Imperial Metals

First Quarter Report 2017

Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2017 and 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

expressed in thousands of Canadian dollars

	Notes	March 31 2017	December 31 2016
ASSETS			
Current Assets			
Cash		$7,195	$14,251
Marketable securities		113	123
Trade and other receivables	3	8,847	11,152
Inventory	4	54,652	66,441
Prepaid expenses and deposits		1,845	2,873
Assets held for sale	29	26,465	-
		99,117	94,840
Investment in Huckleberry Mines Ltd.	5	76,800	78,389
Mineral Properties	6	1,315,786	1,332,023
Other Assets	7	19,417	22,526
		$1,511,120	$1,527,778
LIABILITIES			
Current Liabilities			
Trade and other payables	8	$110,206	$115,649
Taxes payable		1,748	1,868
Short term debt	10	5,675	13,277
Provision for rehabilitation costs	19	1,434	2,051
Liabilities held for sale	29	5,115	-
Current portion of non-current debt	11	158,120	18,727
Current portion of other obligations	9	31,299	32,210
Current portion of future site reclamation provisions	13	166	166
		313,763	183,948
Non-Current Debt	11	687,947	803,361
Other Obligations	9	38,133	41,708
Future Site Reclamation Provisions	13	38,377	42,215
Deferred Income Taxes		62,940	67,923
		1,141,160	1,139,155
EQUITY			
Share Capital	14	243,525	243,525
Share Option Reserve	14	17,747	17,477
Equity Component of Convertible Debentures	11	25,534	25,534
Currency Translation Adjustment		8,061	8,242
Retained Earnings		75,093	93,845
		369,960	388,623
		$1,511,120	$1,527,778
Commitments and Pledges	4, 6, 27		
Contingent Liabilities	28		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on May 15, 2017

/s/ Larry G. Moeller — Director

/s/ J. Brian Kynoch — Director

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

For the Three Months Ended March 31, 2017 and 2016

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

	Notes	Three Months Ended March 31 2017	2016
Revenue		$115,749	$136,785
Cost of Sales	15	(121,497)	(116,437)
Income (Loss) from Mine Operations		(5,748)	20,348
General and Administration	16	(1,255)	(2,294)
Interest Expense	17	(18,158)	(16,540)
Other Finance Income	18	3,001	23,235
Other Income (Expense)		2	(45)
Share of loss in Huckleberry	5	(1,589)	(3,976)
(Loss) Income before Taxes		(23,747)	20,728
Income and Mining Tax Recovery (Expense)	20	4,995	(2,999)
Net (Loss) Income		(18,752)	17,729
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		(181)	(1,924)
Total Comprehensive (Loss) Income		$(18,933)	$15,805
(Loss) Earnings Per Share			
Basic	21	$(0.20)	$0.22
Diluted	21	$(0.20)	$0.22
Weighted Average Number of Common Shares Outstanding			
Basic	21	93,586,710	81,761,028
Diluted	21	93,586,710	81,833,837

See accompanying notes to these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 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
Share based compensation expense	-	-	748	-	-	-	-	748
Expiry of warrants	-	-	-	(870)	-	-	870	-
Total comprehensive income (loss)	-	-	-	-	-	(1,924)	17,729	15,805
Balance March 31, 2016	81,761,028	$178,730	$15,537	$ -	$25,534	$7,245	$165,654	$392,700
Balance December 31, 2016	93,586,710	$243,525	$17,477	$ -	$25,534	$8,242	$93,845	$388,623
Share based compensation expense	-	-	270	-	-	-		270
Total comprehensive loss	-	-	-	-	-	(181)	(18,752)	(18,933)
Balance March 31, 2017	93,586,710	$243,525	$17,747	$ -	$25,534	$8,061	$75,093	$369,960

See accompanying notes to these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2017 and 2016

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

	Notes	Three Months Ended March 31 2017	2016
OPERATING ACTIVITIES			
(Loss) Income before Taxes		$(23,747)	$20,728
Items not affecting cash flows			
Share of loss in Huckleberry		1,589	3,976
Depletion and depreciation		21,686	24,759
Share based compensation		270	748
Accretion of future site reclamation provisions		353	231
Unrealized foreign exchange gains		(3,254)	(30,929)
Unrealized losses on derivative instruments		-	13,348
Interest expense		18,158	16,540
Other		10	24
		15,065	49,425
Net change in non-cash operating working capital balances	22	20,172	(1,256)
Income and mining taxes recovered		56	-
Interest paid		(22,910)	(19,467)
Cash provided by operating activities		12,383	28,702
FINANCING ACTIVITIES			
Proceeds of short term debt		71,749	84,412
Repayment of short term debt		(79,545)	(101,582)
Proceeds of non-current debt		46,450	7,500
Repayment of non-current debt		(28,230)	(5,799)
Cash provided (used in) by financing activities		10,424	(15,469)
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(16,763)	(10,468)
Net change in non-cash investing working capital balances	22	(11,548)	-
Payment of other obligations	9	(3,575)	-
Non-refundable deposit received	8	1,993	-
Cash used in investing activities		(29,893)	(10,468)
EFFECT OF FOREIGN EXCHANGE ON CASH		30	(579)
(DECREASE) INCREASE IN CASH		(7,056)	2,186
CASH, BEGINNING OF PERIOD		14,251	9,188
CASH, END OF PERIOD		$7,195	$11,374

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, BC, 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 mine in northwest British Columbia;
- Mount Polley copper mine in central British Columbia; and
- Huckleberry copper mine in northern 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 March 31, 2017, the Company had cash of $7,195, available capacity of $20,232 for future draws under the senior secured revolving credit facility, and a working capital deficiency of $214,641. The working capital deficiency includes $134,126 related to the senior secured revolving credit facility (Note 11(a)) due on March 15, 2018. In February 2017 certain of the financial covenants in the senior secured revolving credit facility were modified for the quarters ending March 31, 2017 to September 30, 2017.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines and available capacity under the senior secured credit facility are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due subject to the successful renewal and extension of the senior secured revolving credit facility (Note 11 (a)) and the second lien revolving credit facility (Note 11 (b)). 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended December 31, 2016.

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2016 prepared in accordance with IFRS.

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The significant accounting judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. TRADE AND OTHER RECEIVABLES

	March 31 2017	December 31 2016
Trade receivables	$8,492	$10,644
Taxes receivable	355	508
	$8,847	$11,152

4. INVENTORY

	March 31 2017	December 31 2016
Stockpile ore	$17,016	$15,400
Dore	-	13
Concentrate	18,396	32,047
Supplies	37,708	35,946
Total inventories	73,120	83,406
Less non-current inventories included in other assets (Note 7)	(18,468)	(16,965)
Total current inventories	$54,652	$66,441

During the period ended March 31, 2017 an inventory amount of $111,999 was recognized in cost of sales (March 31, 2016-$103,972) and an impairment charge of $3,983 (March 31, 2016-$2,620) on stockpile ore and concentrate was included in cost of sales.

As at March 31, 2017, the Company had $73,120 (December 31, 2016-$83,406) of inventory pledged as security for debt.

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

5. INVESTMENT IN HUCKLEBERRY MINES LTD.

The Company has a 50% interest in Huckleberry Mines Ltd. ("Huckleberry") and has determined the joint arrangement qualifies as a joint venture which is accounted for using the equity method. The Huckleberry open pit copper mine, currently on care and maintenance, is located 88 kilometres from Houston in west central British Columbia. The Huckleberry property consists of two mining leases covering 2,422 hectares and 39 mineral claims encompassing approximately 17,358 hectares. When Huckleberry was in operation it sold its copper concentrate to smelters owned by the Company's joint venture partners.

Subsequent to March 31, 2017 the Company became the sole owner of Huckleberry (Note 30).

	Three Months Ended March 31 2017	Year Ended December 31 2016
Balance, beginning of period	$78,389	$89,734
Share of loss for the period	(1,589)	(11,345)
Balance, end of period	$76,800	$78,389

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

Statement of Financial Position

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

	March 31 2017	December 31 2016
ASSETS		
Current Assets		
Cash	$20,870	$20,455
Other current assets	394	3,234
	21,264	23,689
Mineral Properties	164,916	166,203
Other Non-Current Assets	22,089	21,992
	$208,269	$211,884
LIABILITIES		
Current Liabilities		
Trade and other payables	$6,644	$7,535
Other current liabilities	203	200
	6,847	7,735
Future Site Reclamation Provisions	45,041	44,499
Other Non-Current Liabilities	2,780	2,871
	54,668	55,105
EQUITY		
Share Capital	57,596	57,596
Retained Earnings	96,005	99,183
	153,601	156,779
	$208,269	$211,884

[1] The Company's equity share of earnings of Huckleberry includes certain adjustments to ensure consistency of accounting policies with those of the Company. These adjustments are reflected in the above figures.

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

Statement of Loss and Comprehensive Loss

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

	Three Months Ended March 31 2017	2016
Revenue	$ -	$24,897
Cost of Sales	-	(36,351)
Loss from Mine Operations	-	(11,454)
General and Administration	-	(840)
Finance Costs	(479)	(318)
Idle Mine Costs	(3,001)	-
Loss Before Taxes	(3,480)	(12,612)
Income and Mining Tax Recovery	302	4,660
Net Loss and Comprehensive Loss	$(3,178)	$(7,952)

Statement of Cash Flows

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

	Three Months Ended March 31 2017	2016
OPERATING ACTIVITIES		
Net Loss before taxes	$(3,480)	$(12,612)
Items not affecting cash flows		
Depletion and depreciation	1,480	8,299
Unrealized foreign exchange loss	57	265
Other	349	373
	(1,594)	(3,675)
Net change in non-cash operating working capital balances	2,162	(2,166)
Cash provided by (used in) operating activities	568	(5,841)
INVESTING ACTIVITIES		
Acquisition and development of mineral properties	-	(1,070)
Other	(96)	4,633
Cash (used in) provided by investing activities	(96)	3,563
EFFECT OF FOREIGN EXCHANGE ON CASH	(57)	(265)
INCREASE (DECREASE) IN CASH	415	(2,543)
CASH, BEGINNING OF PERIOD	20,455	19,782
CASH, END OF PERIOD	$20,870	$17,239

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

(a) Mineral Properties

	Cost	Accumulated Depletion, Depreciation & Impairment Losses	Net Carrying Amount
Balance December 31, 2015	$558,972	$371,285	$187,687
Additions	5,738	-	5,738
Reassessment of Future Site Reclamation Provision	(5,998)	-	(5,998)
Depletion and depreciation	-	20,783	(20,783)
Disposals and impairments	(798)	(357)	(441)
Balance December 31, 2016	557,914	391,711	166,203
Additions	193	-	193
Depletion and depreciation	-	1,480	(1,480)
Balance March 31, 2017	$558,107	$393,191	$164,916

Refer to notes 5(b) and (e) for pledged assets and contractual commitments.

(b) Pledged Assets

At March 31, 2017, Huckleberry had pledged cash deposits of $14,136 (December 31, 2016-$14,136) included in other non-current assets and certain mining equipment as security for future site reclamation obligations.

(c) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	Three Months Ended March 31 2017	Year Ended December 31 2016
Balance, beginning of period	$44,499	$49,107
Accretion	357	1,514
Costs incurred during the period	(8)	(123)
Change in estimates of future costs and discount rate	193	(5,999)
Balance, end of period	45,041	44,499
Less portion due within one year	-	-
	$45,041	$44,499

(d) Reclamation Bonding Obligations

In 2017, Huckleberry is obligated to post $27,000 (December 31, 2016-$27,000) cash security for reclamation bonding, part of which replaces non-cash security.

(e) Commitments

As at March 31, 2017, Huckleberry is committed to future minimum lease payments as follows:

	Finance Leases
2017	$200
2018	65
	$265

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

6. MINERAL PROPERTIES

Cost	Mineral Properties being Depleted	Mineral Properties not being Depleted: Projects not in Production	Mineral Properties not being Depleted: Exploration & Evaluation Assets	Plant & 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	1,504	595	54	22,666	24,819
Assets reclassified as held for sale	-	-	(27,530)	(5,231)	(32,761)
Foreign exchange movement	-	-	(354)	(7)	(361)
Balance March 31, 2017	$344,024	$56,763	$21,673	$1,281,687	$1,704,147

Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Mineral Properties not being Depleted: Projects not in Production	Mineral Properties not being Depleted: Exploration & Evaluation Assets	Plant & 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	6,660	-	-	12,468	19,128
Foreign exchange movement	-	-	(150)	(33)	(183)
Assets reclassified as held for sale	-	-	(6,775)	(4,236)	(11,011)
Balance March 31, 2017	$145,888	$ -	$1,645	$240,828	$388,361
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 March 31, 2017	$198,136	$56,763	$20,028	$1,040,859	$1,315,786

At March 31, 2017, the Company had commitments totaling $1,705 for the acquisition of property, plant and equipment.

At March 31, 2017, mineral property assets with a carrying value of $1,370 (December 31, 2016-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 27(b)).

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

Red Chris

The Red Chris copper/gold mine and property in northwest British Columbia is owned and operated by Red Chris Development Company Ltd., a subsidiary of the Company. The property 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

The Mount Polley copper/gold mine and property in central British Columbia is owned and operated by Mount Polley Mining Corporation, a subsidiary of the Company. The property is comprised of 19,601 hectares, consisting of seven mining leases totalling 2,007 hectares, and 45 mineral claims encompassing 17,594 hectares. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2016 nor is any planned in 2017.

Sterling

The Sterling gold mine and property, located near Beatty, Nevada, is owned by Sterling Gold Mining Corporation, a subsidiary of the Company. The property consists of 707 claims totalling 5,911 hectares. The main Sterling property consists of 272 lode mining claims plus one water well site covering 2,274 hectares. Net smelter royalties of 2.25% are payable on production with minimum advance royalties on a small portion of these claims. Sterling operated as an underground heap leach mine from 2012 until May 2015. During the March 31, 2017 quarter, the Company entered into a Letter of Intent to sell its interest in the Sterling gold mine property and related assets (Note 29).

Other Exploration Properties

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

7. OTHER ASSETS

	March 31 2017	December 31 2016
Future site reclamation deposits	$175	$4,667
Non-current inventory - ore stockpile	15,925	14,650
Non-current inventory - critical spare parts	2,543	2,315
Other	774	894
	$19,417	$22,526

8. TRADE AND OTHER PAYABLES

	March 31 2017	December 31 2016
Trade payables	$70,836	$68,947
Accrued liabilities	37,372	46,702
Non-refundable deposit (Notes 6 and 29)	1,998	-
	$110,206	$115,649

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

9. OTHER OBLIGATIONS

	March 31 2017	December 31 2016
Deferred trade payables	$16,999	$17,910
Northwest Transmission Line payable	52,433	56,008
	69,432	73,918
Less portion due within one year	(31,299)	(32,210)
	$38,133	$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%.

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 ("NTL") which provides power to the Red Chris mine.

10. SHORT TERM DEBT

Amounts due for short term debt are:

	March 31 2017	December 31 2016
Concentrate advances of US$4,260 (December 31, 2016-US$9,889) from purchasers of the concentrate at the Red Chris and Mount Polley mines repayable from sale of concentrate with interest rates ranging from three month Libor plus 2.0% to 2.2% secured by a first charge on the concentrate.	$5,675	$13,277

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

	March 31 2017	December 31 2016
Balance, beginning of period	$13,277	$24,754
Amounts advanced	71,749	327,026
Amounts repaid	(79,545)	(338,420)
Foreign exchange losses (gains)	194	(83)
Balance, end of period	$5,675	$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:

		March 31 2017	December 31 2016
Senior secured revolving credit facility, net of issue costs	(a)	$134,126	$109,967
Second lien secured revolving credit facility, net of issue costs	(b)	49,825	49,789
Senior unsecured notes, net of issue costs	(c)	428,212	430,984
Junior credit facility	(d)	75,000	75,000
Convertible debentures - 2014	(e)	97,618	96,475
Convertible debentures - 2015	(f)	24,943	24,686
Equipment loans	(g)	36,343	35,187
		846,067	822,088
Less portion due within one year		(158,120)	(18,727)
		$687,947	$803,361

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

	Three Months Ended March 31 2017	Year Ended December 31 2016
Balance, beginning of period	$822,088	$889,707
Amounts advanced, net of issue costs	53,657	68,695
Foreign exchange gains	(3,544)	(14,474)
Accretion of debt issue costs	696	3,262
Accretion of interest on convertible debentures	1,400	5,517
Amounts repaid	(28,230)	(130,619)
Balance, end of period	846,067	822,088
Less portion due within one year	(158,120)	(18,727)
	$687,947	$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 March 15, 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, $39,968 (December 31, 2016-$39,520) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 27(b)).

(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating $50,000 (December 31, 2016-$50,000) due on August 15, 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 23).

(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.

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

(d) Junior Credit Facility

The junior credit facility is from a related party (Note 23). 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.

(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 August 2015 the conversion price was reduced from $12.00 to $11.91 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 $11.91 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.

(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. 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 $12.00 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.

(g) Equipment Loans

At March 31, 2017, the Company had equipment loans outstanding denominated in US Dollars totalling US$12,392 or $16,509 (December 31, 2016–US$14,679; $19,710) at a weighted average interest rate of 2.72% with monthly payments of US$771 or $1,028. The Company also had equipment loans outstanding denominated in CDN Dollars totalling $19,834 (December 31, 2016-$15,477) at a weighted average interest rate of 5.43% with monthly payments of $1,244. All equipment loans are secured by the financed equipment.

At March 31, 2017 the Company was in full compliance under its debt agreements with all financial covenants.

12. DERIVATIVE INSTRUMENTS

The Company has no derivative contracts outstanding at March 31, 2017 or December 31, 2016.

13. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, Sterling, and Ruddock Creek 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:

	Three Months Ended March 31 2017	Year Ended December 31 2016
Balance, beginning of period	$42,381	$32,743
Accretion (Note 18)	353	925
Costs incurred during the period	-	(33)
Change in estimates of future costs and effect of translation of foreign currencies	804	8,746
Reclassification of liability held for sale (Notes 6 and 29)	(4,995)	-
Balance, end of period	38,543	42,381
Less portion due within one year	(166)	(166)
	$38,377	$42,215

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

The total undiscounted amount of estimated future cash flows required to settle the obligations is $52,595 (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 3.28% (December 31, 2016-3.34%). The majority of these obligations are expected to be settled in the years 2017 through 2043.

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 27(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.

14. 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 March 31, 2017, a total of 5,587,771 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 three months ended March 31, 2017, the Company granted no stock options. 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, 2016 was $3.83 per option, 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 - 1.18%; expected dividend yield - $nil; expected stock price volatility - 60.9%; expected option life - 6.5 years; and, estimated forfeiture rate - 5.00%.

Movements in Share Options

The changes in share options were as follows:

	Three Months Ended March 31, 2017		Year Ended December 31, 2016	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,871,900	$8.16	4,157,450	$8.20
Granted	-	-	15,000	$8.00
Exercised	-	-	(7,500)	$5.93
Forfeited	(96,000)	$8.00	(251,000)	$8.28
Expired	(5,000)	$8.00	(42,050)	$11.55
Outstanding at end of year	3,770,900	$8.17	3,871,900	$8.16
Options exercisable at end of period	2,402,900	$8.26	2,407,900	$8.26

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

The following table summarizes information about the Company's share options outstanding at March 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	800,900	1.75	800,900	1.75
$5.93	156,000	2.75	156,000	2.75
$8.00	1,734,000	8.68	366,000	8.68
$11.55	1,080,000	3.55	1,080,000	3.55
	3,770,900	5.49	2,402,900	3.68

There were no options exercised during the three months ended March 31, 2017.

15. COST OF SALES

	Three Months Ended March 31	
	2017	2016
Operating expenses	$70,624	$66,208
Salaries, wages and benefits	29,146	25,361
Depletion and depreciation	21,654	24,579
Share based compensation	73	289
	$121,497	$116,437

Included in cost of sales is $3,983 (March 31, 2016-$2,620) of impairment charges in relation to stockpile ore and concentrate inventory.

16. GENERAL AND ADMINISTRATION

	Three Months Ended March 31	
	2017	2016
Administration costs	$808	$1,417
Share based compensation	197	459
Depreciation	32	180
Foreign exchange loss	218	238
	$1,255	$2,294

17. INTEREST EXPENSE

	Three Months Ended March 31	
	2017	2016
Interest on non-current debt	$16,779	$16,363
Other interest	1,379	177
	$18,158	$16,540

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

18. OTHER FINANCE INCOME

	Three Months Ended March 31	
	2017	2016
Accretion of future site reclamation provisions	$(353)	$(231)
Foreign exchange (loss) gain on short term debt	(194)	864
Foreign exchange gain on non-current debt	3,544	29,878
Fair value adjustment to marketable securities	(10)	20
Realized gain on derivative instruments	-	6,041
Unrealized loss on derivative instruments	-	(13,348)
	2,987	23,224
Interest income	14	11
Other finance income	$3,001	$23,235

19. PROVISION FOR REHABILITATION COSTS

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 March 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:

	Three Months Ended March 31 2017	Year Ended December 31 2016
Balance, beginning of the period	$2,051	$2,123
Costs incurred in the period	(617)	(72)
Balance, end of the period	$1,434	$2,051

20. INCOME AND MINING TAX RECOVERY (EXPENSE)

	Three Months Ended March 31	
	2017	2016
Current income and mining taxes	$(278)	$(905)
Deferred income and mining taxes	5,273	(2,094)
	$4,995	$(2,999)

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

21. (LOSS) EARNINGS PER SHARE

The following table sets out the computation of basic and diluted net (loss) earnings per common share:

	Three Months Ended March 31	
	2017	2016
Numerator:		
Net (Loss) Income	$(18,752)	$17,729
Denominator:		
Basic weighted-average number of common shares outstanding	93,586,710	81,761,028
Effect of dilutive securities:		
Stock options, warrants and convertible debentures	-	72,809
Diluted weighted-average number of common shares outstanding	93,586,710	81,833,837
Basic (loss) earnings per common share	$(0.20)	$0.22
Diluted (loss) earnings per common share	$(0.20)	$0.22

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:

	Three Months Ended March 31	
	2017	2016
Stock options	3,770,900	3,225,550
Convertible debentures	12,155,751	12,155,751

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31	
	2017	2016
Trade and other receivables	$(368)	$(15,090)
Inventory	7,641	12,265
Derivative instruments	-	1,347
Prepaid expenses and deposits	883	409
Trade and other payables	13,544	719
Deferred trade payables (Note 9(a))	(911)	-
Provision for rehabilitation costs	(617)	(906)
	$20,172	$(1,256)

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

During the three months ended March 31, 2017, the Company purchased certain mobile equipment at a cost of $7,207 which was financed by long-term debt (Note 11(g)).

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

	Three Months Ended March 31	
	2017	2016
Trade and other payables	$(11,548)	$ -

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

23. RELATED PARTY TRANSACTIONS

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

	Three Months Ended March 31	
	2017	2016
Loan guarantee fee for guarantee of second lien credit facility	$416	$250
Interest expense	$3,973	$4,007

Statement of Financial Position

	Three Months Ended March 31 2017	Year Ended December 31 2016
Accrued interest on junior credit facility, senior unsecured notes, convertible debentures and factored accounts receivables	$2,915	$3,326
Junior credit facility	$75,000	$75,000
Senior unsecured notes (US$53,300)	$71,006	$71,566
Convertible debentures	$59,000	$59,000
Proceeds from factored accounts receivable held in trust for repayment	$2,545	$ -

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

24. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

	Three Months Ended March 31	
	2017	2016
Short term benefits(1)	$325	$323
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 personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during three months ended March 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.

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

25. 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 $26,470 as at March 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.

	Three Months Ended March 31, 2017					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	$54,597	$61,606	$23	$ -	$302	$116,528
Less inter-segment revenues	(31)	(578)	(11)	-	(159)	(779)
Revenues from external sources	$54,566	$61,028	$12	$ -	$143	$115,749
Depletion and depreciation	$10,433	$11,127	$94	$ -	$32	$21,686
Interest (expense) and other finance income (expense)	$(12,020)	$(3,088)	$(41)	$ -	$(8)	$(15,157)
Share of loss in Huckleberry	$ -	$ -	$ -	$(1,589)	$ -	$(1,589)
Net (loss) income	$(13,973)	$(2,134)	$(593)	$(1,589)	$(463)	$(18,752)
Capital expenditures	$10,951	$12,973	$11	$ -	$34	$23,969
Equity investment	$ -	$ -	$ -	$76,800	$ -	$76,800
Total assets	$1,075,052	$312,160	$26,465	$76,800	$20,643	$1,511,120
Total liabilities	$856,042	$264,581	$5,115	$ -	$15,422	$1,141,160

	Three Months Ended March 31, 2016					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	$84,892	$52,309	$197	$ -	$315	$137,713
Less inter-segment revenues	(31)	(709)	(22)	-	(166)	(928)
Revenues from external sources	$84,861	$51,600	$175	$ -	$149	$136,785
Depletion and depreciation	$14,383	$10,060	$136	$ -	$180	$24,759
Interest (expense) and other finance income (expense)	$7,875	$(1,166)	$(37)	$ -	$23	$6,695
Share of loss in Huckleberry	$ -	$ -	$ -	$(3,976)	$ -	$(3,976)
Net (loss) income	$21,209	$2,455	$(548)	$(3,976)	$(1,411)	$17,729
Capital expenditures	$6,910	$3,512	$18	$ -	$15	$10,455
Equity investment	$ -	$ -	$ -	$85,758	$ -	$85,758
Total assets	$1,014,243	$290,258	$33,172	$85,758	$26,846	$1,450,277
Total liabilities	$842,178	$194,380	$4,933	$ -	$16,086	$1,057,577

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

Revenue by Geographic Area

	Three Months Ended March 31	
	2017	2016
Canada	$143	$149
Korea	720	16,201
Singapore	17,082	34,001
Switzerland	79,120	34,659
United States	18,684	51,775
	$115,749	$136,785

Revenues are attributed to geographic area based on country of customer. In the period ended March 31, 2017, the Company had four principal customers accounting for 53%, 16%, 16% and 15% of revenues (March 31, 2016–four principal customers accounting for 38%, 25%, 25% and 12%). 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 smelters and traders.

Revenue by Major Product and Service

	Three Months Ended March 31	
	2017	2016
Copper	$74,943	$85,011
Gold	40,467	50,226
Silver	196	1,399
Other	143	149
	$115,749	$136,785

26. FINANCIAL INSTRUMENTS

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 March 31, 2017, the fair value of the Notes is $410,234 (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.

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

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as March 31, 2017 as follows:

Financial Assets	Level 1	Level 2	Total
Cash	$7,195	$ -	$7,195
Marketable securities	113	-	113
Provisionally priced accounts receivables	-	4,060	4,060
Future site reclamation deposits	4,633	-	4,633
	11,941	4,060	16,001
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(91)	(91)
	$11,941	$3,969	$15,910

27. COMMITMENTS AND PLEDGES

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

2017	$327
2018	411
2019	416
2020	347
2021 and beyond	495
	$1,996

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

Future site reclamation deposits included with other assets (Notes 7 and 29)	$4,633
Mineral property, plant and equipment	1,370
Letters of credit (Note 11(a))	39,968
	$45,971

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

2017	$2,413
2018	1,740
	$4,153

(d) At March 31, 2017, the Company had commitments totalling $1,705 for the purchase property, plant and equipment.

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

28. 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 condensed consolidated financial position or financial performance.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and at March 31, 2017 the Company has a provision of $1,434 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 March 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.

29. ASSETS AND LIABILITIES HELD FOR SALE

During the March 31, 2017 quarter, the Company entered into a Letter of Intent to sell its interest in the Sterling gold mine property and related assets and the Company received $1,993 (US$1,500) as a non-refundable deposit for the asset sale transaction. The closing of the sale transaction is subject to completion of a formal agreement, board and regulatory approvals, completion of due diligence and conventional conditions for such a transaction.

On March 31, 2017 the following assets and liabilities were classified and disclosed as held for sale:

Assets held for sale	
Inventory	$112
Prepaid expenses and deposits	145
Mineral property, plant and equipment	21,750
Future site reclamation deposits included in Other Assets	4,458
	26,465
Liabilities held for sale	
Trade and other payables	120
Future site reclamation provisions	4,995
	5,115
Net assets held for sale	$21,350

30. SUBSEQUENT EVENT

Subsequent to March 31, 2017 the Company became sole owner of Huckleberry (Note 5) 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. The transaction closed in April 2017 resulting in Imperial holding 100% of the shares of Huckleberry through HML Mining Inc., a wholly owned subsidiary of Imperial.

The Company is in process of measuring the acquisition date fair values of identifiable assets acquired and the liabilities assumed, and has not yet completed the preliminary accounting for this transaction. Accordingly, certain disclosures relating to the business combination such as the provisional fair value of the net assets acquired have not been presented.

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