



First Quarter Report 2017

Management's Discussion & Analysis

For the Three Months Ended March 31, 2017 and 2016

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, 2017 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, 2016. This MD&A contains statements that may be considered forward-looking information, and therefore investors are directed to review section "Forward-Looking Statements and Risks Notice" within this MD&A.

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.

Imperial is a Canadian mining company active in the acquisition, exploration, development, mining and production of base and precious metals. The Company, through its subsidiaries, owns the Red Chris, Mount Polley and Huckleberry copper mines in British Columbia, and the Sterling gold mine in Nevada. Imperial also holds a 50% interest in the Ruddock Creek lead/zinc property in British Columbia. Imperial has interests in various other early stage exploration properties, however exploration is currently focused at existing mining operations. The Company also continues to evaluate potential acquisitions.

Imperial's principal business registered and records office address is Suite 200, 580 Hornby Street, Vancouver, British Columbia V6C 3B6 Canada. The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act* ("BCBCA"), on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals Corporation on April 10, 2002.

The Company is listed on The Toronto Stock Exchange and its shares trade under symbol III. As at May 15, 2017 the Company had 93,586,710 common shares outstanding, and on a diluted basis 109,528,361 common shares outstanding.

Additional Company disclosure can be obtained from imperialmetals.com or sedar.com.

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 included the use of the Springer pit to contain the tailings produced. On June 23, 2016 Mount Polley received the necessary authorizations from the Ministry of Energy and Mines and the Ministry of Environment, to return to normal mine operations, making use of its repaired and buttressed tailings storage facility.

During the 2016 fiscal year the Company completed a number of transactions to improve liquidity. These included a private placement for gross proceeds of \$65.0 million, amendment of the financial covenants under the senior secured revolving credit facility, the sale of the US\$110.0 million cross currency swap for proceeds of \$25.5 million, refinancing some 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 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 of this facility is also unchanged and remains at \$50.0 million.

At March 31, 2017, the Company had cash of \$7.2 million and available capacity of \$20.3 million for future draws under the senior secured revolving credit facility and a working capital deficiency of \$214.6 million which included \$134.1 million related to the senior revolving credit facility maturing on March 15, 2018. During the March 31, 2017 quarter the Company amended certain financial covenants under the senior secured revolving credit facility for the March 31, June 30 and September 30, 2017 reporting periods.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines and available capacity under senior secured credit facility are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due subject to the successful renewal and extension of the senior secured revolving credit facility and the second lien revolving credit facility. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all, which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

On February 15, 2017, the Company announced it had entered into a Letter of Intent to sell its interest in the Sterling gold mine property and related assets and as a result these assets and liabilities have been reclassified to assets held for sale. The closing of the sale is the subject to completion of a formal agreement, board and regulatory approvals, completion of due diligence and conventional conditions for such a transaction.

On April 7, 2017, Huckleberry Mines Ltd. ("Huckleberry") exercised 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 \$2.0 million. This transaction closed on April 28, 2017 and Imperial now holds 100% of the shares of Huckleberry through HML Mining Inc., a wholly owned subsidiary of Imperial.

Executive Appointments

Imperial welcomes Darb S. Dhillon, CA, CPA, as Vice President Finance effective April 24, 2017.

The Company is also pleased to announce the additional appointments of General Counsel Sophie Hsia as Vice President Risk, and Chief Scientific Officer Dr. Carolyn Anglin as Vice President Environmental Affairs.

QUARTER HIGHLIGHTS

FINANCIAL

Revenues decreased to \$115.7 million in the March 2017 quarter compared to \$136.8 million in the 2016 comparative quarter, a decrease of \$21.1 million or 15%.

Revenue from the Red Chris mine in the March 2017 quarter was \$54.6 million compared to \$84.9 million in the 2016 comparative quarter. This decrease was attributable to lower shipment volumes due to processing lower grade ore in the 2017 quarter compared to the 2016 quarter.

Revenue from the Mount Polley mine in the March 2017 quarter was \$61.0 million compared to \$51.6 million in the 2016 comparative quarter. This increase was primarily due to higher gold grade ore processed and sold in the 2017 quarter compared to the 2016 quarter.

In the March 2017 quarter, there were three concentrate shipments from Red Chris mine (2016-five concentrate shipments) and two concentrate shipments from Mount Polley mine (2016-two concentrate shipments). 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 London Metals Exchange cash settlement copper price per pound averaged US\$2.65 in the March 2017 quarter compared to US\$2.12 in the 2016 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US\$1,219 in the March 2017 quarter compared to US\$1,181 in the March 2016 quarter. The average CDN/US\$ Dollar exchange rate was 1.323 in the March 2017 quarter, 3.78% lower than in the March 2016 quarter. In CDN Dollar terms the average copper price in the March 2017 quarter was CDN\$3.51 per pound compared to CDN\$2.92 per pound in the 2016 comparative quarter and the average gold price in the March 2017 quarter was CDN\$1,613 per ounce compared to CDN\$1,624 per ounce in the 2016 comparative quarter.

Revenue revaluations in the March 2017 quarter added \$5.1 million to revenue compared to \$5.2 million of revenue added due to revenue revaluations in the 2016 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.

Net loss for the March 2017 quarter was \$18.8 million (\$0.20 per share) compared to net income of \$17.7 million (\$0.22 per share) in the 2016 comparative quarter. The increase in net loss of \$36.5 million was primarily due to the following factors:

- Income/loss from mine operations went from income of \$20.3 million in March 2016 to loss of \$5.7 million in March 2017, an increase in net loss of \$26.0 million.
- Foreign exchange gains/losses on current and non-current debt went from a gain of \$30.7 million in March 2016 to a gain of \$3.4 million in March 2017, an increase in net loss of \$27.3 million.
- Gains/losses on derivative instruments went from a loss of \$7.3 million in March 2016 to \$nil in March 2017, a decrease in net loss of \$7.3 million.
- The Company's equity loss in Huckleberry went from loss of \$4.0 million in March 2016 to a loss of \$1.6 million in March 2017, a decrease in net loss of \$2.4 million.
- Tax recovery went from an expense of \$3.0 million in March 2016 to a recovery of \$5.0 million in March 2017, a decrease in net loss of \$8.0 million.

The March 2017 quarter net loss included foreign exchange gain related to changes in CDN/US Dollar exchange rate of \$3.4 million compared to foreign exchange gain of \$30.5 million in the 2016 comparative quarter. The \$3.4 million foreign exchange gain is comprised of a \$3.4 million gain on the senior notes, a \$0.2 million loss on long term equipment loans, and a \$0.2 million gain on short-term debt and operational items. The average CDN/US Dollar exchange rate in the March 2017 quarter was 1.323 compared to an average of 1.375 in the 2016 comparative quarter.

Cash flow was \$15.1 million in the March 2017 quarter compared to cash flow of \$49.4 million in the 2016 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 \$24.0 million in the March 2017 quarter, up from \$10.5 million in the 2016 comparative quarter. The March 2017 expenditures included \$6.2 million for tailings dam construction, \$5.0 million for component changes on mobile equipment and \$7.2 million of mobile equipment at Mount Polley.

At March 31, 2017, the Company had \$7.2 million in cash (December 31, 2016-\$14.3 million). The Company had \$5.7 million of short-term debt at March 31, 2017 (December 31, 2016-\$13.3 million) and has classified \$158.1 million of its non-current debt as current at March 31, 2017 (December 31, 2016-\$18.7 million).

OPERATIONS, EARNINGS AND CASH FLOW

The copper and gold production targets for 2017 from the Red Chris and Mount Polley mines remains within the range previously provided (110-118 million pounds copper and 95-104 thousand ounces gold) but at the lower end of the range, given the first quarter production. Higher copper production is targeted for the second half of 2017 when grades are expected to be higher at Red Chris.

At March 31, 2017, the Company has not hedged any copper, gold or CDN/US dollar exchange. 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.

OPERATIONS

Red Chris Mine

Metal production for the March 2017 quarter was 16.3 million pounds copper and 5,811 ounces gold with all mill feed coming from the Main Zone pit. Copper recovery for this quarter was 79.5%, up slightly from the 79.1% achieved in the March 2016 quarter, while treating substantially lower copper grades of 0.39% compared to 0.63% treated in the March 2016 quarter.

During this first quarter, the best weekly average recovery for Red Chris was achieved. From January 19-25 copper recovery was 84.3% with a daily record recovery of 86.2% on January 24, 2017. These recoveries were achieved on low clay ore from the lower benches.

The mill achieved average throughput of 26,706 tonnes per calendar day for the March 2017 quarter, up 13% from the comparable quarter in 2016.

Mining the upper benches of the Phase 3 pushback is still yielding significant volumes of high clay ore. To offset the lower recoveries achieved while treating this ore, throughput is being pushed and recently 34,000 tonnes per day throughput was averaged for a week - a new record for Red Chris.

Construction work on installation of an additional rougher cell is nearing completion. Major piping connections are planned for mid-May during a scheduled shut down for maintenance, and commissioning is planned to begin by the end of May.

Three Months Ended March 31	2017	2016
Ore milled - <i>tonnes</i>	2,403,501	2,143,797
Ore milled per calendar day - <i>tonnes</i>	26,706	23,558
Grade % - copper	0.39	0.63
Grade g/t - gold	0.20	0.38
Recovery % - copper	79.5	79.1
Recovery % - gold	37.4	55.4
Copper – <i>000's pounds</i>	16,328	23,505
Gold – <i>ounces</i>	5,811	14,558
Silver – <i>ounces</i>	27,952	56,380

Production at Red Chris for the first quarter was about 7% less than expected for copper and on budget for gold. Production for the year is expected to be at the lower end of the target range for both metals, with production of copper heavily weighted to the 2017 second half, as copper grades are expected to be about 20% higher compared to the 2017 first half.

Red Chris 2017 production targets are 85-90 million pounds copper and 40-44 thousand ounces gold.

Exploration, development and capital expenditures were \$11.0 million in the March 2017 quarter compared to \$6.9 million in the comparative 2016 quarter.

Mount Polley Mine

Metal production for the March 31, 2017 quarter was 5.5 million pounds copper and 13,811 ounces gold with virtually all ore coming from the Cariboo pit. Copper recovery was 71.3% and gold recovery was 71.6%, similar to those achieved in the March 2016 quarter.

The tonnage of higher grade ores delivered from the Cariboo pit have been lower than predicted by the exploration block model, down about 7%. This has been offset by significant increased tonnages low-grade ores, up over 100%. This does result in lower production as head grades delivered to the mill are lower. To help offset this, mill throughput will be pushed during the summer months to help offset the lower volumes of higher grade available from the Cariboo pit.

Three Months Ended March 31	2017	2016
Ore milled - <i>tonnes</i>	1,692,762	1,709,148
Ore milled per calendar day - <i>tonnes</i>	18,808	18,782
Grade % - copper	0.21	0.31
Grade g/t - gold	0.36	0.33
Recovery % - copper	71.3	70.3
Recovery % - gold	71.6	71.5
Copper – <i>000's pounds</i>	5,461	8,179
Gold – <i>ounces</i>	13,811	12,914
Silver – <i>ounces</i>	10,877	35,031

First quarter production at Mount Polley was down due to lower than planned copper grades and reduced mill throughput resulting from unexpected repair work.

Mount Polley 2017 production targets are 25-28 million pounds copper and 55-60,000 ounces gold, however copper production is likely to be at the lower end of the guidance.

Exploration, development and capital expenditures were \$13.0 million in the March 2017 quarter compared to \$3.5 million in the comparative 2016 quarter.

Huckleberry Mine

The Huckleberry mine remains on care and maintenance.

On April 7, 2017, Huckleberry exercised 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 \$2.0 million. The transaction closed on April 28, 2017 and Imperial now holds 100% of the shares of Huckleberry through HML Mining Inc., a wholly owned subsidiary of Imperial.

Sterling Mine

On February 14, 2017, the Company announced it entered into a Letter of Intent to sell its interest in the Sterling gold mine property and related assets and as a result these assets and liabilities have been reclassified to assets held for sale. The closing is subject to completion of a formal agreement, board and regulatory approvals, completion of due diligence and conventional conditions for such a transaction.

Select Quarter Financial Information

expressed in thousands, except share and per share amounts

	Three Months Ended March 31	
	2017	2016
Total revenues	\$115,749	\$136,785
Net (loss) income	\$(18,752)	\$17,729
Net (loss) income per share	\$(0.20)	\$0.22
Diluted (loss) income per share	\$(0.20)	\$0.22
Adjusted net (loss) income ⁽¹⁾	\$(22,296)	\$1,199
Adjusted net (loss) income per share ⁽¹⁾	\$(0.24)	\$0.01
Adjusted EBITDA ⁽¹⁾	\$15,187	\$49,851
Working capital deficiency ⁽²⁾	\$214,646	\$173,918
Total assets	\$1,511,120	\$1,450,277
Total long term debt (including current portion)	\$846,067	\$863,712
Cash flow ⁽¹⁾⁽³⁾	\$15,065	\$49,425
Cash flow per share ⁽¹⁾⁽³⁾	\$0.16	\$0.60

(1) Refer to table under heading *Non-IFRS Financial Measures* for further details.

(2) Defined as current assets less current liabilities.

(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 Cash flow divided by the weighted average number of common shares outstanding during the year.

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

expressed in thousands

	Three Months Ended March 31	
	2017	2016
Net (loss) income before undernoted items	\$(7,076)	\$10,510
Interest expense	(13,437)	(12,240)
Foreign exchange gain on debt, net of gains on cross currency swaps	3,350	23,435
Share of loss in Huckleberry	(1,589)	(3,976)
Net (loss) Income	\$(18,752)	\$17,729

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

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 Loss and Adjusted Net Loss per Share

Adjusted net loss in the March 2017 quarter was \$22.3 million (\$0.24 per share) compared to an adjusted net income of \$1.2 million (\$0.01 per share) in the 2016 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 (loss) Income

expressed in thousands, except share and per share amounts

	Three Months Ended March 31	
	2017	2016
Net (loss) income reported	\$(18,752)	\$17,729
Realized and unrealized gain on derivative instruments related to cross currency swaps, net of tax ^(a)	-	11,613
Unrealized foreign exchange gain on non-current debt, net of tax ^(b)	(3,544)	(28,143)
Adjusted net (loss) income	\$(22,296)	\$1,199
Basic weighted average number of common shares outstanding	93,586,710	81,761,028
Adjusted net (loss) income per share	\$(0.24)	\$0.01

(a) Derivative financial instruments related to foreign currency swaps are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in value of the underlying 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 2017 quarter was \$15.2 million compared to \$49.9 million in the 2016 comparative quarter. We define Adjusted EBITDA as net income (loss) before interest expense, taxes, depletion and depreciation, and as adjusted for certain 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	
	2017	2016
Net (loss) income ^(a)	\$(18,752)	\$17,729
Adjustments:		
Income and mining tax (recovery) expense	(4,995)	2,999
Interest expense	18,158	16,540
Depletion and depreciation	21,686	24,759
Accretion of future site reclamation provisions	353	231
Unrealized losses on derivative instruments	-	13,348
Share based compensation	270	748
Foreign exchange gains	(3,132)	(30,504)
Revaluation losses (gains) on marketable securities	10	(20)
Loss on sale of mineral properties	-	45
Share of loss in Huckleberry	1,589	3,976
Adjusted EBITDA	\$15,187	\$49,851

(a) The 2016 EBITDA has been adjusted to conform to the presentation adopted for the year ended December 31, 2016.

Cash Flow and Cash Flow Per Share

Cash flow in the March 2017 quarter was \$15.1 million compared to \$49.4 million in the 2016 comparative quarter. Cash flow per share was \$0.16 in the March 2017 quarter compared to \$0.60 in the 2016 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.

expressed in thousands, except per share and per share amounts

	Three Months Ended March 31	
	2017	2016
(Loss) income before taxes	\$(23,747)	\$20,728
Items not affecting cash flows		
Equity loss in Huckleberry	1,589	3,976
Depletion and depreciation	21,686	24,759
Share based compensation	270	748
Accretion of future site reclamation provisions	353	231
Unrealized foreign exchange gains	(3,254)	(30,929)
Unrealized losses on derivative instruments	-	13,348
Interest expense	18,158	16,540
Other	10	24
Cash flow	\$15,065	\$49,425
Basic weighted average number of common shares outstanding	93,586,710	81,761,028
Cash flow per share	\$0.16	\$0.60

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 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 and treatment and refining 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 Huckleberry mine was 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\$ for the three months ended March 31, 2017 and 2016.

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, 2017						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	A	B	C			D=A+B+C	
Cost of sales	\$ -	\$ -	\$59,032	\$61,900	\$565	\$121,497	\$120,932
Less:							
Depletion and depreciation	-	-	(10,433)	(11,127)	(94)	(21,654)	(21,560)
Share based compensation	-	-	(68)	(5)	-	(73)	(73)
Cash costs before adjustment to production basis	-	-	48,531	50,768	\$471	\$99,770	99,299
Adjust for inventory change	-	-	6,163	(15,500)			(9,337)
Adjust transportation and offsite costs	-	-	81	(1,114)			(1,033)
Treatment, refining and royalty costs	-	-	6,455	2,150			8,605
By-product and other revenues	-	-	(8,718)	(21,948)			(30,666)
Cash cost of copper produced in Cdn\$	\$ -	\$ -	\$52,512	\$14,356			\$66,868
US\$ to Cdn\$ exchange rate	-	-	1.3229	1.3229			1.3229
Cash cost of copper produced in US\$	\$ -	\$ -	\$39,695	\$10,852			\$50,547
Copper produced – pounds	-	-	16,328	5,461			21,789
Cash cost per lb copper produced in US\$	\$ -	\$ -	\$2.43	\$1.99			\$2.32

	Three Months Ended March 31, 2016						
	Huckleberry		Red	Mount	Sterling &	Total per	Composite
	100%	50%	Chris	Polley	Corporate	Financial Statements	
	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 – pounds	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.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2016

Overview

Revenues decreased to \$115.7 million in the March 2017 quarter compared to \$136.8 million in the 2016 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 a loss from mine operations of \$5.7 million in the March 2017 quarter compared to income of \$20.3 million in the 2016 comparative quarter.

Net loss for the March 2017 quarter was \$18.8 million (\$0.20 per share) compared to a net income of \$17.7 million (\$0.22 per share) in the 2016 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31	
	2017	2016
Revenue before revaluation	\$110,651	\$131,563
Revenue revaluation	5,098	5,222
	<u>\$115,749</u>	<u>\$136,785</u>

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2017			
	Red Chris Mine	Mount Polley Mine	Sterling Mine	Total
Sales				
Copper – 000's pounds	15,011	8,704	-	23,715
Gold – ounces	4,964	20,722	9	25,695
Silver – ounces	26,056	17,421	-	43,477
Revenue				
Copper	\$47,165	\$27,779	\$ -	\$74,944
Gold	7,420	33,035	12	40,467
Silver	(18)	214	-	196
	<u>54,567</u>	<u>61,028</u>	<u>12</u>	<u>115,607</u>
Corporate	-	-	-	142
Total Revenue	<u>\$54,567</u>	<u>\$61,028</u>	<u>\$12</u>	<u>\$115,749</u>

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
	<u>84,861</u>	<u>51,600</u>	<u>175</u>	<u>136,636</u>
Corporate	-	-	-	149
Total Revenue	<u>\$84,861</u>	<u>\$51,600</u>	<u>\$175</u>	<u>\$136,785</u>

During the March 2017 quarter the Company sold 23.7 million pounds copper and 28,034 ounces gold compared to 34.9 million pounds copper and 32,050 ounces gold in the 2016 comparative quarter. Total revenues during the March 2017 quarter were \$115.7 million compared to \$136.8 million during the 2016 comparative quarter.

During the March 2017 quarter there were three concentrate shipments from Red Chris mine (2016–five) and two concentrate shipments from Mount Polley mine (2016–two).

During the March 2017 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 47% and Mount Polley mine accounted for 53% of the Company’s revenue in the period. Copper accounted for 65% and gold accounted for 35% of the Company’s revenue in the period.

Cost of Sales

expressed in thousands of dollars

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

Cost of sales for the March 2017 quarter reflects operations at the Red Chris and Mount Polley mines.

General and Administration Costs

expressed in thousands of dollars

	Three Months Ended March 31	
	2017	2016
Administration	\$808	\$1,417
Share based compensation - corporate	197	459
Depreciation – corporate assets	32	180
Foreign exchange loss – operations (excluding debt)	218	238
	<u>\$1,255</u>	<u>\$2,294</u>

General and administration costs were \$1.3 million in the March 2017 quarter compared to \$2.3 million in the 2016 comparative quarter. Administration costs decreased in the March 2017 quarter primarily as a result of lower staff costs and professional fees.

The average CDN/US Dollar exchange rate for the March 2017 quarter was 1.323 compared to 1.375 in the 2016 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.

Interest Expense

expressed in thousands of dollars

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

Interest expense increased to \$18.2 million in the March 2017 quarter from \$16.5 million in the 2016 comparative quarter. The interest expense increased primarily as a result of the following: interest expense on non-current debt increased from \$16.4 million in the March 2016 quarter to \$16.8 million in the March 2017 quarter, an increase of \$0.4 million related primarily to higher rates paid on the senior secured revolving credit facility, including facility renewal fees. Other interest expense increased from \$0.2 million in 2016 to \$1.4 million in 2017 an increase of \$1.2 million. This increase was primarily due to the additional interest expense on other obligations in 2017 compared to 2016. The average balances outstanding during 2017 were also higher than in 2016, which resulted to higher interest expense. Interest expense is determined by a variety of factors including levels of non-current debt, levels of short term debt on concentrate advances, the interest rate on the debt and foreign exchange rates on interest incurred on US denominated debt.

Other Finance Income (Expense)

expressed in thousands of dollars

	Three Months Ended March 31	
	2017	2016
Accretion of future site reclamation provisions	\$(353)	\$(231)
Foreign exchange (loss) gain on short term debt	(194)	864
Foreign exchange gain on non-current debt	3,544	29,878
Fair value adjustment to marketable securities	(10)	20
Loss on derivative instruments	-	(7,307)
Other	14	11
	<u>\$3,001</u>	<u>\$23,235</u>

Other finance income totaled \$3.0 million in the March 2017 quarter compared to income of \$23.2 million in the 2016 comparative quarter with the income and expense resulting from a combination of factors as discussed below.

In the March 2016 quarter, the Company sold a portion of its cross currency swap realizing a gain of \$6.0 million and also recorded an unrealized valuation loss of \$13.3 million related to the cross currency swap.

At March 31, 2017, the Company had US Dollar denominated debt of US\$338.1 million compared to US\$345.6 million at December 31, 2016. 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, 2017 and resulted in a \$3.4 million gain on the senior notes and \$0.2 million gain on equipment loans.

Equity Loss in Huckleberry

The Company's 50% share of equity earnings from Huckleberry was a loss of \$1.6 million in the March 2017 quarter compared to a loss of \$4.0 million in the 2016 comparative quarter.

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

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31	
	2017	2016
<i>Copper 000's pounds sold</i>	-	8,703
Revenue before revaluations	\$ -	\$23,784
Revenue revaluation	-	1,113
	-	24,897
Cost of sales	-	(36,351)
Loss from mine operations	-	(11,454)
General and Administration	-	(840)
Finance Costs	(479)	(318)
Idle Mine Costs	(3,001)	-
Loss before taxes	(3,480)	(12,612)
Income and mining tax recovery	302	4,660
Net loss	<u>\$(3,178)</u>	<u>\$(7,952)</u>

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties totaled \$24.0 million in the March 2017 quarter compared to \$10.5 million in the 2016 comparative quarter.

expressed in thousands of dollars

	Three Months Ended March 31	
	2017	2016
Capital and Development Expenditures		
Red Chris	\$10,951	\$6,905
Mount Polley	12,378	3,495
	<u>23,329</u>	<u>10,400</u>
Exploration Expenditures		
Red Chris	-	5
Mount Polley	595	17
Sterling	11	18
Other	34	28
	<u>640</u>	<u>68</u>
	<u>\$23,969</u>	<u>\$10,468</u>

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments (provisionally priced contracts), 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.

At March 31, 2017, the Company was in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and non-current debt.

LIQUIDITY & CAPITAL RESOURCES

At March 31, 2017, the Company had cash of \$7.2 million, available capacity of \$20.3 million for future draws under the senior secured revolving credit facility, and a working capital deficiency of \$214.6 million compared to cash of \$14.3 million and a working capital deficiency of \$89.1 million at December 31, 2016. The working capital deficiency at March 31, 2017 included \$134.1 million related to the senior secured revolving credit facility which matures on March 15, 2018.

Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines and available capacity under the senior secured credit facility are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due subject to the successful renewal and extension of the senior secured revolving credit facility and the second lien revolving credit facility. However, there are inherent risks related to the operation of the Company's mines which could require additional sources of financing. There can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all, which creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

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.

From time to time 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 on an ongoing basis the funds required to support the Company's normal operating requirements and its planned capital expenditures. This process incorporates multiple sources of funding, including cash on hand, committed credit facilities, advance payment facilities with its customers and additional sources of new financings that are expected to provide the funds necessary to meet projected cash requirements.

At March 31, 2017, 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 \$36.3 million in secured equipment loans.

The Company holds investments in Huckleberry, mineral property and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are long term strategic holdings and only convertible to cash over a longer period of time. 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's overall liquidity risk has not significantly changed from late 2016. Improved copper prices in CDN dollar terms also contribute to a reduction of liquidity risk, however this is mitigated somewhat by the requirement to repay the deferred trade payables in the future as copper prices increase. The senior secured revolving credit facility matures on March 15, 2018.

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, 2017:

expressed in thousands of dollars

	Within					Total
	1 Year	2 Years	3 Years	4 Years	5 Years	
Trade and other payables	\$110,206	\$ -	\$ -	\$ -	\$ -	\$110,206
Other obligations	31,299	14,300	14,300	9,533	-	69,432
Short term debt	5,675	-	-	-	-	5,675
Current portion of non-current debt	158,469	-	-	-	-	158,469
Non-current debt	-	566,353	3,723	115,092	30,024	715,192
	305,649	580,653	18,023	124,625	30,024	1,058,974
Less future accretion and unamortized finance cost on non-current debt	(349)	(54)	(4,753)	(17,381)	(5,057)	(27,594)
Total	\$305,300	\$580,599	\$13,270	\$107,244	\$24,967	\$1,031,380

Liquidity 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.

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

Joining the Payment Plan was optional and in March 2016 the Red Chris, Mount Polley and Huckleberry mines joined the Payment Plan with the resulting payment deferral plan being effective for the March 2016 electricity billings onwards. At the maximum discount or maximum repayment of 75% the estimated monthly payment deferral or repayment for the Red Chris and Mount Polley mines would be approximately \$1.8 million. Due to the CDN\$ copper prices being in excess of CDN\$3.40 per pound during the March 31, 2017 quarter, the deferred trade payables balance fell from \$17.9 million at December 31, 2016 to \$17.0 million at March 31, 2017.

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 2017 quarter would have been higher/lower by \$37.6 million.

Cash Flow

Cash flow was \$15.1 million in the March 2017 quarter compared to cash flow of \$49.4 million in the 2016 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, 2017, the Company had a working capital deficiency of \$214.6 million compared to a working capital deficiency of \$89.1 million at December 31, 2016. Working capital improved by \$28.0 million in the March 2017 quarter, excluding the senior secured revolving credit facility of \$134.1 million which matures on March 15, 2018, excluding the \$19.4 reclassified assets and liabilities held for sale and including the deposit for the sale of Sterling.

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.

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, BC was breached and at March 31, 2017 the Company has a provision of \$1.4 million for future rehabilitation activities related to the Mount Polley Breach. The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

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

DERIVATIVE INSTRUMENTS

In the past 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, gold or foreign exchange at March 31, 2017 or at the date of this document.

DEBT AND OTHER OBLIGATIONS

Non-Current Debt

At March 31, 2017, 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 with a remaining balance of \$36.3 million

During the March 31, 2017 quarter the Company amended certain financial covenants under the senior secured revolving credit facility for the March 31, June 30 and September 30, 2017 reporting periods.

Detailed disclosure on the Company's non-current debt including amounts owed, interest rates and security can be found in Note 11 of the Interim Financial Statements.

Financial Covenants

Giving effect to the covenant amendments in 2017 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, except for the March, June and September 2017 quarters when a minimum EBITDA test applies instead.
- 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. Copies of the agreements can be found on www.sedar.com.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At March 31, 2017, debt of the Company in the amount of \$183.9 million was at floating interest rates compared to \$162.6 million at December 31, 2016. 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.

At March 31, 2017, 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 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, management believes that the carrying value of remaining non-current and short term debt approximates fair value. At March 31, 2017, the fair value of the Notes is \$410.2 million (December 31, 2016-\$416.7 million) based on a quote received from dealers that trade the Notes.

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

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

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

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

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

expressed in thousands of dollars

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

SELECT QUARTER FINANCIAL INFORMATION

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

	Three Months Ended			
	March 31 2017	December 31 2016	September 30 2016	June 30 2016
Total revenues	\$115,749	\$78,125	\$97,108	\$116,200
Equity loss in Huckleberry	\$(1,589)	\$(3,326)	\$(2,346)	\$(1,697)
Net (loss) income	\$(18,752)	\$(47,060)	\$(20,589)	\$(4,160)
Basic (loss) income per share ⁽¹⁾	\$(0.20)	\$(0.57)	\$(0.25)	\$(0.05)
Diluted (loss) income per share ⁽¹⁾	\$(0.20)	\$(0.57)	\$(0.25)	\$(0.05)
Adjusted net loss ⁽²⁾⁽³⁾	\$(22,296)	\$(30,690)	\$(20,038)	\$(1,214)
Adjusted net loss per share ⁽¹⁾⁽²⁾⁽³⁾	\$(0.24)	\$(0.37)	\$(0.25)	\$(0.01)
Adjusted EBITDA ⁽²⁾	\$15,187	\$7,578	\$14,380	\$38,791
Cash flow ⁽²⁾	\$15,065	\$(405)	\$18,244	\$40,327
Cash flow per share ⁽¹⁾⁽²⁾	\$0.16	\$0.00	\$0.22	\$0.49
Average LME copper price/lb in US\$	\$2.65	\$2.39	\$2.17	\$2.14
Average LME gold price/troy oz in US\$	\$1,219	\$1,218	\$1,335	\$1,259
Average CDN/US\$ exchange rate	\$1.323	\$1.334	\$1.305	\$1.289
Period end CDN/US\$ exchange rate	\$1.332	\$1.343	\$1.312	\$1.301

	March 31	December 31	September 30	June 30
	2016	2015	2015	2015
Total revenues	\$136,785	\$69,514	\$55,928	\$1,726
Equity (loss) income in Huckleberry	\$(3,976)	\$(2,269)	\$(800)	\$626
Net (loss) income	\$17,729	\$(35,877)	\$(29,344)	\$1,644
Basic (loss) income per share ⁽¹⁾	\$0.22	\$(0.44)	\$(0.37)	\$0.02
Diluted (loss) income per share ⁽¹⁾	\$0.22	\$(0.44)	\$(0.37)	\$0.02
Adjusted net loss ⁽²⁾⁽³⁾	\$(4,842)	\$(22,882)	\$(9,764)	\$(9,371)
Adjusted net loss per share ⁽¹⁾⁽²⁾⁽³⁾	\$(0.06)	\$(0.28)	\$(0.12)	\$(0.12)
Adjusted EBITDA ⁽²⁾	\$45,875	\$3,418	\$14,230	\$(8,466)
Cash flow ⁽²⁾	\$49,425	\$2,843	\$15,343	\$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

(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.

(3) The adjusted net income (loss) of quarters prior to December 2016 have been adjusted to conform to the presentation adopted for the December 2016 quarter.

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. Insurance recoveries of \$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 net income in the June 2015 quarter is largely the result of \$11.0 million in insurance recoveries.
- (b) 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.
- (c) 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.
- (d) The net loss in the June 2016 quarter was primarily due to an increase in finance costs which were \$18.4 million in the June 2016 quarter compared to finance income of \$6.7 million in the March 2016 quarter and finance income of \$1.7 million in the June 2015 quarter. Lower realized foreign exchange gains and lower amounts of interest expense capitalized in the June 2016 quarter were the primary reasons for the increase in finance costs.
- (e) The primary reason for the increase in net loss in the September 2016 quarter compared to the June and March 2016 quarters was a decrease in income from mine operations due to an increase in costs and decrease in grade leading to lower sales volumes. The Company incurred a loss from mine operations of \$2.1 million in the September 2016 quarter compared to income from mine operations of \$20.2 million in the June 2016 quarter and \$20.3 million in the March 2016 quarter.
- (f) The primary reasons for the increase in net loss in the December 2016 quarter compared to the September and June 2016 quarters was a decrease in revenues, higher costs of sales, higher interest and finance costs and an impairment charge of \$7.3 million on the Sterling mine. Revenues were lower as production was lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore in those periods. Other finance costs were higher as the Company incurred higher foreign exchange losses on its non-current debt in the December quarter compared to the September and June quarters.
- (g) The primary reasons for the decrease in net loss in the March 2017 quarter compared to the December 2016 quarter was due to increased revenues and improved income from mine operations in the current quarter resulting from higher sales quantities and foreign exchange gains compared to foreign exchange losses on non-current debt in the December 2016 quarter as a result of the movement in the US/CDN Dollar. In the December 2016 quarter, the Company also took an impairment of \$7.3 million on the Sterling Mine. There were no impairment charges during the March 2017 quarter.

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	
		2017	2016
Loan guarantee fee for guarantee of second lien credit facility	(a)	\$416	\$250
Interest expense	(f)	\$3,967	\$4,007

Statement of Financial Position

expressed in thousands of dollars

		March 31	December 31
		2017	2016
Accrued interest on junior credit facility, senior unsecured notes, convertible debentures and factored accounts receivables	(f)	\$2,915	\$3,326
Junior credit facility	(b)	\$75,000	\$75,000
Senior Unsecured notes (US\$53,300)	(c)	\$71,006	\$71,556
Convertible debentures	(d)(e)	\$59,000	\$59,000
Proceeds from factored accounts receivable held in trust for repayment	(g)	\$2,545	\$ -

- (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 N. Murray Edwards was used to fund any cost overruns at the Red Chris mine and for general working capital purposes.
- (c) N. Murray Edwards, directors and officers hold 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) N. Murray Edwards holds \$40.0 million of the \$115.0 million 2014 convertible debentures which provided funding for completing and commissioning the Red Chris mine, remediating the effects of the Mount Polley Breach, and for ongoing operations.
- (e) Interest expense is related to the senior unsecured notes, the junior credit facility, convertible debentures and on factored accounts receivables.
- (f) N. Murray Edwards and directors hold \$19.0 million of the \$30.0 million 2015 convertible debenture which was issued on August 24, 2015.
- (g) Proceeds collected from factored accounts receivables which are held in trust to be repaid to Edco. The accounts receivable were sold to Edco to improve liquidity.

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.

CONTROLS AND PROCEDURES

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

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 March 31, 2017 period ended that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

Limitations

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.

RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this MD&A and the audited Consolidated Financial Statements of the Company. The risks and uncertainties described below are not the only risks and uncertainties that we face. 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.

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, 2017, and plans for the future based on facts and circumstances as of May 15, 2017. 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 are prospective in nature and reflect 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: use of proceeds from financings and credit; the 2017 production targets for the Red Chris and Mount Polley mines and the expected weighting of production to the second half of the year; construction progress and planned installation of an additional Red Chris floatation cell; the expected closing of the sale of the Company's interest in the Sterling gold mine property; mine plans; costs and timing of current and proposed exploration and development; production and marketing; capital expenditures; adequacy of funds for projects and liabilities; the receipt of necessary regulatory permits, approvals or other consents; outcome and impact of litigation; cash flow; working capital requirements; the requirement for additional capital; results of operations, production, revenue, margins and earnings; 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; 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 implementation of Mount Polley's long term water management plan; the Company's initial rehabilitation activities at Mount Polley will be successful in the long term; all required permits, approvals and arrangements to proceed with planned rehabilitation and Mount Polley's long term water management plan will be obtained in a timely manner; there will be no material operational delays at the Red Chris or Mount Polley mines; equipment will operate as expected; there will not be significant power outages; the Company's use of derivative instruments will enable the Company to achieve expected pricing protection; there will be no material adverse change in the market price of commodities and exchange rates; the Red Chris and Mount Polley mines will achieve expected production outcomes (including with respect to mined grades and mill recoveries); and Imperial will have access to capital as required and satisfy financial covenants contained in its credit facilities and other loan documents. 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 satisfy financial covenants contained in its credit facilities and other loan documents; uncertainty regarding the outcome of sample testing and analysis being conducted on the area affected by the Mount Polley Breach; risks relating to the timely receipt of necessary approvals and consents to proceed with the rehabilitation plan and Mount Polley's long term water management plan; risks relating to the remaining costs and liabilities and any unforeseen longer-term environmental consequences arising from the Mount Polley Breach; uncertainty as to actual timing of completion of rehabilitation activities and the implementation of Mount Polley's long term water management plan; risks relating to the impact of the Mount Polley 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 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 three months ended March 31, 2017 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.



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Darb Dhillon | Vice President Finance

Steve Robertson | Vice President Corporate Affairs

Gordon Keevil | Vice President Corporate Development