



Second Quarter Report 2017

Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Six Months Ended June 30, 2017 and 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the Three and Six Months Ended June 30, 2017 and 2016

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

	Notes	June 30 2017	December 31 2016
ASSETS			
Current Assets			
Cash		\$8,703	\$14,251
Marketable securities		1,415	123
Trade and other receivables	3	21,200	11,152
Inventory	4	45,174	66,441
Prepaid expenses and deposits		2,344	2,873
		<u>78,836</u>	<u>94,840</u>
Investment in Huckleberry Mines Ltd.	5	-	78,389
Mineral Properties	6	1,491,522	1,332,023
Other Assets	7	41,288	22,526
		<u>\$1,611,646</u>	<u>\$1,527,778</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	\$109,014	\$115,649
Taxes payable		1,726	1,868
Short term debt	10	-	13,277
Provision for rehabilitation costs	18	735	2,051
Current portion of debt	11	174,226	18,727
Non-current debt reclassified to current	1, 11, 29	668,287	-
Current portion of other obligations	9	35,464	32,210
Current portion of future site reclamation provisions	12	166	166
		<u>989,618</u>	<u>183,948</u>
Non-Current Debt	1, 11, 29	7,404	803,361
Other Obligations	9	34,558	41,708
Future Site Reclamation Provisions	12	86,611	42,215
Deferred Income Taxes		59,308	67,923
		<u>1,177,499</u>	<u>1,139,155</u>
EQUITY			
Share Capital	13	243,525	243,525
Share Option Reserve	13	18,060	17,477
Equity Component of Convertible Debentures	11	25,534	25,534
Currency Translation Adjustment		7,855	8,242
Retained Earnings		139,173	93,845
		<u>434,147</u>	<u>388,623</u>
		<u>\$1,611,646</u>	<u>\$1,527,778</u>
Commitments and Pledges	4, 6, 26		
Contingent Liabilities	27		

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on August 14, 2017

/s/ Larry G. Moeller

Director

/s/ J. Brian Kynoch

Director

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

For the Three and Six Months Ended June 30, 2017 and 2016

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

	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2017	2016	2017	2016
Revenue		\$106,741	\$116,200	\$222,490	\$252,985
Cost of Sales	14	(112,592)	(96,049)	(234,089)	(212,486)
Income (Loss) from Mine Operations		(5,851)	20,151	(11,599)	40,499
General and Administration	15	(1,129)	(1,717)	(2,384)	(4,011)
Idle Mine Cost		(1,858)	-	(1,858)	-
Gain on Bargain Purchase of Huckleberry	5	74,824	-	74,824	-
Gain on Sale of Sterling	28	80	-	80	-
Interest Expense	16	(18,268)	(17,114)	(36,426)	(33,654)
Other Finance Income (Expense)	17	11,972	(1,310)	14,973	21,925
Other Income (Expense)		(242)	32	(240)	(13)
Share of Equity Income (Loss) in Huckleberry	5	1,032	(1,697)	(557)	(5,673)
Income (Loss) before Taxes		60,560	(1,655)	36,813	19,073
Income and Mining Tax Recovery (Expense)	19	3,520	(2,505)	8,515	(5,504)
Net Income (Loss)		64,080	(4,160)	45,328	13,569
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to profit or loss					
Currency translation adjustment		(206)	89	(387)	(1,835)
Total Comprehensive Income (Loss)		\$63,874	\$(4,071)	\$44,941	\$11,734
Earnings (Loss) Per Share					
Basic	20	\$0.68	\$(0.05)	\$0.48	\$0.17
Diluted	20	\$0.68	\$(0.05)	\$0.48	\$0.17
Weighted Average Number of Common Shares Outstanding					
Basic	20	93,586,710	81,761,028	93,586,710	81,761,028
Diluted	20	93,739,066	81,761,028	93,811,634	81,863,358

See accompanying notes to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three and Six Months Ended June 30, 2017 and 2016

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

	Share Capital		Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount						
Balance December 31, 2015	81,761,028	\$178,730	\$14,789	\$870	\$25,534	\$9,169	\$147,055	\$376,147
Share based compensation expense	-	-	1,438	-	-	-	-	1,438
Expiry of warrants	-	-	-	(870)	-	-	870	-
Total comprehensive income (loss)	-	-	-	-	-	(1,835)	13,569	11,734
Balance June 30, 2016	81,761,028	\$178,730	\$16,227	\$-	\$25,534	\$7,334	\$161,494	\$389,319
Balance December 31, 2016	93,586,710	\$243,525	\$17,477	\$-	\$25,534	\$8,242	\$93,845	\$388,623
Share based compensation expense	-	-	583	-	-	-	-	583
Total comprehensive income (loss)	-	-	-	-	-	(387)	45,328	44,941
Balance June 30, 2017	93,586,710	\$243,525	\$18,060	\$-	\$25,534	\$7,855	\$139,173	\$434,147

See accompanying notes to these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended June 30, 2017 and 2016

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

	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2017	2016	2017	2016
OPERATING ACTIVITIES					
Income (loss) before taxes		\$60,560	\$(1,655)	\$36,813	\$19,073
Items not affecting cash flows					
Share of equity (income) loss in Huckleberry		(1,032)	1,697	557	5,673
Gain on bargain purchase of Huckleberry	5	(74,824)	-	(74,824)	-
Gain on sale of Sterling		(80)	-	(80)	-
Depletion and depreciation		21,375	20,799	43,061	45,558
Share based compensation		313	690	583	1,438
Accretion of future site reclamation provisions		586	227	939	458
Unrealized foreign exchange losses (gains)		(12,744)	1,963	(15,998)	(28,966)
Unrealized (gains) losses on derivative instruments		-	(366)	-	12,982
Interest expense		18,268	17,114	36,426	33,654
Other		(81)	(142)	(71)	(118)
		<u>12,341</u>	<u>40,327</u>	<u>27,406</u>	<u>89,752</u>
Net change in non-cash operating working capital balances	21	(9,856)	4,783	10,316	3,527
Income and mining taxes refunded (paid)		-	(870)	56	(870)
Interest paid		(8,946)	(9,747)	(31,856)	(29,214)
Cash (used in) provided by operating activities		<u>(6,461)</u>	<u>34,493</u>	<u>5,922</u>	<u>63,195</u>
FINANCING ACTIVITIES					
Proceeds of short term debt		71,375	109,017	143,124	193,429
Repayment of short term debt		(76,046)	(100,435)	(155,591)	(202,017)
Proceeds of non-current debt		22,589	16,245	69,039	23,745
Repayment of non-current debt		(9,853)	(49,330)	(38,083)	(55,129)
Cash provided by (used in) financing activities		<u>8,065</u>	<u>(24,503)</u>	<u>18,489</u>	<u>(39,972)</u>
INVESTING ACTIVITIES					
Acquisition and development of mineral properties		(21,522)	(23,410)	(38,285)	(33,878)
Net change in non-cash investing working capital balances	21	(435)	6,390	(11,983)	6,390
Payment of other obligations	9	(3,575)	32	(7,150)	32
Cash received on acquisition of Huckleberry	5	18,440	-	18,440	-
Cash received on sale of Sterling	28	7,165	-	9,158	-
Cash provided by (used in) investing activities		<u>73</u>	<u>(16,988)</u>	<u>(29,820)</u>	<u>(27,456)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH		<u>(169)</u>	<u>(312)</u>	<u>(139)</u>	<u>(891)</u>
(DECREASE) INCREASE IN CASH		<u>1,508</u>	<u>(7,310)</u>	<u>(5,548)</u>	<u>(5,124)</u>
CASH, BEGINNING OF PERIOD		<u>7,195</u>	<u>11,374</u>	<u>14,251</u>	<u>9,188</u>
CASH, END OF PERIOD		<u>\$8,703</u>	<u>\$4,064</u>	<u>\$8,703</u>	<u>\$4,064</u>

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

1. NATURE OF OPERATIONS

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

The Company's key projects are:

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

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to service its debt obligations, realize its assets and discharge its liabilities in the normal course as they come due. The Company has in place a planning, budgeting and forecasting process to determine the funds required to support the Company’s operations and expansionary plans.

At June 30, 2017, the Company had cash of \$8,703, available capacity of \$5,159 for future draws under the senior secured revolving credit facility, and a working capital deficiency of \$910,782, which includes \$842,513 current portion of debt (Note 11).

Based on the results of operations for the second quarter of 2017 the Company met three of four financial covenants contained in its Senior Credit Facility. But for the waiver referred to below, the Company would not have been in compliance with one of the financial covenants of the facility. The Senior Credit Facility matures on March 15, 2018 and has been classified as a current liability since March 15, 2017.

The Company has obtained a waiver from the Senior Credit Facility lenders such that no event of default has occurred under the facility. The waiver covers the period to September 30, 2017 and requires the Company to deliver a financing plan to the Senior Credit Facility lenders for their approval prior to September 30, 2017.

International Accounting Standard 1 requires all debt to be classified as a current liability where the Company does not have an unconditional right to defer settlement of the debt for at least twelve months after the relevant reporting period. Accordingly, even though no present event of default exists, all debt, which could, under any circumstances, be accelerated due to any potential action which could be taken by lenders prior to twelve months from June 30, 2017 must be classified as a current liability. Consequently, the second lien secured revolving credit facility, the senior unsecured notes (Note 11 (c)), the convertible debentures (Note 11 (e)(f)), the junior credit facility (Note 11 (d)) and certain equipment loans (Note 11 (g)) are required to be classified as current liabilities as of June 30, 2017.

On July 31, 2017 the Company closed a \$20,000 bridge loan financing (“Bridge Loan”) with affiliates of its two major shareholders. The Bridge Loan matures on the earlier of October 15, 2017 or the date the Company secures additional financing.

The Company is reviewing its mine plans and its capital requirements as a result of lower than expected metal production in the first half of 2017. This review may require the Company to secure additional financing or request extension of the maturity dates of some of its debt. There can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all or that the holders of the Company’s debt will agree to extend maturity dates. This creates a material uncertainty that could have an adverse impact on the Company’s financial condition and results of operations, and may cast significant doubt on the Company’s ability to continue as a going concern.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. During the three months ended June 30, 2017 management made significant judgements related to classifying the acquisition of Huckleberry as a business combination, including significant estimates regarding the fair value of Huckleberry assets and liabilities acquired and the resulting gain on bargain purchase of Huckleberry (Note 5).

Actual results may differ from these estimates. The significant accounting judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. TRADE AND OTHER RECEIVABLES

	June 30 2017	December 31 2016
Trade receivables	\$20,920	\$10,644
Taxes receivable	280	508
	<u>\$21,200</u>	<u>\$11,152</u>

4. INVENTORY

	June 30 2017	December 31 2016
Stockpile ore	\$19,268	\$15,400
Dore	-	13
Concentrate	8,165	32,047
Supplies	44,072	35,946
Total inventories	<u>71,505</u>	<u>83,406</u>
Less non-current inventories included in other assets (Note 7)	<u>(26,331)</u>	<u>(16,965)</u>
Total current inventories	<u>\$45,174</u>	<u>\$66,441</u>

During the period ended June 30, 2017 inventory of \$218,063 was recognized in cost of sales (June 30, 2016-\$153,346) and an impairment charge of \$5,641 (June 30, 2016-\$9,204) on stockpile ore and concentrate was included in cost of sales.

As at June 30, 2017, the Company had \$71,505 (December 31, 2016-\$83,406) of inventory pledged as security for debt.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

5. INVESTMENT IN HUCKLEBERRY MINES LTD.

Huckleberry Mines Ltd. (“Huckleberry”) open pit copper mine, currently on care and maintenance, is located 88 kilometres from Houston in west central British Columbia. The Huckleberry property consists of two mining leases covering 2,422 hectares and 39 mineral claims encompassing approximately 17,358 hectares.

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

The Company had a 50% interest in Huckleberry that was accounted for on the equity basis of accounting. The Company has accounted for the acquisition of the remaining 50% interest in Huckleberry as a business combination whereby the net assets acquired are recorded at fair value. The fair values disclosed at June 30, 2017 are provisional estimates because the acquisition only occurred on April 28, 2017, and due to a number of factors, including the complexity of valuing mineral property interests at various stages of development, further work will be required to confirm the final fair values. The finalization of the fair values of the assets and liabilities acquired is expected to be reported no later than the Company’s December 31, 2017 financial statements, the final fair values may be materially different than the provisional fair values outlined below.

The Company has provisionally estimated the acquisition date fair values of the acquired assets and liabilities of Huckleberry and the fair value of the Company’s previously held 50% interest in Huckleberry by reference to their pre-acquisition carrying values, a level 3 fair value measurement. These pre-acquisition carrying values had been subject to normal impairment assessment pre and post-acquisition with no impairment charges recorded.

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

Assets Relinquished

Accrued receivable due to the Company	\$1,009
Fair value of the Company’s initial 50% investment in Huckleberry	77,832
	<u>\$78,841</u>

Identifiable Assets Acquired and Liabilities Assumed

Cash	\$18,440
Reclamation bonds	14,135
Prepaid and other receivables	648
Inventory	7,941
Mineral properties	164,265
Trade and other payables	(1,668)
Deferred trade payables	(4,925)
Future site reclamation provisions	(45,171)
	<u>\$153,665</u>
Gain on bargain purchase of Huckleberry	<u>\$74,824</u>

From the date of acquisition on April 28, 2017 to June 30, 2017, Huckleberry incurred idle mine costs comprised of \$951 in operating costs and \$907 in depreciation expense.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

	Six Months Ended June 30 2017	Year Ended December 31 2016
Balance, beginning of period	\$78,389	\$89,734
Share of loss for the period	(557)	(11,345)
Acquisition of Huckleberry	(77,832)	-
Balance, end of period	\$ -	\$78,389

6. MINERAL PROPERTIES

Cost	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2015	\$331,921	\$55,765	\$50,745	\$1,118,048	\$1,556,479
Additions	10,599	403	396	148,043	159,441
Disposals	-	-	(181)	(1,882)	(2,063)
Foreign exchange movement	-	-	(1,457)	50	(1,407)
Balance December 31, 2016	342,520	56,168	49,503	1,264,259	1,712,450
Additions	4,317	647	7,007	44,197	56,168
Sale of Sterling	-	-	(33,937)	(2,118)	(36,055)
Acquisition of Huckleberry	3,328	-	3,892	157,045	164,265
Foreign exchange movement	-	-	(389)	(32)	(421)
Balance June 30, 2017	\$350,165	\$56,815	\$26,076	\$1,463,351	\$1,896,407

Accumulated depletion & depreciation & impairment losses	Mineral Properties not being Depleted				Total
	Mineral Properties being Depleted	Projects not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2015	\$114,407	\$ -	\$1,645	\$178,870	\$294,922
Depletion and depreciation	24,821	-	-	54,747	79,568
Disposals	-	-	-	(876)	(876)
Impairments	-	-	7,300	-	7,300
Foreign exchange movement	-	-	(375)	(112)	(487)
Balance December 31, 2016	139,228	-	8,570	232,629	380,427
Depletion and depreciation	12,576	-	-	26,065	38,641
Foreign exchange movement	-	-	22	(261)	(239)
Sale of Sterling	-	-	(6,947)	(6,997)	(13,944)
Balance June 30, 2017	\$151,804	\$ -	\$1,645	\$251,436	\$404,885
<i>Carrying Amount</i>					
Balance December 31, 2015	\$217,514	\$55,765	\$49,100	\$939,178	\$1,261,557
Balance December 31, 2016	\$203,292	\$56,168	\$40,933	\$1,031,630	\$1,332,023
Balance June 30, 2017	\$198,361	\$56,815	\$24,431	\$1,211,915	\$1,491,522

At June 30, 2017, mineral property assets with a carrying value of \$12,503 (December 31, 2016-\$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 26(b)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

Red Chris

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

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

Mount Polley

The Mount Polley copper/gold mine and property in central British Columbia is owned and operated by Mount Polley Mining Corporation, a subsidiary of the Company. The property is comprised of 19,601 hectares, consisting of seven mining leases totalling 2,007 hectares, and 45 mineral claims encompassing 17,594 hectares. A production royalty is payable on ore mined from Mining Lease 933970 but no production occurred on this tenure in 2017 nor is any planned in 2018.

Huckleberry

Huckleberry mine is located 88 kilometres from Houston, British Columbia, and the property encompasses 19,780 hectares consisting of two mining leases covering 2,422 hectares, and 39 mineral claims encompassing approximately 17,358 hectares. Huckleberry mine ceased operations in August 2016 and has been on care and maintenance since then.

Sterling

The Company completed the sale of its interest in the Sterling gold mine property and related assets on May 30, 2017 (Note 28).

Other Exploration Properties

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

7. OTHER ASSETS

	June 30 2017	December 31 2016
Future site reclamation deposits	\$14,310	\$4,667
Non-current inventory - ore stockpiles	18,625	14,650
Non-current inventory - critical spare parts	7,706	2,315
Other	647	894
	<u>\$41,288</u>	<u>\$22,526</u>

8. TRADE AND OTHER PAYABLES

	June 30 2017	December 31 2016
Trade payables	\$70,986	\$68,947
Accrued liabilities	38,028	46,702
	<u>\$109,014</u>	<u>\$115,649</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

9. OTHER OBLIGATIONS

	June 30 2017	December 31 2016
Deferred trade payables	\$21,164	\$17,910
Northwest Transmission Line payable	48,858	56,008
	70,022	73,918
Less portion due within one year	(35,464)	(32,210)
	<u>\$34,558</u>	<u>\$41,708</u>

(a) Deferred Trade Payable

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

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

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

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

(b) Northwest Transmission Line Payable

Pursuant to a tariff supplement the Company is obligated to reimburse BC Hydro for its portion of the costs related to BC Hydro's construction of the Northwest Transmission Line ("NTL") which provides power to the Red Chris mine.

10. SHORT TERM DEBT

Amounts due for short term debt are:

	June 30 2017	December 31 2016
Concentrate advances of US\$nil (December 31, 2016-US\$9,889) from purchasers of the concentrate at the Red Chris and Mount Polley mines repayable from sale of concentrate with interest rates ranging from three month Libor plus 2.0% to 2.2% secured by a first charge on the concentrate.	\$ -	\$13,277

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

	June 30 2017	December 31 2016
Balance, beginning of period	\$13,277	\$24,754
Amounts advanced	143,124	327,026
Amounts repaid	(155,591)	(338,420)
Foreign exchange gains	(810)	(83)
Balance, end of period	<u>\$ -</u>	<u>\$13,277</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

11. DEBT

Amounts due for debt are:

	June 30 2017	December 31 2016
Senior secured revolving credit facility, net of issue costs	(a) \$153,461	\$109,967
Second lien secured revolving credit facility, net of issue costs	(b) 49,836	49,789
Senior unsecured notes, net of issue costs	(c) 417,640	430,984
Junior credit facility	(d) 75,000	75,000
Convertible debentures - 2014	(e) 98,789	96,475
Convertible debentures - 2015	(f) 25,205	24,686
Equipment loans	(g) 29,986	35,187
	849,917	822,088
Less current portion	(174,226)	(18,727)
Less non-current portion classified as current (Notes 1 and 29(b))	(668,287)	-
	<u>\$7,404</u>	<u>\$803,361</u>

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

	Six Months Ended June 30 2017	Year Ended December 31 2016
Balance, beginning of period	\$822,088	\$889,707
Amounts advanced, net of issue costs	76,717	68,695
Foreign exchange gains	(14,970)	(14,474)
Accretion of debt issue costs	1,332	3,262
Accretion of interest on convertible debentures	2,833	5,517
Amounts repaid	(38,083)	(130,619)
Balance, end of period	849,917	822,088
Less current portion	(174,226)	(18,727)
Less non-current portion classified as current (Notes 1 and 29(b))	(668,287)	-
	<u>\$7,404</u>	<u>\$803,361</u>

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As a result of not meeting one of the financial covenants under the Senior Credit Facility (Note 11(a)) for the three months ending June 30, 2017 certain of the Company's debt has been classified as current at June 30, 2017. International Accounting Standard 1 requires all debt to be classified as a current liability where the Company does not have an unconditional right to defer settlement of the debt for at least twelve months after the relevant reporting period. Also see Notes 1 and 29(b).

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating \$200,000 (December 31, 2016-\$200,000) due on March 15, 2018. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company. Of this facility, \$40,641 (December 31, 2016-\$39,520) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 26(b)). The Company did not meet one of the financial covenants under this facility for the three months ended June 30, 2017 (Notes 1 and 29(b)).

(b) Second Lien Secured Revolving Credit Facility

Second lien secured revolving credit facility aggregating \$50,000 (December 31, 2016-\$50,000) due on August 15, 2018. The facility is secured by trade and other receivables, inventory, shares of all material subsidiaries and a floating charge on certain assets of the Company, subject to the priority interests held on those assets by the senior credit facility syndicate. This facility has been guaranteed by a related party (Note 22). (Notes 1 and 29(b))

(c) Senior Unsecured Notes

Senior unsecured notes (the "Notes") due March 15, 2019 aggregating US\$325,000 with interest at 7% per annum payable each March 15 and September 15. The Notes, net of transaction costs, are accounted for at amortized cost using the effective interest method. The indenture governing the Notes places certain transaction-based restrictions on the Company's ability to incur additional indebtedness; prepay, redeem or repurchase certain debt; pay dividends or make other distributions or repurchase or redeem shares; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; consolidate, merge or sell all or substantially all of the Company's assets, in each case subject to certain exceptions (Notes 1 and 29(b)).

(d) Junior Credit Facility

The junior credit facility is from a related party (Note 22). It aggregates \$75,000 (December 31, 2016-\$75,000) and is unsecured with interest payable quarterly at 10% per annum. The facility is due on March 15, 2019 however the facility must be repaid upon (i) receipt of proceeds from specific sources as described in the agreement, (ii) the debt ratio in the senior credit facility permitting repayment of the debt (Notes 1 and 29(b)).

(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 (Notes 1 and 29(b)).

(f) Convertible Debentures – 2015

The debentures with a face value of \$30,000 mature on August 25, 2021 and bear interest at 6% per year with interest payable semi-annually on June 30 and December 31 with the first payment paid on December 31, 2016. The face value of the convertible debentures are convertible into common shares of the Company at the option of the holder upon at least 61 days advance notice at any time prior to maturity at a conversion price of \$12.00 per common share. The convertible debentures are not callable unless the closing price of the Company's common shares exceeds 125% of the conversion price for at least 30 consecutive days (Notes 1 and 29(b)).

(g) Equipment Loans

At June 30, 2017, the Company had equipment loans outstanding denominated in US Dollars totalling US\$10,160 or \$13,184 (December 31, 2016-US\$14,679; \$19,710) at a weighted average interest rate of 2.71% with monthly payments of US\$771 or \$1,000. The Company also had equipment loans outstanding denominated in CDN Dollars totalling \$16,802 (December 31, 2016-\$15,477) at a weighted average interest rate of 5.39% with monthly payments of \$1,238. All equipment loans are secured by the financed equipment (Notes 1 and 29(b)).

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12. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation at its Red Chris, Mount Polley, Huckleberry (effective April 28, 2017 (Note 5)), Sterling (to May 30, 2017 (Note 28)), 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:

	Six Months Ended June 30 2017	Year Ended December 31 2016
Balance, beginning of period	\$42,381	\$32,743
Accretion (Note 17)	939	925
Costs incurred during the period	-	(33)
Change in estimates of future costs and effect of translation of foreign currencies	3,364	8,746
Acquisition of Huckleberry (Note 5)	45,171	-
Sale of Sterling (Note 28)	(5,078)	-
Balance, end of period	86,777	42,381
Less portion due within one year	(166)	(166)
	<u>\$86,611</u>	<u>\$42,215</u>

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$155,162 (December 31, 2016-\$57,147). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2016-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.06% (December 31, 2016-3.34%) except for obligations related to Huckleberry beyond 2045 that are discounted using a rate of 4.40%. The majority of these obligations in amount of \$85,162 are expected to be settled in the years 2017 through 2045 with the balance to be settled commencing in the year 2047.

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

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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 June 30, 2017, a total of 5,606,771 common share options remain available for grant under the plans. Under the plans, the exercise price of each option cannot be greater than the market price of the Company's shares on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors and vest over a three or five year period.

During the six months ended June 30, 2017, the Company granted 65,000 stock options at a weighted average exercise price of \$5.75. During the year ended December 31, 2016 the Company granted 15,000 stock options at a weighted average exercise price of \$8.00. The weighted average fair value for the options granted in the six months ended June 30, 2017 was \$2.49 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 - 1.05%; expected dividend yield - \$nil; expected stock price volatility – 51.03%; expected option life - 6.5 years; and, estimated forfeiture rate - 5.00%. The weighted average fair value for the options granted in the year ended December 31, 2016 was \$3.83 per option, which was estimated at the date of the grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free interest rate - 1.18%; expected dividend yield - \$nil; expected stock price volatility - 60.9%; expected option life - 6.5 years; and, estimated forfeiture rate - 5.00%.

Movements in Share Options

The changes in share options were as follows:

	Six Months Ended June 30, 2017		Year Ended December 31, 2016	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,871,900	\$8.16	4,157,450	\$8.20
Granted	65,000	\$5.75	15,000	\$8.00
Exercised	-	-	(7,500)	\$5.93
Forfeited	(156,000)	\$8.00	(251,000)	\$8.28
Expired	(29,000)	\$8.00	(42,050)	\$11.55
Outstanding at end of period	3,751,900	\$8.13	3,871,900	\$8.16
Options exercisable at end of period	2,378,900	\$8.27	2,407,900	\$8.26

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The following table summarizes information about the Company's share options outstanding at June 30, 2017:

Exercise Prices	Options Outstanding		Options Exercisable	
	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$4.41	800,900	1.47	800,900	1.47
\$5.75	65,000	10.51	-	-
\$5.93	156,000	2.50	156,000	2.50
\$8.00	1,650,000	8.38	342,000	8.21
\$11.55	1,080,000	3.24	1,080,000	3.24
	<u>3,751,900</u>	<u>5.22</u>	<u>2,378,900</u>	<u>3.31</u>

There were no options exercised during the six months ended June 30, 2017.

14. COST OF SALES

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Operating expenses	\$67,430	\$57,010	\$138,054	\$123,218
Salaries, wages and benefits	24,625	18,058	53,771	43,419
Depletion and depreciation	20,436	20,716	42,090	45,295
Share based compensation	101	265	174	554
	<u>\$112,592</u>	<u>\$96,049</u>	<u>\$234,089</u>	<u>\$212,486</u>

Included in cost of sales is \$5,641 (June 30, 2016-\$9,204) of impairment charges related to stockpile ore and concentrate inventory.

15. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Administration	\$962	\$669	\$1,770	\$2,086
Share based compensation	212	425	409	884
Depreciation	32	82	64	262
Foreign exchange (gain) loss	(77)	541	141	779
	<u>\$1,129</u>	<u>\$1,717</u>	<u>\$2,384</u>	<u>\$4,011</u>

16. INTEREST EXPENSE

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Interest on debt	\$16,771	\$16,325	\$33,550	\$32,688
Other interest	1,497	789	2,876	966
	<u>\$18,268</u>	<u>\$17,114</u>	<u>\$36,426</u>	<u>\$33,654</u>

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17. OTHER FINANCE INCOME (EXPENSE)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Accretion of future site reclamation provisions	\$(586)	\$(227)	\$(939)	\$(458)
Foreign exchange gain (loss) on debt	12,430	(1,580)	15,780	29,162
Fair value adjustment to marketable securities	81	107	71	127
Realized gain on derivative instruments	-	-	-	6,041
Unrealized gain (loss) on derivative instruments	-	366	-	(12,982)
	11,925	(1,334)	14,912	21,890
Interest income	47	24	61	35
Other finance income (expense)	\$11,972	\$(1,310)	\$14,973	\$21,925

18. PROVISION FOR REHABILITATION COSTS

The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required. It is based on assumptions and estimates at June 30, 2017, and is subject to revision in the future as further information becomes available to the Company.

Changes in the provision for rehabilitation costs are as follows:

	Six Months	Year Ended
	Ended June 30	December 31
	2017	2016
Balance, beginning of the period	\$2,051	\$2,123
Costs incurred in the period	(1,316)	(72)
Balance, end of the period	\$735	\$2,051

19. INCOME AND MINING TAX RECOVERY (EXPENSE)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Current income and mining taxes	\$(111)	\$(828)	\$(389)	\$(1,733)
Deferred income and mining taxes	3,631	(1,677)	8,904	(3,771)
	\$3,520	\$(2,505)	\$8,515	\$(5,504)

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20. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Numerator:				
Net Income (Loss)	\$64,080	\$(4,160)	\$45,328	\$13,569
Denominator:				
Basic weighted-average number of common shares outstanding	93,586,710	81,761,028	93,586,710	81,761,028
Effect of dilutive securities:				
Stock options, warrants and convertible debentures	152,356	-	224,924	102,330
Diluted weighted-average number of common shares outstanding	93,739,066	81,761,028	93,811,634	81,863,358
Basic net income (loss) per common share	\$0.68	\$(0.05)	\$0.48	\$0.17
Diluted net income (loss) per common share	\$0.68	\$(0.05)	\$0.48	\$0.17

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 June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Stock options	1,578,000	3,929,400	1,422,000	3,128,500
Convertible debentures	12,155,751	12,155,751	12,155,751	12,155,751

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Trade and other receivables	\$(7,554)	\$8,476	\$(7,922)	\$(6,614)
Inventory	7,728	(7,113)	15,369	5,152
Derivative instruments	-	-	-	1,347
Prepaid expenses and deposits	(205)	567	678	976
Trade and other payables	(8,366)	(7,666)	5,178	(8,711)
Deferred trade payables	(760)	6,070	(1,671)	7,834
Provision for rehabilitation costs	(699)	4,449	(1,316)	3,543
	\$(9,856)	\$4,783	\$10,316	\$3,527

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

During the three months ended March 31, 2017 and the six months ended June 30, the Company purchased certain mobile equipment at a cost of \$7,678 which was financed by long term debt (Note 11(g)), the Company also acquired net smelter royalties and a net profits interest in certain mine operations in amount of \$6,846 as a part of Sterling sale consideration (Note 28).

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Trade and other payables	\$(435)	\$6,390	\$(11,983)	\$6,390

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22. 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 June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Loan guarantee fee for guarantee of second lien credit facility	\$421	\$311	\$837	\$561
Interest expense	\$4,039	\$3,925	\$8,012	\$7,932

Statement of Financial Position

	June 30	December 31
	2017	2016
Accrued interest on senior unsecured notes and junior credit facility	\$3,282	\$3,326
Junior credit facility	\$75,000	\$75,000
Senior unsecured notes (US\$53,300)	\$69,167	\$71,566
Convertible debentures	\$59,000	\$59,000

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

23. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Short term benefits ⁽¹⁾	\$321	\$323	\$646	\$647
Share based payments ⁽²⁾	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Short term employee benefits include salaries, estimated bonuses payable within the year of the Statement of Financial Position date and other annual employee benefits. Directors and other key personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during three and six months ended June 30, 2017 and 2016

⁽²⁾ Share based payments are the fair value of options granted in the period to directors and other key management personnel.

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24. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of the Sterling totalling \$12,277 as at June 30, 2017 (December 31, 2016-\$26,814), which are located in the USA. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

Reportable Segments

	Three Months Ended June 30, 2017					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$62,324	\$44,754	\$337	\$ -	\$15	\$107,430
Less inter-segment revenues	(32)	(636)	(7)	-	(14)	(689)
Revenues from external sources	\$62,292	\$44,118	\$330	\$ -	\$1	\$106,741
Depletion and depreciation	\$12,366	\$8,014	\$65	\$ -	\$32	\$20,477
Interest and other finance income (expense)	\$(3,741)	\$(2,318)	\$(60)	\$(304)	127	\$(6,296)
Gain on bargain purchase of Huckleberry	\$ -	\$ -	\$ -	\$ -	\$74,824	\$74,824
Share of equity income in Huckleberry	\$ -	\$ -	\$ -	\$1,032	\$ -	\$1,032
Net income (loss)	\$(16,279)	\$3,113	\$(37)	\$(1,178)	\$78,460	\$64,080
Capital expenditures	\$18,699	\$3,085	\$7,016	\$5	\$33	\$28,838
Total assets	\$1,088,480	\$303,118	\$12,277	\$187,639	\$20,132	\$1,611,646
Total liabilities	\$898,066	\$208,366	\$73	\$52,178	\$18,816	\$1,177,499

	Three Months Ended June 30, 2016					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$92,060	\$24,700	\$32	\$ -	\$293	\$117,085
Less inter-segment revenues	(32)	(673)	(32)	-	(148)	(885)
Revenues from external sources	\$92,028	\$24,027	\$ -	\$ -	\$145	\$116,200
Depletion and depreciation	\$14,667	\$5,945	\$104	\$ -	\$83	\$20,799
Interest and other finance income (expense)	\$(15,636)	\$(2,869)	\$(39)	\$ -	\$120	\$(18,424)
Share of equity loss in Huckleberry	\$ -	\$ -	\$ -	\$(1,697)	\$ -	\$(1,697)
Net income (loss)	\$5,286	\$(7,477)	\$(498)	\$(1,697)	\$226	\$(4,160)
Capital expenditures	\$10,994	\$13,157	\$ -	\$ -	\$86	\$24,237
Equity investment	\$ -	\$ -	\$ -	\$84,061	\$ -	\$84,061
Total assets	\$1,004,189	\$297,588	\$33,095	\$84,061	\$27,267	\$1,446,200
Total liabilities	\$832,816	\$205,250	\$5,007	\$ -	\$13,808	\$1,056,881

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Reportable Segments

	Six Months Ended June 30, 2017					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$116,921	\$106,360	\$360	\$ -	\$317	\$223,958
Less inter-segment revenues	(63)	(1,214)	(18)	-	(173)	(1,468)
Revenues from external sources	\$116,858	\$105,146	\$342	\$ -	\$144	\$222,490
Depletion and depreciation	\$22,799	\$19,141	\$159	\$ -	\$64	\$42,163
Interest and other finance income (expense)	\$(15,761)	\$(5,406)	\$(101)	\$(304)	\$119	(21,453)
Gain on bargain purchase of Huckleberry	\$ -	\$ -	\$ -	\$ -	\$74,824	\$74,824
Share of equity loss in Huckleberry	\$ -	\$ -	\$ -	\$(557)	\$ -	\$(557)
Net income (loss)	\$(30,252)	979	\$(630)	\$(2,767)	\$77,997	\$45,328
Capital expenditures	\$29,650	\$16,058	\$7,027	\$5	\$67	\$52,807
Total assets	\$1,088,480	\$303,118	\$12,277	\$187,639	\$20,132	\$1,611,646
Total liabilities	\$898,066	\$208,366	\$73	\$52,178	\$18,816	\$1,177,499

	Six Months Ended June 30, 2016					
	Red Chris	Mount Polley	Sterling	Huckleberry	Corporate	Total
Reportable segmented revenues	\$176,952	\$77,009	\$229	\$ -	\$608	\$254,798
Less inter-segment revenues	(63)	(1,382)	(54)	-	(314)	(1,813)
Revenues from external sources	\$176,889	\$75,627	\$175	\$ -	\$294	\$252,985
Depletion and depreciation	\$29,050	\$16,005	\$240	\$ -	\$263	\$45,558
Interest and other finance income (expense)	\$(7,761)	\$(4,035)	\$(76)	\$ -	\$143	\$(11,729)
Share of equity loss in Huckleberry	\$ -	\$ -	\$ -	\$(5,673)	\$ -	\$(5,673)
Net income (loss)	\$26,495	\$(5,022)	\$(1,046)	\$(5,673)	\$(1,185)	\$13,569
Capital expenditures	\$17,904	\$16,669	\$18	\$ -	\$101	\$34,692
Equity investment	\$ -	\$ -	\$ -	\$84,061	\$ -	\$84,061
Total assets	\$1,004,189	\$297,588	\$33,095	\$84,061	\$27,267	\$1,446,200
Total liabilities	\$832,816	\$205,250	\$5,007	\$ -	\$13,808	\$1,056,881

Revenue by Geographic Area

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Canada	\$1	\$145	\$144	\$294
Korea	18,335	17,410	19,055	33,611
Singapore	25,824	18,886	42,906	52,887
Switzerland	8,678	17,458	87,798	52,117
United States	53,903	62,301	72,587	114,076
	\$106,741	\$116,200	\$222,490	\$252,985

Revenues are attributed to geographic area based on country of customer. In the period ended June 30, 2017, the Company had six principal customers accounting for 31%, 19%, 17%, 16%, 9% and 8% of revenues (June 30, 2016—five principal customers accounting for 30%, 21%, 21%, 15% and 13%). The Company is not reliant on any one customer to continue to operate as a going concern.

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

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Revenue by Major Product and Service

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Copper	\$69,343	\$72,368	\$144,286	\$157,379
Gold	36,613	41,631	77,080	91,857
Silver	780	2,056	976	3,455
Other	5	145	148	294
	<u>\$106,741</u>	<u>\$116,200</u>	<u>\$222,490</u>	<u>\$252,985</u>

25. FINANCIAL INSTRUMENTS

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as marketable securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price. The fair value of derivative instrument assets and liabilities are determined by the counterparties using standard valuation techniques for these derivative instruments.

The carrying value less impairment provision, if necessary, of trade and other receivables and trade and other payables are assumed to approximate their fair values. Except for the Notes (Note 11(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At June 30, 2017, the fair value of the Notes is \$380,083 (December 31, 2016-\$416,741) based on a quote received from dealers that trade the Notes.

IFRS 13 *Fair Value Measurement* requires disclosures about the inputs to fair value measurement, including their classifications within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; and

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as June 30, 2017 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	\$8,703	\$ -	\$8,703
Marketable securities	1,415	-	1,415
Provisionally priced accounts receivables	-	12,979	12,979
Future site reclamation deposits	14,310	-	14,310
	<u>24,428</u>	<u>12,979</u>	<u>37,407</u>
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(929)	(929)
	<u>\$24,428</u>	<u>\$12,050</u>	<u>\$36,478</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

26. COMMITMENTS AND PLEDGES

(a) At June 30, 2017, the Company is committed to future minimum operating lease payments as follows:

2017	\$211
2018	411
2019	416
2020	347
2021 and beyond	495
	<u>\$1,880</u>

(b) At June 30, 2017, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Notes 5, 7)	\$14,310
Mineral property, plant and equipment	12,503
Letters of credit (Note 11(a))	40,641
	<u>\$67,454</u>

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

2017	28,740
2018	1,740
	<u>\$30,480</u>

(d) At June 30, 2017, the Company had commitments totalling \$Nil for the purchase property, plant and equipment.

27. CONTINGENT LIABILITIES

The Company is from time to time involved in various claims and legal proceedings arising in the conduct of its business. In the opinion of management, none of these matters will have a material effect on the Company's condensed consolidated financial position or financial performance.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and at June 30, 2017 the Company has a provision of \$735 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 18). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly no provision has been made as of June 30, 2017. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

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

28. SALE OF STERLING

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

A summary of the transaction is as follows:

Assets sold

Inventory and supplies	\$102
Prepaid expenses and deposits	16
Mineral properties	22,111
Reclamation bonds	4,412
	<u>26,641</u>

Liabilities released

Future site reclamation provisions	(5,078)
Net assets sold	<u>\$21,563</u>

Consideration received

Cash	\$9,158
Cash to be received from refund of reclamation bonds	4,412
Marketable securities	1,267
Net smelter royalty	2,251
Net profits interest	4,595
Transaction costs	(40)
	<u>\$21,643</u>
Gain on sale of Sterling gold mine	<u>\$80</u>

The Company has a right to receive additional marketable securities, which, if received, will be recorded as a gain on sale when received. This contingent asset has not been recognized as at June 30, 2017.

29. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the Company

- closed a \$20,000 Bridge Loan with affiliates of its two major shareholders. The Bridge Loan is secured by all assets of the Company, and is subordinated to the Senior Credit Facility and second lien secured revolving credit facility lenders. Interest on the Bridge Loan is payable monthly commencing on August 31, 2017 at the rate of 8% per annum. The Bridge Loan matures on the earlier of October 15, 2017 or the date the Company secures additional financing. The Bridge Loan proceeds will be used for general working capital purposes and to support ongoing operations.
- received a waiver from the Senior Credit Facility lenders with respect to the non-compliance with one of the covenants under the facility (Notes 1 and 11(a)).



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Darb Dhillon | Vice President Finance

Steve Robertson | Vice President Corporate Affairs

Gordon Keevil | Vice President Corporate Development