

Imperial Comments on the Chief Inspector of Mines' Investigation Report on Mount Polley

Vancouver – December 18, 2015 | Imperial Metals Corporation (the “Company”) (III-TSX)

The Chief Inspector of Mines (“Chief Inspector”) for the Province of British Columbia yesterday released his report (the “Report”) regarding the August 4, 2014 tailings storage facility (“TSF”) breach at the Mount Polley Mine (the “Mine”). The Report was said to be the product of the “largest and most complex investigation of its kind in more than a century of regulated mining in BC”.

The Report concluded, as had the Mount Polley Independent Expert Engineering Investigation and Review Panel Report (“Panel Report”) released on January 30, 2015, that the primary cause of failure was associated with an engineering design that had not properly characterized the strength of a clay unit in the native soil foundation approximately 10 meters beneath the failed section of the TSF’s perimeter embankment.

The Report identified the high volume of water accumulated at the Mine in the TSF as a factor that contributed to the large discharge of water and tailings following the breach, but was not the cause of the breach. The environmental assessment completed in 1991 predicted that water would accumulate, as the site has a positive water balance, and concluded that “the probability of water surplus increases during the life of the project with significant excesses likely in the final years of operation.” Knowing this, Mount Polley Mining Corporation (“MPMC”) proactively began seeking a water discharge permit in 2006 to allow water discharge from the mine site. A permit amendment allowing for discharge of water was granted more than six years later on November 7, 2012. However, restrictions in the permit amendment did not allow for an adequate volume of water to be discharged. MPMC then initiated another permit amendment process to approve a higher discharge volume. This permit application was finalized in July 2014 and a water treatment plant was immediately ordered.

The Report also concluded that the failure of the dam took place suddenly and without any warning signs, despite an engineering Factor of Safety (“FOS”) calculated to be 1.63 (in excess of the 1.5 FOS required). This finding is consistent with the Panel Report that described the failure as sudden and without precursors. Both reports concluded that the failure was not preceded by indications that could have warned of the breach. This conclusion was also adopted by the Information and Privacy Commissioner of BC in her Investigation Report dated July 2, 2015.

MPMC does not retain geotechnical engineers on staff as employees and follows the professional reliance model. The regulatory framework requires that an Engineer of Record (the “EOR”) be retained to design and oversee construction of large tailings impoundments such as the one at the Mine. The EOR is to be a qualified professional engineer with experience in the design and construction of mining dams and is to be supported by a firm that has the capability to support the EOR with respect to dam safety. MPMC expects that one of the positive outcomes from the Report will be the establishment of Independent Engineering Review Panels (“IERP”) as an industry standard, which will strengthen the professional reliance model. Mount Polley has adopted this concept and established an IERP early in 2015.

The Chief Inspector found no evidence of a failure on the part of MPMC to comply with the requirements of the *Mines Act*, the Mines Regulation, the Mines Act Permit M-200 issued to MPMC or the Health, Safety and Reclamation Code for Mines in British Columbia. On September 13, 2013, the Ministry of Energy and Mines conducted a geotechnical inspection at the Mine, the last geotechnical inspection before the breach occurred. The province’s geotechnical inspector concluded that “Based on our observations and information reviewed we consider that the TSF is being designed, constructed, and operated in general conformance with the requirements of the geotechnical components of the HSCR, Permit M-200, and accepted engineering practices”, and issued no orders with respect to the construction and operation of the TSF.

MPMC participated in the Mining Association of Canada, Toward Sustainable Mining (“TSM”) program. Golder Associates Ltd. performed an external verification of the Mount Polley Mine based on this program. The external verification confirmed the self-reported TSM protocol performance levels for the period ending December 31, 2013. This verification confirmed Mount Polley achieved a performance Level A, for Tailings Management. The TSM rating scale ranges from AAA to C with a performance level A showing that applicable systems and processes are developed and implemented.

MPMC has made good progress repairing the effects of the breach working closely with the Ministry of Environment and in cooperation with First Nations and local communities. Total rehabilitation costs to date are in excess of \$65 million. The Mine recommenced restricted operations on August 5, 2015 following receipt of a temporary permit to discharge tailings in the Springer Pit and has applied for a permit to transition to normal operations using the TSF which has now been repaired and strengthened following the recommendations of its new EOR.

The Report also identifies several areas where improvements can be made in regard to governance and regulation to ensure that flaws such as this are not missed in the future. We support this philosophy and will work diligently with the regulators and industry partners to facilitate these improvements.

About Imperial

Imperial is an exploration, mine development and operating company based in Vancouver, British Columbia. The Company, through its subsidiaries, owns the Red Chris and Mount Polley copper|gold mines in British Columbia and the Sterling gold mine in Nevada. Imperial also holds a 50% interest in the Huckleberry copper mine and the Ruddock Creek lead|zinc property, both in British Columbia.

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