109,818	$109,818
Share of loss in Huckleberry	$ -	$ -	$(557)	$ -	$ -	$(557)
Net income (loss)	$397	$(27,231)	$(9,424)	$119	$113,252	$77,113
Capital expenditures	$57,795	$27,726	$31	$7,027	$311	$92,890
Total assets	$1,105,872	$306,932	$229,929	$8,482	$72,553	$1,723,768
Total liabilities	$895,154	$249,747	$64,323	$9	$1,034	$1,210,267

						December 31, 2016
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	$295,441	$134,095	$ -	$897	$4,731	$435,164
Less inter-segment revenues	(125)	(2,583)	-	(88)	(4,150)	(6,946)
Revenues from external sources	$295,316	$131,512	$ -	$809	$581	$428,218
Depletion and depreciation	$54,034	$26,585	$ -	$441	$327	$81,387
Interest (expense) and other finance income (expense)	$(51,047)	$(9,838)	$ -	$(151)	$47	$(60,989)
Share of loss in Huckleberry	$ -	$ -	$(11,345)	$ -	$ -	(11,345)
Net (loss) income	$(8,730)	$(19,327)	$(11,345)	$(8,878)	$(5,800)	$(54,080)
Capital expenditures	$123,122	$26,735	$ -	$296	$344	$150,497
Equity investment	$ -	$ -	$78,389	$ -	$ -	78,389
Total assets	$1,071,737	$322,503	$78,389	$26,813	$28,336	$1,527,778
Total liabilities	$808,456	$303,655	$ -	$5,120	$21,924	$1,139,155

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

Revenue by Geographic Area

	2017	2016
Canada	$146	$581
Korea	59,014	67,883
Singapore	93,889	70,425
Switzerland	173,972	159,938
United States	126,092	129,391
	$453,113	$428,218

Revenues are attributed to geographic area based on country of customer. In the year ended December 31, 2017, the Company had 7 principal customers accounting for 21%, 17%, 16%, 14%, 13%, 13% and 6% of revenues (December 31, 2016– seven principal customers accounting for 20%, 18%, 17%, 16%, 12%, 11% and 6%). The Company is not reliant on any one customer to continue to operate as a going concern.

The Company's principal product is copper concentrate (contains copper, gold and silver) which is sold at prices quoted on the London Metals Exchange. The Company sells all of its concentrate and gold production to third party traders.

Revenue by Major Product and Service

	2017	2016
Copper	$313,760	$278,043
Gold	137,568	143,953
Silver	1,634	5,641
Other	151	581
	$453,113	$428,218

25. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

During the year the Company examined the various financial instrument risks to which it is exposed and assessed the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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 2016.

The capital structure of the Company consists of non-current debt and equity comprised of share capital, share option reserve, equity component of convertible debentures, warrant reserve, currency translation adjustment and retained earnings.

The Company is in compliance with the debt covenants related to its non-current debt as at December 31, 2017.

Credit Risk

The Company's credit risk is limited to cash, trade and other receivables, and future site reclamation deposits 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 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.

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

From time to time the Company enters into derivative instruments with a number of counterparties to limit the amount of credit risk associated with any one counterparty. The Company did not enter into any derivative instruments during the year ended December 31, 2017. The Company's maximum exposure to credit risk is as follows:

	December 31 2017	December 31 2016
Cash	$51,895	$14,251
Marketable securities	2,270	123
Trade receivables	24,231	10,644
Future site reclamation deposits	14,319	4,667
Other assets	552	631
	$93,267	$30,316

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 balances there are sufficient committed credit facilities, including the advance payment facilities with its customers, to provide cash necessary to meet projected cash requirements.

At December 31, 2017, the Company's primary sources of credit are comprised of a $200,000 senior secured revolving credit facility, a $50,000 second lien revolving loan credit facility, US$325,000 senior unsecured notes, $145,000 face value of unsecured convertible debentures, a $75,000 unsecured junior credit facility, a $26,000 Bridge loan facility, a $10,000 LOC loan facility, and $18,022 in secured equipment loans.

The Company's $200,000 senior secured revolving credit facility is due on October 1, 2018 and the second lien revolving loan credit facility is due on December 1, 2018. At December 31, 2017, the Company has drawn $152,500 ($151,628 net of deferred financing costs) of the facility and utilized $42,091 of the facility for letters of credit to secure reclamation bond obligations (Note 11(a)) for a total usage of $194,591 leaving $5,409 available for future draws.

At December 31, 2017, the provision for rehabilitation costs related to the Mount Polley mine tailings dam failure was $5,335 (December 31, 2016-$2,051). During 2016 the Company had received permits to resume normal operations using the rebuilt tailings dam. While the precise costs of rehabilitation are unknown, the Company believes the costs can be managed over time.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the Company is able to successfully extend or refinance the Senior Credit Facility and the Second Lien Credit Facility prior to their maturity in the fourth quarter of 2018. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all, which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations.

The Company holds mineral properties 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.

Improvements to liquidity in 2017 compared to 2016 include the cash raised from the equity financing completed in December 2017, the continuing optimization of Red Chris mine operations and the resumption of normal operations at the Mount Polley mine in mid-2016. In addition, improved copper prices in CDN dollar terms are also a positive factor however this is mitigated somewhat by the requirement to repay the deferred trade payables (Note 9(a)).

Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company although the Company considers this risk low.

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

The Company had the following contractual obligations with respect to financial instruments:

						December 31 2017	December 31 2016
	Within 1 Year	2 Years	3 Years	4 Years	5 years	Total	Total
Trade and other payables	$110,043	$ -	$ -	$ -	$ -	$110,043	$115,649
Other obligations	41,034	15,263	14,071	2,142	-	72,510	73,918
Short term debt	-	-	-	-	-	-	13,277
Current portion of non-current debt	214,340	-	-	-	-	214,340	18,727
Non-current debt	-	513,419	115,967	30,047	-	659,433	833,097
	365,417	528,682	130,038	32,189	-	1,056,326	1,054,668
Less future accretion and unamortized finance cost	(466)	(2,871)	(13,801)	(4,257)	-	(21,395)	(29,736)
Total	$364,951	$525,811	$116,237	$27,932	$ -	$1,034,931	$1,024,932

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 accounts receivable, reclamation deposits, trade and other payables and 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, 2017 would have been higher/lower by $33,591.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2017, about 30% of the Company's outstanding borrowings were at floating interest rates compared to December 31, 2016 when about 24% of the Company's outstanding borrowings were 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.

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, 2017 would have increased/decreased by $2,033.

Provisionally Priced Revenues

As a result of the provisional pricing terms in its sales contracts, the Company is exposed to commodity price risk until final pricing is determined. Therefore, revenues in subsequent periods will be adjusted for any changes to provisionally priced accounts receivables outstanding at period end. Final pricing is usually four to five months after the date of shipment and therefore changes in metal prices may have a material impact on the final revenue.

Provisionally priced revenues is comprised of the following:

	December 31 2017	Provisional Price	December 31 2016	Provisional Price
Copper – *000's lbs with provisional price per lb*	17,212.4	US$3.29	24,614.7	US$2.50
Gold – *000's oz with provisional price per oz*	24.5	US$1,309	3.4	US$1,151

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

Fair Value Estimation

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 are assumed to approximate their fair values. Except for the Notes (Note 11(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At December 31, 2017, the fair value of the Notes is $381,211 (December 31, 2016-$416,741) based on a quote received from dealers that trade the Notes.

IFRS 13 *Fair Value Measurement* requires 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 December 31, 2017 as follows:

Financial Assets	Level 1	Level 2	Total
Cash	$51,895	$ -	$51,895
Marketable securities	2,270	-	2,270
Provisionally priced accounts receivables	-	18,537	18,537
Future site reclamation deposits	14,319	-	14,319
	68,484	18,537	87,021
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(148)	(148)
	$68,484	$18,389	$86,873

26. COMMITMENTS AND PLEDGES

(a) At December 31, 2017, the Company is committed to future minimum operating lease payments as follows:

2018	$412
2019	416
2020	348
2021	330
2022 and beyond	165
	$1,671

(b) At December 31, 2017, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	$14,319
Mineral property, plant and equipment	9,805
Letters of credit (Note 11(a))	42,091
	$66,215

(c) The Company is obligated to increase its reclamation bond funding as follows:

2018	$29,030

(d) At December 31, 2017, the Company had commitments of $6,674 for expenditures on mineral properties.

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

27. 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.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached and at December 31, 2017 the Company has a provision of $5,335 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 19). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as of December 31, 2017. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

28. SALE OF STERLING

On May 30, 2017 the Company completed the sale of the Sterling gold mine property and related assets for consideration comprised of cash, marketable securities, net smelter royalties, and a net profits interest in certain mine operations.

A summary of the transaction is as follows:

Assets sold	
Inventory and supplies	$102
Prepaid expenses and deposits	16
Mineral properties	22,188
Reclamation bonds	4,412
	26,718
Liabilities released	
Future site reclamation provisions	(5,078)
Net assets sold	$21,640
Consideration received	
Cash	$13,570
Marketable securities, including $638 contingent consideration received in November 2017	1,905
Net smelter royalty	2,251
Net profits interest	4,595
Transaction costs	(40)
	$22,281
Gain on sale of Sterling gold mine	$641

29. SUBSEQUENT EVENTS

Subsequent to December 31, 2017 the Company issued 2,353,274 common shares at an ascribed value of $2.64 per share for a total of $6,213 in payment of the interest due on December 31, 2017 on the Junior Credit Facility (Note 11(d)), the 2014 Convertible Debentures (Note 11(e)) and $27,900 of the $30,000 face value of the 2015 Convertible Debentures (Note 11(f)). Included in these amounts are 1,387,447 common shares at an ascribed value of $2.64 per share for a total of $3,663 issued to related parties.