Imperial Metals

First Quarter Report 2019

Management's Discussion & Analysis

For the Three Months Ended March 31, 2019 and 2018

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, 2019 including the notes thereto ("the Interim Financial Statements"), as well as the audited Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2018. This MD&A contains statements that may be considered forward-looking information, and therefore investors are directed to review the "Forward-Looking Statements & 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 International Accounting Standard 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. 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 The Company was incorporated under the British Columbia *Company Act*, which was superseded by the British Columbia *Business Corporations Act*, on December 6, 2001 under the name IMI Imperial Metals Inc. Imperial changed its name to Imperial Metals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 14, 2019, the Company had 127,110,479 common shares outstanding, and on a diluted basis 142,917,891 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.

On January 7, 2019, due to declining copper prices, the Company announced that the Mount Polley mine would suspend operations at the end of May 2019. The mine is expected to remain on care and maintenance until the economics of mining improve.

On January 17, 2019, the Company issued 3,542,814 common shares in payment of $4.3 million of interest due on the Convertible Debentures.

On February 15, 2019, the Company issued 2,785,080 common shares in payment of $3.8 million of interest due on September 30, 2018 and December 31, 2018 for the Junior Credit Facility.

In mid-February and early March the Company also extended the maturity dates on a number of its credit facilities to mature on March 15, 2019.

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest Mining Limited ("Newcrest") for US$806.5 million in cash, while retaining a 30% interest in the mine (the "Newcrest Transaction"). The Company and Newcrest will form a joint venture for the operation of the Red Chris mine going forward, with Newcrest acting as operator. The consideration payable will be subject to customary adjustments for certain assumed equipment loans, working capital and non-financial debt at closing.

On March 14, 2019, the Company extended the maturity dates on a number of its credit facilities as follows:

- the Senior Credit Facility extended from March 15, 2019 to September 5, 2019
- the Second Lien Credit Facility extended from March 15, 2019 to September 9, 2019
- the Junior Credit Facility from March 15, 2019 to September 12, 2019
- the Bridge Loan extended from March 15, 2019 to September 11, 2019

On March 15, 2019, the Company refinanced US$98.4 million of its US$325.0 million Senior Unsecured Notes due March 15, 2019 (the "Senior Notes"). Edco Capital Corporation (Edco"), a company controlled by a significant shareholder of the Company, subscribed for US$98.4 million of additional Senior Notes on the same terms and conditions as the existing Senior Notes. Such funding enabled the Company to repay an equal dollar amount of the principal of the Senior Notes that were payable in full on March 15, 2019, being US$98.4 million. The remaining existing holders of Senior Notes in the principal amount of US$226.6 million agreed, as did Edco in respect to the additional Senior Notes, to extend the maturity date of the Senior Notes until September 15, 2019.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Company's significant accounting policies are presented in the audited consolidated financial statements for the year ended December 31, 2018.

In January 2016, the International Accounting Standards Board 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 adopted IFRS 16 on January 1, 2019, using the modified retrospective approach, in accordance with the transitional provisions in IFRS 16. The Company identified and collected data relating to existing agreements that extended beyond January 1, 2019, that contained right-of-use assets. These include service contracts that may contain embedded leases for property, plant and equipment. Additionally, the Company has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company's existing operating leases were trivial, no adjustment to equity has been recognized upon IFRS 16 adoption on January 1, 2019.

QUARTER HIGHLIGHTS

FINANCIAL

On March 10, 2019, the Company entered into an agreement to sell a 70% interest in the Red Chris mine to Newcrest. In accordance with IFRS, the Company has classified Red Chris mine as a discontinued operation effective January 1, 2019 and asset held for sale as at March 31, 2019, and the prior year comparative quarter consolidated statement of income has been restated accordingly. Unless otherwise stated this MD&A will report the total of continuing and discontinued operations as one total for ease of comparison with the prior comparative period.

Total revenue decreased to $76.7 million in the March 2019 quarter compared to $117.9 million in the 2018 comparative quarter, a decrease of $41.2 million or 34.9%. Revenue from the Red Chris mine in the March 2019 quarter was $62.9 million compared to $81.9 million in the 2018 comparative quarter. This decrease was attributable to a lower quantity of copper concentrate sold along with lower copper prices and slightly higher gold prices partially offset by the positive revenue revaluation noted below. Revenue from the Mount Polley mine in the March 2019 quarter was $13.8 million compared to $36.0 million in the 2018 comparative quarter due to lower production which was partially offset by the positive revenue revaluation noted below.

In the March 2019 quarter, there were 2.6 concentrate shipments from the Red Chris mine (2018-4.0 concentrate shipments) and 0.3 concentrate shipments from the Mount Polley mine (2018-1.0 concentrate shipment). 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$2.82 in the March 2019 quarter compared to US$3.16 in the 2018 comparative quarter. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,304 in the March 2019 quarter compared to US$1,329 in the 2018 comparative quarter. The average CDN/US Dollar exchange rate was 1.329 in the March 2019 quarter, 5% higher than the exchange rate of 1.265 in the March 2018 quarter. In CDN Dollar terms the average copper price in the March 2019 quarter was CDN$3.75 per pound compared to CDN$4.00 per pound in the 2018 comparative quarter, and the average gold price in the March 2019 quarter was CDN$1,734 per ounce compared to CDN$1,681 per ounce in the 2018 comparative quarter.

Revenue in the March 2019 quarter increased by $2.5 million due to a positive revenue revaluation as compared to a $5.6 million negative revenue revaluation in the 2018 comparative quarter. Revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being higher or lower than when the revenue was initially recorded or the copper price at the last balance sheet date and finalization of contained metal as a result of final assays.

Net loss from continuing operations for the March 2019 quarter was $2.3 million ($0.02 per share) compared to net loss of $31.1 million ($0.27 per share) in the 2018 comparative quarter. The decrease in net loss of $28.8 million was primarily due to the following factors:

- Loss from mine operations went from income of $0.2 million in March 2018 to a loss of $2.5 million in March 2019, an increase in net loss of $2.7 million.
- Interest expense went from $17.8 million in March 2018 to $18.4 million in March 2019, an increase in net loss of $0.6 million.
- Foreign exchange gains/losses on current and non-current debt went from a loss of $11.3 million in March 2018 to a gain of $9.1 million in March 2019, a decrease in net loss of $20.4 million.
- Tax recovery went from $1.2 million in March 2018 to $14.1 million in March 2019, a decrease in net loss of $12.9 million.

The March 2019 quarter net income included a foreign exchange gain from continuing operations related to changes in CDN/US Dollar exchange rate of $8.9 million compared to a foreign exchange loss of $11.4 million in the 2018 comparative quarter. The $8.9 million foreign exchange gain is comprised of a $9.1 million gain on the senior notes and a $0.2 million loss on operational items. The average CDN/US Dollar exchange rate in the March 2019 quarter was 1.329 compared to an average of 1.265 in the 2018 comparative quarter.

Cash flow from continuing operations was $nil in the March 2019 quarter compared to cash flow of $4.7 million in the 2018 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 attributed to continuing operations was $0.7 million in the March 2019 quarter, down from $4.2 million in the 2018 comparative quarter. The majority of the March 2019 expenditures were related to curtailment expenditures for the Mount Polley shutdown.

At March 31, 2019, 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 (1)

Red Chris first quarter metal production was 13.10 million pounds copper and 8,317 ounces gold. Mill throughput averaged 26,315 tonnes per calendar day during the first quarter, down from the 28,783 achieved in the same quarter last year. Metal recoveries were 73.84% copper and 48.06% gold, compared to 77.22% copper and 47.37% gold in the comparable 2018 quarter.

The reduced throughput and recovery in the quarter were the result of challenges with water reclaim quantity and quality. A large portion of the available water in the Tailings Impoundment Area became unavailable due to freezing, owing to extreme cold temperatures. Operations were sustained by utilizing the available free water to continue operations at a reduced rate. The period of reduced operations extended from about February 9 to March 28, with warming temperatures and adjusted tailings deposition management providing sufficient water for operations to return to normal throughput rates.

	Three Months Ended March 31	
	2019	2018
Ore milled - *tonnes*	2,368,337	2,590,490
Ore milled per calendar day - *tonnes*	26,315	28,783
Grade % - copper	0.340	0.447
Grade g/t - gold	0.227	0.310
Recovery % - copper	73.84	77.22
Recovery % - gold	48.06	47.37
Copper – *000's pounds*	13,100	19,725
Gold – *ounces*	8,317	12,215
Silver – *ounces*	22,627	34,881

Exploration, development and capital expenditures were $9.3 million in the March 2019 quarter compared to $4.9 million in the comparative 2018 quarter.

(1) The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and the comparative period has been restated accordingly.

Mount Polley Mine

Mount Polley first quarter metal production was 2.31 million pounds copper and 6,147 ounces gold. Mill throughput averaged 13,653 tonnes per calendar day during the first quarter. Metal recoveries were 38.37% copper and 57.47% gold, compared to 75.67% copper and 73.75% gold in the comparable 2018 quarter. Copper oxide percentages in the 2019 first quarter averaged 40.9%, up substantially from the average of 13.4% in the comparable 2018 quarter. Copper oxide content negatively impacted metal recoveries as copper oxide minerals do not respond well to flotation recovery methods.

Extremely cold winter temperatures also affected the Mount Polley mill throughput during the first quarter. Freezing ore in chutes and stockpiles limited the milling rates from the latter part of January into late February. During February 2019, only 9,764 dry metric tonnes were treated per calendar day milled, versus 17,531 dry metric tonnes treated during February 2018. Warmer temperatures in March improved mill throughput, which averaged over 16,000 tonnes per day in March and about 18,000 tonnes per day for the first 20 days of April. Milling of low grade stockpiles are targeted to continue to the end of May 2019, at which time the mine will be placed on care and maintenance until there is a sustained improvement in the price of copper.

	Three Months Ended March 31	
	2019	2018
Ore milled - *tonnes*	1,228,767	1,612,486
Ore milled per calendar day - *tonnes*	13,653	17,917
Grade % - copper	0.222	0.200
Grade g/t - gold	0.271	0.321
Recovery % - copper	38.37	75.67
Recovery % - gold	57.47	73.75
Copper – *000's pounds*	2,305	5,372
Gold – *ounces*	6,147	12,280
Silver – *ounces*	6,511	8,965

Exploration, development and capital expenditures were $0.7 million in the March 2019 quarter compared to $4.2 million in the comparative 2018 quarter.

Huckleberry Mine

Huckleberry continues to be on care and maintenance. For the quarter ending March 31, 2019, Huckleberry incurred idle mine costs comprised of $1.2 million in operating costs and $0.2 million in depreciation expense.

EARNINGS AND CASH FLOW

During the first quarter of 2019, the Company entered into an agreement for the sale of a 70% interest in the Red Chris Mine and it expects to complete the sale by the third quarter of 2019. As a result, this operation has been classified as a discontinued operation effective January 1, 2019 and the comparative periods have been restated.

Select Quarter Financial Information

Expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2019	2018
Continuing operations:		
Total revenues	$13,803	$36,027
Net loss	$(2,337)	$(31,078)
Net loss per share	$(0.02)	$(0.27)
Diluted loss per share	$(0.02)	$(0.27)
Adjusted net loss (1)	$(11,389)	$(19,666)
Adjusted net loss per share (1)	$(0.09)	$(0.16)
Adjusted EBITDA(1)	$(3,566)	$4,798
Cash flow (1)(2)	$25	$4,677
Cash flow per share (1)(2)	$(0.00)	$0.04
Discontinued operations:		
Total revenues	$62,878	$81,885
Net income	$69	$15,244
Net income per share	$0.00	$0.13
Diluted income (loss) per share	$0.00	$0.13
Adjusted net income (loss) (1)	$(225)	$15,344
Adjusted net income (loss) per share (1)	$(0.00)	$0.13
Adjusted EBITDA(1)	$10,553	$31,594
Cash flow (1)(2)	$10,260	$31,594
Cash flow per share (1)(2)	$0.08	$0.27
Working capital deficiency (3)	$727,836	$789,470
Total assets	$1,588,745	$1,573,903
Total debt (including current portion)	$874,329	$829,698

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

(2) *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.

(3) Excludes assets and liabilities held for sale.

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

expressed in thousands	Three Months Ended March 31	
	2019	2018
Net loss before undernoted items from continuing operations	$(7,961)	($6,626)
Interest expense	(13,423)	(13,040)
Recovery of BC mineral taxes including interest	9,425	-
Foreign exchange gain (loss) on debt	9,052	(11,412)
Net loss from continuing operations	$(2,907)	$(31,078)

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 from continuing operations in the March 2019 quarter was $11.4 million ($0.09 per share) compared to an adjusted net loss of $19.7 million ($0.16 per share) in the 2018 comparative quarter. Adjusted net loss reflects the financial results excluding the effect of items not settling in the current period and non-recurring items. Adjusted net loss is calculated by removing the gains or losses, resulting from mark to market revaluation of derivative instruments, net of tax, unrealized foreign exchange gains or losses on non-current debt, net of tax and other adjustments as further detailed in the following table.

Calculation of Adjusted Net Loss

expressed in thousands, except share and per share amounts	Three Months Ended March 31	
	2019	2018
Net loss reported from continuing operations	$(2,337)	$(31,078)
Unrealized foreign exchange (gain) loss on debt, net of tax (1)	(9,052)	11,412
Adjusted net loss from continuing operations	(11,389)	(19,666)
Adjusted net income (loss) from discontinued operations	(225)	14,912
Total adjusted net loss reported	$(11,614)	$(4,754)
Basic weighted average number of common shares outstanding	125,088,105	116,858,528
Adjusted net loss per share from continuing operations	$(0.09)	$(0.16)
Adjusted net loss per share from discontinued operations	$(0.00)	$0.13
Total adjusted net loss per share	$(0.09)	$(0.03)

(1) 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 from continuing operations in the March 2019 quarter was a loss of $3.6 million compared to income of $5.1 million in the 2018 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 following reconciliation table.

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 income (loss) to Adjusted EBITDA is as follows:

expressed in thousands	Three Months Ended March 31	
	2019	2018
Net loss from continuing operations	$(2,337)	$(31,078)
Adjustments:		
Income and mining tax recovery	(14,075)	(1,241)
Interest expense	18,388	17,863
Depletion and depreciation	2,844	7,797
Accretion of future site reclamation provisions	657	686
Share based compensation	109	151
Foreign exchange (gain) loss	(9,280)	11,791
Revaluation (gain) loss on marketable securities	158	(839)
Other	(30)	-
Adjusted EBITDA from continuing operations	(3,566)	5,130
Adjusted EBITDA from discontinued operations	10,553	31,262
Total adjusted EBITDA	$6,987	$36,392

Cash Flow and Cash Flow Per Share

Cash flow in the March 2019 quarter from continuing operations was $nil compared to positive $4.7 million in the 2018 comparative quarter. Cash flow per share was $(0.00) in the March 2019 quarter compared to $0.04 in the 2018 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	
	2019	2018
Loss before taxes from continuing operations	$(16,412)	$(32,319)
Items not affecting cash flows		
Depletion and depreciation	2,844	7,797
Share based compensation	109	182
Accretion of future site reclamation provisions	657	686
Fair value adjustment for debt settled in common shares	3,356	-
Unrealized foreign exchange (gain) loss	(9,012)	11,357
Interest expense	18,397	17,813
Other	86	(839)
Cash flow from continuing operations	25	4,677
Cash flow from discontinued operations	10,260	31,281
Total cash flow	$10,285	$35,958
Basic weighted average number of common shares outstanding	125,088,105	116,858,528
Cash flow per share from continuing operations	$(0.00)	$0.04
Cash flow per share from discontinued operations	$0.08	$0.27
Total cash flow per share	$0.08	$0.31

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. Off-site costs include transportation, warehousing, marketing, 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. 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, 2019 and 2018.

Cash Cost Per Pound of Copper Produced

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

	Three Months Ended March 31, 2019			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$61,769	$16,330	$16,330	$78,099
Less:				
Depletion and depreciation	(9,090)	(2,623)	(2,623)	(11,713)
Share based compensation	72	(16)	(16)	56
Cash costs before adjustment to production basis	52,751	13,691	$13,691	$66,442
Adjust for inventory change	2,440	5,002		7,442
Adjust transportation and offsite costs	(179)	239		60
Treatment, refining and royalty costs	5,639	975		6,614
By-product and other revenues	(13,552)	(10,510)		(24,062)
Cash cost of copper produced in CDN$	$47,099	$9,397		$56,496
US$ to CDN$ exchange rate	*1.3294*	*1.3294*		*1.3294*
Cash cost of copper produced in US$	$35,429	$7,069		$42,497
Copper produced – pounds	*13,100*	*2,305*		*15,405*
Cash cost per lb copper produced in US$	$2.70	$3.07		$2.76

	Three Months Ended March 31, 2018			
	Red Chris*	Mount Polley**	Total per Financial Statements**	Composite
	A	B		C=A+B
Cost of sales	$63,659	$36,683	$36,683	$100,342
Less:				
Depletion and depreciation	(12,991)	(8,275)	(8,275)	(21,266)
Share based compensation	(22)	(28)	(28)	(50)
Cash costs before adjustment to production basis	50,646	28,380	$28,380	$79,026
Adjust for inventory change	5,832	(347)		5,485
Adjust transportation and offsite costs	69	75		144
Treatment, refining and royalty costs	6,095	1,461		7,556
By-product and other revenues	(19,303)	(20,128)		(39,431)
Cash cost of copper produced in CDN$	$43,339	$9,441		$52,780
US$ to CDN$ exchange rate	*1.2650*	*1.2650*		*1.2650*
Cash cost of copper produced in US$	$34,260	$7,463		$41,723
Copper produced – pounds	*19,725*	*5,372*		*25,097*
Cash cost per lb copper produced in US$	$1.74	$1.39		$1.66

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.

** The Mount Polley Mine is a continuing operation.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2019 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2018 FROM CONTINUING OPERATIONS

Overview

Revenues decreased to $13.8 million in the March 2019 quarter compared to $36.0 million in the 2018 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 recorded a loss from mine operations of $2.5 million in the March 2019 quarter compared to a loss of $0.1 million in the 2018 comparative quarter.

Net loss for the March 2019 quarter was $2.3 million ($0.02 per share) compared to a net loss of $31.1 million ($0.27 per share) in the 2018 comparative quarter.

Revenue

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31	
	2019	2018
Revenue before revaluation from:		
Continuing operations	$13,417	$38,232
Discontinued operations	60,791	85,264
Revenue revaluation from:		
Continuing operations	386	(2,205)
Discontinued operations	2,087	(3,379)
	$76,681	$117,912

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2019		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*13,940*	*1,503*	*15,443*
Gold – *ounces*	*9,148*	*4,373*	*13,521*
Silver – *ounces*	*24,006*	*4,671*	*28,677*
Revenue			
Copper	$47,589	$7,953	$55,542
Gold	15,035	5,726	20,761
Silver	254	123	377
	62,878	13,802	76,680
Corporate	-	-	1
Total Revenue	$62,878	$13,802	$76,681

expressed in thousands of dollars, except quantity amounts

	Three Months Ended March 31, 2018		
	Red Chris Mine*	Mount Polley Mine	Total
Sales			
Copper – *000's pounds*	*19,150*	*5,210*	*24,360*
Gold – *ounces*	*11,477*	*11,772*	*23,249*
Silver – *ounces*	*34,676*	*8,552*	*43,228*
Revenue			
Copper	$63,474	$16,679	$80,153
Gold	18,220	19,342	37,562
Silver	191	6	197
Total Revenue	$81,885	$36,027	$117,912

* The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.

During the March 2019 quarter the Company sold 15.4 million pounds copper and 13,521 ounces gold compared to 24.4 million pounds copper and 23,249 ounces gold in the 2018 comparative quarter.

During the March 2019 quarter there were 2.6 concentrate shipments from Red Chris mine (2018–4.0 concentrate shipments) and 0.3 concentrate shipments from Mount Polley mine (2018-1.0 concentrate shipment).

During the March 2019 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 82.0% and Mount Polley mine accounted for 18.0% of the Company's revenue in the March 2019 quarter. Copper accounted for 72.4% and gold accounted for 27.1% of the Company's revenue in the March 2019 quarter.

The following information only contains financial results from continuing operations. Prior year comparatives have been restated accordingly.

Cost of Sales

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Operating expenses	$8,489	$19,066
Salaries, wages and benefits	5,202	9,314
Depletion and depreciation	2,623	7,406
Share based compensation	16	28
	$16,330	$35,814

Cost of sales for the March 2019 quarter were $16.3 million compared to $35.8 million for the comparative quarter in 2018, due to the following major factors:

- operating expenses and salaries, wages and benefits for 2019 were $13.7 million compared to $28.4 million in the comparative 2018 quarter;
- Depletion and depreciation for 2019 was $2.6 million compared to $7.4 million in the comparative 2018 quarter;
- Included in cost of sales for 2019 are inventory impairment charges of $3.4 million compared to $nil in the comparative 2018 quarter.

General and Administration Costs

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Administration	$953	$1,036
Share based compensation - corporate	93	154
Depreciation – corporate assets	7	32
Foreign exchange loss	182	349
	$1,235	$1,571

General and administration costs were $1.2 million in the March 2019 quarter compared to $1.6 million in the 2018 comparative quarter. Administration costs decreased due to lower staffing costs and share based compensation costs decreased due to a lower number of options outstanding which still had vesting remaining.

The average CDN/US Dollar exchange rate for the March 2019 quarter was 1.3294 compared to 1.265 in the 2018 comparative quarter. Foreign exchange gains 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 Mount Polley mine.

Interest Expense

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Interest on non-current debt	$15,075	$17,042
Other interest	3,322	821
	$18,397	$17,863

Interest expense increased to $18.4 million in the March 2019 quarter from $17.9 million in the 2018 comparative quarter. The interest expense increased primarily as a result of the higher foreign exchange rates on US denominated debt.

Other Finance Income (Loss)

expressed in thousands of dollars

	Three Months Ended March 31	
	2019	2018
Accretion of future site reclamation provisions	$(657)	$(763)
Foreign exchange gain (loss) on debt	9,052	(11,407)
Fair value adjustment for debt settled in common shares	(3,356)	-
Fair value adjustment to marketable securities	(158)	839
	4,881	(11,331)
Interest income	2,172	137
Other finance income (loss)	$7,053	$(11,194)

Other finance income totaled $7.1 million in the March 2019 quarter compared to an expense of $11.2 million in the 2018 comparative quarter. The income resulted primarily from items discussed below.

At March 31, 2019, the Company had US Dollar denominated debt of US$334.5 million compared to US$335.0 million at December 31, 2018. 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, 2019 and resulted in a $9.1 million gain on the senior notes. The Company also recorded $2.1 million in interest income related to a BC mineral tax refund.

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 2017. The capital structure of the Company consists of current and non-current debt and equity comprised of share capital, share option reserve, equity component of convertible debentures, warrant reserve, currency translation adjustment and retained earnings.

The Company is in compliance with the debt covenants related to its non-current debt as at March 31, 2019.

LIQUIDITY & CAPITAL RESOURCES AND FINANCING

At March 31, 2019, the Company had cash of $6.0 million and a working capital deficiency of $727.8 million, excluding assets and liabilities held for sale, which includes $739.5 million of current debt; compared to cash of $18.6 million and a working capital deficiency of $789.5 million at December 31, 2018.

Credit Risk

The Company's credit risk is limited to cash, trade and other receivables, and future site reclamation deposits 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 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 to limit the amount of credit risk associated with any one counterparty. The Company did not enter into any derivative instruments during the quarter ended March 31, 2019.

Liquidity Risk

The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that in addition to cash balances there are sufficient committed credit facilities, including the advance payment facilities with its customers, to provide cash necessary to meet projected cash requirements.

At March 31, 2019, the Company's primary sources of credit are comprised of a $200.0 million Senior Credit Facility, a $50.0 million Second Lien Credit Facility, US$325.0 million Senior Notes, $145.0 million face value of unsecured convertible debentures, a $75.0 million unsecured Junior Credit Facility, a $26.0 million Bridge loan facility and $19.9 million in secured equipment loans and leases. Subsequent to March 31, 2019 the Company obtained a $10.0 million unsecured line of credit from a related party.

The Company's $200.0 million Senior Credit Facility and the $50.0 million second lien revolving loan credit facility are due on September 5, 2019 and September 9, 2019, respectively. At March 31, 2019, the Company had drawn in cash $152.8 million ($0.2 million net of deferred financing costs) of the Senior Credit Facility and utilized $47.2 million of the facility for letters of credit to secure reclamation bonds and other obligations for a total usage of $200.0 million.

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 successfully completion of the transaction with Newcrest and continuing support of the Company's creditors until such time as the Newcrest transaction closes. 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 transaction with Newcrest and this creates a material uncertainty that could have an adverse impact on the Company's financial condition and results of operations and may cast significant doubt on the Company's ability to continue as a going concern.

The Company holds mineral properties and marketable securities. While these may be convertible to cash they are not considered when assessing the Company's liquidity as they are part of the risk management program of the Company, long-term strategic holdings, or are only convertible to cash over a longer time horizon if realizable values exceed management's assessment of fair value, respectively. Therefore, as part of the Company's planning, budgeting and liquidity analysis process, these items are not relied upon to provide operational liquidity.

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, 2019:

expressed in thousands of dollars	Within 1 Year	2 Years	3 Years	4 Years	5 years	Total
Trade and other payables*	$86,030	$ -	$ -	$ -	$ -	$86,030
Other obligations*	43,419	13,983	-	-	-	57,402
Short-term debt	152,537	-	-	-	-	152,537
Current portion of non-current debt*	593,960	-	-	-	-	593,960
Non-current debt*	-	118,476	33,286	3,291	1,110	156,163
	875,946	132,459	33,286	3,291	1,110	1,046,092
Less future accretion and unamortized finance cost	(560)	(7,588)	(2,874)	-	-	(11,022)
Total	$875,386	$124,871	$30,412	$3,291	$1,110	$1,035,070

*Balances include liabilities held for sale.

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US$ denominated cash, accounts receivable, derivative instrument assets, reclamation deposits, trade and other payables and debt. If the US$ had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the quarter ended March 31, 2019 would have been higher/lower by $20.4 million.

Cash Flow

Cash flow was $nil in the March 2018 quarter compared to $4.7 million in the comparative 2018 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, 2019, the Company had cash of $6.0 million and a working capital deficiency of $727.8 million, excluding assets and liabilities held for sale, which includes $739.5 million of current debt.

Acquisition and Development of Mineral Properties

Acquisition and development of mineral properties on continuing and discontinued operations totaled $10.0 million in the March 2018 quarter compared to $9.1 million in the comparative 2018 quarter.

expressed in thousands of dollars	Three Months Ended March 31	
	2019	2018
Capital and Development Expenditures		
Red Chris*	$9,270	$4,850
Mount Polley	678	4,192
	9,948	9,042
Exploration Expenditures		
Red Chris*	19	4
Mount Polley	-	35
Other	61	61
	80	100
	$10,028	$9,142

*The Red Chris Mine was classified as a discontinued operation effective January 1, 2019 and prior periods have been restated.

Contingent Liabilities

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

At March 31, 2019, the Company had a provision of $3.1 million for future rehabilitation activities related to the August 4, 2014 tailings dam breach at the Mount Polley mine ("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, 2019. 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, 2019 or at the date of this document.

DEBT AND OTHER OBLIGATIONS

At March 31, 2019 the Company's current debt, net of unamortized deferred financing costs and accretion was comprised of the following:

- an unsecured Junior Credit Facility of $75.0 million
- Senior Notes - $433.7 million (US$325.0 million)
- a Senior Credit Facility of $200.0 million
- a Second Lien Credit Facility of $49.9 million
- Bridge Loan - $26.0 million
- a variety of equipment loans and leases denominated in both CDN$/US$ with a remaining balance of $8.7 million

Non-Current Debt

At March 31, 2019, the Company's non-current debt, net of unamortized deferred financing costs and accretion was comprised of the following:

- convertible debentures with a face value of $145.0 million - $134.5 million (book value)
- a variety of equipment loans and leases denominated in both CDN$/US$ with a remaining balance of $11.2 million

Detailed disclosure on the Company's non-current debt including amounts owed, interest rates and security can be found in Note 12 of the Interim Financial Statements.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At March 31, 2019, about 23% of the Company's outstanding borrowings were at floating interest rates compared to December 31, 2018 when about 22% of the Company's outstanding borrowings were at floating interest rates. The Company monitors its exposure to interest rates and is comfortable with its current exposure. The Company has not entered into any derivative contracts to manage this risk.

Off-Balance Sheet Arrangements

At March 31, 2019, 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 Senior Notes, management believes that the carrying value of remaining non-current and short term debt approximates fair value. At March 31, 2019 the fair value of the Senior Notes is $416.9 million (December 31, 2018-$297.1 million) based on a quote received from dealers that trade the Senior Notes.

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

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; 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, 2019 as follows for continuing operations:

expressed in thousands of dollars	Level 1	Level 2	Total
Financial assets			
Cash	$6,012	$ -	$6,012
Marketable securities	933	-	933
Provisionally priced receivables	-	2,072	2,072
Future site reclamation deposits	14,324	-	14,324
	21,269	2,072	23,341
Financial liabilities			
Amounts owing on provisionally priced receivables	-	(971)	(971)
	$21,269	$1,101	$22,370

SELECT QUARTERLY FINANCIAL INFORMATION FROM TOTAL OPERATIONS (INCLUDING RED CHRIS MINE)

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

	Three Months Ended			
	March 31 2019	December 31 2018	September 30 2018	June 30 2018
Total revenues	$76,681	$91,714	$70,481	$80,066
Net loss	$(2,268)	$(44,265)	$(28,609)	$(36,555)
Basic loss per share [1]	($0.02)	$(0.37)	$(0.24)	$(0.31)
Diluted loss per share [1]	($0.02)	$(0.37)	$(0.24)	$(0.31)
Adjusted net loss [2]	$(11,614)	$(15,087)	$(37,099)	$(27,823)
Adjusted net loss per share[1] [2]	$(0.09)	($0.13)	$(0.30)	$(0.24)
Adjusted EBITDA [2]	$6,987	$12,341	$(13,287)	$(2,180)
Cash flow [2]	$10,285	$121,850	$(11,766)	$(2,593)
Cash flow per share [1][2]	$0.08	$1.03	$(0.10)	$(0.02)
Average LME copper price/lb in US$	$2.82	$2.80	$2.77	$3.12
Average LME gold price/troy oz in US$	$1,304	$1,228	$1,213	$1,306
Average CDN/US$ exchange rate	$1.329	$1.321	$1.307	$1.291
Period end CDN/US$ exchange rate	$1.337	$1.364	$1.295	$1.278

	March 31 2018	December 31 2017	September 30 2017	June 30 2017
Total revenues	$117,912	$140,466	$90,157	$106,741
Equity loss in Huckleberry	$ -	$ -	$ -	$1,032
Net income (loss)	$(16,166)	$(2,107)	$(1,572)	$99,544
Basic income (loss) per share [1]	$(0.14)	($0.02)	$(0.02)	$1.06
Diluted income (loss) per share [1]	$(0.14)	($0.02)	$(0.02)	$1.06
Adjusted net loss [2]	$(4,754)	$(492)	$(18,058)	$(21,780)
Adjusted net income (loss) per share[1] [2]	$(0.04)	$0.01	$(0.19)	$(0.23)
Adjusted EBITDA [2]	$36,394	$42,514	$17,903	$12,852
Cash flow [2]	$35,958	$43,009	$17,966	$12,341
Cash flow per share [1] [2]	$0.30	$0.46	$0.19	$0.13
Average LME copper price/lb in US$	$3.16	$3.09	$2.88	$2.57
Average LME gold price/troy oz in US$	$1,329	$1,275	$1,278	$1,257
Average CDN/US$ exchange rate	$1.265	$1.271	$1.253	$1.345
Period end CDN/US$ exchange rate	$1.289	$1.255	$1.248	$1.298

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

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

Variations in the quarterly results are impacted by two 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$/US$ 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$ denominated debt, changes in production cost inputs and changes in tax rates and in 2017 the gain on bargain purchase of Huckleberry and revaluation of equity investment in Huckleberry.

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 primary reasons for the large increase in net income in the June 2017 quarter compared to the December 2016 quarter was largely due to the $109.8 million gain on bargain purchase that was recognized by the Company on the acquisition of the remaining 50% share of Huckleberry and revaluation of equity investment in Huckleberry. 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.

(b) The primary reason for loss in the September 2017 quarter compared to the June 2017 quarter was that there was a $109.8 million gain on bargain purchase that was recognized in the second quarter of 2017. However, that was slightly off set by a foreign exchange gain relating to the Company's US denominated debt in the September 2017 quarter compared to the June 2017 quarter.

(c) The primary reasons for the increase in net income in the December 2017 quarter compared to the September 2017 quarter was due to higher production at both Red Chris and Mount Polley which led to higher revenues of approximately $50.3 million.

(d) The primary reasons for the loss in the June 2018 quarter compared to income in the June 2017 quarter was largely due to the $109.8 million gain on bargain purchase that was recognized by the Company on the acquisition of the remaining 50% share of Huckleberry in 2017. Revenues were lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore compared to the March 2018 quarter which led to a decrease in overall metal production.

(e) The primary reasons for the increase in net loss in the September 2018 quarter compared to the September 2017 quarter was largely due to revenues being lower at both Red Chris and Mount Polley mines due to the mining and treatment of lower grade ore. However, compared to the June 2018 quarter, net loss in the September 2018 quarter was lower due to a foreign exchange gain of $7.3 million relating to the Company's US denominated debt compared to foreign exchange loss of $9.2 million in the June 2018 quarter.

(f) The primary reasons for the increase in net loss in the December 2018 quarter compared to the September 2018 quarter was largely due to an impairment charge of $109.2 million on the Mount Polley mine, higher foreign exchange losses on debt of $23.8 million, partially offset by a $108.0 million settlement that was received in relation to the Mount Polley Breach

(g) The primary reasons for the decrease in net loss in the March 2019 quarter compared to March 2018 quarter was due to a $20.8 million reduction in foreign exchange losses on long term debt and an $8.1 million non-recurring recovery of BC mineral taxes. These factors were partially offset by lower revenues due to the mining and treatment of lower grade ore from stockpiles at Mount Polley and shortage of available free water at Red Chris due to freezing conditions that reduced production.

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, companies controlled by N. Murray Edwards including Edco, 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	
		2019	2018
Loan guarantee fee for guarantee of Senior Credit Facility and Second Lien Secured Credit Facility	(a)	$1,387	$478
Interest expense	(f)	$4,661	$4,138

Statement of Financial Position

expressed in thousands of dollars		March 31 2019	December 31 2018
Accrued interest on Senior Notes and convertible debentures, Junior Credit Facility and Bridge Loan	(e)	$3,402	$7,010
Junior Credit Facility	(b)	$75,000	$75,000
Senior unsecured notes (March 31, 2019-US$151,765; March 31, 2018-US$53,300)	(c)	$202,804	$72,739
Convertible Debentures	(d)(f)	$59,000	$59,000
Bridge Loan	(h)	$13,000	$13,000

(a) The loan guarantee fee is related to the guarantee by Edco on the second lien credit facility which provided additional liquidity in 2015 for the commissioning of the Red Chris mine and the new extended senior credit facility on September 14, 2018 to guarantee the facility to maturity on September 5, 2019.

(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) At March 31, 2019, N. Murray Edwards, directors and officers hold US$202.8 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 and related financing transactions.

(f) N. Murray Edwards and directors hold $19.0 million of the $30.0 million 2015 convertible debenture which closed on August 24, 2015.

(g) Bridge Loan held by a company controlled by N. Murray Edwards.

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. Additional details on related party transactions can be found in Note 23 to the Interim Financial Statements for the three months ended March 31, 2019.

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 and Procedures

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

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company;
- 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
- 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, 2019 quarter 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 in this MD&A and the audited Consolidated Financial Statements of the Company. The risks and uncertainties described therein 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 & RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the quarter ended March 31, 2019, and plans for the future based on facts and circumstances as of May 14, 2019. Except for statements of historical fact relating to the Company, 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: expectations that the agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will successfully close and within necessary time frames, resulting in the joint venture between the parties for the operation of the Red Chris asset going forward, with Newcrest acting as operator; expectations that milling of the low grade stockpiles at Mount Polley will continue until May 2019, at which time that mine will be put on care and maintenance until there is a sustained improvement in the price of copper; 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 agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will successfully close and within necessary time frames, enabling the Company to satisfy its debt obligations and repay its credit facilities as they become due; the Company will have access to capital as required and will be able to fulfill its funding obligations as the Red Chris minority joint venture partner; 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 mine; equipment will operate as expected; there will not be significant power outages; there will be no material adverse change in the market price of commodities and exchange rates; the Red Chris mine will achieve expected production outcomes (including with respect to mined grades and mill recoveries and access to water as needed). 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: the risk that the agreement to sell a 70% interest in the Company's Red Chris mine to Newcrest will not successfully close and within necessary time frames, jeopardizing the Company's ability to satisfy its debt obligations and repay its credit facilities as they become due, and undermining the Company's ability to continue as a going concern; the risk that the Company's ownership of the Red Chris mine may be diluted over time should it not have access to capital as required and will not be able to meet its funding obligations as the Red Chris minority joint venture partner; that additional financing that may be required may not be available to Imperial on terms acceptable to Imperial or at all; 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, and natural phenomena such as weather conditions and water shortages negatively impacting the operation of the Red Chris 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 MD&A for the three months ended March 31, 2019 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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