



Third Quarter Report 2018

Condensed Consolidated Interim Financial Statements (unaudited)

For the Three and Nine Months Ended September 30, 2018 and 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2018 and December 31, 2017

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

	Notes	September 30 2018	December 31 2017
ASSETS			
Current Assets			
Cash		\$4,750	\$51,895
Marketable securities		3,227	2,270
Trade and other receivables	3	11,707	24,447
Inventory	4	51,306	50,187
Prepaid expenses and deposits		1,810	3,879
		<u>72,800</u>	<u>132,678</u>
Mineral Properties	6	1,545,650	1,545,860
Other Assets	7	47,197	45,230
		<u>\$1,665,647</u>	<u>\$1,723,768</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	8	\$124,106	\$128,096
Taxes payable		1,948	2,205
Short term debt	11	147,168	-
Provision for rehabilitation costs	19	2,658	3,651
Current portion of debt	12	581,281	213,874
Current portion of other obligations	10	35,229	22,981
Current portion of future site reclamation provisions	13	140	140
		<u>892,530</u>	<u>370,947</u>
Provision for Rehabilitation Costs	19	959	1,684
Non-Current Debt	12	145,340	638,504
Deferred Payables	9	24,689	4,068
Other Obligations	10	16,683	27,408
Future Site Reclamation Provisions	13	96,179	98,202
Deferred Income Tax Liabilities		42,091	69,454
		<u>1,218,471</u>	<u>1,210,267</u>
EQUITY			
Share Capital	14	304,364	290,201
Share Option Reserve	14	19,221	18,582
Warrant Reserve		689	689
Equity Component of Convertible Debentures	12	25,534	25,534
Currency Translation Adjustment		7,740	7,537
Retained Earnings		89,628	170,958
		<u>447,176</u>	<u>513,501</u>
		<u>\$1,665,647</u>	<u>\$1,723,768</u>
Commitments and Pledges	4, 6, 27		
Contingent Liabilities	28		

See accompanying notes to these condensed consolidated interim financial statements.

Approved by the Board and authorized for issue on November 7, 2018

/s/ Larry G. Moeller

Director

/s/ J. Brian Kynoch

Director

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

For the Three and Nine Months Ended September 30, 2018 and 2017

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

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2018	2017 (Note 5)	2018	2017 (Note 5)
Revenue		\$70,481	\$90,157	\$268,459	\$312,647
Cost of Sales	15	(99,309)	(87,127)	(295,149)	(321,216)
(Loss) Income from Mine Operations		(28,828)	3,030	(26,690)	(8,569)
General and Administration	16	(817)	(1,137)	(4,099)	(3,521)
Idle Mine Cost		(1,305)	(1,942)	(4,288)	(3,330)
Gain on Bargain Purchase of Huckleberry	5	-	-	-	109,818
Gain on Sale of Sterling		121	-	296	80
Interest Expense	17	(19,948)	(19,375)	(58,211)	(55,801)
Other Finance Income (Expense)	18	6,859	16,055	(14,551)	31,028
Other Income (Expense)		890	1	(471)	(239)
Share of Equity Loss in Huckleberry	5	-	-	-	(557)
(Loss) Income before Taxes		(43,028)	(3,368)	(108,014)	68,909
Income and Mining Tax Recovery	20	14,419	1,796	26,684	10,311
Net (Loss) Income		(28,609)	(1,572)	(81,330)	79,220
Other Comprehensive (Loss) Income					
Items that may be subsequently reclassified to profit or loss					
Currency translation adjustment		(112)	(352)	203	(739)
Total Comprehensive (Loss) Income		\$(28,721)	\$(1,924)	\$(81,127)	\$78,481
(Loss) Earnings Per Share					
Basic	21	\$(0.24)	\$(0.02)	\$(0.69)	\$0.85
Diluted	21	\$(0.24)	\$(0.02)	\$(0.69)	\$0.85
Weighted Average Number of Common Shares Outstanding					
Basic	21	120,512,374	93,586,710	118,318,692	93,586,710
Diluted	21	120,512,374	93,586,710	118,318,692	93,637,884

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Nine Months Ended September 30, 2018 and 2017

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, 2016	93,586,710	\$243,525	\$17,477	\$ -	\$25,534	\$8,242	\$93,845	\$388,623
Share based compensation expense	-	-	911	-	-	-	-	911
Total comprehensive income (loss)	-	-	-	-	-	(739)	79,220	78,481
Balance September 30, 2017 (Note 5)	93,586,710	\$243,525	\$18,388	\$ -	\$25,534	\$7,503	\$173,065	\$468,015
Balance December 31, 2017	114,505,472	\$290,201	\$18,582	\$689	\$25,534	\$7,537	\$170,958	\$513,501
Issued for payment of interest on debt	6,277,113	14,163	-	-	-	-	-	14,163
Share based compensation expense	-	-	639	-	-	-	-	639
Total comprehensive (loss) income	-	-	-	-	-	203	(81,330)	(81,127)
Balance September 30, 2018	120,782,585	\$304,364	\$19,221	\$689	\$25,534	\$7,740	\$89,628	\$447,176

See accompanying notes to these condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three and Nine Months Ended September 30, 2018 and 2017

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

		Three Months Ended September 30		Nine Months Ended September 30	
	Notes	2018	2017 (Note 5)	2018	2017 (Note 5)
OPERATING ACTIVITIES					
(Loss) Income before taxes		\$ (43,028)	\$ (3,368)	\$ (108,014)	\$ 68,909
Items not affecting cash flows					
Share of equity loss in Huckleberry		-	-	-	557
Gain on bargain purchase of Huckleberry	5	-	-	-	(109,818)
Gain on sale of Sterling		(121)	-	(296)	(80)
Depletion and depreciation		17,906	17,768	56,329	60,359
Share based compensation		237	328	639	911
Accretion of future site reclamation provisions		786	653	2,364	1,592
Unrealized foreign exchange (gains) losses		(7,452)	(16,729)	13,045	(32,727)
Interest expense		19,948	19,375	58,211	55,801
Other		(42)	(61)	(679)	(132)
		<u>(11,766)</u>	<u>17,966</u>	<u>21,599</u>	<u>45,372</u>
Net change in non-cash					
operating working capital balances	22	17,609	(4,028)	12,636	6,288
Income and mining taxes paid, net		(615)	(740)	(1,061)	(684)
Interest paid		(20,120)	(22,919)	(43,383)	(54,775)
Cash used in by operating activities		<u>(14,892)</u>	<u>(9,721)</u>	<u>(10,209)</u>	<u>(3,799)</u>
FINANCING ACTIVITIES					
Proceeds of short term debt		147,435	92,850	235,353	235,974
Repayment of short term debt		(37,083)	(63,549)	(118,612)	(219,140)
Proceeds of non-current debt		23,093	909	73,003	69,948
Repayment of non-current debt		(132,856)	(8,043)	(203,248)	(46,126)
Finance lease payments		(577)	-	(577)	-
Cash provided by (used in) financing activities		<u>12</u>	<u>22,167</u>	<u>(14,081)</u>	<u>40,656</u>
INVESTING ACTIVITIES					
Acquisition and development					
of mineral properties		(22,151)	(22,058)	(46,966)	(60,343)
Deferred royalty proceeds		22,156	-	22,156	-
Net change in non-cash					
investing working capital balances	22	4,166	3,615	1,886	(8,368)
Proceeds on sale of mineral properties		-	36	13	36
Site reclamation costs paid		-	(467)	-	(467)
Proceeds from reclamation bonds		-	4,513	-	4,513
Increase (decrease) in other obligations		-	2,383	-	(4,767)
Cash received on acquisition of Huckleberry	5	-	-	-	18,440
Cash received on sale of Sterling		-	-	-	9,158
Other		(1)	-	(1)	-
Cash provided by (used in) investing activities		<u>4,170</u>	<u>(11,978)</u>	<u>(22,912)</u>	<u>(41,798)</u>
EFFECT OF FOREIGN EXCHANGE ON CASH		<u>(80)</u>	<u>(33)</u>	<u>57</u>	<u>(172)</u>
(DECREASE) INCREASE IN CASH		<u>(10,790)</u>	<u>435</u>	<u>(47,145)</u>	<u>(5,113)</u>
CASH, BEGINNING OF PERIOD		<u>15,540</u>	<u>8,703</u>	<u>51,895</u>	<u>14,251</u>
CASH, END OF PERIOD		<u>\$4,750</u>	<u>\$9,138</u>	<u>\$4,750</u>	<u>\$9,138</u>

See accompanying notes to these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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, British Columbia, Canada V6C 3B6. The Company’s shares are listed as symbol “III” on the Toronto Stock Exchange.

The Company's key projects are:

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

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

On September 14, 2018 the Company commenced a financial and business restructuring process including the appointment of a Special Committee which is authorized by the Board of Directors to identify, consider, negotiate and potentially implement all strategic alternatives including sales of some of the Company’s assets, joint ventures, a recapitalization, and a sale or merger of the Company.

At September 14, 2018 the Company had completed the following:

- The Company’s \$200,000 syndicated Secured Revolving Senior Credit Facility was replaced by a bilateral Secured Revolving Senior Credit Facility of equal amount and the maturity date extended from October 1, 2018 to February 15, 2019. The new Secured Revolving Senior Credit Facility is supported by a guarantee from Edco Capital Corporation, a company controlled by a significant shareholder of the Company, for an annual fee of 2.25%. The annual guarantee fee is less than the reduction in the interest rate charged on the Senior Credit Facility, and results in reduced interest expense to the Company. All the financial covenants that were in place on the syndicated Senior Credit Facility were removed from the new Senior Credit Facility.
- The due date of the Company’s Second Lien Credit Facility of \$50,000 was extended from December 1, 2018 to February 15, 2019 and the annual fee for the guarantee of this facility by Edco Capital Corporation was reduced from 3.88% to 2.25%.
- The due date of the Company’s Bridge Loan of \$26,000 was extended from January 5, 2019 to February 28, 2019.
- The Company sold a 0.5% net smelter return royalty interest on the Red Chris project for US\$17,000 to a company of which a significant shareholder of the Company is a minority equity shareholder (Note 6).

Steps have also been taken to both rationalize and improve operations at both of the Company’s operating mines and these steps are expected to have a positive operational impact in the fourth quarter of 2018.

At September 30, 2018, the Company had cash of \$4,750, available capacity of \$9,700 for future draws under the Senior Credit Facility (Note 11(a)), \$10,000 undrawn on the 2017 LOC Loan Facility (Note 12(i)), and a working capital deficiency of \$819,730. The working capital deficiency is primarily due to debt of \$728,449 related to the Senior Credit Facility and the Second Lien Credit Facility, both of which mature in February 2019, and the Senior Unsecured Notes which mature in March 2019.

The payment of interest for certain debt facilities will be paid in common shares of the Company until December 31, 2018 (Notes 12(d), 12(e) and 12(f)). The payment of interest in common shares will result in cash savings of approximately \$16,000 per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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Cash balances on hand, the projected cash flow from the Red Chris and Mount Polley mines, as well as the available credit facilities are expected to be sufficient to fund the working capital deficiency and the Company's obligations as they come due assuming the Company is able to successfully complete the restructuring process. In addition, 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 the Company will be able to successfully complete the restructuring process, which process may include sales of some of the Company's assets, joint ventures, a recapitalization, and a sale or merger of the Company. The completion of the restructuring process 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

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, 2017. These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements, except for those policies disclosed below.

Summary of Significant Accounting Policies

The following are significant accounting policies that have been amended as a result of the adoption of IFRS 15, Revenue from Contracts with Customers and IFRS 9, Financial Instruments. All other significant accounting policies are consistent with those reported in the Company's annual consolidated financial statements for the year ended 31 December 2017.

New Standards, Interpretations and Amendments Adopted by the Company

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company adopted IFRS 15 using the full retrospective method of adoption.

The Company has concluded that revenue from the sale of concentrate should be recognized at the point in time when control of the concentrate passes to the customer which generally occurs when title transfer to the customer and on the date of shipment.

Based on our analysis, the timing and amount of our revenue from product sales did not change under IFRS 15.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments (“IFRS 9”) replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 and concluded that the adoption of IFRS 9 did not affect the current classification of Company’s financial assets and financial liabilities.

The Company has determined that the new measurement requirements under IFRS 9 have impact on the certain financial liabilities (debt) held by the Company as a result of modification to those debt instruments. Under IFRS 9, when the contractual cash flows of a financial liability are renegotiated or otherwise modified and the renegotiation or modification does not result in the de-recognition of that financial liability, the Company recalculates the gross carrying amount of the financial liability and recognizes a modification gain or loss in the statement of income (loss). Previously, under IAS 39, the Company did not recognize a gain or loss at the date of modification of a financial liability.

Based on management’s detailed review and analysis the effect of adopting of IFRS 9 had trivial effect on the opening retained earnings as at January 1, 2018.

Accounting Standards Issued But Not Yet Adopted

The Company has not early adopted any other standard, interpretation or amendment that have been issued but is not yet effective.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. All other leases within the scope of IFRS 16 are required to be brought on-balance sheet by lessees – recognizing a “right-of-use” asset and the related lease liability at commencement of the lease, with subsequent accounting generally similar to finance lease model under IAS 17.

The Company intends to adopt IFRS 16 on January 1, 2019 using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company has identified and collected data relating to existing agreements that will extend beyond January 1, 2019 that may contain right-of-use assets. These included service contracts that may contain embedded leases for property, plant and equipment. Current activities are focused on quantifying the accounting impact on adoption, including discount rate determination, and finalizing internal processes and controls. The Company is currently evaluating the monetary impact the standard will have on its consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

3. TRADE AND OTHER RECEIVABLES

	September 30 2018	December 31 2017
Trade receivables	\$11,550	\$24,231
Taxes receivable	157	216
	<u>\$11,707</u>	<u>\$24,447</u>

4. INVENTORY

	September 30 2018	December 31 2017
Stockpile ore	\$19,633	\$22,450
Concentrate	12,025	9,761
Supplies	52,184	48,335
Total inventories	83,842	80,546
Less non-current inventories included in other assets (Note 7)	(32,536)	(30,359)
Total current inventories	<u>\$51,306</u>	<u>\$50,187</u>

During the nine months ended September 30, 2018 inventory of \$273,905 was recognized in cost of sales (September 30, 2017-\$295,743) and an impairment charge of \$6,961 (September 30, 2017-\$10,284) on stockpile ore and concentrate was included in cost of sales.

As at September 30, 2018, the Company had \$83,842 (December 31, 2017-\$80,546) of inventory pledged as security for debt.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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5. INVESTMENT IN HUCKLEBERRY MINES LTD.

On April 28, 2017 the Company became the sole owner of Huckleberry Mines Ltd. (“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.

Prior to April 28, 2017 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.

	Nine Months Ended September 30 2018	Year Ended December 31 2017
Balance, beginning of period	\$ -	\$78,389
Share of loss for the period	-	(557)
Revaluation of 50% interest to its fair value at the date of acquisition	-	16,497
Consolidation on acquisition of additional 50% interest in Huckleberry	-	(94,329)
Balance, end of period	<u>\$ -</u>	<u>\$ -</u>

During the nine months ended September 30, 2018, Huckleberry incurred idle mine costs comprised of \$3,374 in operating costs and \$914 in depreciation expense (September 30, 2017-\$2,237 operating costs and \$2,203 depreciation expense).

During the fourth quarter of 2017 the provisional fair values were finalized taking into consideration all new information obtained during the measurement period. Details of the fair value of the aggregate consideration transferred and revised fair values of the identifiable assets and liabilities acquired at the date of the acquisition were as follows:

	April 28, 2017 (Provisional)	Revision	April 28, 2017 (Revised)
<i>Identifiable Assets Acquired and Liabilities Assumed</i>			
Cash (net of \$2,000 paid for cancellation of shares)	\$18,440	\$ -	\$18,440
Reclamation bonds	14,135	-	14,135
Prepaid and other receivables	648	137	785
Inventories	7,941	4,107	12,048
Mineral properties	164,265	21,769	186,034
Deferred income tax assets	-	12,037	12,037
Trade and other payables	(1,668)	-	(1,668)
Deferred trade payables	(4,925)	-	(4,925)
Future site reclamation provisions	(45,171)	23,129	(22,042)
Deferred income tax liabilities	-	(26,185)	(26,185)
	<u>153,665</u>	<u>34,994</u>	<u>188,659</u>
<i>Assets Relinquished</i>			
Accrued receivable due to the Company	\$1,009	\$ -	\$1,009
Company’s investment in Huckleberry held before the business combination	77,832	-	77,832
	<u>78,841</u>	<u>-</u>	<u>78,841</u>
Total Gain	<u>\$74,824</u>	<u>\$34,994</u>	<u>\$109,818</u>
Gain on bargain purchase of Huckleberry	\$74,824	\$18,497	\$93,321
Gain on revaluation of 50% interest in Huckleberry	-	16,497	16,497
Total Gain	<u>\$74,824</u>	<u>\$34,994</u>	<u>\$109,818</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

The 2017 comparative information for three and nine months ended September 30, 2017 was revised to reflect the adjustments to the provisional amounts.

	As Previously Reported	Three Months Ended September 30, 2017	
		Revision	As Revised
Revenue	\$90,157	\$ -	\$90,157
Cost of Sales	(87,127)	-	(87,127)
Income from Mine Operations	3,030	-	3,030
General and Administration	(1,137)	-	(1,137)
Idle Mine Cost	(2,582)	640	(1,942)
Interest Expense	(19,375)	-	(19,375)
Other Finance Income	16,055	-	16,055
Other Expense	1	-	1
Loss before Taxes	(4,008)	640	(3,368)
Income and Mining Tax Recovery	1,879	(83)	1,796
Net (Loss) Income	(2,129)	557	(1,572)
Other Comprehensive Loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment	(352)	-	(352)
Total Comprehensive Loss	\$ (2,481)	\$557	\$ (1,924)
Earnings (Loss) Per Share			
Basic	\$(0.02)	-	\$(0.02)
Diluted	\$(0.02)	-	\$(0.02)
Weighted Average Number of Common Shares Outstanding			
Basic	93,586,710	-	93,586,710
Diluted	93,586,710	-	93,586,710

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

	As Previously	Nine Months Ended	
	Reported	Revision	As Revised
Revenue	\$312,647	\$ -	\$312,647
Cost of Sales	(321,216)	-	(321,216)
Loss from Mine Operations	(8,569)	-	(8,569)
General and Administration	(3,521)	-	(3,521)
Idle Mine Cost	(4,440)	1,110	(3,330)
Gain on Bargain Purchase of Huckleberry	74,824	34,994	109,818
Gain on Sale of Sterling	80	-	80
Interest Expense	(55,801)	-	(55,801)
Other Finance Income	31,028	-	31,028
Other Expense	(239)	-	(239)
Share of Equity Loss in Huckleberry	(557)	-	(557)
Income before Taxes	32,805	36,104	68,909
Income and Mining Tax Recovery	10,394	(83)	10,311
Net Income	43,199	36,021	79,220
Other Comprehensive Loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment	(739)	-	(739)
Total Comprehensive Income	\$42,460	\$36,021	\$78,481
Earnings Per Share			
Basic	\$0.46	\$0.38	\$0.85
Diluted	\$0.46	\$0.38	\$0.85
Weighted Average Number of Common Shares Outstanding			
Basic	93,586,710	-	93,586,710
Diluted	93,637,884	-	93,637,884

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

6. MINERAL PROPERTIES

Cost	Mineral Properties Being Depleted	Mineral Properties Not Being Depleted			Total
		Projects Not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2016	\$342,520	\$56,168	\$49,503	\$1,264,259	\$1,712,450
Additions	38,249	713	7,352	83,862	130,176
Sale of Sterling	-	-	(34,014)	(2,118)	(36,132)
Acquisition of Huckleberry	82,662	-	79,934	23,438	186,034
Disposals	-	-	(2)	(603)	(605)
Foreign exchange movement	-	-	(608)	(60)	(668)
Balance December 31, 2017	463,431	56,881	102,165	1,368,778	1,991,255
Additions	(4,213)	580	452	61,642	58,461
Reclass to non-current inventory	-	-	-	(2,434)	(2,434)
Reclassification	14,157	(14,157)	-	-	-
Foreign Exchange movement	-	-	203	26	229
Balance September 30, 2018	\$473,375	\$43,304	\$102,820	\$1,428,012	\$2,047,511

Accumulated Depletion & Depreciation & Impairment Losses	Mineral Properties Being Depleted	Mineral Properties Not Being Depleted			Total
		Projects Not in Production	Exploration & Evaluation Assets	Plant & Equipment	
Balance December 31, 2016	\$139,228	\$ -	\$8,570	\$232,629	\$380,427
Depletion and depreciation	22,625	-	-	57,078	79,703
Disposals	-	-	-	(525)	(525)
Foreign exchange movement	-	-	22	(288)	(266)
Sale of Sterling	-	-	(6,947)	(6,997)	(13,944)
Balance December 31, 2017	161,853	-	1,645	281,897	445,395
Depletion and depreciation	14,623	-	-	41,817	56,440
Foreign exchange movement	-	-	-	26	26
Balance September 30, 2018	\$176,476	\$ -	\$1,645	\$323,740	\$501,861
<i>Carrying Amount</i>					
Balance December 31, 2016	\$203,292	\$56,168	\$40,933	\$1,031,630	\$1,332,023
Balance December 31, 2017	\$301,578	\$56,881	\$100,520	\$1,086,881	\$1,545,860
Balance September 30, 2018	\$296,899	\$43,304	\$101,175	\$1,104,272	\$1,545,650

Additions to Mineral Properties being Depleted includes a net change in estimates of future site reclamation provisions of (\$4,387) for the nine months ended September 30, 2018 (year ended December 31, 2017-\$37,182).

At September 30, 2018, the carrying value of the deferred stripping costs was \$48,094 (December 31, 2017-\$54,237) and is included in mineral properties.

At September 30, 2018, the Company had \$4,415 of contractual commitments (December 31, 2017-\$6,674) for the expenditures on property, plant and equipment.

At September 30, 2018, leased mobile equipment at a cost of \$15,547 (December 31, 2017-\$nil) and accumulated depreciation of \$14 (December 31, 2017-\$nil) was included with plant and equipment.

At September 30, 2018, the Company had provided \$28,370 of security for reclamation bonding obligations by securing certain plant and equipment (Notes 27(b) and (c)).

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Red Chris Mine

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

In September 2018 the Company sold a 0.5% net smelter return royalty for US\$17,000 (\$22,156) to a company of which a significant shareholder of the Company is a minority equity shareholder. Net smelter royalties between 1.5% to 3.0% are payable on production from the Red Chris mine inclusive of the royalty sold in September 2018.

Mount Polley Mine

The Mount Polley copper/gold mine is owned and operated by Mount Polley Mining Corporation, a subsidiary of the Company. The property, located in central British Columbia, is comprised of 20,113 hectares, consisting of seven mining leases totalling 2,007 hectares, and 46 mineral claims encompassing 18,106 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 Mine

The Huckleberry copper mine is owned and operated by Huckleberry Mines Ltd., a subsidiary of the Company. The property, located in west central British Columbia, is comprised of 24,387 hectares, consisting of two mining leases totalling 2,422 hectares, and 44 mineral claims encompassing 21,965 hectares. Huckleberry mine operations were suspended in August 2016 and the mine was put on care and maintenance.

Other Exploration Properties

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

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7. OTHER ASSETS

	September 30 2018	December 31 2017
Future site reclamation deposits	\$14,324	\$14,319
Non-current inventory - ore stockpiles	17,870	17,545
Non-current inventory - supplies	9,714	7,730
Non-current inventory - critical spare parts	4,952	5,084
Other	337	552
	<u>\$47,197</u>	<u>\$45,230</u>

8. TRADE AND OTHER PAYABLES

	September 30 2018	December 31 2017
Trade payables	\$63,495	\$68,307
Deferred payables due within one year (Note 9)	19,648	18,053
Accrued liabilities	40,963	41,736
	<u>\$124,106</u>	<u>\$128,096</u>

9. DEFERRED PAYABLES

	September 30 2018	December 31 2017
Deferred trade payables	\$22,181	\$22,121
Deferred royalty payable	22,156	-
	<u>44,337</u>	<u>22,121</u>
Less deferred payables due within one year	(19,648)	(18,053)
	<u>\$24,689</u>	<u>\$4,068</u>

(a) Deferred Trade Payables

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% except for Huckleberry which is at 12%.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(b) Deferred Royalty Payable

In September 2018 the Company sold a 0.5% net smelter return royalty for US\$17,000 (\$22,156) to a company of which a significant shareholder of the Company is a minority equity shareholder. The Company has the option to buyback 100% of the 0.5% net smelter return royalty it sold in September 2018 for four years at the sum of US\$17,000 plus simple interest thereon at 11% per annum less the aggregate amount of royalty payments paid. If bought back prior to February 1, 2019, the sum would be US\$17,000 plus simple interest thereon at the rate of 6% per annum less the aggregate amount of royalty payments paid. The proceeds received have been deferred and are recorded at amortized cost using an interest rate of 8%. The amount will be reduced by the future royalty payments until extinguished or the buyback option expires.

10. OTHER OBLIGATIONS

	September 30 2018	December 31 2017
Northwest Transmission Line payable	\$51,912	\$50,389
Less portion due within one year	(35,229)	(22,981)
	<u>\$16,683</u>	<u>\$27,408</u>

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 which provides power to the Red Chris mine. Repayments are due monthly of \$1,192 plus interest at 4.05% per annum. The interest rate is subject to review annually.

11. SHORT TERM DEBT

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

	September 30 2018	December 31 2017
Balance, beginning of period	\$ -	\$13,277
Amounts advanced	107,624	345,297
Proceeds from Senior Credit Facility, net of issue costs (Note 11 (a))	127,729	-
Senior credit facility reclassified from non-current debt (Note 12 (a))	30,300	-
Bridge loan reclassified to non-current debt (Note 12 (g))	-	(20,000)
Amounts repaid	(107,750)	(337,630)
Payments of short-term credit facilities (Note 12 (a))	(10,862)	-
Accretion of debt issue costs	31	-
Foreign exchange losses (gains)	96	(944)
Balance, end of period	<u>\$147,168</u>	<u>\$ -</u>

(a) Senior Credit Facility

Senior secured revolving credit facility aggregating \$200,000 (December 31, 2017-\$nil) due February 15, 2019. 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, \$42,500 (December 31, 2017-\$nil) has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 27(b)). On September 14, 2018 this facility replaced the syndicated senior credit facility of equal amount (Note 12(a)). This facility has been guaranteed by a related party (Note 23).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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12. DEBT

Amounts due for non-current debt are:

		September 30 2018	December 31 2017
Senior secured revolving credit facility, net of issue costs	(a)	\$ -	\$151,628
Second lien secured revolving credit facility, net of issue costs	(b)	49,629	49,945
Senior unsecured notes, net of issue costs	(c)	419,578	404,841
Junior credit facility	(d)	75,000	75,000
Convertible debentures - 2014	(e)	104,881	101,198
Convertible debentures - 2015	(f)	26,564	25,744
Bridge loan	(g)	26,000	26,000
Equipment loans	(h)	10,682	18,022
Equipment leases	(j)	14,287	-
2017 LOC loan facility	(i)	-	-
		<u>726,621</u>	<u>852,378</u>
Less portion due within one year		<u>(581,281)</u>	<u>(213,874)</u>
		<u>\$145,340</u>	<u>\$638,504</u>

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

			Nine Months Ended September 30 2018	Year Ended December 31 2017
	Loans	Finance Leases	Total Non- Current Debt	Total Non- Current Debt
Balance, beginning of period	\$852,378	\$ -	\$852,378	\$822,088
Amounts advanced, net of issue costs	73,624	14,890	88,514	84,490
Bridge loan reclassified from short term debt (Note 11)	-	-	-	20,000
Portion of senior credit facility reclassified to short-term debt (Note 11(a))	(30,300)	-	(30,300)	-
Foreign exchange losses (gains)	13,084	(78)	13,006	(29,280)
Accretion of debt issue costs	2,292	-	2,292	2,970
Accretion of interest on convertible debentures and leases	4,504	52	4,556	5,781
Amounts repaid	(203,248)	(577)	(203,825)	(53,671)
Balance, end of period	<u>712,334</u>	<u>14,287</u>	<u>726,621</u>	<u>852,378</u>
Less portion due within one year	<u>(578,537)</u>	<u>(2,744)</u>	<u>(581,281)</u>	<u>(213,874)</u>
	<u>\$133,797</u>	<u>\$11,543</u>	<u>\$145,340</u>	<u>\$638,504</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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The Company has the following debt facilities:

(a) Senior Credit Facility

Senior secured revolving credit facility from a syndicate of banks aggregating \$nil (December 31, 2017-\$200,000). The facility was 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, \$nil (December 31, 2017-\$42,091) was utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 27(b)). On September 14, 2018 this facility was replaced by a bilateral senior credit facility of equal amount (Note 11(a)).

(b) Second Lien Credit Facility

Second lien secured revolving credit facility aggregating \$50,000 (December 31, 2017-\$50,000) due February 15, 2019. 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 (Note 11(a)). This facility has been guaranteed by a related party (Note 23).

(c) Senior Unsecured Notes

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

(d) Junior Credit Facility

The junior credit facility is from a related party (Note 23). It aggregates \$75,000 (December 31, 2017-\$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. Interest payments during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

(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 September 30 and December 31. As a result of the rights offering completed in December 2017 the conversion price was reduced from \$11.91 to \$11.69 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 \$11.69 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. Interest payments during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

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(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 September 30 and December 31 with the first payment paid on December 31, 2016. As a result of the rights offering completed in December 2017 the conversion price was reduced from \$12.00 to \$11.77 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 \$11.77 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. Interest payments on \$27,900 of the \$30,000 outstanding debentures during the period October 31, 2017 to January 1, 2019 are payable in common shares of the Company based on the volume weighted average share price of the Company on the Toronto Stock Exchange.

(g) Bridge loan

Bridge loan of \$26,000 (December 31, 2017-\$26,000) maturing on February 28, 2019. The Bridge loan (50%) is provided by a related party and is secured by all assets of the Company and is subordinated to the Senior Credit Facility and Second Lien Credit Facility lenders. Interest on the Bridge loan is payable monthly at the rate of 8% per annum.

(h) Equipment Loans

At September 30, 2018, the Company had an equipment loan outstanding denominated in US Dollars totalling US\$339 or \$439 (December 31, 2017- US\$5,716; \$7,171) at a weighted average interest rate of 2.57% with monthly payments of US\$339 or \$439. The Company also had equipment loans outstanding denominated in CDN Dollars totalling \$10,243 (December 31, 2017-\$10,851) at a weighted average interest rate of 5.95% with monthly payments of \$664. All equipment loans are secured by the financed equipment.

(i) 2017 LOC Loan Facility

Unsecured loan facility of \$10,000 (December 31, 2017 - \$10,000) from a related party (Note 23) with interest at 12% payable on the last day of each calendar quarter. The loan matures on January 5, 2019. This facility remains undrawn at September 30, 2018.

(j) Equipment Leases:

	Interest Rate	Monthly payment	September 30 2018
Finance Lease	6.25%	\$4	\$110
Finance Lease	4.30%	US\$209	14,177
			<u>\$14,287</u>
Contractual Lease Payments:			September 30 2018
Due in less than one year			<u>\$3,306</u>
Due in one to five years			12,539
Total undiscounted lease liabilities, end of period			<u>\$15,845</u>

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13. FUTURE SITE RECLAMATION PROVISIONS

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

	Nine Months Ended September 30 2018	Year Ended December 31 2017
Balance, beginning of period	\$98,342	\$42,381
Accretion (Note 18)	2,364	2,310
Costs incurred during the period	-	(495)
Liability assumed at fair value at acquisition of Huckleberry (Note 5)	-	22,042
Change in estimates of future costs, discount rate and effect of translation of foreign currencies	(4,387)	37,182
Sale of Sterling	-	(5,078)
Balance, end of period	96,319	98,342
Less portion due within one year	(140)	(140)
	<u>\$96,179</u>	<u>\$98,202</u>

The total undiscounted amount of estimated future cash flows required to settle the obligations is \$173,442 (December 31, 2017-\$173,348). The estimated future cash flows were then adjusted using a 2.0% (December 31, 2017-2.0%) rate of inflation. The estimated future cash flows have been discounted using a rate of 3.42% (December 31, 2017-3.2%) except for obligations related to Mount Polley and Huckleberry beyond 2046 that are discounted using a rate of 4.42%. Obligations in amount of \$86,324 are expected to be settled in the years 2018 through 2046.

The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Refer to Notes 27(b) and (c) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions and the obligation to increase reclamation bond funding.

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14. SHARE CAPITAL

(a) Share Capital

Authorized

50,000,000 First Preferred shares without par value with special rights and restrictions to be determined by the Directors, of which 3,100,000 have been designated as "Series A First Preferred shares" (issued and outstanding – nil)

50,000,000 Second Preferred shares without par value with rights and restrictions to be determined by the Directors (issued and outstanding – nil)

An unlimited number of Common Shares without par value

(b) Share Option Plans

Under the Share Option Plans, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At September 30, 2018, a total of 8,680,359 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.

Movements in Share Options

The changes in share options were as follows:

	Nine Months Ended September 30, 2018		Year Ended December 31, 2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of period	3,601,900	\$8.13	3,871,900	\$8.16
Granted	-	\$ -	65,000	\$5.75
Forfeited	(30,000)	\$8.00	(252,000)	\$8.00
Expired	(174,000)	\$8.44	(83,000)	\$8.12
Outstanding at end of period	3,397,900	\$8.12	3,601,900	\$8.13
Options exercisable at end of period	2,453,900	\$8.22	2,627,900	\$8.24

The following table summarizes information about the Company's share options outstanding at September 30, 2018:

	Options Outstanding		Options Exercisable	
Exercise Prices	Options Outstanding	Remaining Contractual Life in Years	Options Outstanding & Exercisable	Remaining Contractual Life in Years
\$4.41	725,900	0.25	725,900	0.25
\$5.75	65,000	9.26	-	-
\$5.93	156,000	1.25	156,000	1.25
\$8.00	1,471,000	7.18	592,000	7.18
\$11.55	980,000	2.04	980,000	2.07
	3,397,900	3.98	2,453,900	2.70

There were no options exercised during the nine months ended September 30, 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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15. COST OF SALES

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Operating expenses	\$62,551	\$51,897	\$181,773	\$189,951
Salaries, wages and benefits	\$19,059	18,054	57,885	71,825
Depletion and depreciation	17,619	17,079	55,318	59,169
Share based compensation	80	97	173	271
	<u>\$99,309</u>	<u>\$87,127</u>	<u>\$295,149</u>	<u>\$321,216</u>

Impairment charges related to stockpile ore and concentrate inventory included in cost of sales for three and nine months ended September 30, 2018 are \$3,462 and \$6,961, respectively (September 30, 2017-\$4,643 and \$10,284, respectively).

16. GENERAL AND ADMINISTRATION COSTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Administration	\$608	\$1,032	\$2,817	\$2,802
Share based compensation	157	231	466	640
Depreciation	33	33	97	97
Foreign exchange loss (gain)	19	(159)	719	(18)
	<u>\$817</u>	<u>\$1,137</u>	<u>\$4,099</u>	<u>\$3,521</u>

17. INTEREST EXPENSE

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on non-current debt	\$17,576	\$16,820	\$51,966	\$50,370
Other interest	2,372	2,555	6,245	5,431
	<u>\$19,948</u>	<u>\$19,375</u>	<u>\$58,211</u>	<u>\$55,801</u>

18. OTHER FINANCE INCOME (EXPENSE)

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Accretion of future site reclamation provisions	\$(786)	\$(653)	\$(2,364)	\$(1,592)
Foreign exchange gain (loss) on debt	229	146	(96)	956
Foreign exchange gain (loss) on non-current debt	7,313	16,486	(13,006)	31,456
Fair value adjustment to marketable securities	43	25	667	96
	<u>6,799</u>	<u>16,004</u>	<u>(14,799)</u>	<u>30,916</u>
Interest income	60	51	248	112
Other finance income (expense)	<u>\$6,859</u>	<u>\$16,055</u>	<u>\$(14,551)</u>	<u>\$31,028</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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19. PROVISION FOR REHABILITATION COSTS

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached. At that time the Company charged to expense the estimated rehabilitation costs and during the year ended December 31, 2017 the rehabilitation provision was increased by \$5,840 to reflect assumptions and estimates as of that date.

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 September 30, 2018, 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:

	Nine Months Ended September 30 2018	Year Ended December 31 2017
Balance, beginning of the period	\$5,335	\$2,051
Costs incurred in the period	(1,718)	(2,556)
Increase in provision	-	5,840
Balance, end of the period	3,617	5,335
Less portion expected to be incurred within one year	(2,658)	(3,651)
	<u>\$959</u>	<u>\$1,684</u>

20. INCOME AND MINING TAX RECOVERY

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017 (Note 5)	2018	2017 (Note 5)
Current income and mining taxes	\$145	\$(273)	\$(679)	\$(662)
Deferred income and mining taxes	14,274	2,069	27,363	10,973
	<u>\$14,419</u>	<u>\$1,796</u>	<u>\$26,684</u>	<u>\$10,311</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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21. (LOSS) EARNINGS PER SHARE

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017 (Note 5)	2018	2017 (Note 5)
Numerator:				
Net (Loss) Income	<u>\$(28,609)</u>	<u>\$(1,572)</u>	<u>\$(81,330)</u>	<u>\$79,220</u>
Denominator:				
Basic weighted-average number of common shares outstanding	<u>120,512,374</u>	<u>93,586,710</u>	<u>118,318,692</u>	<u>93,586,710</u>
Effect of dilutive securities:				
Stock options, warrants and convertible debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,174</u>
Diluted weighted-average number of common shares outstanding	<u>120,512,374</u>	<u>93,586,710</u>	<u>118,318,692</u>	<u>93,637,884</u>
Basic net loss per common share	\$(0.24)	\$(0.02)	\$(0.69)	\$0.85
Diluted net loss per common share	\$(0.24)	\$(0.02)	\$(0.69)	\$0.85

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 September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Stock options	3,397,900	2,332,900	3,397,900	1,549,000
Warrants	909,091	-	909,091	-
Convertible debentures	12,386,321	12,155,751	12,386,321	12,155,751

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Trade and other receivables	\$(1,468)	\$828	\$20,052	\$(7,094)
Inventory	4,616	(7,267)	(1,024)	8,102
Prepaid expenses and deposits	1,408	(2,572)	2,069	(1,894)
Trade and other payables	12,655	5,257	(8,179)	10,435
Deferred trade payables	1,412	258	1,436	(1,413)
Provision for rehabilitation costs	(1,014)	(532)	(1,718)	(1,848)
	<u>\$17,609</u>	<u>\$(4,028)</u>	<u>\$12,636</u>	<u>\$6,288</u>

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

During the nine months ended September 30, 2018 the Company purchased certain mobile equipment at a cost of \$14,890, which was finance leased (Note 12(j)) and \$622, which was financed by non-current debt (Note 12 (h)). During the nine months ended September 30, 2018 the Company issued 6,277,113 common shares at an ascribed value of \$1.97 - \$2.64 per share for total amount of \$14,163 in payment of accrued interest on the Junior Credit Facility (Note 12(d)), the 2014 Convertible Debentures (Note 12(e)) and the 2015 Convertible Debenture (Note 12(f)).

During the three and the nine months ended September 30, 2017 the Company purchased certain mobile equipment at a cost of \$690 and \$8,367 which was financed by long term debt (Note 12(h)), 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.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Trade and other payables	<u>\$4,166</u>	<u>\$3,615</u>	<u>\$1,886</u>	<u>\$(8,368)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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23. RELATED PARTY TRANSACTIONS

Related party transactions and balances with a significant shareholder, a company controlled by a significant shareholder, companies in which directors are owners, and with directors and officers are as follows:

Statement of Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Loan guarantee fee for guarantee of second lien credit facility (Note 12(b))	\$450	\$488	\$1,411	\$1,325
Loan guarantee fee for guarantee of senior credit facility (Note 11(a))	\$210	\$ -	\$210	\$ -
Arrangement fee for Bridge Loan	\$ -	\$50	\$ -	\$100
Interest expense	\$4,275	\$4,114	\$12,629	\$12,126
Royalty expense	\$31	\$ -	\$31	\$ -

Statement of Financial Position

	September 30	December 31
	2018	2017
Accrued interest on senior unsecured notes, convertible debentures, junior credit facility and bridge loan	\$3,069	\$5,088
Junior credit facility	\$75,000	\$75,000
Senior unsecured notes (US\$53,300)	\$68,997	\$66,865
Convertible debentures	\$59,000	\$59,000
Bridge loan	\$13,000	\$13,000
Share issue expenses (backstop fees)	\$ -	\$310
Deferred financing fees for debt	\$ -	\$138
Accrued royalty expense	\$31	\$ -
Deferred royalty payable	\$22,156	\$ -
Deferred royalty proceeds	\$22,156	\$ -

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

24. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Short term benefits ⁽¹⁾	\$347	\$358	\$1,064	\$1,004
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 nine months ended September 30, 2018 and 2017.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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

25. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. All of the Company's assets are located in Canada, except for assets comprised primarily of the Sterling totalling \$9,762 as at September 30, 2018 (December 31, 2017-\$8,482), 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 September 30, 2018					
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	\$52,683	\$18,107	\$430	\$ -	\$69	\$71,289
Less inter-segment revenues	(31)	(293)	(430)	-	(54)	(808)
Revenues from external sources	\$52,652	\$17,814	\$ -	\$ -	\$15	\$70,481
Depletion and depreciation	\$11,873	\$5,746	\$254	\$ -	\$33	\$17,906
Interest and other finance (expense) income	\$(8,644)	\$(4,057)	\$(2,037)	\$1,686	\$(37)	\$(13,089)
Net (loss) income	\$(18,386)	\$(13,434)	\$(1,254)	\$205	\$4,260	\$(28,609)
Capital expenditures	\$32,109	\$5,130	\$ -	\$ -	\$280	\$37,519
Total assets	\$1,108,640	\$288,629	\$225,203	\$9,762	\$33,413	\$1,665,647
Total liabilities	\$920,092	\$232,601	\$61,391	\$8	\$4,379	\$1,218,471

	Three Months Ended September 30, 2017					
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	\$66,039	\$24,573	\$ -	\$ -	\$15	\$90,627
Less inter-segment revenues	(31)	(424)	-	-	(15)	(470)
Revenues from external sources	\$66,008	\$24,149	\$ -	\$ -	\$ -	\$90,157
Depletion and depreciation (Note 5)	\$11,929	\$5,141	\$665	\$ -	\$33	\$17,768
Interest and other finance income (expense)	\$2,594	\$(5,449)	\$(461)	\$67	\$(71)	\$(3,320)
Net income (loss) (Note 5)	\$9,996	\$(6,344)	\$(2,355)	\$(4)	\$(2,865)	\$(1,572)
Capital expenditures	\$17,440	\$5,106	\$32	\$ -	\$170	\$22,748
Total assets (Note 5)	\$1,099,616	\$297,977	\$234,344	\$7,681	\$27,504	\$1,667,122
Total liabilities (Note 5)	\$906,585	\$218,851	\$65,546	\$4	\$8,121	\$1,199,107

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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Reportable Segments

	Nine Months Ended September 30, 2018					
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	\$191,906	\$77,521	\$1,192	\$ -	\$96	\$270,715
Less inter-segment revenues	(94)	(890)	(1,192)	-	(80)	(2,256)
Revenues from external sources	\$191,812	\$76,631	\$ -	\$ -	\$16	\$268,459
Depletion and depreciation	\$36,915	\$18,403	\$914	\$ -	\$97	\$56,329
Interest and other finance (expense) income	\$(59,845)	\$(12,299)	\$(1,349)	\$785	\$(54)	\$(72,762)
Net (loss) income	\$(57,879)	\$(21,719)	\$(4,663)	\$1,069	\$1,862	\$(81,330)
Capital expenditures	\$49,180	\$12,860	\$2	\$ -	\$436	\$62,478
Total assets	\$1,108,640	\$288,629	\$225,203	\$9,762	\$33,413	\$1,665,647
Total liabilities	\$920,092	\$232,601	\$61,391	\$8	\$4,379	\$1,218,471

	Nine Months Ended September 30, 2017					
	Red Chris	Mount Polley	Huckleberry	Sterling	Corporate	Total
Reportable segmented revenues	\$182,960	\$130,933	\$ -	\$360	\$332	\$314,418
Less inter-segment revenues	(94)	(1,638)	-	(18)	(188)	(1,938)
Revenues from external sources	\$182,866	\$129,295	\$ -	\$342	\$144	\$312,647
Depletion and depreciation (Note 5)	\$34,728	\$24,282	\$1,093	\$159	\$97	\$60,359
Interest and other finance income (expense)	\$(13,167)	\$(10,855)	\$(765)	\$(34)	\$48	\$(24,773)
Gain on bargain purchase of Huckleberry (Note 5)	\$ -	\$ -	\$ -	\$ -	\$109,818	\$109,818
Share of equity loss in Huckleberry	\$ -	\$ -	\$(557)	\$ -	\$ -	\$(557)
Net income (loss) (Note 5)	\$(20,255)	\$(5,365)	\$(4,652)	\$(634)	\$110,126	\$79,220
Capital expenditures	\$47,090	\$21,164	\$37	\$7,027	\$237	\$75,555
Total assets (Note 5)	\$1,099,616	\$297,977	\$234,344	\$7,681	\$27,504	\$1,667,122
Total liabilities (Note 5)	\$906,585	\$218,851	\$65,546	\$4	\$8,121	\$1,199,107

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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Revenue by Geographic Area

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Switzerland	\$71,092	\$19,116	\$208,830	\$106,914
Korea	(627)	18,381	40,192	37,436
United States	-	43,552	20,515	116,139
Singapore	1	9,108	(1,094)	52,014
Canada	15	-	16	144
	<u>\$70,481</u>	<u>\$90,157</u>	<u>\$268,459</u>	<u>\$312,647</u>

Revenues are attributed to geographic area based on country of customer. In the period ended September 30, 2018, the Company had six principal customers accounting for 26%, 24%, 23%, 15%, 8% and 4% of revenues (September 30, 2017—six principal customers accounting for 23%, 19%, 18%, 17%, 12% and 11%). 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, traders and from time to time, to related parties.

Revenue by Major Product and Service

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Copper	\$48,463	\$67,363	\$182,316	\$211,649
Gold	22,015	22,754	85,931	99,834
Silver	(12)	38	196	1,014
Other	15	2	16	150
	<u>\$70,481</u>	<u>\$90,157</u>	<u>\$268,459</u>	<u>\$312,647</u>

Provisionally Priced Revenues

As a result of the provisional pricing terms in its sales contracts, the Company is exposed to commodity price risk until final pricing is determined. Therefore, revenues in subsequent periods will be adjusted for any changes to provisionally priced accounts receivables outstanding at period end. Final pricing is usually four to five months after the date of shipment and therefore changes in metal prices may have a material impact on the final revenue.

Provisionally priced revenues is comprised of the following:

	September 2018	Provisional Price	December 31 2017	Provisional Price
Copper – 000's lbs with provisional price per lb	11,181.3	US\$2.80	17,212.4	US\$3.29
Gold – 000's oz with provisional price per oz	16.1	US\$1,195	24.5	US\$1,309

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017

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26. FINANCIAL INSTRUMENTS

Fair Value Estimation

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

The carrying value less impairment provision, if necessary, of trade and other receivables and trade and other payables are assumed to approximate their fair values. Except for the Notes (Note 12(c)), management believes that the carrying value of remaining non-current and short term debt approximates fair value. At September 30, 2018, the fair value of the Notes is \$355,208 (December 31, 2017-\$381,211) 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 September 30, 2018 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	\$4,750	\$ -	\$4,750
Marketable securities	3,227	-	3,227
Provisionally priced accounts receivables	-	5,660	5,660
Future site reclamation deposits	14,324	-	14,324
	22,301	5,660	27,961
Financial Liabilities			
Amounts owing on provisionally priced receivables included in trade and other payables	-	(7,323)	(7,323)
	\$22,301	\$(1,663)	\$20,638

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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27. COMMITMENTS AND PLEDGES

(a) At September 30, 2018, the Company is committed to future minimum operating lease payments as follows:

2018	\$104
2019	426
2020	358
2021	330
2022 and beyond	166
	<u>\$1,384</u>

(b) At September 30, 2018, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets (Note 7)	\$14,324
Mineral property, plant and equipment	28,370
Letters of credit (Note 11(a))	42,500
	<u>\$85,194</u>

(c) The Company has provided \$28,370 for reclamation bonding obligations by securing certain plant and equipment. This security may be required to be replaced with cash security.

(d) At September 30, 2018, the Company had commitments of \$4,415 for expenditures on mineral properties.

28. CONTINGENT LIABILITIES

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

On August 4, 2014 the tailings dam at the Mount Polley mine near Likely, British Columbia was breached and at September 30, 2018 the Company has a provision of \$3,617 for future rehabilitation activities related to the Mount Polley mine tailings dam breach (Note 19). The provision for rehabilitation contains significant estimates and judgments about the scope, timing and cost of the work that will be required and is subject to revision in the future as further information becomes available to the Company.

During the third quarter of 2014, a securities class action lawsuit was filed against the Company and certain of its directors, officers and others in the Ontario Superior Court of Justice in Toronto (the Claim). The Company has engaged independent legal counsel to advise it on this matter. At this time the Company cannot predict the outcome of the Claim or determine the amount of any potential losses and accordingly, no provision has been made as of September 30, 2018. However, the Company is of the view that the allegations contained in the Claim are without merit and intends to vigorously defend its position.

29. COMPARATIVE INFORMATION

Certain comparative amounts have been reclassified to conform to current period presentation, and those reclassifications are not significant.



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