Imperial Metals

First Quarter Report 2016

PRESIDENT'S MESSAGE

Imperial's comparative financial results for the three months ended March 31, 2016 and 2015 are summarized below and discussed in detail in the Management's Discussion and Analysis. The Company's financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). The reporting currency of the Company is the Canadian ("CDN") Dollar.

expressed in thousands, except per share amounts	Three Months Ended March 31	
	2016	2015
Revenues	$136,785	$1,533
Income (loss) from mine operations	$20,348	$(1,713)
Equity loss in Huckleberry	$(3,976)	$(593)
Net income (loss)	$17,729	$(33,384)
Net income (loss) per share	$0.22	$(0.45)
Adjusted net income (loss) (1)	$1,199	$(8,012)
Adjusted net income (loss) per share (1)	$0.01	$(0.11)
Adjusted EBITDA(1)	$45,875	$(6,145)
Cash flow (1)	$49,425	$(6,061)
Cash flow per Share (1)	$0.60	$(0.08)

(1) Refer to Non-IFRS Financial Measures for further details.

Revenues were $136.8 million in the March 2016 quarter compared to $1.5 million in the 2015 comparative quarter. The increase of $135.3 million was due to revenue from the Red Chris and Mount Polley mines in the March 2016 quarter compared to the comparative 2015 quarter when both mines were not in commercial operations. There were five concentrate shipments in the March 2016 quarter from the Red Chris mine and two concentrate shipments from the Mount Polley mine.

Net income for the March 2016 quarter was $17.7 million ($0.22 per share) compared to a net loss of $33.4 million ($0.45 per share) in the 2015 comparative quarter. The increase in net income from the March 2015 quarter to the March 2016 quarter of $51.1 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of $1.7 million in March 2015 to income of $20.3 million in March 2016, an increase to net income of $22.0 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of $38.3 million in March 2015 to a gain of $30.7 million in March 2016, an increase to net income of $69.0 million.
- Interest expense went from $2.7 million in March 2015 to $16.4 million in March 2016, a decrease to net income of $13.7 million.
- Loss/gain on derivative instruments went from gains of $13.7 million in March 2015 to losses of $7.3 million in March 2016, a decrease to net income of $21.0 million.

Cash flow was $49.4 million in the March 2016 quarter compared to a negative cash flow of $6.1 million in the 2015 comparative quarter. The increase of $55.5 million was a reflection of the operations at Red Chris and Mount Polley mines neither of which was in commercial operation during the 2015 comparative quarter.

On May 11, 2016, the Company announced it had extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount of the facility has not changed and remains at $200.0 million. Concurrently, the Company announced it had extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount for this facility has also not changed and remains at $50.0 million.

Red Chris Mine

Metal production for the quarter was 23.5 million pounds copper and 14,558 ounces gold setting records for both copper and gold. This compared to 20.4 million pounds copper and 10,025 ounces gold produced in the December 2015 quarter. The target production for the 2016 year is 90-100 million pounds copper and 60-70 thousand ounces gold.

Red Chris Production	Three Months Ended March 31	
	2016	2015[1]
Ore milled - tonnes	2,143,797	815,771
Ore milled per calendar day - tonnes	23,558	18,971
Grade % - copper	0.63	0.44
Grade g/t - gold	0.38	0.25
Recovery % - copper	79.1	59.2
Recovery % - gold	55.4	31.6
Copper – *000's pounds*	23,505	4,720
Gold – ounces	14,558	2,110
Silver – ounces	56,380	7,021

(1) Production from February 17 to March 31, 2015

During the March 2016 quarter several production parameter records were set, including:

- Daily crusher throughput (March 31) – 42,247 wet metric tonnes
- Daily filtered concentrate (March 19) – 831 dry metric tonnes
- Daily gold recovery (March 5) – 73.8%
- Monthly filtered concentrate (March) – 16,764 dry metric tonnes
- Monthly copper production (March) – 9,232,178 pounds
- Monthly gold production (March) – 6,474 ounces
- Monthly copper recovery (February) – 82.4%
- Monthly gold recovery (February) – 60.5%

Mining continued in both the Main and East zones with approximated 30% of mill feed for the quarter coming from the East zone.

Copper and gold recovery averaged 79.1% and 55.4% for the quarter, and were up about 7% and 32%, respectively, from the 73.7% copper recovery and 41.7% gold recovery achieved in the December 2015 quarter. Red Chris continues to work on increasing copper recovery.

Work is ongoing to obtain the permits required to build and operate the South dam at the tailings storage facility.

Exploration, development and capital expenditures were $6.9 million in the March 2016 quarter compared to $36.2 million in the 2015 comparative quarter. Included in this amount was capitalized interest of $nil in the March 2016 quarter compared to $11.4 million in the 2015 comparative quarter.

Mount Polley Mine

Mine operations at Mount Polley were restarted August 5, 2015 following receipt of permit amendments on July 5, 2015 which allowed recommencement of the mine using a modified operation plan that includes the use of the Springer pit to contain the tailings produced. A permit amendment has been revised to allow for storage of tailings from 5 million tonnes of milling.

Mount Polley produced 8.2 million pounds copper and 12,914 ounces gold in the March 2016 quarter compared to 5.1 million pounds copper and 10,430 ounces gold produced in the December 2015 quarter. Production in 2016 is dependent upon receipt of a permit to allow for return to full operations.

Mount Polley Production	Three Months Ended March 31, 2016
Ore milled - tonnes	1,709,148
Ore milled per calendar day - tonnes	18,782
Grade % - copper	0.31
Grade g/t - gold	0.33
Recovery % - copper	70.3
Recovery % - gold	71.5
Copper – *000's pounds*	8,179
Gold – ounces	12,914
Silver – ounces	35,031

Current mining is active in the Cariboo pit and the Boundary zone of the underground mine. Underground operations are targeted to deliver mill feed until the third quarter of 2016, and delivered 95,881 tonnes grading 1.73% copper and 1.10 g/t gold in the March 2016 quarter.

Exploration, development, and capital expenditures were $3.5 million in the March 2016 quarter compared to $8.2 million in the 2015 comparative quarter.

Huckleberry Mine

Huckleberry Mines Ltd. suspended pit operations at Huckleberry mine on January 6, 2016. The mine will continue milling stockpiles and work on the tailings storage facility into the summer of 2016, while copper prices are monitored. However, Huckleberry is expected to suspend all milling operations and enter care and maintenance this fall if copper prices do not increase.

*Huckleberry Production**	Three Months Ended March 31	
	2016	2015
Ore milled – tonnes	1,770,725	1,566,495
Ore milled per calendar day – tonnes	19,459	17,406
Grade % – copper	0.24	0.35
Recovery % – copper	87.7	88.9
Copper – *000's pounds*	8,277	10,627
Gold – ounces	781	816
Silver – ounces	38,806	53,972

*production stated 100% - Imperial's allocation is 50%

Huckleberry throughput in the March 2016 quarter averaged 19,459 tonnes per day and 8.3 million pounds copper were produced. Imperial's share of Huckleberry production was 4.1 million pounds copper. During the comparative quarter in 2015, 10.6 million pounds copper was produced as higher grade material was processed.

Sterling Mine

Sterling underground mining operations were terminated at the end of May 2015. Residual gold continues to be recovered from the heap.

The draft Environmental Assessment ("EA") for expanding operations at the Sterling mine to incorporate open-pit mining was submitted to the U.S. Bureau of Land Management ("BLM"). Following a review the BLM generated a "Findings of No Significant Impact" which underwent a 30 day public review period. Comments received by the BLM are being written into the document by the BLM for final approval.

One comment generated from the EA from the State of Nevada identified the need for the Sterling mine to obtain a Public Water Utility permit. Work has been initiated to obtain the required permit and it is estimated that the permit preparation will take about 6 weeks and approval of the permit will require an additional 6 weeks. This permit is required once there are 25 people on-site for more than 60 days per year. All other necessary permits for open pit mining are in-place and current.

An exploration program that includes soil sampling and geological mapping is being conducted in an area of favorable geology along the northern flank of Bare Mountain. Some staff and much of Sterling's underground mining equipment has been transferred to Mount Polley to assist in the underground mining of the Boundary zone. Exploration and development expenditures at Sterling were $0.1 million in the March 2016 quarter compared to $nil in the 2015 comparative quarter.

Liquidity and Financing

At March 31, 2016, the Company had cash of $11.4 million and a working capital deficiency of $173.9 million. At March 31, 2016, in accordance with the Company's relevant accounting policies under IFRS, $164.4 million of debt related to the senior credit facility due October 1, 2016 was classified as a current liability. Excluding the $164.4 million related to the senior credit facility results in an adjusted deficiency at March 31, 2016 of $9.5 million.

During the March 2016 quarter the Company completed two transactions to improve liquidity, including: (1) The Company sold US$20.0 million of the US$110.0 million cross currency swap for proceeds of $5.7 million; and (2) the Company refinanced some of its mobile equipment for gross proceeds of $7.5 million.

Furthermore, in May 2016 the Company extended the maturity date of the senior credit facility to March 15, 2018 and amended certain of its terms and conditions. Concurrently, the Company extended the maturity date of the second lien secured credit facility to August 15, 2018 and amended certain of its terms and conditions.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing, are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the tailing dam breach at Mount Polley. However, there are inherent risks related to mine operations 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 could have a material adverse impact on the Company's financial condition and results of operations and its ability to continue to operate as a going concern.

Outlook

Operations, Earnings and Cash Flow

The base and precious metals production targeted for 2016 from the Red Chris mine is 90-100 million pounds copper and 60-70 thousand ounces gold. Targets for production at the Mount Polley and Huckleberry mines have not been provided as Mount Polley requires additional permits to continue operations and Huckleberry is milling stockpiled lower grade material and continued operation is dependent on a copper price increase.

Derivative instruments for the period April to December 2016 will protect US$90.0 million or about 28% of the foreign exchange movement on the Company's US$325.0 million Notes. At March 30, 2016, the Company has not hedged any copper or gold. Quarterly revenues will fluctuate depending on copper and gold prices, the CDN/US Dollar exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

Exploration

Imperial has interests in various other early stage exploration properties located in Canada. However, the Company's focus is currently to minimize expenditures on other projects, and implement cost control initiatives on operations. Only minimum exploration work is being undertaken.

Development

At Red Chris, work continues to optimize the operation of our newest mine. Five concentrate shipments were made in the first quarter of 2016 – a new record. Copper recovery has improved and averaged 79.1% for the March 2016 quarter compared to 73.7% in the December 2015 quarter. Efforts to improve copper recovery continue. Copper and gold production in the month of March 2016 of 9.2 million pounds copper and 6,474 ounces gold set new monthly records.

Initial studies have indicated the mineralization below the current pit design has suitable geometry and anticipated rock conditions for a block cave design. A single lift of 500 metres will likely yield a production rate of over 50,000 tonnes per day. Further work is warranted on this deep, higher grade deposit.

At all the projects and our head office, cost reduction programs are underway. Reductions include price reductions from many of our vendors and salary cuts as we strive to do more for less. All three mines have signed on to participate in the power payment deferral plan announced recently by BC Hydro.

Mount Polley is working diligently to obtain the permits required to return to normal operations using the repaired and buttressed tailings storage facility. On July 5, 2015 we received permit amendments which allowed the restart of mining operations using the Springer pit to store tailings. An amendment to that restricted restart permit now allows for storage of tailings from up to five million tonnes of milling to be deposited in the Springer pit. Currently, milling operations are benefiting from the supply of higher grade tonnes from underground mining in the Boundary zone.

In response to lower copper prices, Huckleberry suspended open pit operations in January 2016, while continuing to mill stockpiles. Copper prices will be monitored, however Huckleberry is expected to suspend milling operations and enter care and maintenance this fall if copper prices do not increase.

Acquisitions

Management continues to evaluate potential acquisitions and exploration opportunities both on currently owned properties and new prospects.

/s/ J. Brian Kynoch
J. Brian Kynoch
President

Imperial Metals

Management's Discussion & Analysis

For the Three Months Ended March 31, 2016 and 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation ("Imperial", the "Company", "we", "us" or "our") should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2016 including the notes thereto ("the Interim Financial Statements"), as well as the audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2015. The Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting. The reporting currency of the Company is the Canadian ("CDN") Dollar.

FORWARD-LOOKING STATEMENTS AND RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the period ended March 31, 2016, and plans for the future based on facts and circumstances as of May 12, 2016. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking information which is prospective in nature and reflects the current views and/or expectations of Imperial. Often, but not always, forward-looking information can be identified by the use of statements such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this MD&A includes, without limitation, statements regarding: mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; future expenses and scope relating to timing of ongoing rehabilitation activities at the Mount Polley mine and the repair and strengthening of its tailings storage facility; use of proceeds from financings and credit facilities and discussions to extend the Company's senior credit facility; expectations relating to the operation of the Red Chris mine and costs associated therewith; adequacy of funds for projects and liabilities; expectations relating to the receipt of necessary regulatory permits, approvals or other consents, such as those required for full, unrestricted operations and use of the repaired and strengthened tailings storage facility at the Mount Polley mine, construction of the South dam at the Red Chris mine, and the construction and operation of a new open pit mine at the Sterling mine; outcome and impact of litigation; cash flow; working capital requirements; expectations relating to the requirement for additional capital; expectations relating to results of operations, production, revenue, margins and earnings; expectations relating to power reliability for the Red Chris mine over the long term; expectations related to the suspension of operations at the Huckleberry mine in the 2016 third quarter if copper prices remain low; estimations of the monthly payment deferral under the Payment Plan effective for the March 2016 electricity billings; future prices of copper and gold; future foreign currency exchange rates and impact; future accounting changes; and future prices for marketable securities.

Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including, but not limited to, assumptions that: the Company will be able to advance and complete remaining planned rehabilitation activities within expected timeframes; that there will be no significant delay or other material impact on the expected timeframes or costs for completion of rehabilitation of the Mount Polley mine and the recommencement of full, unrestricted operations at the mine with use of the repaired and strengthened tailings storage facility; that the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; that all required permits, approvals and arrangements to proceed with planned rehabilitation, current restricted operations, and the recommencement of full, unrestricted operations and use of the repaired and strengthened Mount Polley tailings storage facility will be obtained in a timely manner; that there will be no interruptions that will materially delay the Company's progress with its rehabilitation plans; that there will be no material operational or permitting delays at the Red Chris mine; that equipment will operate as expected; that there will not be significant power outages; that the Company's use of derivative instruments will enable the Company to achieve expected pricing protection; that there will be no material adverse change in the market price of commodities and exchange rates; and that the Red Chris mine will achieve expected production outcomes (including with respect to mined grades and mill recoveries); that Imperial will have access to capital as required and obtain an extension of its senior credit facility. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. We can give no assurance that the forward-looking information will prove to be accurate.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause Imperial's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements constituting forward-looking information.

Important risks that could cause Imperial's actual results, revenues, performance or achievements to differ materially from Imperial's expectations include, among other things: that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; that Imperial may be unable to extend its debt as it matures; risks relating to the timely receipt of necessary approvals and consents to proceed with construction of the South dam at the Red Chris mine; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan and various aspects of restricted operations and the recommencement of full, unrestricted operations and the use of the repaired and strengthened Mount Polley tailings storage facility; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the tailings dam breach; uncertainty as to actual timing of completion of rehabilitation activities and the recommencement of full, unrestricted commercial operations at the Mount Polley mine and use of the repaired and strengthened tailings storage facility; risks relating to the impact of the tailings dam breach on Imperial's reputation; the quantum of claims, fines and penalties that may become payable by Imperial and the risk that current sources of funds are insufficient to fund liabilities; risks that Imperial will be unsuccessful in defending against any legal claims or potential litigation; risks of protesting activity and other civil disobedience restricting access to the Company's properties; failure of plant, equipment or processes to operate in accordance with specifications or expectations; cost escalation, unavailability of materials and equipment, labour unrest, power outages or shortages, and natural phenomena such as drought or unusually wet weather conditions negatively impacting the operation of the Red Chris mine or the Mount Polley mine; changes in commodity and power prices; changes in market demand for our concentrate; inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources); and other hazards and risks disclosed within this Management's Discussion and Analysis for the March 2016 quarter and other public filings which are available on Imperial's profile at *sedar.com*. For the reasons set forth above, investors should not place undue reliance on forward-looking information. Imperial does not undertake to update any forward looking information, except in accordance with applicable securities laws.

SIGNIFICANT EVENTS AND LIQUIDITY

The Company's Interim Financial Statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course as they come due.

The August 4, 2014 tailings dam breach at the Mount Polley mine ("Mount Polley Breach") resulted in the loss of full production from the mine, which was the primary source of cash flow for the Company in 2014. The Mount Polley mine restarted operations on August 5, 2015 following receipt of permit amendments on July 5, 2015 and April 29, 2016 which allowed recommencement of the mine using a modified operation plan that includes the use of the Springer pit to contain the tailings produced. Mount Polley is working diligently to obtain the permits required to return to normal operations using the repaired and buttressed tailings storage facility.

In the March 2016 quarter the Company incurred $0.9 million for rehabilitation costs. To March 31, 2016 an aggregate of $66.2 million has been spent on rehabilitation of the Mount Polley Breach. Income and mining tax recoveries have also been recorded in connection with these 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 the current date and is subject to revision in the future as further information becomes available to the Company.

During the March 2016 quarter the Company completed a number of transactions to improve liquidity. These include the sale of US$20.0 million of the US$110.0 million cross currency swap for proceeds of $5.7 million, refinancing some of mobile equipment for proceeds of $7.5 million and entering into the electricity payment deferral plan with the British Columbia Hydro and Power Authority. In May 2016 the Company extended the maturity date of its $200.0 million senior credit facility to March 15, 2018. Concurrently, the Company extended the maturity date of its $50.0 million second lien credit facility to August 15, 2018.

At March 31, 2016, the Company had cash of $11.4 million and a working capital deficiency of $173.9 million. At March 31, 2016, in accordance with the Company's relevant accounting policies under IFRS, $164.4 million of debt related to the senior credit facility due October 1, 2016 has been classified as a current liability. Excluding the $164.4 million related to the senior credit facility results in an adjusted deficiency at March 31, 2016 of $9.5 million, a significant improvement from the adjusted deficiency of $31.9 million at December 31, 2015, comprised of a working capital deficiency of $198.0 million adjusted for the senior credit facility of $166.1 million.

On May 11, 2016, the Company announced it had extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount of the facility has not changed and remains at $200.0 million. Concurrently, the Company announced it had extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The amount for this facility has also not changed and remains at $50.0 million.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to the operations 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 could have a material adverse impact on the Company's financial condition and results of operations and ability to continue as a going concern.

OVERVIEW

Select Quarterly Financial Information

	Three Months Ended March 31	
expressed in thousands, except share and per share amounts	2016	2015
Total revenues	$136,785	$1,533
Net income (loss)	$17,729	$(33,384)
Net income (loss) per share	$0.22	$(0.45)
Diluted income (loss) per share	$0.22	$(0.45)
Adjusted net income (loss) (1)	$1,199	$(8,012)
Adjusted net income (loss) per share (1)	$0.01	$(0.11)
Adjusted EBITDA(1)	$45,875	$(6,145)
Working capital deficiency (2)	$173,918	$35,569
Total assets	$1,450,277	$1,394,389
Total long term debt (including current portion)	$863,712	$818,815
Cash dividends declared per common share	$0.00	$0.00
Cash flow (1)(3)	$49,425	$(6,061)
Cash flow per share (1)(3)	$0.60	$(0.08)

(1) Refer to table under heading *Non-IFRS Financial Measures* for further details.
(2) Defined as current assets less current liabilities. The March 31, 2016 amount includes $164,423 related to the senior credit facility that the Company extended in May 2016.
(3) "Cash flow" is defined as the cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid. "Cash flow per share" is defined as and Cash flow divided by the weighted average number of common shares outstanding during the year

Select Items Affecting Net Income (Loss) *(presented on an after-tax basis)*

expressed in thousands	Three Months Ended March 31	
	2016	2015
Net income (loss) before undernoted items	$10,510	$(2,950)
Interest expense	(12,240)	(1,973)
Foreign exchange gain (loss) on debt, net of gains on cross currency swaps	23,435	(25,596)
Idle mine costs	-	(3,019)
Gains on derivative instruments related to commodities	-	747
Share of loss in Huckleberry	(3,976)	(593)
Net income (loss)	$17,729	$(33,384)

Discussion and disclosure of the Company's 50% equity share of Huckleberry is confined to the headings *Huckleberry* and *Equity Income in Huckleberry*.

Revenues were $136.8 million in the March 2016 quarter compared to $1.5 million in the 2015 comparative quarter. The increase in revenue in the March 2016 quarter from the 2015 comparative quarter is due to inclusion of revenue from the Red Chris and Mount Polley mines in the March 2016 quarter as both mines were not in commercial operations during the March 2015 quarter. During the March 2015 quarter revenue was primarily from the sale of gold from the Sterling mine as the operations at Mount Polley mine were suspended due to the Mount Polley Breach and the Red Chris mine did not enter into commercial production until July 1, 2015. There were five concentrate shipments in the March 2016 quarter from the Red Chris mine (2015 – nil) and two concentrate shipments from the Mount Polley mine (2015 – nil). Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where the copper price will settle at a future date.

The London Metals Exchange cash settlement copper price per pound averaged US$2.12 in the March 2016 quarter compared to US$2.64 in the 2015 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,181 in the March 2016 quarter compared to US$1,219 in the 2015 comparative quarter. The CDN Dollar weakened by 9.7% compared to the US Dollar in the March 2016 quarter over the 2015 comparative quarter. In CDN Dollar terms the average copper price in the March 2016 quarter was CDN$2.92 per pound compared to CDN$3.28 per pound in the 2015 comparative quarter and the average gold price in the March 2016 quarter was CDN$1,624 per ounce compared to CDN$1,513 per ounce in the 2015 comparative quarter.

Revenue in the March 2016 quarter was increased by a $5.2 million positive revenue revaluation compared to a negative revenue revaluation of $0.1 million in the 2015 comparative quarter. Positive revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher than when the revenue was initially recorded or the copper price at the last balance sheet date and vice-versa for negative revenue revaluations.

In the March 2016 quarter the Company recorded income from mine operations of $20.3 million compared to a loss of $1.7 million in the 2015 comparative quarter. The increase in income from mine operations is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015.

Net income for the March 2016 quarter was $17.7 million ($0.22 per share) compared to a net loss of $33.4 million ($0.45 per share) in the 2015 comparative quarter. The increase in net income from the March 2015 quarter to the March 2016 quarter of $51.1 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of $1.7 million in March 2015 to income of $20.3 million in March 2016, an increase to net income of $22.0 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of $38.3 million in March 2015 to a gain of $30.7 million in March 2016, an increase to net income of $69.0 million.
- Interest expense went from $2.7 million in March 2015 to $16.4 million in March 2016, a decrease to net income of $13.7 million.
- Loss/gain on derivative instruments went from gains of $13.7 million in March 2015 to losses of $7.3 million in March 2016, a decrease to net income of $21.0 million.

The March 2016 quarter net income included a foreign exchange gain related to changes in CDN/US Dollar exchange rates of $30.5 million compared to a foreign exchange loss of $39.1 million in the 2015 comparative quarter. The $30.5 million foreign exchange gain is comprised of a $27.8 million gain on the senior notes, a $2.1 million gain on long term equipment loans, and a gain of $0.6 million on short-term debt and operational items. The average CDN/US Dollar exchange rate in the March 2016 quarter was 1.375 compared to an average of 1.241 in the 2015 comparative quarter.

In the March 2016 quarter the Company recorded net losses on derivative instruments of $7.3 million compared to net gains of $13.7 million in the 2015 comparative quarter. The $7.3 million loss in the March 2016 quarter the Company consisted of a $6.0 million realized gain on the foreign currency swaps including the sale of US$20.0 million of the US$110.0 million in cross currency swaps and a $13.3 million unrealized loss on the foreign currency swap due to an decrease in the CDN/US Dollar exchange rate compared to the exchange rate at the end of 2015. In the 2015 comparative quarter the $13.7 million gain consisted of a $12.7 million gain, primarily unrealized, on the foreign currency swaps and $1.0 million gain, primarily unrealized, for gold derivate instruments. During the March 2016 quarter the Company did not have any commodity derivative instruments.

The Company recorded a $4.0 million equity loss as its share of Huckleberry's net loss during the March 2016 quarter compared to a $0.6 million equity loss in the 2015 comparative quarter. Huckleberry had two shipments in the March 2016 quarter compared to one shipment in the 2015 comparative quarter.

The Company recorded pretax income of $20.7 million in the March 2016 quarter which resulted in a $3.0 million tax expense compared to a $3.2 million tax recovery in the 2015 comparative quarter when the Company had a pretax loss of $36.6 million.

Cash flow was $49.4 million in the March 2016 quarter compared to a negative cash flow of $6.1 million in the 2015 comparative quarter. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS. The Company believes Cash flow is useful to investors and it is one of the measures used by management to assess the financial performance of the Company.

Capital expenditures were $10.5 million in the March 2016 quarter, down from $44.7 million in the 2015 comparative quarter. During the March 2015 quarter capital expenditures were significantly higher than the March 2016 quarter as they included $11.4 million in capitalized interest and $22.0 million in capitalized preproduction operating costs related to the Red Chris mine. Capitalization of interest and preproduction costs related to Red Chris mine ceased on July 1, 2015 with the commencement of commercial production.

At March 31, 2016 the Company had $11.4 million in cash (December 31, 2015-$9.2 million). The Company had $6.7 million of short term debt outstanding at March 31, 2016 (December 31, 2015-$24.8 million) and $181.2 million of its debt is classified as current at March 31, 2016 (December 31, 2015-$182.0 million). At March 31, 2016, the current portion of debt includes $164.4 million related to the senior credit facility which was scheduled to mature on October 1, 2016 prior to the extension of this facility to March 15, 2018 subsequent to the period end.

NON-IFRS FINANCIAL MEASURES

The Company reports four non-IFRS financial measures: Adjusted net income, Adjusted EBITDA, Cash flow and Cash cost per pound of copper produced which are described in detail below. The Company believes these measures are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Adjusted net income, Adjusted EBITDA, and Cash flow are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) and cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, these measures may not be directly comparable to similarly titled measures used by other companies. Reconciliations are provided below.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share

Adjusted net income in the March 2016 quarter was $1.2 million ($0.01 per share) compared to an adjusted net loss of $8.0 million ($0.11 per share) in the 2015 comparative quarter. Adjusted net income or loss shows the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net income or loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments not related to the current period, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax, as further detailed in the following table.

Calculation of Adjusted Net Income (Loss)

expressed in thousands, except share and per share amounts

	Three Months Ended March 31	
	2016	2015
Net income (loss) reported	$17,729	$(33,384)
Unrealized loss (gain) on derivative instruments, net of tax [(a)]	11,613	(11,296)
Unrealized foreign exchange (gain) loss on non-current debt, net of tax [(b)]	(28,143)	36,668
Adjusted net income (loss)	$1,199	$(8,012)
Basic weighted average number of common shares outstanding	81,761,028	74,968,768
Adjusted net income (loss) per share	$0.01	$(0.11)

(a) Derivative financial instruments are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes, including the Company`s 50% share of derivative instruments of Huckleberry flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper, gold and foreign currency hedged.
(b) Non-current debt is recorded on the Company's Statement of Financial Position at the foreign exchange rate in effect on that date, with changes in foreign exchange rates, net of taxes, flowing through net income. The amounts of non-current debt ultimately payable may be materially different than reflected in the financial statements due to foreign currency movements. Tax recoveries on unrealized capital losses are recorded only to the extent that they are expected to be realized by offset against available capital gains.

Adjusted EBITDA

Adjusted EBITDA in the March 2016 quarter was $45.9 million compared to negative $6.1 million in the 2015 comparative quarter. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion and depreciation, and as adjusted for the other items described in the reconciliation table below.

Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash or unusual items that we do not expect to continue at the same level in the future, or other items that we do not believe to be reflective of our ongoing operating performance. We further believe that our presentation of this non-IFRS financial measure provides information that is useful to investors because it is an important indicator of our operations and the performance of our core business.

Adjusted EBITDA is not a measurement of operating performance or liquidity under IFRS and should not be considered as a substitute for earnings from operations, net income or cash generated by operating activities computed in accordance with IFRS. Adjusted EBITDA has limitations as an analytical tool and therefore Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

A reconciliation of net (loss) income to Adjusted EBITDA is as follows:

expressed in thousands	Three Months Ended March 31	
	2016	2015
Net income (loss) [(a)]	$17,729	$(33,384)
Adjustments:		
Income and mining tax expense (recovery)	2,999	(3,218)
Interest expense	16,540	2,666
Depletion and depreciation	24,759	1,577
Accretion of future site reclamation provisions	231	211
Unrealized losses (gains) on derivative instruments	13,348	(13,083)
Share based compensation	748	106
Foreign exchange (gains) losses	(30,504)	39,138
Revaluation (gains) losses on marketable securities	(20)	49
Losses (gains) on sale of mineral properties	45	(207)
Adjusted EBITDA [(a)]	$45,875	$(6,145)

(a) Net income and Adjusted EBITDA includes our 50% portion of the net income (loss) from Huckleberry in accordance with IFRS11. However, we are not able to control the timing and amount, if any, of cash distributions that Huckleberry may make to Imperial.

Cash Flow and Cash Flow Per Share

Cash flow in the March 2016 quarter was $49.4 million compared to negative $6.1 million in 2015 comparative quarter. Cash flow per share was $0.60 in the March 2016 quarter compared to negative $0.08 in 2015 comparative quarter.

Cash flow and Cash flow per share are measures used by the Company to evaluate its performance however they are not terms recognized under IFRS. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes, and interest paid and cash flow per share is the same measure divided by the weighted average number of common shares outstanding during the year.

The calculation of cash flow and cash flow per share is as follows:

expressed in thousands, except per share and per share amounts	Three Months Ended March 31	
	2016	2015
Income (loss) before taxes	$20,728	$(36,602)
Items not affecting cash flows		
Equity loss in Huckleberry	3,976	593
Depletion and depreciation	24,759	1,577
Share based compensation	748	106
Accretion of future site reclamation provisions	231	211
Unrealized foreign exchange (gains) losses	(30,929)	38,628
Unrealized losses (gains) on derivative instruments	13,348	(13,083)
Interest expense	16,540	2,666
Other	24	(157)
Cash flow	$49,425	$(6,061)
Basic weighted average number of common shares outstanding	81,761,028	74,968,768
Cash flow per share	$0.60	$(0.08)

Cash Cost Per Pound of Copper Produced

The cash cost per pound of copper produced is a non-IFRS financial measure that does not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses this non-IFRS financial measure to monitor operating costs and profitability. The Company is primarily a copper producer and therefore calculates this non-IFRS financial measure individually for its three copper producing mines, Red Chris, Mount Polley and Huckleberry, and on a composite basis for these mines.

The cash cost per pound of copper produced is derived from the sum of cash production costs, transportation and offsite costs, treatment and refining costs, royalties, net of by-product and other revenues, divided by the number of pounds of copper produced during the period.

Cash costs of production include direct labour, operating materials and supplies, equipment and mill costs, and applicable overhead. Offsite costs include transportation, warehousing, marketing, and related insurance. Treatment and refining costs are costs for smelting and refining concentrate.

Treatment and refining costs applicable to the concentrate produced during the period are calculated in accordance with the contracts the Company has with its customers.

By-product and other revenues represent (i) revenue calculated based on average metal prices for by-products produced during the period based on contained metal in the concentrate; and (ii) other revenues as recorded during the period.

Cost of sales, as reported on the consolidated statement of comprehensive income, includes depletion and depreciation and share based compensation, non-cash items. These items, along with management fees charged by the Company to Huckleberry, are removed from cash costs. The resulting cash costs are different than the cost of production because of changes in inventory levels and therefore inventory and related transportation and offsite costs are adjusted from a cost of sales basis to a production basis. The cash costs for copper produced are converted to US$ using the average US$ to CDN$ exchange rate for the period divided by the pounds of copper produced to obtain the cash cost per pound of copper produced in US$.

Variations from period to period in the cash cost per pound of copper produced are the result of many factors including: grade, metal recoveries, amount of stripping charged to operations, mine and mill operating conditions, labour and other cost inputs, transportation and warehousing costs, treatment and refining costs, the amount of by-product and other revenues, the US$ to CDN$ exchange rate and the amount of copper produced. Idle mine costs during the periods when the Mount Polley and Huckleberry mines were not in operation have been excluded from the cash cost per pound of copper produced.

The following tables reconcile cost of sales as shown on the consolidated statement of comprehensive income to the cash cost per pound of copper produced in US Dollars for the three months ended March 31, 2016 and 2015.

Calculation of Cash Cost Per Pound of Copper Produced

expressed in thousands, except cash cost per pound of copper produced

	Three Months Ended March 31, 2016						
	Huckleberry		Red	Mount	Sterling &	Total per Financial	
	100%	50%	Chris	Polley	Corporate	Statements	Composite
		A	B	C			D=A+B+C
Cost of sales	$36,351	$18,176	$68,191	$47,574	$672	$116,437	$133,941
Less:							
Depletion and depreciation	(8,299)	(4,150)	(14,383)	(10,060)	(136)	(24,579)	(28,593)
Share based compensation	-	-	(187)	(102)	-	(289)	(289)
Management fees paid by Huckleberry*	(149)	(75)	-	-	-	-	(75)
Cash costs before adjustment to production basis	27,903	13,951	53,621	37,412	$536	$91,569	104,984
Adjust for inventory change	(9,503)	(4,752)	(7,118)	(7,217)			(19,087)
Adjust transportation and offsite costs	(86)	(43)	(514)	(397)			(954)
Treatment, refining and royalty costs	3,839	1,920	9,538	3,282			14,740
By-product and other revenues	(2,060)	(1,030)	(23,494)	(21,090)			(45,614)
Cash cost of copper produced in Cdn$	$20,093	$10,046	$32,033	$11,990			$54,069
US$ to Cdn$ exchange rate	*1.3750*	*1.3750*	*1.3750*	*1.3750*			*1.3750*
Cash cost of copper produced in US$	$14,613	$7,306	$23,297	$8,720			$39,323
Copper produced – lbs	*8,277*	*4,139*	*23,505*	*8,179*			*35,823*
Cash cost per lb copper produced in US$	$1.77	$1.77	$0.99	$1.07			$1.10

** Management fee paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry.*

Calculation of Cash Cost Per Pound of Copper Produced

expressed in thousands, except cash cost per pound of copper produced

	Three Months Ended March 31, 2015						
	Huckleberry		Red	Mount	Sterling &	Total per Financial	
	100%	50%	Chris	Polley	Corporate	Statements	Composite
		A	B	C			D=A+B+C
Cost of sales	$16,477	$8,239	$ -	$ -	$3,246	$3,246	$8,239
Less:							
Depletion and depreciation	(2,836)	(1,418)	-	-	(173)	(173)	(1,418)
Share based compensation	-	-	-	-	-	-	-
Management fees paid by Huckleberry*	(149)	(75)	-	-	-	-	(75)
Cash costs before adjustment to production basis	13,492	6,746	-	-	$3,073	$3,073	6,746
Adjust for inventory change	8,439	4,219	-	-			4,219
Adjust transportation and offsite costs	1,269	634	-	-			634
Treatment, refining and royalty costs	4,068	2,034	-	-			2,034
By-product and other revenues	(2,355)	(1,177)	-	-			(1,177)
Cash cost of copper produced in Cdn$	$24,913	$12,456	-	-			$12,456
US$ to Cdn$ exchange rate	*1.2412*	*1.2412*	-	-			*1.2412*
Cash cost of copper produced in US$	$20,072	$10,035	-	-			$10,035
Copper produced – lbs	*10,627*	*5,314*	-	-			*5,314*
Cash cost per lb copper produced in US$	$1.89	$1.89	-	-			$1.89

** Management fee paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry.*

DEVELOPMENTS DURING THE MARCH 2016 QUARTER

General

The London Metals Exchange cash settlement copper price per pound averaged US$2.12 (CDN$2.92) in the March 2016 quarter compared to US$2.64 (CDN$3.28) in the 2015 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,181 (CDN$1,624) in the March 2016 quarter compared to US$1,219 (CDN$1,513) in the 2015 comparative quarter. The CDN Dollar weakened by 9.7% compared to the US Dollar in the March 2016 quarter compared to the 2015 comparative quarter.

Red Chris Mine

Metal production for the March 2016 quarter was 23.5 million pounds copper and 14,558 ounces gold setting records for both copper and gold production. This compared to 20.4 million pounds copper and 10,025 ounces gold produced in the December 2015 quarter. The target production for the 2016 year is 90-100 million pounds copper and 60-70 thousand ounces gold.

Red Chris Production	Three Months Ended March 31	
	2016	2015(1)
Ore milled - tonnes	2,143,797	815,771
Ore milled per calendar day - tonnes	23,558	18,971
Grade % - copper	0.63	0.44
Grade g/t - gold	0.38	0.25
Recovery % - copper	79.1	59.2
Recovery % - gold	55.4	31.6
Copper – *000's pounds*	23,505	4,720
Gold – ounces	14,558	2,110
Silver – ounces	56,380	7,021

(1) Production from February 17 to March 31, 2015

During the March 2016 quarter several production parameter records were set, including:

- Daily crusher throughput (March 31) – 42,247 wet metric tonnes
- Daily filtered concentrate (March 19) – 831 dry metric tonnes
- Daily gold recovery (March 5) – 73.8%
- Monthly filtered concentrate (March) – 16,764 dry metric tonnes
- Monthly copper production (March) – 9,232,178 pounds
- Monthly gold production (March) – 6,474 ounces
- Monthly copper recovery (February) – 82.4%
- Monthly gold recovery (February) – 60.5%

Mining continued in both the Main and East zones with approximated 30% of mill feed for the quarter coming from the East zone.

Copper and gold recovery averaged 79.1% and 55.4% for the quarter, and were up about 7% and 32%, respectively, from the 73.7% copper recovery and 41.7% gold recovery achieved in the December 2015 quarter. Red Chris continues to work on increasing copper recovery.

Work is ongoing to obtain the permits required to build and operate the South dam at the tailings storage facility.

Exploration, development and capital expenditures were $6.9 million in the March 2016 quarter compared to $36.2 million in the 2015 comparative quarter. Included in this amount was capitalized interest of $nil in the March 2016 quarter compared to $11.4 million in the 2015 comparative quarter.

Mount Polley Mine

Mine operations at Mount Polley were restarted August 5, 2015 following receipt of permit amendments on July 5, 2015 which allowed recommencement of the mine using a modified operation plan that includes the use of the Springer pit to contain the tailings produced. A permit amendment has been revised to allow for the storage of tailings from 5 million tonnes of milling. Permitting work continues on a permit that would allow for a return to normal operations, and resume using the repaired and buttressed tailing storage facility.

Mount Polley produced 8.2 million pounds copper and 12,914 ounces gold in the March 2016 quarter compared to 5.1 million pounds copper and 10,430 ounces gold produced in the December 2015 quarter. Production in 2016 is dependent upon receipt of a permit to allow for return to full operations.

Mount Polley Production	Three Months Ended March 31, 2016
Ore milled - tonnes	1,709,148
Ore milled per calendar day - tonnes	18,782
Grade % - copper	0.31
Grade g/t - gold	0.33
Recovery % - copper	70.3
Recovery % - gold	71.5
Copper – *000's pounds*	8,179
Gold – ounces	12,914
Silver – ounces	35,031

Current mining is active in the Cariboo pit and the Boundary zone of the underground mine. Underground operations are targeted to deliver mill feed until the third quarter of 2016, and delivered 95,881 tonnes grading 1.73% copper and 1.10 g/t gold in the March 2016 quarter.

Exploration, development, and capital expenditures were $3.5 million in the March 2016 quarter compared to $8.2 million in the 2015 comparative quarter.

Huckleberry Mine

Huckleberry Mines Ltd. suspended pit operations at Huckleberry mine on January 6, 2016. The mine will continue milling stockpiles and work on the tailings storage facility into the summer of 2016, while copper prices are monitored. However, Huckleberry is expected to suspend all milling operations and enter care and maintenance this fall if copper prices do not increase.

*Huckleberry Production**	Three Months Ended March 31	
	2016	2015
Ore milled – tonnes	1,770,725	1,566,495
Ore milled per calendar day – tonnes	19,459	17,406
Grade % – copper	0.24	0.35
Recovery % – copper	87.7	88.9
Copper – *000's pounds*	8,277	10,627
Gold – ounces	781	816
Silver – ounces	38,806	53,972

*production stated 100% - Imperial's allocation is 50%

Huckleberry throughput in the March 2016 quarter averaged 19,459 tonnes per day and 8.3 million pounds copper were produced. Imperial's share of Huckleberry production was 4.1 million pounds copper. During the comparative quarter in 2015, 10.6 million pounds copper was produced as higher grade material was processed.

Sterling Mine

Sterling underground mining operations were terminated at the end of May 2015. Residual gold continues to be recovered from the heap.

The draft Environmental Assessment ("EA") for expanding operations at the Sterling mine to incorporate open-pit mining was submitted to the U.S. Bureau of Land Management ("BLM"). Following a review the BLM generated a "Findings of No Significant Impact" which underwent a 30 day public review period. Comments received by the BLM are being written into the document by the BLM for final approval.

One comment generated from the EA from the State of Nevada identified the need for the Sterling mine to obtain a Public Water Utility permit. Work has been initiated to obtain the required permit and it is estimated that the permit preparation will take about 6 weeks and approval of the permit will require an additional 6 weeks. This permit is required once there are 25 people on-site for more than 60 days per year. All other necessary permits for open pit mining are in-place and current.

An exploration program that includes soil sampling and geological mapping is being conducted in an area of favorable geology along the northern flank of Bare Mountain. Some staff and much of Sterling's underground mining equipment has been transferred to Mount Polley to assist in the underground mining of the Boundary zone. Exploration and development expenditures at Sterling were $0.1 million in the March 2016 quarter compared to $nil in the 2015 comparative quarter.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2015

This review of the results of operations should be read in conjunction with the Interim Financial Statements of the Company for the three months ended March 31, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015.

Overview

Revenues increased to $136.8 million in the March 2016 quarter compared to $1.5 million in the 2015 comparative quarter. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rates, and period end revaluations of revenue attributed to concentrate shipments where copper and gold prices will settle at a future date.

The Company had income from mine operations of $20.3 million in the March 2016 quarter compared to a loss of $1.7 million in the 2015 comparative quarter. The increase in income from mine operations is related to the restart of operations at the Mount Polley mine on August 5, 2015 and the start of commercial production at the Red Chris mine on July 1, 2015.

Net income for the March 2016 quarter was $17.7 million ($0.22 per share) compared to a net loss of $33.4 million ($0.45 per share) in the 2015 comparative quarter. The increase in net income from the March 2015 quarter to the March 2016 quarter of $51.1 million was primarily due to the following factors:

- Income/loss from mine operations went from a loss of $1.7 million in March 2015 to income of $20.3 million in March 2016, an increase to net income of $22.0 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of $38.3 million in March 2015 to a gain of $30.7 million in March 2016, an increase to net income of $69.0 million.
- Interest expense went from $2.7 million in March 2015 to $16.4 million in March 2016, a decrease to net income of $13.7 million.
- Loss/gain on derivative instruments went from gains of $13.7 million in March 2015 to losses of $7.3 million in March 2016, a decrease to net income of $21.0 million.

Revenue

expressed in thousands of dollars, except quantity amounts	Three Months Ended March 31 2016	2015
Revenue before revaluation	$131,563	$1,626
Revenue revaluation	5,222	(93)
	$136,785	$1,533

expressed in thousands of dollars, except quantity amounts	Three Months Ended March 31, 2016			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
Sales				
Copper – *000's pounds*	25,512	9,435	-	34,947
Gold – *ounces*	15,073	16,868	109	32,050
Silver – *ounces*	57,516	33,084	-	90,600
Revenue				
Copper	$61,807	$23,204	$ -	$85,011
Gold	22,220	27,831	175	50,226
Silver	834	565	-	1,399
	84,861	51,600	175	136,636
Corporate				149
Total Revenue	$84,861	$51,600	$175	$136,785

expressed in thousands of dollars, except quantity amounts	Three Months Ended March 31, 2015			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
Sales				
Copper – *000's pounds*	-	-	-	-
Gold – *ounces*	-	-	954	954
Silver – *ounces*	-	-	-	-
Revenue				
Copper	$ -	$(93)	$ -	$(93)
Gold	-	-	1,335	1,335
Silver	-	-	-	-
	-	(93)	1,335	1,242
Corporate				291
Total Revenue	$ -	$(93)	$1,335	$1,533

During the March 2016 quarter the Company sold 34.9 million pounds copper and 32,050 ounces gold compared to 954 ounces gold in the 2015 comparative quarter. Total revenues during the March 2016 quarter were $136.8 million compared to $1.5 million during the 2015 comparative quarter. There were five concentrate shipments in the March 2016 quarter from the Red Chris mine (2015 – nil) and two concentrate shipments from the Mount Polley mine (2015 – nil).

During the March 2016 quarter the Company's revenue was derived primarily from the sale of copper and gold in concentrate from the Red Chris and Mount Polley mines. The Red Chris mine accounted for 62.0% and Mount Polley mine accounted for 37.7% of the Company's revenue in the period. Copper accounted for 62.1% and gold accounted for 36.7% of the Company's revenue in the period. During the March 2015 comparative quarter revenue was primarily from the sale of gold from the Sterling mine as operations at Mount Polley mine were suspended due to the Mount Polley Breach and Red Chris mine had not entered into commercial production and therefore did not record any revenues during the period.

In US Dollars, the average London Metals Exchange cash settlement copper price was about 24.5% lower in the March 2016 quarter than in the 2015 comparative quarter, averaging US$2.12 per pound compared to US$2.64 per pound. The US Dollar strengthened by 9.7% compared to the CDN Dollar in the March 2016 quarter than in the 2015 comparative quarter. Factoring in the average exchange rate, the price of copper averaged CDN$2.92 per pound in the March 2016 quarter compared to the 2015 comparative quarter average of CDN$3.28 per pound. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,181 in the March 2016 quarter compared to US$1,219 in the 2015 comparative quarter. Factoring in the average exchange rate, the price of gold averaged CDN$1,624 per ounce in the March 2016 quarter about 6.8% higher than the 2015 comparative quarter average of CDN$1,513 per ounce.

Cost of Sales

expressed in thousands of dollars	Three Months Ended March 31	
	2016	2015
Operating expenses	$66,208	$1,644
Salaries, wages and benefits	25,361	1,429
Depletion and depreciation	24,579	173
Share based compensation	289	-
	$116,437	$3,246

Cost of sales for the March 2016 quarter reflects operations at the Red Chris, Mount Polley and Sterling mines. Also included in cost of sales are inventory impairments to net realizable value of $2.6 million. Cost of sales for the 2015 comparative quarter primarily reflect operations at the Sterling mine and included inventory impairments to net realizable value of $1.9 million.

General and Administration Costs

expressed in thousands of dollars	Three Months Ended March 31	
	2016	2015
Administration	$1,417	$1,251
Share based compensation - corporate	459	49
Depreciation – corporate assets	180	179
Foreign exchange loss – operations (excluding debt)	238	807
	$2,294	$2,286

General and administration costs were $2.3 million in the March 2016 and March 2015 quarters. Administration costs increased in 2016 primarily as a result of higher staff costs; share based compensation costs increased in 2016 as a result of options that were granted in December 2015; and foreign exchange losses on operational items denominated in US dollars were lower in 2016 compared to 2015.

The average CDN/US Dollar exchange rate for the March 2016 quarter was 1.375 compared to 1.241 in the 2015 comparative quarter. Foreign exchange losses are attributable to holding US Dollar denominated cash, accounts receivable, and accounts payable. These net US Dollar asset and liability balances are primarily the result of the activities at the Red Chris and Mount Polley mines.

Finance Income (Costs)

expressed in thousands of dollars	Three Months Ended March 31	
	2016	2015
(Loss) gain on derivative instruments	$(7,307)	$13,695
Interest expense	(16,540)	(2,666)
Foreign exchange gain (loss) on short term and non-current debt	30,742	(38,331)
Other	(200)	(224)
	$6,695	$(27,526)

The inclusion of gains and losses on derivative instruments results in large variances in finance costs. The Company does not apply hedge accounting for its derivative instruments and therefore marks to market the value of all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous periods, due to changes in copper and gold price and foreign exchange rate, resulted in a loss of $7.3 million during the March 2016 quarter compared to a gain of $13.7 million in the 2015 comparative quarter. The ultimate gain or loss on any outstanding contracts will be determined by foreign exchange rates in the periods when these contracts settle.

Interest expense increased to $16.5 million in the March 2016 quarter from $2.7 million in the 2015 comparative quarter. Interest expense was $13.8 million higher in 2016 compared to 2015. This increase was primarily due to two factors: During the March 2015 quarter $11.4 million in interest was capitalized to construction in progress as part of the construction of the Red Chris mine; and, the amount of non-current debt has increased to $863.7 million as at March 31, 2016 compared to $818.8 million as at March 31, 2015.

At March 31, 2016 the Company had US Dollar denominated debt of US$348.8 million compared to US$363.8 million at December 31, 2015. Foreign exchange gains and losses attributable to US denominated short and non-current debt reflect the foreign currency movement during the three months ended March 31, 2016 and resulted in a $27.8 million gain on the senior notes, $2.1 million gain on long term equipment loans and a $0.9 million gain on short term debt.

The change in the CDN Dollar to US Dollar exchange rate during the March 2016 quarter resulted in total foreign exchange gains of $30.5 million compared to total foreign exchange losses of $39.1 million in the 2015 comparative quarter.

Equity Income in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was a loss of $4.0 million for the March 2016 quarter compared to a loss of $0.6 million in the 2015 comparative quarter. The increase in loss was primarily attributable to a combination of lower metals prices and a $6.6 million provision to reduce stockpile inventory to net realizable value.

stated 100% - Imperial's equity share is 50% expressed in thousands of dollars, except quantity amounts	Three Months Ended March 31 2016	 2015
Copper – *000's pounds sold*	*8,703*	*5,762*
Gold – *ounces sold*	*716*	*442*
Silver – *ounces* sold	*41,885*	*26,300*
Revenue before revaluations	$23,784	$17,299
Revenue revaluation	1,113	(2,551)
	24,897	14,748
Cost of sales	(36,351)	(16,477)
Loss from mine operations	(11,454)	(1,729)
Other	(1,158)	429
Loss before taxes	(12,612)	(1,300)
Income and mining tax recovery	4,660	115
Net loss	$(7,952)	$(1,185)

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 2015.

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

Effective March 31, 2016 the Company was in full compliance with all financial covenants under its debt agreements after giving effect to the covenant amendments on the senior credit facility and the second lien credit facility.

LIQUIDITY & CAPITAL RESOURCES

At March 31, 2016, the Company had cash of $11.4 million and a working capital deficiency of $173.9 million. At March 31, 2016, in accordance with the Company's relevant accounting policies under IFRS, $164.4 million of debt related to the senior credit facility due October 1, 2016, was classified as a current liability. Excluding the $164.4 million related to the senior credit facility results in an adjusted deficiency at March 31, 2016 of $9.5 million, a significant improvement from the adjusted deficiency of $31.9 million at December 31, 2015, comprised of a working capital deficiency of $198.0 million adjusted for the senior credit facility of $166.1 million.

During the March 2016 quarter the Company completed a number of transactions to improve liquidity. These include the sale of US$20.0 million of the US$110.0 million cross currency swap for proceeds of $5.7 million, refinancing some of mobile equipment for proceeds of $7.5 million and entering into the electricity payment deferral plan with the British Columbia Hydro and Power Authority.

Furthermore, in May 2016 the Company extended the maturity date of the senior credit facility from October 1, 2016 to March 15, 2018 and amended certain of its terms and conditions of the facility. Concurrently, the Company extended the maturity date of the second lien secured credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions.

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing, are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the Mount Polley Breach. However, there are inherent risks related to mine operations 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 could have a material adverse impact on the Company's financial condition and results of operations and its ability to continue to operate as a going concern.

Credit Risk

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

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

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

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 the necessary cash to meet projected cash requirements.

At March 31, 2016 the Company's primary sources of credit are the long term financing arrangements comprised of a $200.0 million senior credit facility, a $50.0 million second lien credit facility, US$325.0 million senior unsecured notes, $145.0 million face value of unsecured convertible debentures, a $75.0 million unsecured junior credit facility, and $42.7 million in secured equipment loans.

The Company holds investments in Huckleberry, mineral property holdings and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long term strategic holdings, or are only convertible to cash over a longer time horizon. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity. The Company also holds derivative instruments which can readily be converted to cash depending on management's assessment of the fair value of the instruments versus the long term strategic value of the instruments. The Company does not hold any Master Asset Vehicle Notes.

The Company's overall liquidity risk continues to decrease with factors that have both decreased and increased liquidity risk relative to 2015. Increased operational cash flow from the Red Chris mine and the extension of the maturity dates and revisions to the terms and conditions of the senior credit facility and the second lien credit facility are factors that have decreased overall liquidity risk. The uncertainty of the timing and receipt of permits to continue operations utilizing the tailings storage facilities at each site are a continuing liquidity risk.

Average copper prices in CDN dollar terms have not changed significantly since late 2015 and therefore this factor continues to impact liquidity risk. However, the benefit of the electricity payment deferral plan that the Company's operating mines have entered into with British Columbia Hydro and Power Authority in late March 2016 will mitigate cash needs related to this large input cost during periods of low copper prices. At March 31, 2016 trade and other payables included $1.8 million related to the electricity payment deferral plan.

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 as described in the *Credit Risk* section previously.

The Company had the following contractual obligations with respect to financial instruments as of March 31, 2016:

expressed in thousands of dollars	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Trade and other payables	$73,954	$ -	$ -	$ -	$73,954
Short term debt	23,200	-	-	-	23,200
Non-current debt*	177,377	151,356	540,336	30,000	899,069
	$274,531	$151,356	$540,336	$30,000	$996,223

*Amounts shown are gross obligations at maturity date.

Liquidity and Working Capital Enhancements

Electricity Payment Deferral Plan

In January 2016 the Government of British Columbia announced that it would provide assistance to copper and coal mines during the current low commodity price environment. The mechanism for this assistance was completed in March 2016 when the British Columbia Hydro and Power Authority ("BC Hydro") received approval from the British Columbia Utilities Commission for a tariff supplement that allows a mining customer to defer payment on up to 75% of the monthly electricity billing (the "Payment Plan") depending on the average London Metals Exchange ("LME") 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 payment amounts is charged and added to the deferred payment balance at Bank Prime Rate plus 5%, except for the Huckleberry mine, which has a fixed interest rate of 12%.

The Payment Plan 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 balance under the Payment Plan is due at the end of the five year term.

Joining the Payment Plan is optional. In March 2016 the Red Chris, Mount Polley and Huckleberry mines joined the Payment Plan with the resulting payment deferral being effective for the March 2016 electricity billings which are due for payment in April 2016. At the maximum discount of 75% the estimated monthly payment deferral would be approximately $1.8 million.

Joining the Payment Plan does not change mine operating costs and increases interest expense, however, it does provide the Company with increased liquidity when copper prices are below CDN$3.40 per pound.

Cost Reduction Measures

The Company reviews its operating input costs on an ongoing basis. While lower commodity prices reduce the Company's revenues they also reduce the Company's operating costs. These operating costs savings are realized in the form of diesel and other petroleum based products including explosives as well as in grinding media which benefit from lower steel costs. Certain of the Company and its subsidiaries employees and directors took pay reductions in late 2015 and pay reductions for other employees are under consideration.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables, derivative instrument liabilities, 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 March 2016 quarter would have been higher/lower by $37.2 million.

Cash Flow

Cash flow was $49.4 million in the March 2016 quarter compared to a negative cash flow of $6.1 million in the 2015 comparative quarter.

Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS and may not be comparable to similar measures used by other companies. Cash flow is defined as cash flow from operations before the net change in working capital balances, income and mining taxes, and interest paid. Refer to *Cash Flow and Cash Flow per share* under *Non-IFRS financial measures* for further details.

Working Capital

At March 31, 2016 the Company had a working capital deficiency, defined as current assets less current liabilities, of $173.9 million, an increase of $138.3 million from a working capital deficiency of $35.6 million at March 31, 2015. The working capital deficiency at March 31, 2016 includes $164.4 million of debt related to the senior credit facility due October 1, 2016 which has been classified as a current liability. Subsequent to March 31, 2016 the Company extended the senior credit facility to 2018. Excluding the $164.4 million related to the senior credit facility results in an adjusted deficiency at March 31, 2016 of $9.5 million which is a decrease of $26.1 million compared to March 31, 2015.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totaled $10.5 million in the March 2016 quarter compared to $44.7 million in the 2015 comparative quarter.

expressed in thousands of dollars	Three Months Ended March 31	
	2016	2015
Capital and Development Expenditures		
Red Chris (including capitalized interest of $nil (2015-$11,437))	$6,905	$36,221
Mount Polley	3,495	8,235
Sterling	-	27
Other	-	-
	10,400	44,483
Exploration Expenditures		
Red Chris	5	3
Mount Polley	17	-
Sterling	18	-
Other	28	185
	68	188
	$10,468	$44,671

The reduction in capital expenditures in the March 2016 quarter compared to 2015 comparative quarter was primarily due to the Red Chris mine being in operations during the 2016 period. During the 2015 period the Red Chris mine was in the commissioning stage.

DERIVATIVE INSTRUMENTS

In the March 2016 quarter the Company recorded net losses on derivative instruments of $7.3 million compared to net gains of $13.7 million in the 2015 comparative quarter. The $7.3 million loss in the March 2016 quarter the Company consisted of a $6.0 million realized gain on the foreign currency swaps and a $13.3 million unrealized loss on the foreign currency swaps. In the 2015 comparative quarter the $13.7 million gain consisted of a $12.7 million gain, primarily unrealized, on the foreign currency swaps and $1.0 million gain, primarily unrealized, for gold derivate instruments. The gains or losses in derivative instruments result from the mark to market valuation of the instruments based on changes, depending on the instrument, in the price of copper and gold and movements in the CDN/US exchange rate.

The Company has not applied hedge accounting for its derivative instruments and therefore records changes in the unrealized gains or losses on these contracts at fair value on each statement of financial position date, with the adjustment resulting from the revaluation being charged to the statement of income as a gain or loss.

The Company has utilized a variety of derivative instruments including the purchase of puts, forward sales, currency swaps and the use of min/max zero cost collars. The Company's income or loss from derivative instruments may be very volatile from period to period as a result of changes in the copper and gold prices and CDN/US exchange rates compared to the copper and gold prices and CDN/US exchange rate at the time when these contracts were entered into or the latest balance sheet date and the type and length of time to maturity of the contracts.

The Company had no derivative instruments for copper or gold at March 31, 2016 or at the date of this document.

In the March 2014 quarter the Company entered into a cross currency swap to lock in the foreign exchange rate on US$110.0 million of the US$325.0 million senior unsecured notes (the "Notes") principal amount and related interest over the five year term of the Notes. The foreign exchange rate was fixed at 1.1113 CDN Dollar for each US Dollar. During the March 2016 quarter the Company sold US$20.0 million of the cross currency swap for proceeds of $5.7 million. Based on the March 31, 2016 CDN/US Dollar exchange rate the Company had an unrealized gain of $17.3 million on the derivative instruments related to the swap.

Future changes in the CDN/US Dollar exchange rate could have a material impact on the valuation of the cross currency swap however this gain or loss will be more than offset by the foreign exchange gain or loss on the Notes.

DEBT AND OTHER OBLIGATIONS

Non-current debt

At March 31, 2016 the Company's non-current debt was comprised of the following:

- A secured revolving senior credit facility of $200.0 million
- A secured revolving second lien credit facility of $50.0 million
- An unsecured junior credit facility of $75.0 million
- Senior unsecured notes of US$325.0 million
- Convertible debentures with a face value of $145.0 million
- A variety of equipment loans denominated in both CDN Dollars and US Dollars

During the March 2016 quarter the Company refinanced some of its mobile equipment for gross proceeds of $7.5 million. These loans are secured by the refinanced equipment, bear an interest rate of 5.95%, require monthly payments of $0.2 million and will be fully repaid by March 2020.

At March 31, 2016, in accordance with the Company's relevant accounting policies under IFRS, the senior credit facility was classified as a current liability as the facility was due on October 1, 2016. In May 2016, the Company extended the maturity date of the senior credit facility to March 15, 2018 and amended certain of its terms and conditions. The amount of the facility has not changed and remains at $200.0 million. Effective January 1, 2016 the financial covenants have been amended to reflect the impact of reduced commodity prices. The interest rate charged under the amended facility will fluctuate with the financial leverage of the Company. The interest rate in the prior agreement was not linked to the Company's financial leverage.

Concurrently, the Company extended the maturity date of the second lien credit facility from April 1, 2017 to August 15, 2018 and amended certain of its terms and conditions, including financial covenants. The changes to this facility are the same as those in the senior credit facility except there is no change in interest rate from the prior agreement. Concurrent with the changes to this facility the fee paid to a related party for guaranteeing this facility has been amended to fluctuate with the financial leverage of the Company on the same basis as the interest rate will fluctuate under the amended senior credit facility.

Detailed disclosure on the Company's non-current debt including amounts owed, interest rates and security can be found in Note 10 of the Interim Financial Statements.

Financial covenants

Giving effect to the covenant amendments in May 2016 on the senior credit facility and second lien credit facility, the Company has the following financial covenants related to its various debt agreements:

- Fixed charge coverage ratio
- Total debt to EBITDA ratio
- Secured debt to EBITDA ratio
- Tangible net worth test

As at the date of this document the Company continues to be in full compliance with all financial covenants under its debt agreements.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At March 31, 2016 $220.9 million of the Company's debt was at floating interest rates compared to December 31, 2015 when $240.6 million of the Company's debt was 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.

The Company had the following contractual obligations as of March 31, 2016:

expressed in thousands of dollars	2016	2017	2018	2019	2020 and beyond	Total
Non-current debt(1)	$177,377	$140,988	$10,368	$424,813	$145,523	$899,069
Short term debt	23,200	-	-	-	-	23,200
Operating leases	469	300	83	83	14	949
Capital expenditures and other(2)	313	363	413	463	1,000	2,552
Reclamation bonding	2,043	-	-	-	-	2,043
Mineral properties (3)	401	606	856	986	2,454	5,303
	$203,803	$142,257	$11,720	$426,345	$148,991	$933,116

(1) Amounts shown are gross obligations at maturity date.
(2) Total is to year 2021 only.
(3) Mineral property commitments are the estimated payments required to keep the Company's claims or option agreements in good standing. Total is to the year 2021 only.

Based on current plans and assumptions as at March 31, 2016, the Company expects to have sufficient cash resources to support its normal operating and capital requirements on an ongoing basis.

At March 31, 2016 the Company did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Other Price Risks

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as held for trading securities) is based on quoted market prices at the date of the statement of financial position. 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 senior notes management believes that the carrying value of remaining non-current debt approximates fair value. At March 31, 2016 the fair value of the senior notes is $368.9 million (December 31, 2015-$425.1 million) based on a quote received from dealers that trade the senior 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;
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 March 31, 2016 as follows:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$11,374	$ -	$11,374
Marketable securities	106	-	106
Provisionally priced receivables	-	21,267	21,267
Derivative instruments assets	-	17,283	17,283
Future site reclamation deposits	4,521	-	4,521
	16,001	38,550	54,551
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(58)	(58)
	$16,001	$38,492	$54,493

SELECT QUARTERLY FINANCIAL INFORMATION

Unaudited - expressed in thousands of dollars, except per share amounts, prices and exchange rates

	Three Months Ended			
	March 31 2016	December 31 2015	September 30 2015	June 30 2015
Total revenues	$136,785	$69,514	$55,928	$1,726
Equity (loss) income in Huckleberry	$(3,976)	$(2,269)	$(800)	$626
Net income (loss)	$17,729	$(35,877)	$(29,344)	$1,644
Basic income (loss) per share (1)	$0.22	$(0.44)	$(0.37)	$0.02
Diluted income (loss) per share (1)	$0.22	$(0.44)	$(0.37)	$0.02
Adjusted net income (loss) (2)	$1,199	$(22,882)	$(9,379)	$(9,371)
Adjusted net income (loss) per share (1) (2)	$0.01	$(0.28)	$(0.12)	$(0.12)
Adjusted EBITDA (2)	$45,875	$1,149	$13,871	$(7,840)
Cash flow (2)	$49,425	$2,843	$15,784	$2,270
Cash flow per share (1) (2)	$0.60	$0.03	$0.20	$0.03
Average LME copper price/lb in US$	$2.12	$2.22	$2.38	$2.74
Average LME gold price/troy oz in US$	$1,181	$1,104	$1,124	$1,193
Average CDN/US$ exchange rate	$1.375	$1.335	$1.309	$1.229
Period end CDN/US$ exchange rate	$1.297	$1.384	$1.339	$1.247

	March 31 2015	December 31 2014	September 30 2014	June 30 2014
Total revenues	$1,533	$5,841	$22,667	$51,066
Equity (loss) income in Huckleberry	$(593)	$(1,295)	$1,851	$1,390
Net (loss) income	$(33,384)	$(9,134)	$(49,221)	$15,213
Basic (loss) income per share (1)	$(0.45)	$(0.12)	$(0.66)	$0.20
Diluted (loss) income per share (1)	$(0.45)	$(0.12)	$(0.66)	$0.20
Adjusted net (loss) income (2)	$(8,012)	$(8,683)	$3,729	$8,899
Adjusted net (loss) income per share (1) (2)	$(0.11)	$(0.12)	$0.05	$0.12
Adjusted EBITDA (2)	$(6,145)	$(4,686)	$9,869	$23,567
Cash flow (2)	$(6,061)	$10,536	$(59,129)	$21,494
Cash flow per share (1) (2)	$(0.08)	$0.14	$(0.79)	$0.29
Average LME copper price/lb in US$	$2.64	$3.000	$3.170	$3.080
Average LME gold price/troy oz in US$	$1,219	$1,201	$1,282	$1,289
Average CDN/US$ exchange rate	$1.241	$1.136	$1.089	$1.091
Period end CDN/US$ exchange rate	$1.268	$1.160	$1.121	$1.068

(1) The sum of the quarterly net income per share, adjusted net income per share and cash flow per share may not equal the annual total due to timing of share issuances during the year.
(2) Refer to tables under heading *Non-IFRS Financial Measures* for details of the calculation of these amounts.

The financial information for each of the most recently completed eight quarters has been prepared in accordance with IFRS other than in respect of the non-IFRS financial measures described in more detail under the heading *Non-IFRS Financial Measures*.

Variations in the quarterly results are impacted by three primary factors:

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the CDN/US Dollar exchange rate.
(b) Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged, changes in foreign exchange rates on US Dollar denominated debt, changes in production cost inputs and changes in tax rates.
(c) Rehabilitation costs and related insurance recoveries for the August 4, 2014 Mount Polley Breach. While the primary impact of this item was in the September 2014 quarter, the recording of insurance recoveries and any revisions to the rehabilitation provision impacts periods subsequent to September 30, 2014 as insurance proceeds are received. Insurance recoveries of $14.0 million were received and recorded in the December 2014 quarter and $11.0 million were received and recorded in the June 2015 quarter.

In addition to the variations in quarterly results caused by the primary factors discussed above the following periods had non-recurring transactions that further impacted net income:

(a) The higher net income in the June 2014 quarter was primarily due to the foreign exchange gains on revaluation of the Company's US Dollar denominated debt.
(b) The large net loss in the September 2014 quarter was primarily due to the provision for rehabilitation costs for the Mount Polley Breach.
(c) The net loss in the December 2014 quarter was primarily due to the sharply reduced revenues resulting from the suspension of operations at Mount Polley in August 2014, due to higher foreign exchange losses on revaluation of the Company's US Dollar denominated debt, and partially offset by insurance recoveries of $14.0 million.
(d) The higher net loss in the March 2015 quarter was the result of no production or sales from Mount Polley and large foreign exchange losses on revaluation of the Company's US Dollar denominated debt.
(e) The net income in the June 2015 quarter is largely the result of $11.0 million in insurance recoveries.
(f) The large net losses in the September and December 2015 quarters were primarily due to large foreign exchange losses on revaluation of the Company's US Dollar denominated debt, partially offset by earnings from the Red Chris mine as it commenced commercial production on July 1, 2015 and the restart of the Mount Polley mine on August 5, 2015.
(g) The net income in the March 2016 quarter was primarily due to the continued increase in production at the Red Chris mine and the Mount Polley mine being operated at closer to nameplate capacity and included foreign exchange gains on current and non-current debt of $30.7 million on revaluation of the Company's US Dollar denominated debt and net unrealized and realized losses of $7.3 million related to derivative instruments.

RELATED PARTY TRANSACTIONS

Corporate

The Company incurred the transactions and balances noted below in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis. Related party transactions and balances with N. Murray Edwards, a significant shareholder, Edco Capital Corporation ("Edco"), a company controlled by N. Murray Edwards, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

expressed in thousands of dollars		Three Months Ended March 31 2016	2015
Loan guarantee fee for guarantee of second lien credit facility	(a)	$250	$210
Interest expense	(f)	$4,007	$2,679

Statement of Financial Position

expressed in thousands of dollars		Three Months Ended March 31 2016	Year Ended December 31 2015
Accrued interest on senior unsecured notes and convertible debentures	(f)	$1,438	$1,882
Trade and other receivables	(e)	$ -	$(4)
Junior credit facility	(b)	$75,000	$75,000
Senior Unsecured notes (US$53,300)	(c)	$69,135	$73,767
Convertible debentures	(d)(g)	$57,600	$57,600

(a) The loan guarantee fee is related to the guarantee by Edco of the second lien credit facility which provided additional liquidity for the commissioning of the Red Chris mine.
(b) The $75.0 million junior credit facility from Edco was used to fund any cost overruns at the Red Chris mine and for general working capital purposes.
(c) Edco, directors and officers purchased US$53.3 million of the US$325.0 million senior unsecured notes offering which closed in March 2014 and provided part of the long term financing for the Red Chris mine.
(d) Edco purchased $40.0 million of the $115.0 million convertible debentures in March 2015 which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations.
(e) Trade and other receivables relate to mine operating services supplied in the normal course by a company in which Mr. Yurkowski, a director, is an owner.
(f) Interest expense in the 2016 period is related to the senior unsecured notes, the junior credit facility and the convertible debentures.
(g) N. Murray Edwards and directors purchased $17.6 million of the $30.0 million Convertible Debenture Private Placement which closed on August 24, 2015.

The Company incurred the above transactions and balances in the normal course of operations. Expenses have been measured at the fair value which is determined on a cost recovery basis.

OTHER

As at May 12, 2016 the Company had 81,761,028 common shares outstanding, and on a diluted basis 97,948,229 common shares outstanding. Additional information about the Company is available on *sedar.com*.

Disclosure Controls and Procedures

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

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

Internal Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. The Company's internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

(1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company;
(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

There have been no changes in the Company's internal controls over financial reporting and disclosure controls and procedures during the period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

Limitations on Controls and Procedures

The Company's management believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the control system are met. Therefore, even those systems determined effective cannot provide absolute assurance that all control issues and instances of fraud within the Company, if any, have been prevented or detected.

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. At March 31, 2016 the Company has recorded a provision of $1.2 million for future rehabilitation activities related to the Mount Polley Breach.

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 and intends to vigorously defend the Claim. 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 at March 31, 2016. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described in the Company's MD&A in the audited Consolidated Financial Statements for the year ended December 31, 2015. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flow would suffer. The risks also include forward-looking information, and our actual results may differ substantially from those discussed in these forward-looking information. Refer to *Forward-Looking Statements and Risks Notice*.

OUTLOOK

This section contains forward-looking information. See the *Forward-Looking Statements* and *Risks Notice*.

Operations, Earnings and Cash Flow

The base and precious metals production targeted for 2016 from the Red Chris mine is 90-100 million pounds copper and 60-70 thousand ounces gold. Targets for production at the Mount Polley and Huckleberry mines have not been provided as Mount Polley requires additional permits to continue operations and Huckleberry is milling stockpiled lower grade material and continued operation is dependent on a copper price increase.

Derivative instruments for the period April to December 2016 will protect US$90.0 million or about 28% of the foreign exchange movement on the Company's US$325.0 million Notes. At March 30, 2016, the Company has not hedged any copper or gold. Quarterly revenues will fluctuate depending on copper and gold prices, the CDN/US Dollar exchange rate, and the timing of concentrate sales, which is dependent on concentrate production and the availability and scheduling of transportation.

Exploration

Imperial has interests in various other early stage exploration properties located in Canada. However, the Company's focus is currently to minimize expenditures on other projects, and implement cost control initiatives on operations. Only minimum exploration work is being undertaken.

Development

At Red Chris, work continues to optimize the operation of our newest mine. Five concentrate shipments were made in the first quarter of 2016 – a new record. Copper recovery has improved and averaged 79.1% for the March 2016 quarter compared to 73.7% in the December 2015 quarter. Efforts to improve copper recovery continue. Copper and gold production in the month of March 2016 of 9.2 million pounds copper and 6,474 ounces gold set new monthly records.

Initial studies have indicated the mineralization below the current pit design has suitable geometry and anticipated rock conditions for a block cave design. A single lift of 500 metres will likely yield a production rate of over 50,000 tonnes per day. Further work is warranted on this deep, higher grade deposit.

At all the projects and our head office, cost reduction programs are underway. Reductions include price reductions from many of our vendors and salary cuts as we strive to do more for less. All three mines have signed on to participate in the power payment deferral plan announced recently by BC Hydro.

Mount Polley is working diligently to obtain the permits required to return to normal operations using the repaired and buttressed tailings storage facility. On July 5, 2015 we received permit amendments which allowed the restart of mining operations using the Springer pit to store tailings. An amendment to that restricted restart permit now allows for storage of tailings from up to five million tonnes of milling to be deposited in the Springer pit. Currently, milling operations are benefiting from the supply of higher grade tonnes from underground mining in the Boundary zone.

In response to lower copper prices, Huckleberry suspended open pit operations in January 2016, while continuing to mill stockpiles. Copper prices will be monitored however, Huckleberry is expected to suspend milling operations and enter care and maintenance this fall if copper prices do not increase.

Acquisitions

Management continues to evaluate potential acquisitions and exploration opportunities both on currently owned properties and new prospects.

Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2016 and 2015

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited – Prepared by Management
expressed in thousands of Canadian dollars

	Notes	March 31 2016	December 31 2015
ASSETS			
Current Assets			
Cash		$11,374	$9,188
Marketable securities		106	86
Trade and other receivables	3	25,751	12,033
Inventory	4	52,081	67,540
Prepaid expenses and deposits		1,753	2,162
		91,065	91,009
Derivative Instrument Assets	11	17,283	30,632
Investment in Huckleberry Mines Ltd.	5	85,758	89,734
Mineral Properties	6	1,250,246	1,261,557
Other Assets	7	5,925	6,420
		$1,450,277	$1,479,352
LIABILITIES			
Current Liabilities			
Trade and other payables	8	$73,954	$79,084
Taxes payable		1,841	985
Short term debt	9	6,720	24,754
Provision for rehabilitation costs	17	1,217	2,123
Current portion of non-current debt	10	181,197	181,957
Current portion of future site reclamation provisions		54	58
		264,983	288,961
Non-Current Debt	10	682,515	707,750
Future Site Reclamation Provisions	12	34,176	32,685
Deferred Income Taxes		75,903	73,809
		1,057,577	1,103,205
EQUITY			
Share Capital	13	178,730	178,730
Share Option Reserve	13	15,537	14,789
Warrant Reserve	13	-	870
Equity Component of Convertible Debentures	10	25,534	25,534
Currency Translation Adjustment		7,245	9,169
Retained Earnings		165,654	147,055
		392,700	376,147
		$1,450,277	$1,479,352
Commitments and Pledges	4, 6, 24		
Contingent Liabilities	25		
Subsequent Events	26		

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on May 12, 2016

/s/ Larry G. Moeller — Director

/s/ J. Brian Kynoch — Director

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

For the Three Months Ended March 31, 2016 and 2015

Unaudited – Prepared by Management

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

	Notes	Three Months Ended March 31 2016	2015
Revenue		$136,785	$1,533
Cost of Sales	14	(116,437)	(3,246)
Income (Loss) from Mine Operations		20,348	(1,713)
General and Administration	15	(2,294)	(2,286)
Finance Income (Costs)	16	6,695	(27,526)
Idle Mine Costs		-	(4,689)
Other (Expense) Income		(45)	205
Share of Loss in Huckleberry	5	(3,976)	(593)
Income (Loss) before Taxes		20,728	(36,602)
Income and Mining Tax (Expense) Recovery		(2,999)	3,218
Net Income (Loss)		17,729	(33,384)
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		(1,924)	2,714
Total Comprehensive Income (Loss)		$15,805	$(30,670)
Earnings (Loss) Per Share			
Basic	18	$0.22	$(0.45)
Diluted	18	$0.22	$(0.45)
Weighted Average Number of Common Shares Outstanding			
Basic	18	81,761,028	74,968,768
Diluted	18	81,833,837	74,968,768

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2016 and 2015

Unaudited – Prepared by Management

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

	Share Capital		Share		Equity	Currency		
	Number of Shares	Amount	Option Reserve	Warrant Reserve	Component of Convertible Debentures	Translation Adjustment	Retained Earnings	Total
Balance December 31, 2014	74,968,768	$123,859	$14,468	$870	$20,906	$3,875	$244,016	$407,994
Share based compensation expense	-	-	106	-	-	-	-	106
Total comprehensive income (loss)	-	-	-	-	-	2,714	(33,384)	(30,670)
Balance March 31, 2015	74,968,768	$123,859	$14,574	$870	$20,906	$6,589	$210,632	$377,430
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

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2016 and 2015

Unaudited – Prepared by Management

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

	Notes	Three Months Ended March 31 2016	2015
OPERATING ACTIVITIES			
Income (loss) before taxes		$20,728	$(36,602)
Items not affecting cash flows			
Share of loss in Huckleberry		3,976	593
Depletion and depreciation		24,759	1,577
Share based compensation		748	106
Accretion of future site reclamation provisions		231	211
Unrealized foreign exchange (gains) losses		(30,929)	38,628
Unrealized losses (gains) on derivative instruments		13,348	(13,083)
Interest expense		16,540	2,666
Other		24	(157)
		49,425	(6,061)
Net change in non-cash operating working capital balances	19	(1,256)	(27,756)
Interest paid		(19,467)	(17,259)
Cash provided (used) by operating activities		28,702	(51,076)
FINANCING ACTIVITIES			
Proceeds of short term debt		84,412	7,272
Repayment of short term debt		(101,582)	-
Proceeds of non-current debt		7,500	79,807
Repayment of non-current debt		(5,799)	(7,897)
Cash (used) provided by financing activities		(15,469)	79,182
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(10,468)	(33,234)
Net change in non-cash investing working capital balances	19	-	(8,253)
Other		-	(105)
Cash used in investing activities		(10,468)	(41,592)
EFFECT OF FOREIGN EXCHANGE ON CASH		(579)	71
INCREASE (DECREASE) IN CASH		2,186	(13,415)
CASH, BEGINNING OF PERIOD		9,188	19,913
CASH, END OF PERIOD		$11,374	$6,498

See accompanying notes to these condensed consolidated interim 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 200–580 Hornby Street, Vancouver, BC, Canada V6C 3B6. The Company's shares are listed on the Toronto Stock Exchange as symbol "III".

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 northern British Columbia.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to 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, 2016 the Company had cash of $11,374 and a working capital deficiency of $173,918, which included $164,423 related to the senior secured revolving credit facility compared to a working capital deficiency of $197,952 at December 31, 2015, which included $166,072 related to the senior secured revolving credit facility.

At March 31, 2016 the Company's $200,000 senior secured revolving credit facility was due on October 1, 2016. In May 2016 the Company extended the maturity date to March 15, 2018 and modified certain terms and conditions of the senior secured revolving credit facility (Notes 10(a) and 26(a)). Concurrently, the Company extended the maturity date of the second lien secured revolving credit facility from April 1, 2017 to August 15, 2018 and modified certain terms and conditions (Notes 10(b) and 26(b)).

The projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities and additional sources of financing are expected to be sufficient to fund the working capital deficiency and the remaining estimated rehabilitation cost of the tailings dam breach at the Mount Polley mine. However, there are inherent risks related to the operations 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 could have a material adverse impact on the Company's financial condition and results of operations and ability to continue as a going concern.

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, 2015, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board which are applicable from January 1, 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, 2015 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, 2015.

Changes in Accounting Standards Not Yet Effective

Financial Instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. IFRS 9 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). The standard replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets From Customers" and SIC 31 "Revenue–Barter Transactions Involving Advertising Services". IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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 impacts the standards will have on its consolidated financial statements.

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

3. TRADE AND OTHER RECEIVABLES

	March 31 2016	December 31 2015
Trade receivables	$24,300	$10,557
Taxes receivable	1,451	1,476
	$25,751	$12,033

4. INVENTORY

	March 31 2016	December 31 2015
Stockpile ore	$4,513	$5,091
Dore	28	180
Concentrate	19,139	36,458
Supplies	28,401	25,811
	$52,081	$67,540

	Three Months Ended March 31	
	2016	2015
Inventory recognized as expense during the period	$84,159	$3,066
Impairment charges on stock pile, ore under leach and concentrate inventory included in expense during the period	$2,620	$1,930

As at March 31, 2016 the Company had $52,081 (December 31, 2015-$67,540) 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/molybdenum mine is located 88 kilometres south-southwest of 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. Huckleberry sells copper concentrate to smelters owned by the Company's joint venture partners.

	Three Months Ended March 31 2016	Year Ended December 31 2015
Balance, beginning of period	$89,734	$92,770
Share of loss for the period	(3,976)	(3,036)
Balance, end of period	$85,758	$89,734

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

Statement of Financial Position *stated 100% - Imperial's equity share is 50%*	March 31 2016	December 31 2015
ASSETS		
Current Assets		
Cash	$17,239	$19,782
Other current assets	16,861	20,429
	34,100	40,211
Mineral Properties	183,523	187,687
Other Non-Current Assets	15,412	20,046
	$233,035	$247,944
LIABILITIES		
Current Liabilities		
Trade and other payables	$8,456	$13,043
Other current liabilities	500	494
	8,956	13,537
Future Site Reclamation Provisions	51,145	48,735
Other Non-Current Liabilities	1,417	6,203
	61,518	68,475
EQUITY		
Share Capital	57,596	57,596
Retained Earnings	113,921	121,873
	171,517	179,469
	$233,035	$247,944

(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	
	2016	2015
Revenue	$24,897	$14,748
Cost of Sales	(36,351)	(16,477)
Loss from Mine Operations	(11,454)	(1,729)
General and Administration	(840)	781
Finance Costs	(318)	(352)
Loss Before Taxes	(12,612)	(1,300)
Income and Mining Tax Recovery	4,660	115
Net Loss and Comprehensive Loss	$(7,952)	$(1,185)

Statement of Cash Flows

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

	Three Months Ended March 31	
	2016	2015
OPERATING ACTIVITIES		
Net loss before taxes	$(12,612)	$(1,300)
Items not affecting cash flows		
Depletion and depreciation	8,299	2,836
Unrealized foreign exchange loss	265	172
Other	373	368
	(3,675)	2,076
Net change in non-cash operating working capital balances	(2,166)	248
Income and mining taxes paid	-	(4,021)
Cash used in operating activities	(5,841)	(1,697)
INVESTING ACTIVITIES		
Acquisition and development of mineral properties	(1,070)	(6,664)
Other	4,633	(246)
Cash used in investing activities	3,563	(6,910)
EFFECT OF FOREIGN EXCHANGE ON CASH	(265)	(172)
DECREASE IN CASH	(2,543)	(8,779)
CASH, BEGINNING OF PERIOD	19,782	23,910
CASH, END OF PERIOD	$17,239	$15,131

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, 2014	$528,794	$349,353	$179,441
Additions	32,402	-	32,402
Depletion & Depreciation	-	23,955	(23,955)
Disposals & Impairments	(2,224)	(2,023)	(201)
Balance December 31, 2015	558,972	371,285	187,687
Additions	3,088	-	3,088
Depletion & Depreciation	-	7,252	(7,252)
Balance March 31, 2016	$562,060	$378,537	$183,523

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

(b) Derivative Instruments

Huckleberry had no derivative instruments outstanding at March 31, 2016.

(c) Pledged Assets

At March 31, 2016 Huckleberry had pledged cash deposits of $14,136 (December 31, 2015-$14,136) and certain mining equipment with a net book value of $13,714 (December 31, 2015-$14,658) as security for future site reclamation obligations.

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	Three Months Ended March 31 2016	Year Ended December 31 2015
Balance, beginning of period	$49,107	$45,716
Accretion	394	1,482
Costs incurred during the period	(19)	(130)
Change in estimates of future costs and discount rate	1,972	2,039
Balance, end of period	51,454	49,107
Less portion due within one year	(309)	(372)
	$51,145	$48,735

(e) Reclamation Bonding Obligations

As at March 31, 2016 Huckleberry is obligated to increase its reclamation bond funding as follows:

2016	$9,000
2017	18,000
	$27,000

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

(f) Commitments

As at March 31, 2016 Huckleberry is committed to future minimum lease payments as follows:

	Operating Leases	Finance Leases
2016	$69	$196
2017	17	262
2018	10	65
2019	2	-
	$98	$523

As at March 31, 2016 Huckleberry did not have any contractual commitments to purchase property, plant or equipment.

6. MINERAL PROPERTIES

		Mineral Properties not being Depleted				
Cost	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Construction in Progress	Total
Balance as at December 31, 2014	$236,694	$195,685	$21,371	$296,614	$667,274	$1,417,638
Additions	4,051	743	1,489	67,322	57,770	131,375
Reclassifications	91,176	(140,663)	20,112	754,419	(725,044)	-
Disposals	-	-	-	(37)	-	(37)
Foreign exchange movement	-	-	7,773	(270)	-	7,503
Balance as at December 31, 2015	331,921	55,765	50,745	1,118,048	-	1,556,479
Additions	3,161	21	58	8,821	-	12,061
Disposals	-	-	(45)	(276)	-	(321)
Foreign exchange movement	(787)	-	(2,289)	103	-	(2,973)
Balance as at March 31, 2016	$334,295	$55,786	$48,469	$1,126,696	$ -	$1,565,246

		Mineral Properties not being Depleted				
Accumulated depletion & depreciation & impairment losses	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	Construction in Progress	Total
Balance as at December 31, 2014	$101,400	$ -	$1,645	$143,193	$ -	$246,238
Depletion & depreciation	10,978	-	-	35,010	-	45,988
Disposals	-	-	-	(37)	-	(37)
Foreign exchange movement	2,029	-	-	704	-	2,733
Balance as at December 31, 2015	114,407	-	1,645	178,870	-	294,922
Depletion & depreciation	6,458	-	-	14,938	-	21,396
Disposals	-	-	-	(276)	-	(276)
Foreign exchange movement	(787)	-	-	(255)	-	(1,042)
Balance as at March 31, 2016	$120,078	$ -	$1,645	$193,277	$ -	$315,000
Carrying Amount						
Balance as at December 31, 2014	$135,294	$195,685	$19,726	$153,421	$667,274	$1,171,400
Balance as at December 31, 2015	$217,514	$55,765	$49,100	$939,178	$ -	$1,261,557
Balance as at March 31, 2016	$214,217	$55,786	$46,824	$933,419	$ -	$1,250,246

At March 31, 2016 the Company had contractual commitments totaling $1,153 (December 31, 2015-$nil) for the acquisition of property, plant and equipment.

At March 31, 2016 mineral property assets with a carrying value of $1,370 (December 31, 2015-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 24(b)).

During the three months ended March 31, 2016 the Company capitalized borrowing costs of $nil (March 31, 2015-$11,437) related to the Red Chris project into construction in progress at a weighted average borrowing rate of nil% (March 31, 2015-7.20%).

Red Chris achieved commercial production effective July 1, 2015 and therefore no borrowing costs have been capitalized after June 30, 2015.

Red Chris

The Company owns 100% of the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia. The Red Chris property covers a total area of 29,067 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 80 mineral claims encompassing 23,926 hectares.

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. On December 1, 2015 the Company's Syndicate of Lenders confirmed the Red Chris mine had achieved the completion test requirements of the Company's senior secured revolving credit facility.

Net smelter royalties between 1.0% to 2.0% are payable on production from the Red Chris mine.

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property covers 18,892 hectares, which consists of seven mining leases totalling 2,007 hectares, and 44 mineral claims encompassing 16,885 hectares. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred in 2015 on this tenure nor is any production anticipated in 2016.

Huckleberry

The Company owns 50% (Note 5) of Huckleberry, which owns and operates an open pit copper mine located 88 kilometres south-southwest of Houston in west central British Columbia. The Huckleberry property covers 19,780 hectares, which consists of two mining leases covering 2,422 hectares and 39 mineral claims encompassing approximately 17,358 hectares.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine produced gold from both underground and open pit sources from 1980 to 2002. In 2012 the mine began operations on a new underground resource. These operations continued until May 2015. Approval of the environmental assessment for the open pit mine from the Bureau of Land Management is pending. Certain parts of the Sterling property have been reclaimed. 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.

Other Exploration Properties

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

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

7. OTHER ASSETS

	March 31 2016	December 31 2015
Future site reclamation deposits	$4,521	$4,813
Other	1,404	1,607
	$5,925	$6,420

8. TRADE AND OTHER PAYABLES

	March 31 2016	December 31 2015
Trade payables	$44,484	$43,252
Accrued liabilities	29,470	35,832
	$73,954	$79,084

9. SHORT TERM DEBT

Amounts due for short term debt are:

	March 31 2016	December 31 2015
Concentrate advances of US$5,181 (December 31, 2015-US$17,886) 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.	$6,720	$24,754

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

	Three Months Ended March 31 2016	Year Ended December 31 2015
Balance, beginning of period	$24,754	$ -
Amounts advanced	84,412	203,876
Amounts repaid	(101,582)	(180,310)
Foreign exchange (gains) losses	(864)	1,188
Balance, end of period	$6,720	$24,754

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

10. NON-CURRENT DEBT

Amounts due for non-current debt are:

		March 31 2016	December 31 2015
Senior secured revolving credit facility, net of issue costs	(a)	$164,423	$166,072
Second lien secured revolving credit facility, net of issue costs	(b)	49,746	49,728
Senior unsecured notes, net of issue costs	(c)	414,811	442,021
Junior credit facility	(d)	75,000	75,000
Convertible debentures - 2014	(e)	93,071	91,972
Convertible debentures - 2015	(f)	23,921	23,672
Equipment loans	(g)	42,740	41,242
		863,712	889,707
Less portion due within one year		(181,197)	(181,957)
		$682,515	$707,750

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

	Three Months Ended March 31 2016	Year Ended December 31 2015
Balance, beginning of period	$889,707	$706,847
Amounts advanced, net of issue costs	7,500	162,193
Foreign exchange (gains) losses	(29,878)	78,468
Accretion of debt issue costs	834	2,923
Accretion of interest on convertible debentures	1,348	4,641
Amounts repaid	(5,799)	(65,365)
Balance, end of period	863,712	889,707
Less portion due within one year	(181,197)	(181,957)
	$682,515	$707,750

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating $200,000 (December 31, 2015-$200,000) due on October 1, 2016 (Note 26 (a)). 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. $34,119 of this facility (December 31, 2015-$33,098) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 24(b)).

(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating $50,000 (December 31, 2015-$50,000) due on April 1, 2017 (Note 26 (b)). 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 20 and Note 26(c)).

(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 Notes are guaranteed by all the material subsidiaries of the Company. The Company may redeem some or all of the Notes at any time on or after March 15, 2017 at redemption prices ranging from 103.5% to 100% plus accrued interest and prior to that date at 100% plus a make-whole premium plus accrued interest. Prior to March 15, 2017 the Company may also redeem up to 35% of the principal amount of the Notes from the net proceeds of certain equity offerings at a redemption price of 107% plus accrued interest.

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. It aggregates $75,000 (December 31, 2015-$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 due on June 30, 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

Seven finance contracts for US$23,843 (December 31, 2015-US$26,490) and four finance contract for $11,813 (December 31, 2015-$4,580) at interest rates ranging from 2.50% to 5.95% with monthly installments of US$942 and $276, respectively.

(i) Finance contract for US$2,674 (December 31, 2015-US$3,163) repayable in monthly installments of US$171 including interest at a fixed rate of 2.89% and secured by the financed equipment.

(ii) Finance contract for US$1,726 (December 31, 2015-US$1,927) repayable in monthly installments of US$71 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(iii) Finance contract for US$1,927 (December 31, 2015-US$2,127) repayable in monthly installments of US$71 including interest at a fixed rate of 2.50% and secured by the financed assets.

(iv) Finance contract for US$2,352 (December 31, 2015-US$2,587) repayable in monthly installments of US$84 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(v) Finance contract for US$236 (December 31, 2015-US$259) repayable in monthly installments of US$8 including interest at a fixed rate of 2.50% secured by the financed equipment.

(vi) Finance contract for US$4,756 (December 31, 2015-US$5,305) repayable in monthly installments of US$197 including interest at a fixed rate of 3.42% secured by the financed assets.

(vii) Finance contract for US$10,173 (December 31, 2015-US$11,122) repayable in monthly installments of US$340 at a fixed interest rate of 2.57% and secured by the financed equipment.

(viii) Finance contract for $4,313 (December 31, 2015-$4,580) repayable in monthly installments of $100 until a final payment of $559 in August 2019 including interest at a fixed rate of 2.90% and secured by the financed equipment.

(ix) Finance contract for $2,638 (December 31, 2015-$nil) repayable in monthly installments of $62 at a fixed rate of 5.95% and secured by the financed equipment.

(x) Finance contract for $2,250 (December 31, 2015-$nil) repayable in monthly installments of $53 at a fixed rate of 5.95% and secured by the financed equipment.

(xi) Finance contract for $2,612 (December 31, 2015-$nil) repayable in monthly installments of $61 at a fixed rate of 5.95% and secured by the financed equipment.

Effective March 31, 2016 the Company continues to be in full compliance with all financial covenants under its debt agreements after giving effect to the covenant amendments on the senior secured revolving credit facility (Note 26(a)) and the second lien secured revolving credit facility (Note 26 (b)).

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

11. DERIVATIVE INSTRUMENTS

Commodity Derivatives

The Company has no commodity derivative contracts outstanding at March 31, 2016.

Currency Derivatives

On March 12, 2014, concurrent with the issuance of the Notes, the Company entered into US Dollar fixed to CDN Dollar fixed cross currency swaps aggregating US$110,000 in principal amount to lock in the foreign exchange rate on a portion of the US$325,000 Notes and related interest payments (Note 10(c)). These cash flow hedges provided the Company with a fixed US Dollar to CDN Dollar exchange rate and a fixed interest rate on the US$110,000 swapped to $122,232 principal amount of the Notes. The foreign exchange rate on the US$110,000 swapped principal plus related interest payments over the five year term of the Notes is fixed at 1.1112 CDN Dollar for each US Dollar. The interest rate on the CDN Dollar obligations is fixed at 7.6% per annum over the term of the Notes.

On February 19, 2016 the Company sold US$20,000 of the US$110,000 cross currency swap for proceeds of $5,662 leaving US$90,000 remaining on the currency swap as of March 31, 2016.

At March 31, 2016 the fair value of the cross currency swap was an asset of $17,283 (December 31, 2015-$30,632).

12. 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 2016	Year Ended December 31 2015
Balance, beginning of period	$32,743	$25,913
Accretion (Note 16)	231	844
Costs incurred during the period	-	(23)
Change in estimates of future costs and effect of translation of foreign currencies	1,256	6,009
Balance, end of period	34,230	32,743
Less portion due within one year	(54)	(58)
	$34,176	$32,685

The total undiscounted amount of estimated future cash flows required to settle the obligations is $45,119 (December 31, 2015-$45,231). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2015-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.00% (December 31, 2015-3.16%).

The obligations are expected to be settled primarily 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 24(b) and (c) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and 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 March 31, 2016 a total of 4,149,653 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, 2016, the Company did not grant any stock options. During the year ended December 31, 2015 the Company granted 1,960,000 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, 2015 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, 2016		Year Ended December 31, 2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	4,157,450	$8.20	2,238,950	$8.37
Granted	-	$ -	1,960,000	$8.00
Exercised	-	$ -	(21,500)	$4.52
Forfeited	(131,000)	$8.53	(20,000)	$11.55
Outstanding at end of period	4,026,450	$8.19	4,157,450	$8.20
Options exercisable at end of period	2,086,450	$8.37	2,197,450	$8.38

The following table summarizes information about the Company's share options outstanding at March 31, 2016:

	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	2.75	800,900	2.75
$5.93	163,500	3.75	163,500	3.75
$8.00	1,940,000	9.68	-	-
$11.55	1,122,050	4.55	1,122,050	4.55
	4,026,450	6.63	2,086,450	3.80

For share options exercised during the year ended December 31, 2015, the weighted average share price at the date of exercise was $8.33.

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

14. COST OF SALES

	Three Months Ended March 31	
	2016	2015
Operating expenses	$66,208	$1,644
Salaries, wages and benefits	25,361	1,429
Depletion and depreciation	24,579	173
Share based compensation	289	-
	$116,437	$3,246

15. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended March 31	
	2016	2015
Administration	$1,417	$1,251
Share based compensation	459	49
Depreciation	180	179
Foreign exchange loss	238	807
	$2,294	$2,286

16. FINANCE INCOME (COSTS)

	Three Months Ended March 31	
	2016	2015
Accretion of future site reclamation provisions	$(231)	$(211)
Other interest	(177)	-
Interest on non-current debt	(16,363)	(2,666)
Foreign exchange gain (loss) on current debt	864	(48)
Foreign exchange gain (loss) on non-current debt	29,878	(38,283)
Fair value adjustment to marketable securities	20	(49)
Realized gain on derivative instruments	6,041	612
Unrealized (loss) gain on derivative instruments	(13,348)	13,083
	6,684	(27,562)
Interest income	11	36
Finance income (costs)	$6,695	$(27,526)

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

17. PROVISION FOR REHABILITATION COSTS

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and the Company charged $67,435 to expense for the year ended December 31, 2014. The Company received insurance recoveries totaling $14,000 in the year ended December 31, 2014, and $11,000 in the year ended December 31, 2015, which were recorded in the condensed consolidated statements of income (loss) and comprehensive income (loss).

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, 2016 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 2016	Year Ended December 31 2015
Balance, beginning of the period	$2,123	$25,961
Costs incurred in the period including depreciation of $nil (2015-$1,332)	(906)	(23,838)
Balance, end of the period	1,217	2,123
Less portion to be incurred within one year	(1,217)	(2,123)
	$ -	$ -

18. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended March 31 2016	2015
Numerator:		
Net Income (Loss)	$17,729	$(33,384)
Denominator:		
Basic weighted-average number of common shares outstanding	81,761,028	74,968,768
Effect of dilutive securities:		
Stock options, warrants and convertible debentures	72,809	-
Diluted weighted-average number of common shares outstanding	81,833,837	74,968,768
Basic net income (loss) per common share	$0.22	$(0.45)
Diluted net income (loss) per common share	$0.22	$(0.45)

The following common shares that may be issued in relation to the following items have been excluded from the calculation of diluted net income (loss) per common share:

	Three Months Ended March 31 2016	2015
Stock options	3,225,550	2,238,950
Warrants	-	750,000
Convertible debentures	12,155,751	9,583,333

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31 2016	2015
Trade and other receivables	$(15,090)	$8,499
Inventory	12,265	(20,092)
Derivative instruments	1,347	-
Prepaid expenses and deposits	409	139
Trade and other payables	719	253
Derivative instrument liabilities	-	(185)
Provision for rehabilitation costs	(906)	(16,370)
	$(1,256)	$(27,756)

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

	Three Months Ended March 31 2016	2015
Trade and other payables	$ -	$(8,253)

20. 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 2016	2015
Loan guarantee fee for guarantee of second lien credit facility	$250	$210
Interest expense	$4,007	$2,679

Statement of Financial Position

	Three Months Ended March 31 2016	Year Ended December 31 2015
Accrued interest on senior unsecured notes and convertible debentures	$1,438	$1,882
Trade and other receivables	$ -	$(4)
Junior credit facility	$75,000	$75,000
Senior unsecured notes (US$53,300)	$69,135	$73,767
Convertible debentures	$57,600	$57,600

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

21. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31	
	2016	2015
Short term benefits[1]	$324	$340
Share based payments[2]	$ -	$ -

[1] Short term employee benefits include salaries, estimated bonuses payable within six months of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months ended March 31, 2016 and 2015.

[2] Share based payments are the fair value of options granted to directors and other key management personnel.

22. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets, comprised primarily of the Sterling mine, totaling $28,430 as at March 31, 2016 (December 31, 2015-$35,665) located in the United States of America , all of the Company's assets are located in Canada. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

Reportable Segments

	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
Finance income (costs)	$7,875	$(1,166)	$(37)	$ -	$23	$6,695
Share of loss in Huckleberry	$ -	$ -	$ -	$(3,976)	$ -	$(3,976)
Net income (loss)	$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

	Three Months Ended March 31, 2015					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	$ -	$(93)	$1,335	$ -	$429	$1,671
Less inter-segment revenues	-	-	-	-	(138)	(138)
Revenues from external sources	$ -	$(93)	$1,335	$ -	$291	$1,533
Depletion and depreciation	$ -	$1,225	$173	$ -	$179	$1,577
Finance income (costs)	$(23,874)	$(3,727)	$(32)	$ -	$107	$(27,526)
Share of loss in Huckleberry	$ -	$ -	$ -	$(593)	$ -	$(593)
Net (loss) income	$(23,204)	$(8,314)	$(1,952)	$(593)	$679	$(33,384)
Capital expenditures	$36,224	$8,235	$27	$ -	$185	$44,671
Equity investment	$ -	$ -	$ -	$92,177	$ -	$92,177
Total assets	$951,853	$271,422	$36,747	$92,177	$42,190	$1,394,389
Total liabilities	$781,274	$204,520	$4,532	$ -	$26,633	$1,016,959

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

Revenue by Geographic Area

	Three Months Ended March 31	
	2016	2015
Canada	$149	$291
Korea	16,201	-
Singapore	34,001	-
Switzerland	34,659	-
United States	51,775	1,242
	$136,785	$1,533

Revenues are attributed to geographic area based on country of customer. In the three months ended March 31, 2016, the Company had four principal customers (March 31, 2015–two principal customers) accounting for 38%, 25%, 25% and 12% of revenues (March 31, 2015–87% and negative 6% of revenues). 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, however in the first quarter of 2015 the principal product was gold dore from the Sterling mine.

The Company sells all of its concentrate and gold production to third party smelters and traders. The Company's revenue from operations by major product and service are as follows:

	Three Months Ended March 31	
	2016	2015
Copper	$85,011	$(120)
Gold	50,226	1,360
Silver	1,399	2
Other	149	291
	$136,785	$1,533

23. 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 10(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At March 31, 2016 the fair value of the Notes is $368,863 (December 31, 2015-$425,061) 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 at March 31, 2016 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$11,374	$ -	$11,374
Marketable securities	106	-	106
Provisionally priced accounts receivables	-	21,267	21,267
Derivative instruments assets	-	17,283	17,283
Future site reclamation deposits	4,521	-	4,521
	16,001	38,550	54,551
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(58)	(58)
	$16,001	$38,492	$54,493

24. COMMITMENTS AND PLEDGES

(a) At March 31, 2016, the Company is committed to future minimum operating lease payments as follows:

2016	$469
2017	300
2018	83
2019	83
2020 and beyond	14
	$949

(b) At March 31, 2016, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	$4,521
Mineral property, plant and equipment	1,370
Letters of credit (Note 10(a))	34,119
	$40,010

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

2016	$2,043

(d) The Company is obligated to pay BC Hydro and Power Authority ("BC Hydro") approximately $11,900 annually over a five year period plus interest to reimburse BC Hydro for a portion of the costs to construct the Northwest Transmission Line which provides power for the Red Chris mine. Payments are expected to commence in 2016. The amount is subject to adjustment when final costs are known and the interest rate is subject to be adjusted annually based on BC Hydro's cost of capital.

(e) At March 31, 2016 the Company had commitments to purchase property, plant and equipment at a cost of $1,153.

25. 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 interim financial position or financial performance. At March 31, 2016 the Company has recorded a provision of $1,217 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 17).

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, 2016. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

26. SUBSEQUENT EVENTS

Subsequent to March 31, 2016

(a) The Company extended the maturity date of the senior secured revolving credit facility (Note 10(a)) to March 15, 2018 and amended certain terms and conditions, including financial covenants. The amount of the facility has not changed and remains at $200,000. Effective January 1, 2016 modifications have been made to amend the financial covenants to reflect the reduced commodity price environment. The interest rate charged under the amended facility will fluctuate with the financial leverage of the Company. The interest rate in the prior agreement was not linked to the Company's financial leverage.

(b) The Company extended the maturity date of the second lien secured revolving credit facility (Note 10(b)) to August 15, 2018 and amended certain terms and conditions, including financial covenants. The amount of the facility has not changed and remains at $50,000. The changes to this facility are the same as those in the senior secured revolving credit facility except there is no change in interest rate from the prior agreement.

(c) Concurrent with the changes to the second lien secured revolving credit facility the fee paid to a related party for guaranteeing this facility has been amended to fluctuate with the financial leverage of the Company on the same basis as the interest rate will fluctuate under the amended senior secured revolving credit facility.