Imperial Metals Corporation
2013 Annual Report

discover
develop
operate

discover
develop
operate

2013 SNAPSHOT

Net income $41.0 million

Income from operations
$64.3 million

Red Chris Mine development
on schedule

Mount Polley Mine
produced 38.5 million lbs copper
and 45,823 oz gold

Huckleberry Mine
produced 41.2 million lbs copper

Sterling Mine
shipped 7,431 oz gold

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President's Message

Imperial's 2013 net income was $41.0 million ($0.55 per share) compared to net income of $32.6 million ($0.44 per share) in 2012. Income from operations was $64.3 million in 2013, up from the $56.9 million generated by operations in 2012.

At Mount Polley, 2013 production totaled 38.5 million pounds copper and 45,823 ounces gold, compared to the 33.8 million pounds copper and 52,236 ounces gold produced in 2012. Copper production was up on higher grades and recovery, while gold production was lower with lower gold grades being treated. The annual average mill throughput was 21,799 tonnes per day, down slightly from the record of 22,191 tonnes per day set in 2012. Mining at Mount Polley continues to focus on the lower benches of the phase 3 Springer pit, which have lower levels of oxidation and as a result, copper and gold recovery were both higher in 2013 than in the prior year. Mount Polley planned production for 2014 is 44.0 million pounds copper and 47,000 ounces gold.

Underground activities at the Boundary zone continued with the excavation of the ramps, and installation of a ventilation system, and other facilities required to mine a test stope of approximately 250,000 tonnes. Blast hole drilling in the stope is underway. This operation is scheduled to deliver approximately 700 tonnes of ore per day to the mill starting in April 2014. This higher grade underground ore is a key reason for the planned increase in copper production in 2014.

Efficient operating performance at Mount Polley enabled Imperial to maintain steady income from operations in 2013 in the face of falling copper and gold prices.

Huckleberry copper production totaled 41.2 million pounds in 2013 compared to 35.1 million pounds in 2012. The copper grade increased, as the higher grades were accessed from the lower benches of the Main Zone Extension pit. In 2014 Huckleberry's copper production was estimated to be 42 million pounds, however with the failure of the SAG mill drive on February 26, 2014, this production level will likely not be met. Huckleberry is still determining whether the bull gear can be repaired and returned to service quickly, or whether a longer shutdown will be required while a new bull gear is manufactured and delivered to site. Huckleberry is investigating adjusted mine plans that could provide higher copper grades for a period after restart to make up for the lost milling time due to the shutdown.

The Red Chris project is on schedule, with the target to commence commissioning of the Red Chris mine in June 2014, and to achieve full operations in the fourth quarter of 2014. The 30,000 tonne per day open pit copper/gold mine is forecast to have an annual average production over the first 5 years of 88 million pounds copper and 52,700 ounces gold.

The current development at the Red Chris project includes the final installation of the primary crusher, process water tanks, interior steel, grinding mills, electrical equipment, reagent building and tailings system. Construction of the 287kv 17 kilometre powerline from Tatogga to the mine site began in January 2014. Mine pre-development began in January 2014 with the start of stripping of overburden from the Red Chris East zone.

Red Chris mine is on schedule for commissioning to commence in June 2014, and full operations commencing 4Q2014

The 30,000 tpd open pit copper/gold mine is forecast to produce 88 million pounds copper annually over the first five years

The development work at Red Chris in 2013 was funded by cash flow from operations, financing of certain equipment and from the Company's lines of credit with its bank and Edco Capital Corporation, a company controlled by Mr. Edwards, a significant shareholder of the Company.

Subsequent to year end Imperial closed an offering of US$325 million 7% five year unsecured senior notes, and a $200 million senior secured revolving credit facility to finance the construction of the Red Chris mine. In addition, a $75 million junior unsecured facility with Edco was put in place to fund project cost over runs, if any, associated with the Red Chris project.

Everyone at Imperial is very excited that the Red Chris mine development is nearing completion, and we expect the mine will be in operation for well beyond its initial 28 year mine life. Red Chris will initially double our gold production and increase our copper production by about 170%.

March 2014 Imperial closed an offering of US$325 million 7% five year unsecured senior notes to finance construction of the Red Chris mine

All our operations and developments would not have been possible without the consistent efforts and support of our over 800 employees, and numerous suppliers and stakeholders.

On behalf of Imperial's Board of Directors and management, I thank you for your contributions.

J. Brian Kynoch
President

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") for Imperial Metals Corporation (the "Company") should be read with the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2013.

The Consolidated Financial Statements and comparative information are prepared in accordance with International Financial Reporting Standards ("IFRS").

As further described under the heading Changes in Accounting Standards and Judgements and Estimates the Company adopted IFRS11 Joint Arrangements effective January 1, 2013 which establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The Company has reviewed its joint arrangements and concluded that its investment in the Huckleberry Mines Ltd. joint venture should be accounted for on the equity basis. The Ruddock Creek Joint Venture and the Porcher Island Joint Venture are accounted for as joint operations whereby the Company recognizes its share of the assets, liabilities, revenues and expenses of these entities. As a result of the change in the requirements for the application of the equity method, when accounting for investments in associates and joint ventures from proportionate consolidation for Huckleberry, the comparative audited Consolidated Financial Statements have been restated. Refer to Note 28 of the audited Consolidated Financial Statements for the year ended December 31, 2013 for details of the changes to the comparative financial statements.

The reporting currency of the Company is the Canadian ("CDN") Dollar.

FORWARD-LOOKING STATEMENTS AND RISKS NOTICE

This MD&A is a review of the Company's operations and financial position as at and for the year ended December 31, 2013, and plans for the future based on facts and circumstances as of March 26, 2014. Except for statements of historical fact relating to the Company, including our 50% interest in Huckleberry, certain information contained herein constitutes forward-looking statements. When we discuss: mine plans; our costs and timing of current and proposed exploration; development; production and marketing; capital expenditures; the construction of transmission lines; cash flow; working capital requirements; and the requirement for additional capital; operations; revenue; margins and earnings; future prices of copper and gold; future foreign currency exchange rates; future accounting changes; future prices for marketable securities; future resolution of contingent liabilities; or other things that have not yet happened in this review we are making statements considered to be forward-looking information or forward-looking statements under Canadian and United States securities laws. We refer to them in this review as forward-looking information.

The forward-looking information in this review typically includes words and phrases about the future, such as: plan, expect, forecast, intend, anticipate, estimate, budget, scheduled, believe, may, could, would, might, will. We can give no assurance that the forward-looking information will prove to be accurate. It is based on a number of assumptions management believes to be reasonable, including but not limited to: the continued operation of the Company's mining operations, no material adverse change in the market price of commodities and exchange rates, that the mining operations will operate and the mining projects will be completed in accordance with their estimates and achieve stated production outcomes, volatility in the Company's share price and such other assumptions and factors as set out herein.

It is also subject to risks associated with our business, including but not limited to: risks inherent in the mining and metals business; commodity price fluctuations and hedging; competition for mining properties; sale of products and future market access; mineral reserves and recovery estimates; currency fluctuations; interest rate risk; financing risk; environmental risk; foreign activities; legal proceedings; and other risks that are set out in our annual information form and below.

If our assumptions prove to be incorrect or risks materialize, our actual results and events may vary materially from what we currently expect as set out in this review.

We recommend that you review our annual information form and this MD&A, which include a discussion of material risks that could cause actual results to differ materially from our current expectations. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Changes in Accounting Standards

Accounting Standards Issued and Effective January 1, 2013

The Company has adopted these accounting standards effective January 1, 2013. Other than the adoption of IFRS11 (Note 28), the adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 7 *Financial Instruments Disclosures*
IFRS 10 *Consolidated Financial Statements*
IFRS 11 *Joint Arrangements*
IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 19 *Employee Benefits*
IAS 27 *Separate Financial Statements*
IAS 28 *Investments in Associates and Joint Ventures*
IFRIC 20 *Stripping Costs in the Production Phase of a Mine*

Joint Arrangements

The Company adopted IFRS 11 *Joint Arrangements* effective January 1, 2013. This standard replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. The Company has two types of joint arrangements:

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the next assets of the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

Judgments and Estimates

Interests in Other Entities

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as

(i) the determination of the level of control or significant influence held by the Company,

(ii) the standard's applicability to the operations,

(iii) the legal structure and contractual terms of the arrangement,

(iv) concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and

(v) when relevant, other facts and circumstances.

The Company has determined that joint control of Huckleberry Mines Ltd. exists as all decisions related to relevant activities require unanimous approval of the board of directors. The Company deems the following relevant activities to be material:

- capital expenditures;
- disposition of assets;
- approval of borrowings;
- approval of the annual and five year plan; and
- loans or guarantees.

In concluding that Huckleberry Mines Ltd. is a joint venture, the Company determined that:

- it is an incorporated company which is a separate vehicle;
- the legal form of the vehicle does not provide the Company with rights to its assets and obligations;
- there are no terms in the shareholder agreement or similar contractual arrangements which provide the Company with rights to its assets and obligations for its liabilities; and
- that other facts and circumstances indicate that Huckleberry Mines Ltd. is not reliant on the Company as its only source of cash flows and therefore does not directly or indirectly have rights to the assets and obligations for its liabilities.

The Company has determined that the Ruddock Creek Joint Venture and the Porcher Island Joint Venture represent joint operations as they are unincorporated entities.

OVERVIEW

As a result of the change in accounting for Huckleberry, discussion and disclosure of the Company's 50% equity share of Huckleberry is confined to the headings "Huckleberry" and "Equity Income in Huckleberry".

Revenues were $187.8 million in 2013 compared to $199.4 million in 2012. Variations in revenue are impacted by the timing and quantity of concentrate shipments, metal prices and exchange rate, and period end revaluations of revenue attributed to concentrate shipments where copper price will settle at a future date. The decrease in revenue in 2013 over 2012 is due to lower copper and gold prices partially offset by a weaker Canadian dollar and a larger volume of concentrate shipped for the year. There were eight concentrate shipments in 2013 compared to seven shipments in 2012. The increase in shipment volumes was more than offset by lower copper and gold prices in 2013 compared to 2012.

The London Metals Exchange cash settlement copper price per pound averaged US$3.32 in 2013 compared to US$3.61 in 2012. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,411 in 2013 compared to US$1,667 in 2012. The CDN Dollar compared to the US Dollar averaged about 3% lower in 2013 than in 2012. In CDN Dollar terms the average copper price in 2013 was CDN$3.42 per pound compared to CDN$3.61 per pound in 2012 and the average gold price in 2013 was CDN$1,451 per ounce compared to CDN$1,667 per ounce in 2012.

Revenue in 2013 was decreased by a $7.1 million negative revenue revaluation compared to a negative revenue revaluation of $2.5 million in 2012. Negative revenue revaluations are the result of the copper price on the settlement date and/or the current period balance sheet date being lower than when the revenue was initially recorded or the copper price at the last balance sheet date. The copper price started the year at US$3.67 per pound and ended the year at US$3.35 per pound, compared to the prior year where the copper price started the year at US$3.48 per pound and ended the year US$3.59 per pound.

Income from mine operations increased to $64.3 million from $56.9 million in 2012 as result improved contribution margins from mine operations.

Net income for the year ended December 31, 2013 was $41.0 million ($0.55 per share) compared to net income of $32.6 million ($0.44 per share) in 2012. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to movements in foreign exchange, realized and unrealized gains and losses on derivative instruments and taxes.

In 2013 net income was negatively impacted by foreign exchange losses of $2.5 million compared to foreign exchange losses of $0.5 million in 2012 primarily on foreign exchange movements on the increased US Dollar debt being carried by the Company. The average CDN/US Dollar exchange rate in 2013 was 1.03 compared to an average of 1.00 in 2012.

In 2013 the Company recorded gains on derivative instruments of $1.6 million compared to losses of $2.8 million in 2012. The decrease in the copper and gold price compared to the price in the derivative contracts resulted in a gain in 2013 compared to a loss in 2012.

The Company recorded $8.3 million as its equity share of Huckleberry's net income during 2013 compared to $5.5 million equity income in 2012.

Income and mining tax expense increased by $4.3 million from 2012 to 2013 due to higher income before taxes.

Cash flow increased to $78.2 million in 2013 from $66.6 million in 2012. Cash flow is a measure used by the Company to evaluate its performance, however, it is not a term recognized under IFRS in Canada. Cash flow is defined as cash flow from operations before the net change in non-cash working capital balances, income and mining taxes paid, and interest paid. 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 of $397.2 million, inclusive of equipment financed by long term debt and capitalized interest, were up from $147.9 million in 2012. The expenditures in 2013 were financed by cash flow from the Mount Polley mine, short term and non-current debt and $38.9 million in equipment financing. At December 31, 2013 the Company had $3.1 million (December, 2012-$2.8 million) in cash. The short term debt balance at December 31, 2013 was $132.4 million (December 31, 2012-$92.4 million). The increase in the short term debt is primarily due to funding the development of the Red Chris project with short term debt which subsequent to year end was fully repaid from the long term financings.

Selected Annual Financial Information

[expressed in thousands, except share amounts]	2013	2012	2011
	Years Ended December 31		
Total Revenues	$ 187,805	$ 199,373	$ 165,590
Net Income	$ 40,954	$ 32,626	$ 48,708
Net Income per share	$ 0.55	$ 0.44	$ 0.66
Diluted Income per share	$ 0.54	$ 0.43	$ 0.65
Adjusted Net Income (2)	$ 40,051	$ 36,807	$ 31,333
Adjusted Net Income per share (2)	$ 0.54	$ 0.50	$ 0.42
Adjusted EBITDA (2)	$ 86,600	$ 72,585	$ 67,465
Working Capital (Deficiency) (3)	$ (162,758)	$ (74,438)	$ 8,599
Total Assets	$ 975,451	$ 600,348	$ 457,755
Total Long Term Debt (including current portion)	$ 244,382	$ 8,341	$ 1,612
Cash dividends declared per common share	$ 0.00	$ 0.00	$ 0.00
Cash Flow (1)	$ 78,213	$ 66,646	$ 53,116
Cash Flow per share (1)	$ 1.05	$ 0.90	$ 0.72

(1) 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 period.
(2) Refer to table under heading Non-IFRS Measures for details of the calculation of these amounts
(3) Defined as current assets less current liabilities.

Non-IFRS Measures

In March 2014 the Company added two non-IFRS financial measures, Adjusted EBITDA and cash cost per pound of copper produced, which are described further below. The Company expects to include these financial measures in future quarterly and annual financial reports.

Adjusted Net Income

Adjusted net income in 2013 was $40.1 million ($0.54 per share) compared to $36.8 million ($0.50 per share) in 2012. Adjusted net income is calculated by removing the gains or losses, net of related income taxes, resulting from mark to market revaluation of copper derivative instruments not related to the current period, net of taxes, as further detailed below.

Calculation of Adjusted Net Income

[expressed in thousands, except share amounts]	2013	2012
	Years Ended December 31	
Net income as reported	$ 40,954	$ 32,626
Unrealized (gain) loss on derivative instruments, net of tax (a)	(903)	4,181
Adjusted Net Income (b)	$ 40,051	$ 36,807
Adjusted Net Income Per Share (b)	$ 0.54	$ 0.50

(a) Derivative financial instruments are recorded at fair value on the Company's Statement of Financial Position, with changes in the fair value, net of taxes, including the Company's 50% share of derivative instruments of Huckleberry flowing through net income. The amounts ultimately realized may be materially different than reflected in the financial statements due to changes in prices of the underlying copper and gold hedged.
(b) Adjusted net income and adjusted net income per share are not terms recognized under IFRS in Canada however it does show the current year's financial results excluding the effect of items not settling in the current period. 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 EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, taxes and depletion and depreciation and as adjusted for the items described in the reconciliation table below.

Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash or unusual items that we do not expect to continue at the same level in the future, or other items that we do not believe to be reflective of our ongoing operating performance. We further believe that our presentation of this non-IFRS financial measure provides information that is useful to investors because it is an important indicator of the strength 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. Some of the limitations are:

- adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depletion and depreciation are non-cash charges, the assets being depleted and depreciated will often have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such replacements. In particular, as a company in the mining business, we record the depletion of our mineral reserves as we extract minerals from our mines, but we expect to use cash in the future to acquire other mineral reserves in the ordinary course of our business.
- although accretion expense is a non-cash charge, this represents the accretion of the liability related to the future site reclamation costs, calculated on a net present value basis, that will exist at the end of each mine life, based on the mining area disturbed at a given statement of financial position date. Adjusted EBITDA does not reflect any cash requirements for such reclamation activities, as those will occur upon the closing of each mine; and
- other companies in our industry may calculate Adjusted EBITDA differently that we do, limiting its usefulness as a comparative measure.

Because of these limitations, 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 to Adjusted EBITDA is set out below and for all of the periods presented, the Company has given effect to the adoption of IFRS11 in order to be able to compare all periods on the same basis.

Adjusted EBITDA

[expressed in thousands]	2013	2012	2011
	Years Ended December 31		
Net Income (a)	$ 40,954	$ 32,626	$ 48,708
Adjustments:			
Interest expense	515	667	1,040
Accretion of future site reclamation provisions	307	292	208
Depletion and depreciation	18,912	15,600	20,110
Income and mining tax expense	22,803	18,540	17,049
Unrealized losses (gains) on derivative instruments	(1,475)	2,377	(8,031)
Foreign exchange losses (gains)	2,472	455	(1,231)
Share based compensation	1,679	2,945	5,165
Bad debt recovery	-	-	(14,112)
Revaluation (gains) losses on marketable securities	497	(209)	(4)
Gains on sale of mineral properties	(64)	(708)	(1,437)
Adjusted EBITDA (a)	$ 86,600	$ 72,585	$ 67,465

(a) Net income and Adjusted EBITDA includes our 50% portion of the net income from Huckleberry to reflect our adoption of IFRS11. For the years ended December 31, 2013, 2012 and 2011, our 50% interest in the net income of Huckleberry was $8.3 million, $5.5 million and $27.7 million, respectively. However, we are not able to control the timing and amount, if any, of cash distributions that Huckleberry may make to us.

Cash Cost Per Pound of Copper Produced

The cash cost per pound of copper produced, derived from the sum of cash production costs, transportation and offsite costs, treatment and refining costs, net of by-product and other revenues, divided by the number of pounds of copper produced during the period, 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 two copper producing mines, Mount Polley and Huckleberry, and on a composite basis for these two mines.

Cash costs of production include direct labour, operating materials and supplies, equipment and mill costs, and applicable overhead. Offsite costs include transportation, warehousing, marketing, and related insurance. Treatment and refining costs are costs for smelting and refining concentrate.

Treatment and refining costs applicable to the concentrate produced during the period are calculated in accordance with the contracts the Company has with its customers.

By-product and other revenues represent (i) revenue calculated based on average metal prices for by-products produced during the period based on contained metal in the concentrate; and (ii) other revenues as recorded during the period.

Cost of sales, as reported on the consolidated statement of comprehensive income, includes depletion and depreciation and share based compensation, non-cash items. These items, along with management fees charged by the Company to Huckleberry, are removed from cash costs. The resulting cash costs are different than the cost of production because of changes in inventory levels and therefore inventory and related transportation and offsite costs are adjusted from a cost of sales basis to a production basis. The cash costs for copper produced are converted to US$ using the average US$ to Cdn$ exchange rate for the period divided by the pounds of copper produced to obtain the cash cost per pound of copper produced in US$.

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 Dollars:

Estimated Cash Cost per Pound of Copper Produced

[expressed in thousands]

Year Ended December 31, 2013

	Huckleberry 100%	Huckleberry 50%	Mount Polley	Sterling & Corporate	Total per Financial Statements	Composite
		A	B			C=A+B
Cost of Sales	$ 107,189	$ 53,595	$ 117,318	$ 6,228	$ 123,546	$ 170,913
Less:						
Depletion and depreciation	(19,724)	(9,862)	(16,254)	(2,559)	(18,813)	(26,116)
Share based compensation	-	-	(123)	-	(123)	(123)
Management fees paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry	(1,094)	(547)	-	-	-	(547)
Cash costs before adjustment to production basis	86,371	43,186	100,941	$ 3,669	$ 104,610	144,127
Adjust for inventory change	(2,520)	(1,260)	(6,201)			(7,461)
Adjust transportation and offsite costs	(120)	(60)	(516)			(576)
Treatment and refining costs	15,560	7,780	8,307			16,087
By-product and other revenues	(10,181)	(5,090)	(67,442)			(72,532)
Cash cost of copper produced in Cdn$	$ 89,110	$ 44,556	$ 35,089			$ 79,645
US$ to Cdn$ exchange rate	*1.0301*	*1.0301*	*1.0301*			*1.0301*
Cash cost of copper produced in US$	$ 86,507	$ 43,254	$ 34,063			$ 77,317
Copper produced - lbs	*41,213*	*20,607*	*38,501*			*59,108*
Cash cost per pound of copper produced in US$	$ 2.10	$ 2.10	$ 0.88			$ 1.31

Year Ended December 31, 2012

	Huckleberry 100%	Huckleberry 50%	Mount Polley	Sterling	Total per Financial Statements*	Composite
		A	B			C=A+B
Cost of Sales	$ 93,154	$ 46,577	$ 142,052	$ 410	$ 142,462	$ 188,629
Less:						
Depletion and depreciation	(11,743)	(5,871)	(15,112)	(410)	(15,524)	(20,983)
Share based compensation	-	-	(214)	-	(214)	(214)
Management fees paid by Huckleberry to Imperial recorded as revenue by Imperial on the equity basis of accounting for Huckleberry	(1,096)	(548)	-	-	-	(548)
Cash costs before adjustment to production basis	80,315	40,158	126,726	$ -	$ 126,724	166,884
Adjust for inventory change	4,602	2,301	(3,663)			(1,362)
Adjust transportation and offsite costs	626	313	(686)			(373)
Treatment and refining costs	13,460	6,730	6,671			13,401
By-product and other revenues	(10,286)	(5,143)	(88,560)			(93,703)
Cash cost of copper produced in Cdn$	$ 88,717	$ 44,359	$40,488			$ 84,847
US$ to Cdn$ exchange rate	*0.9994*	*0.9994*	*0.9994*			*0.9994*
Cash cost of copper produced in US$	$ 88,664	$ 44,386	$ 40,512			$ 84,898
Copper produced - lbs	*35,112*	*17,556*	*33,790*			*51,346*
Cash cost per pound of copper produced in US$	$ 2.53	$ 2.53	$ 1.20			$ 1.65

*after giving effect to restatement for *IFRS11*

Derivative Instruments

During 2013 the Company recorded gains of $1.6 million on derivative instruments compared to losses of $2.8 million in 2012. These gains and losses result from the mark to market valuation of the derivative instruments based on changes in the price of copper and gold. These amounts include realized gains of $0.1 million in 2013 and realized losses of $0.4 million in 2012. The Company does not use hedge accounting therefore accounting rules require that derivative instruments be recorded at fair value on each statement of financial position date, with the adjustment resulting from the revaluation being charged to the statement of income as a gain or loss.

The Company utilizes a variety of derivative instruments including the purchase of puts, forward sales 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 compared to the copper and gold prices at the time when these contracts were entered into and the type and length of time to maturity of the contracts.

Derivative instruments for Mount Polley cover about 71% of the estimated copper settlements through to December 2014 via min/max zero cost collars and 61% of the estimated gold settlements via min/max zero cost collars through December 2015.

At December 31, 2013 the Company has net unrealized gains on its derivative instruments. This represents a increase in fair value of the derivative instruments from the dates of purchase to December 31, 2013.

DEVELOPMENTS DURING 2013

General

The London Metals Exchange cash settlement copper price per pound averaged US$3.32 in 2013 compared to US$3.61 in 2012. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,411 in 2013 compared to US$1,667 in 2012. The US Dollar compared to the CDN Dollar averaged about 3% higher in 2013 than in 2012. In CDN Dollar terms the average copper price in 2013 was about 5% lower than in 2012 and the average gold price in 2013 was about 13% lower than in 2012.

Mount Polley Mine

At Mount Polley, 2013 production totaled 38.5 million pounds copper and 45,823 ounces gold, compared to the 33.8 million pounds copper and 52,236 ounces gold produced in 2012. Copper production was up on higher grades and recovery, while gold production was lower with lower gold grades being treated. The annual average mill throughput was 21,799 tonnes per day down slightly from the record of 22,191 tonnes per day set in 2012. Mining at Mount Polley continues to be focused on the lower benches of the phase 3 Springer pit, which has lower levels of oxidation and as a result, copper and gold recovery were both higher in 2013 than in 2012. Forecast production for 2014 from Mount Polley is 44.0 million pounds copper, 47,000 ounces gold and 120,000 ounces silver.

Annual Production	2013	2012	2011
Ore milled - tonnes	7,956,738	8,121,878	7,716,856
Ore milled per calendar day - tonnes	21,799	22,191	21,142
Grade % - copper	0.295	0.280	0.265
Grade g/t – gold	0.263	0.304	0.272
Recovery % – copper	74.46	67.40	58.70
Recovery % – gold	68.09	65.70	62.90
Copper - lbs	38,501,165	33,789,600	26,450,426
Gold - oz	45,823	52,236	42,514
Silver - oz	123,999	116,101	95,786

Underground activities at the Boundary zone continued with the excavation of the ramps, and installation of a ventilation system, and other facilities required to mine a test stope of approximately 250,000 tonnes. Blast hole drilling in the stope is underway. This operation is schedule to deliver approximately 700 tonnes of ore per day to the mill starting in April 2014. This higher grade underground ore is a key reason for the planned increase in copper production in 2014.

As of January 1, 2014 remaining reserves for Mount Polley were 86.0 million tonnes grading 0.295% copper and 0.303 g/t gold.

Exploration, development and capital expenditures at Mount Polley were $74.5 million in 2013 compared to $29.5 million in 2012.

Huckleberry Mine

Increase in copper grade and recovery in 2013 resulted in pounds copper production, up 17% from 35.1 million pounds in 2012. Huckleberry's 2014 forecast production was to be 42.0 million pounds copper and 200,000 ounces silver, however with the failure of the SAG mill drive on February 26, 2014 this production level will likely not be met. Huckleberry is still determining whether the bull gear can be repaired and put back into service within a month or whether a longer shutdown will be required while a new bull gear is manufactured and delivered to site. Huckleberry is investigating adjusted mine plans that could provide higher copper grades for a period after restart to make up for lost milling time in 2014.

Annual Production *	2013	2012	2011
Ore milled – tonnes	5,895,193	5,876,900	5,684,300
Ore milled per calendar day - tonnes	16,151	16,057	15,573
Grade % – Copper	0.346	0.301	0.396
Recovery % – Copper	91.6	90.0	91.7
Copper – lbs	41,212,818	35,112,000	45,510,000
Gold – oz	2,983	2,578	3,195
Silver – oz	238,028	191,787	223,557

*production stated 100% - Imperial's allocation is 50%

Huckleberry's income from mine operations was $31.2 million in 2013 compared to $24.8 million in 2012. Huckleberry's income from mine operations increased due to a greater number of shipments in the period (seven in 2013 versus six in 2012).

During 2013 Huckleberry completed 18 drill holes for a total of 5,242 metres of diamond drilling in the mine site area. The majority of this work was directed towards filling in gaps in historic drilling and expanding resources directly to the west, south, southwest and northeast of the planned Main Zone Optimization (MZO) pit. Several holes were also drilled at the limits of the MZ Deep target, an extensive zone located between the Main and East zone pits, to determine the extents of the zone and to determine its relationship to the other ore zones at Huckleberry. This drilling, in conjunction with drilling data from 2012, appears to indicate the presence of a geological continuity of dominantly low-grade mineralization at depth between Huckleberry's major ore bodies.

A geochemical soil sampling program on the adjacent Huckleberry North claims was also completed in 2013. Results from this program will be used to guide additional work on these claims in 2014.

The new tailings storage facility (TMF-3) construction on the starter and saddle dams, as well as the piping, pumping, cycloning and power infrastructure required to operate the TMF3 was completed in August 2013 and is now being operated. The TMF-3 is being used for storage of tailings and potentially acid generating (PAG) waste, generated by the operation.

Huckleberry ore reserves at December 31, 2013 were 42,746,600 tonnes grading 0.330% copper and 0.009% molybdenum. The strip ratio is approximately 0.7 to 1.0 including the backfilled waste and tailings that must be removed from the MZO pit.

Exploration, development and capital expenditures at Huckleberry were $77.7 million in 2013 compared to $88.3 million in 2012.

Imperial holds a 50% interest in Huckleberry Mines Ltd. The remaining 50% interest is held by a consortium consisting of Mitsubishi Materials Corporation, Dowa Mining Co. Ltd. and Furukawa Co.

Note 5 to the audited Consolidated Financial Statements of the Company for the year ended December 31, 2013 discloses information on the impact of Huckleberry operations on the financial position and results of operations of Imperial.

Red Chris Mine

To December 31, 2013 the Company had incurred expenditures of $438.8 million on the construction of Red Chris of which $47.8 million was in accounts payable and accruals at that date. Until closing of the long term financing arrangements for the Red Chris project in March 2014, the expenditures on Red Chris were financed from cash flow from operations, a line of credit facility from the Company's bankers, equipment loans and a $250.0 million line of credit facility from Edco Capital Corporation. Concurrent with the closing of the long term financing arrangements, the existing bank line of credit and the line of credit facility from Edco Capital Corporation were repaid in full and cancelled.

The long term financing arrangements for the Company, to be utilized primarily for the construction of Red Chris, consist of US$325.0 million 7% five year senior unsecured notes, a senior secured credit facility providing for a $200.0 million revolving credit facility, and a five year $75.0 million junior unsecured credit facility with Edco Capital Corporation.

The 287kv NTL from Skeena substation to Bob Quinn is under construction by BC Hydro with a targeted completion date of May 2014. The 93 kilometre Iskut extension of the Northwest Transmission Line from Bob Quinn to Tatogga is under construction by the Company with a targeted completion date of June 2014.

Construction of access roads and right of way clearing for the Iskut extension of the NTL is 100% complete. A 150 person camp and laydown yards were established along the route to store and assemble lattice structure components. An experienced power line constructor has installed to date approximately 57% of the foundations and assembled 82% of the structures; the remaining foundations and structures, hardware and conductor will be installed in the coming months.

Red Chris on-site work began in May 2012. The current status of site work is:

- A construction camp to house 480 employees and contractors is fully operational;
- truck shop, warehouse and concentrate shed is complete and currently being used as dry storage for equipment;
- concrete placement and structural steel erection are complete for the coarse ore handling facilities, the primary crusher building, the mechanically stabilized earth wall, the overland conveyor, the transfer towers and the reclaim tunnel;
- concrete foundations for the 287kv main substation and the reagent building are complete;
- pre-engineered process plant building is fully enclosed and internal concrete is approximately 97% complete;
- mechanical installations site wide are approximately 50% complete;
- North Starter Dam has been built to 1097 metre elevation providing adequate water storage for mill startup;
- tailings and reclaim system of pipelines and booster pump house is approximately 25% complete.

Planned activities in 2014 will include the final installation of the primary crusher, process water tanks, interior steel, grinding mills, electrical equipment, reagent building and tailings system. Construction of the 287kv 17 kilometre power line from Tatogga to the mine site began in January 2014. Mine pre-development began in January 2014 with the start of stripping of overburden from the East zone of the Red Chris mine. The Company is targeting to commence commissioning of the Red Chris mine in June 2014 and to achieve full operations in the fourth quarter of 2014.

The cost of constructing the Red Chris mine is forecast to be $540 million, approximately 8.0% over the December 2012 estimate. The major areas of increase are:

- Certain contractor tenders for 2013 Request for Proposals were above the cost estimate. These increases were mitigated in part by Red Chris choosing to self-perform the mechanical and piping installations;
- Tailings impoundment area earthwork construction costs overran as additional borrow materials were excavated to uncover suitable filter zone and till core for placement and compaction. The filter zone was screened, hauled and placed with small equipment at extra cost. The additional sand and gravel overburden exposed during borrow development was placed on the future 2015-2016 dam construction footprint, which will result in lower tailing dam construction costs in 2015 than previously forecast. Both these activities were not budgeted in the original estimate.

Sterling Mine

Annual Production	2013	2012
Ore Stacked – tons	160,789	77,944
Gold Grade – oz/ton	0.083	0.082
Gold ounces – added to heap	13,348	6,393
Gold ounces - in-process & poured	7,142	3,613
Gold shipped - ounces	7,431	2,852

Sterling shipped 7,431 ounces gold in 2013. Forecast production for 2014 from Sterling is 8,000 ounces gold. An engineering design was submitted and approved by the Nevada Division of Environmental Protection to increase the permitted height of the leach pad, and to line the "wedge" area between the old and new heaps. At year's end the leach pad surface had been leveled to allow for dumping to the greater height. Installation of the additional liner will depend upon the need for added capacity. These design changes add 130,000 tons to the leach pad capacity.

Underground production will continue from the stoping until the known reserves are exhausted mid-year. Any positive results from the underground drill program have the potential to add to the mine's expected life.

Permitting and planning for an open pit mine and a new heap leach pad are underway, for the potential mining of previously uneconomic mineralization on the property.

Exploration, development and capital expenditures, net of preproduction revenues including capitalized depreciation totaled a $1.7 million recovery in 2013, compared to a total expenditure of $6.2 million in 2012. The Sterling mine recommenced operations on July 2012 and reached commercial production in March 2013. In accordance with the Company's accounting policy, all revenue and related operating costs prior to commercial production are applied to the carrying value of the Sterling mineral property.

Ruddock Creek

The Joint Venture completed a field program in 2013 which included site infrastructure studies, metallurgical testing including dense media separation, spiral, flotation, mineralogical, acid base accounting, and humidity cell testing. The work included collecting and testing mineralized material from each of the Lower E, Creek and V zones, and collecting and testing representative samples of each rock type identified on the property. The collection of baseline environmental and geotechnical information included trenching and geotechnical core drilling in order to provide data for future permitting and engineering studies. Surface exploration carried out during the quarter included detailed geological and structural mapping in a number of areas, as well as the collection of mineralized and non-mineralized rock samples for age-dating purposes. A higher capacity water control structure for the underground discharge was constructed. Ongoing consultations continued with area First Nations.

The Ruddock Creek Joint Venture is owned by Imperial (50%), Mitsui Mining and Smelting Co. Ltd. (30%) and Itochu Corporation (20%). The Ruddock Creek zinc/lead property is located 155 kilometres northeast of Kamloops in the Scrip Range of the Monashee Mountains in southeast British Columbia.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Mineral Properties

Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties in Note 7 of the audited Consolidated Financial Statements.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as non-depletable mineral properties in Note 7 of the audited Consolidated Financial Statements. At least annually or when otherwise appropriate and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs are depleted and depreciated by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

Exploration and Evaluation and Pre-production Properties

The Company follows the method of accounting for these mineral properties whereby all costs related to the acquisition, exploration and development are capitalized by property. Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production. On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves. Management considers a number of factors related to the ability of a property to operate at its design capacity over a specified period of time in determining when a property has reached commercial production. These factors include ore production levels as intended by management, plant throughput quantities, recovery rates, and number of uninterrupted days of production.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Capitalized costs include the fair value of consideration given to acquire or construct an asset, and includes the direct charges associated with bringing the asset to the location and condition necessary for placing it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The costs of major overhauls of parts of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income or loss as incurred.

Mobile mine equipment and vehicles are depreciated over the estimated useful lives of the assets either on a unit-of-production basis or using the straight line method with useful lives of 4-12 years. Office, computer and communications equipment are depreciated using the straight line method with useful lives of 4-5 years. The estimated residual value and useful lives are reassessed at each year end and depreciation expense is adjusted on a prospective basis.

Stripping Costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred.

Assessment of Impairment

Management reviews the carrying value of exploration and evaluation properties at the end of each reporting period for evidence of impairment. This review is generally made with reference to timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest.

Post-feasibility exploration properties, producing mining properties and plant and equipment are reviewed for impairment at the end of each reporting period for evidence of impairment. If any such indication exists, the entity shall estimate the recoverable amount of the asset to determine if it is greater than its carrying value.

When indicators of impairment exist, the recoverable amount of an asset is evaluated at the level of the cash generating unit ("CGU"), the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss or reversal thereof is recognized in income or loss to the extent that the carrying amount exceeds or is below the recoverable amount.

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value by quotes from an active market or a written offer to purchase/binding sales agreement. Discounted cash flow techniques are dependent on a number of factors, including future metal prices, the amount of reserves, resources and exploration potential, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and future site reclamation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts in assessing these factors.

Reserves

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects.* Reserves are used in the calculation of depreciation and depletion, impairment assessment, assessment of life of pit stripping ratios and for forecasting the timing of future site reclamation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in changes to reserves.

Future Site Reclamation Costs

The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value, for the best estimate of future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using a pre-tax risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to income or loss. The estimated present value of the future site reclamation costs are reviewed for material changes at each reporting date and re-measured at least annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method.

Share Based Payments

The Company has a stock option plan that provides all option holders the right to receive common shares in exchange for the options exercised which is described in Note 13(b) of the audited Consolidated Financial Statements. The fair value of each option award that will ultimately vest is estimated on the date of grant using the Black-Scholes option-pricing model. Compensation expense is determined when stock options are granted and recognized in operations over the vesting period of the option. Consideration received on the exercise of stock options is recorded as share capital and the related share-based amounts of share option reserve are credited to share capital.

Derivative Instruments

The Company uses derivative financial instruments to manage its exposure to metal prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the statement of financial position. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income or loss at each date of financial position. Gains or losses resulting from changes in the fair value of derivative instruments are included in income or loss on the date the related hedged item is settled.

Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the concentrate transfers to the customer which generally occurs on date of shipment. Revenue is recorded in the statement of comprehensive income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each reporting date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which is usually four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations. The net realizable value of copper concentrate inventory is calculated on the basis described above.

Mineral revenues other than copper concentrate are recognized when title passes to the customer and price is reasonably determinable.

Income and Mining Taxes

The Company accounts for income and mining taxes using the asset and liability method. Under this method, deferred tax assets and deferred tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of deferred tax assets, including unused tax losses and tax credits, are recognized to the extent that it is probable that taxable profit will be available against the temporary difference and the tax loss and tax credit can be utilized. These deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

In a business combination, temporary differences arise as a result of differences in the fair values of identifiable assets and liabilities acquired and their respective tax bases. Deferred tax assets and liabilities are recognized for the tax effects of the differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill or from the initial recognition of assets and liabilities acquired in a transaction other than a business combination which does not affect either accounting or taxable income or loss.

Government assistance, including investment tax credits, is credited against the expenditure generating the assistance when it is probable that the government assistance will be realized.

Financial Instruments

The Company's financial instruments consist of cash, , marketable securities, trade and other receivables, derivative instrument assets and margin deposits, future site reclamation deposits, trade and other payables, short term debt, derivative instrument liabilities and non-current debt.

Financial instruments are initially recorded at fair value including transaction costs except for those items recorded as fair value through profit or loss for which costs are expensed as incurred.

Cash, derivative instrument assets and margin deposits, and future site reclamation deposits are classified as fair value through profit or loss and recorded at fair value. Marketable securities are classified as fair value through profit or loss because the Company holds these securities for the purpose of trading. The fair value is based on bank statements or counterparty valuation reports. Trade and other receivables and margin deposits are classified as loans and receivables. The fair value of marketable securities is based on quoted market prices. Fair value, through profit or loss financial assets, are measured at fair value with mark-to-market gains and losses recorded in income or loss in the period they occur. Trade and other payables, short and non-current debt are classified as other financial liabilities and recorded at amortized costs.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company uses derivative financial instruments to mitigate the risk of revenue changes due to changes in copper price and the US/CDN Dollar exchange rate. These instruments do not meet the criteria for hedge accounting and consequently are measured at their fair values with changes in fair values recorded in income or loss in the period they occur. Fair values for these derivative instruments are determined by counterparties using standard valuation techniques for derivative instruments by reference to current and projected market conditions as of the reporting date.

Financial assets are assessed for indicators of impairment at each financial position reporting date except those measured at fair value through profit or loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant or prolonged decline in the fair value of securities below its cost; or
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Impairment losses are recognized in income or loss in the period they occur based on the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the cost would have been had the impairment not been recognized.

RESULTS OF OPERATIONS FOR 2013 COMPARED TO 2012

This review of the results of operations should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended December 31, 2013 and the audited Consolidated Financial Statements of the Company for the year ended December 31, 2012.

Financial Results

Overview

Revenues decreased to $187.8 million for the year ended December 31, 2013 from $199.4 million in the year ended December 31, 2012. 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.

Income from mine operations increased to $64.3 million from $56.9 million in 2012 primarily due to improved contribution margins from mine operations. Metal production in 2013 was higher than in 2012, and mining costs were lower as the mining costs related to stripping of the Cariboo pit pushback were capitalized. These two items more than offset the drop in metal prices and led to increasing income from operations.

Net income for 2013 was $41.0 million ($0.55 per share) compared to net income of $32.1 million ($0.44 per share) in 2012. In addition to variances in revenues and income from mine operations described above, variations in net income period over period are predominately attributable to movements in foreign exchange, realized and unrealized gains and losses on derivative instruments and taxes.

Revenue

[expressed in thousands of dollars, except quantity amounts]

		2013		2012
Copper pounds sold		*39,035,569*		*33,711,213*
Gold ounces sold		*51,809*		*51,676*
Revenue before revaluation	$	194,927	$	201,894
Revenue revaluation		(7,122)		(2,521)
	$	187,805	$	199,373

The decrease in revenue in 2013 over 2012 is due to lower copper and gold prices in 2013 compared to 2012. This decrease was offset by higher sales volumes in 2013 compared to 2012. There were eight shipments from the Mount Polley mine in 2013 compared to seven shipments in 2012.

In US Dollars, copper prices were about 8% lower in 2013 than in 2012, averaging about US$3.32 per pound compared to US$3.61 per pound in 2012. The US Dollar strengthened against the CDN Dollar during 2013. Factoring in the average exchange rate, the price of copper averaged CDN$3.42 per pound in 2013 about 5% lower than the 2012 average of CDN$3.61 per pound. The London Metals Exchange cash settlement gold price per troy ounce averaged US$1,411 in 2013 compared to US$1,667 in 2012. Factoring in the average exchange rate, the price of gold averaged CDN$1,451 per ounce in 2013 about 13% lower than the 2012 average of CDN$1,667 per ounce.

Cost of Sales

[expressed in thousands of dollars]

		2013		2012
Operating expenses	$	66,181	$	86,718
Salaries, wages and benefits		38,429		40,007
Depletion and depreciation		18,813		15,523
Share based compensation		123		214
	$	123,546	$	142,462

General and Administration Costs

[expressed in thousands of dollars]

		2013		2012
Administration	$	5,317	$	5,122
Share based compensation - corporate		1,556		2,731
Depreciation – corporate assets		99		77
Foreign exchange loss – operations (excluding debt)		60		638
	$	7,032	$	8,568

General and administration costs were lower at $7.0 million in 2013 from $8.6 million in 2012 primarily a result of a $1.1 million decrease in share based compensation as there were no new option grants.

The average CDN/US Dollar exchange rate in 2013 was 1.03 compared to an average of 1.00 in 2012. The CDN/US Dollar exchange rate was on a decreasing trend in 2013 which resulted in a foreign exchange loss of $0.1 million in 2013 compared to a loss of $0.5 in 2012. These losses are attributable to holding US Dollar denominated cash, accounts receivable and accounts payable. These net US Dollar asset and liability balances are the result of the operations at Mount Polley.

Finance (Costs) Income

[expressed in thousands of dollars]

		2013		2012
Derivatives	$	1,567	$	(2,793)
Interest expense and finance costs		(824)		(1,158)
Foreign exchange on short term and non-current debt		(2,412)		183
Other		(198)		361
	$	(1,867)	$	(3,407)

The inclusion of gains and losses on derivative instruments results in large variances in finance costs depending on the gains and losses on derivative instruments. The Company does not apply hedge accounting for its derivative instruments and therefore marks to market the unrealized gains and losses on all its contracts. Changes in valuation of this derivative instrument position and the derivative instrument position carrying over from previous quarters, due to changes in copper and gold price, resulted in a gain of $1.6 million during 2013 compared to a loss of $2.8 million in 2012. The ultimate gain or loss on these contracts will be determined by the copper and gold prices in the periods when these contracts settle.

Interest expense and finance costs fell to $0.8 million in 2013 from $1.2 million in 2012. These amounts are net of $9.6 million of interest expense and finance costs capitalized to construction in progress in 2013 and $1.4 million in 2012 as a result of the construction at the Red Chris mine.

The foreign exchange movements on the increased US Dollar debt in 2013 compared to 2012 resulted in a foreign exchange loss of $2.4 million in 2013 compared to a foreign exchange gain of $0.2 million in 2012.

Income and Mining Taxes

[expressed in thousands of dollars]

		2013		2012
Current Taxes				
BC Mineral Taxes	$	784	$	1,052
Nevada Net Proceeds Tax		43		-
Federal and BC income taxes		1,670		6,233
		2,497		7,285
Deferred Income Taxes				
BC Mineral Taxes		4,073		6,756
Other		16,233		4,499
		20,306		11,255
Total Tax Expense	$	22,803	$	18,540

Income and mining tax expense increased for the year ended December 31, 2013 due to higher income before taxes. The effective tax rate was 35.8% in 2013 compared to 36.2% in 2012.

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 2012.

The capital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, non-current debt and equity attributable to common shareholders, comprised of share capital, share option reserve and retained earnings.

The Company is in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and non-current debt.

LIQUIDITY & CAPITAL RESOURCES

Credit Risk

The Company's credit risk is limited to cash, accounts receivable, future site reclamation deposits and derivative instruments in the ordinary course of business. The credit risk of cash and future site reclamation deposits is mitigated by placing funds in financial institutions with high credit quality.

The Company sells to a limited number of smelters and traders. These customers are large well-capitalized and diversified multinationals, and credit risk is considered to be minimal. The balance of trade receivables owed to the Company in the ordinary course of business is significant and the Company often utilizes short term debt facilities with customers to reduce the net credit exposure.

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's credit risk has not changed significantly since December 31, 2012.

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 and short term investment balances there are sufficient committed credit facilities, including the advance payment facilities noted above, to provide the necessary cash to meet projected cash requirements. At December 31, 2013 the Company's primary sources of credit are short term debt secured by concentrate inventory and a $150.0 million line of credit with a financial institution and a $200.0 million line of credit facility with a related party.

The Company also holds derivative instruments, its investment in Huckleberry, mineral property holdings 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. The Company does not hold any Master Asset Vehicle Notes.

The Company's overall liquidity risk increased from 2012 to 2013 as the Company faces much higher than normal capital expenditures in 2014 related to the development of the Red Chris mine. In March 2014 the Company completed long term financing to fund the development of Red Chris thereby reducing the liquidity risk. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

The Company had the following contractual obligations with respect to financial instruments as of December 31:

[expressed in thousands of dollars]					2013	2012
	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total	Total
Trade and other payables	$ 66,511	$	$ -	$ -	$ 66,511	$ 37,946
Derivative instrument liabilities	1,735	-	-	-	1,735	1,079
Short term debt	132,410	-	-	-	132,410	92,403
Non-current debt	10,373	217,211	16,798	-	244,382	8,341
	$ 211,029	$ 217,211	$ 16,798	$ -	$ 445,038	$ 139,769

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, accounts receivable, derivative instrument assets and margin deposits, reclamation deposits, trade and other payables, derivative instrument liabilities, and debt. If the US Dollar had been 10% higher/lower and all other variables were held constant, net income and comprehensive income for the year ended December 31, 2013 would have been higher/lower by $1.0 million.

Cash Flow

The Company recorded net income of $41.0 million in 2013 compared to net income of $32.6 million in 2012. Cash flow was $78.2 million in 2013 compared to cash flow of $66.6 million in 2012.

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 paid, and interest paid.

Working Capital

At the year ended December 31, 2013 the Company had working capital deficiency, defined as current assets less current liabilities of $162.8 million, an increased deficiency of $88.4 million from the working capital deficiency of $74.4 million at December 31, 2012. The December 31, 2013 working capital position reflects the increase in short term debt used to finance the acquisition of capital equipment and development of the Red Chris mine as well as an increase in current trade payables associated with increased operational and development activities.

In March 2014 the Company secured long term debt financing, returning the working capital of the Company to a positive balance.

Acquisition and Development of Mineral Properties

Capital expenditures were $397.2 million inclusive of equipment financed by long term debt and capitalized interest was up from $147.9 million in 2012. The expenditures in 2013 were financed by cash flow from the Mount Polley mine, short term and non-current debt and $38.9 million in equipment financing. At December 31, 2013 the Company had $3.1 million (December, 2012-$2.8 million) in cash. The short term debt balance at December 31, 2013 was $132.4 million (December 31, 2012-$92.4 million). The increase in the short term debt is primarily due to funding the development of the Red Chris project pending completion of long term debt arrangements for the project.

Acquisition and development of mineral properties totaled $397.2 million in 2013 compared to $147.9 million in 2012. Acquisition and development expenditures in 2013 were financed from cash flow from operations, short term debt, non-current debt provided by a line of credit from Edco Capital Corporation and $38.9 million of mobile equipment financings. In 2012 acquisition and development expenditures were financed by cash flow from operations, short term debt and $8.6 million of mobile equipment financings.

[expressed in thousands of dollars]	2013	2012
Capital and Development Expenditures		
Mount Polley	$ 65,508	$ 19,815
Red Chris (including capitalized interest of $9,572 (2012 -$1,380))	323,156	109,963
Sterling	(1,740)	3,057
Other	21	323
	386,945	133,158
Exploration Expenditures		
Mount Polley	8,986	9,717
Red Chris	349	1,482
Sterling	44	3,145
Other	882	392
	10,261	14,736
	$ 397,206	$ 147,894

Capital and development expenditures at Mount Polley included deferred stripping, two 793 CAT Haul Trucks, a Pit Viper drill and capital to maintain and extend productive capacity. Capital and development expenditures at Red Chris were primarily for tailings dam construction, engineering and progress payments on mill and mining equipment including four haul trucks and one loader as well as power line construction, concrete placement and building erection of the process plant.

Expenditures at Sterling included preproduction development costs, net of preproduction revenues. The Sterling mine recommenced operations in July 2012 and reached commercial production in March 2013.

Exploration expenditures of $9.0 million at Mount Polley consist of underground expenditures and drilling at the Boundary zone.

The Company's 50% share of exploration and development expenditures in 2013 at Ruddock Creek was $0.7 million.

DEBT AND OTHER OBLIGATIONS

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2013 the majority of the Company's outstanding borrowings were at fixed interest rates compared to the year 2012 and the first nine months of 2013 when the majority 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.

Select use of short term debt from purchasers of the Company's concentrate and short term advances from the line of credit facility provided working capital to meet day to day cash requirements.

In June 2011 the Company's $25.0 million line of credit facility to assist with working capital requirements was increased to $75.0 million and in October 2012 the line of credit facility was increased further to $150.0 million. The facility is due on demand, secured by accounts receivable, inventory, a floating charge on certain assets of the Company, and shares of certain subsidiaries. A portion of the facility is guaranteed by a related party as described further in Note 9 to the audited Consolidated Financial Statements of the Company for the year ended December 31, 2013.

The Company had the following contractual obligations as of December 31, 2013:

[expressed in thousands of dollars]	2014	2015	2016	2017	2018	Total
Non-current debt	$ 10,373	$ 205,834	$ 11,377	$ 10,793	$ 6,005	$ 244,382
Short term debt	132,410	-	-	-	-	132,410
Operating leases	390	388	391	198	-	1,367
Capital expenditures and other	81,831	208	208	28	28	82,303
Reclamation bonding	8,500	4,500	6,000	5,500	4,000	28,500
Mineral properties [(1)]	284	314	383	445	544	1,970
Total	$ 233,788	$ 211,244	$ 18,359	$ 16,964	$ 10,577	$ 490,932

(1) Mineral property commitments are estimated payments required to keep the Company's claims or option agreements in good standing. Total is to the year 2018 only.

Based on current plans, assumptions, and the debt financings completed in March 2014, the Company expects to have sufficient cash resources to support its normal operating and capital requirements on an ongoing basis.

As at December 31, 2013 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 held for trading securities) is based on quoted market prices at the balance sheet 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. Management believes that the carrying value of short term and non-current debt approximates fair value. Interest rates and credit spreads have not changed significantly since the non-current debt was issued and therefore the carrying value is not materially different from fair value.

IFRS 7 - *Financial Statements–Disclosures* was amended to require 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;

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 December 31, 2013 as follows:

[expressed in thousands of dollars]	Level 1	Level 2	Total
Financial Assets			
Cash	$ 3,095	$ -	$ 3,095
Marketable securities	1,063	-	1,063
Provisionally priced receivables	-	6,272	6,272
Derivative instruments assets	-	3,473	3,473
Future site reclamation deposits	3,077	-	3,077
	7,235	9,745	16,980
Financial Liabilities			
Provisionally priced payables	-	17	17
Derivative instrument liabilities	-	1,735	1,735
	-	1,752	1,752
	$ 7,235	$ 7,993	$ 15,228

SELECT QUARTERLY FINANCIAL INFORMATION

Unaudited
[expressed in thousands of dollars, except share amounts, copper and gold quantities, prices and exchange rates]

				Three Months Ended
	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Total sales including 50% equity share of Huckleberry				
Copper 000's lbs sold	*16,169*	*12,432*	*15,583*	*15,775*
Gold ounces sold	*13,790*	*14,161*	*12,172*	*12,982*
Silver ounces sold	*69,957*	*45,249*	*65,977*	*67,749*
Total sales excluding Huckleberry				
Copper 000's lbs sold	*9,696*	*9,719*	*9,646*	*9,975*
Gold ounces sold	*13,407*	*13,994*	*11,779*	*12,628*
Silver ounces sold	*34,568*	*29,572*	*32,784*	*33,990*
Total Revenues	$ 43,954	$ 51,668	$ 41,317	$ 50,866
Equity Income (loss) in Huckleberry	$ 4,465	$ (345)	$ 2,279	$ 1,934
Net Income	$ 8,071	$ 14,721	$ 7,541	$ 10,621
Income per share (1)	$ 0.11	$ 0.20	$ 0.10	$ 0.14
Diluted Income per share (1)	$ 0.11	$ 0.20	$ 0.10	$ 0.14
Adjusted Net Income (2)	$ 7,225	$ 16,641	$ 5,968	$ 10,217
Adjusted Net Income per share (1) (2)	$ 0.10	$ 0.22	$ 0.08	$ 0.14
Adjusted EBITDA (3)	$ 21,469	$ 15,379	$ 17,472	$ 22,647
Cash Flow (4)	$ 17,087	$ 28,586	$ 18,043	$ 18,502
Cash Flow per share (1) (4)	$ 0.23	$ 0.38	$ 0.22	$ 0.22
Average LME copper price/lb in US$	$ 3.240	$ 3.210	$ 3.240	$ 3.600
Average LME gold price/troy oz in US$	$ 1,291	$ 1,327	$ 1,413	$ 1,630
Average CDN/US$ exchange rate	$ 1.049	$ 1.039	$ 1.023	$ 1.009
Period end CDN/US$ exchange rate	$ 1.064	$ 1.029	$ 1.051	$ 1.016

				Three Months Ended
	December 31 2012(5)	September 30 2012(5)	June 30 2012(5)	March 31 2012(5)
Total sales including 50% equity share of Huckleberry				
Copper 000's lbs sold	*12,716*	*10,005*	*15,143*	*12,105*
Gold ounces sold	*15,167*	*7,504*	*15,508*	*14,550*
Silver ounces sold	*48,850*	*46,016*	*62,228*	*49,537*
Total sales excluding Huckleberry				
Copper 000's lbs sold	*9,975*	*4,756*	*9,599*	*9,380*
Gold ounces sold	*14,979*	*7,171*	*15,147*	*14,379*
Silver ounces sold	*32,883*	*17,028*	*33,612*	*34,334*
Total Revenues	$ 58,547	$ 29,682	$ 50,883	$ 60,261
Equity Income (loss) in Huckleberry	$ 1,704	$ 564	$ 3,524	$ (275)
Net Income	$ 11,718	$ 4,343	$ 11,966	$ 4,599
Income per share (1)	$ 0.16	$ 0.06	$ 0.16	$ 0.06
Diluted Income per share (1)	$ 0.16	$ 0.06	$ 0.16	$ 0.06
Adjusted Net Income (2)	$ 10,635	$ 7,432	$ 10,535	$ 8,205
Adjusted Net Income per share (1) (2)	$ 0.14	$ 0.10	$ 0.14	$ 0.11
Cash Flow (4)	$ 20,816	$ 11,508	$ 15,825	$ 17,895
Cash Flow per share (1) (4)	$ 0.28	$ 0.15	$ 0.21	$ 0.24
Adjusted EBITDA (3)	$ 22,647	$ 12,699	$ 20,137	$ 17,102
Average LME copper price/lb in US$	$ 3.590	$ 3.500	$ 3.567	$ 3.768
Average LME gold price/troy oz in US$	$ 1,719	$ 1,655	$ 1,611	$ 1,691
Average CDN/US$ exchange rate	$ 0.991	$ 0.995	$ 1.006	$ 1.001
Period end CDN/US$ exchange rate	$ 0.995	$ 0.984	$ 1.019	$ 0.999

(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) Adjusted Net Income is defined as net income adjusted for certain items of a non-operational nature that pertain to future periods as described in further detail under the heading Non-IFRS Measures.
(3) Adjusted EBITDA is defined as described in further detail under the heading Non-IFRS Measures.
(4) 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 and are therefore unlikely to be comparable to similar measures used by other companies. Cash Flow is defined as cash flow from operations and before net change in working capital balances, income and mining taxes paid, and interest paid. Adjusted Net Income and Cash Flow Per Share are the same measures divided by the weighted average number of common shares outstanding during the period.
(5) The Company adopted IFRS11 on January 1, 2013 which resulted in the Company changing the accounting for its investment in Huckleberry Mines Ltd. from proportionate consolidation to the equity method. All comparative periods have been restated to reflect the impact of the adoption of IFRS11.

The financial information for each of the most recently completed eight quarters has been prepared in accordance with International Financial Reporting Standards.

The Company believes the measures referred to in (2), (3) and (4) are useful to investors because they are included in the measures that are used by management in assessing the financial performance of the Company.

Variations in the quarterly results are impacted by three primary factors:

(a) Fluctuations in revenue are due to the timing of shipping schedules and quantities of copper and gold sold on each ship, production volumes at the mines, changes in the price of copper, gold and the CDN/US Dollar exchange rate.
(b) Fluctuations in net income are due to the revenue changes described above and realized and unrealized gains/losses on derivative instruments based on movements in the reference item hedged changes in production cost inputs and changes in tax rates.
(c) Inclusion of Sterling mine operations in the September 2013 quarter upon restart of the mine.

The significantly lower net income in the September 2012 and March 2012 quarters was primarily due to lower quantities of copper and gold sold by the Company, inclusive of the Company's share of Huckleberry, during these quarters as shipment levels were lower than in the other quarters. The lower income in the June 2013 quarter is primarily due to a $2.3 million adjustment for deferred income taxes during that period resulting from the British Columbia provincial income tax rate increasing from 10% to 11%. The higher net income in the September 2013 quarter is due primarily to lower operating expenses.

FOURTH QUARTER RESULTS

Mineral sales revenues in the fourth quarter of 2013 was $44.0 million, $14.6 million lower than in the same quarter of 2012. There were a total of two shipments in each of the fourth quarters of 2013 and 2012 from Mount Polley. Sales revenue is recorded when title for concentrate is transferred on ship loading. Variations in quarterly revenue attributed to the timing of concentrate shipments can be expected in the normal course of business.

The decrease in revenue in the 2013 quarter is largely due to lower copper and gold prices.

The Company recorded net income of $8.1 million ($0.11 per share) in the fourth quarter of 2013 compared to net income of $11.7 million ($0.16 per share) in the prior year quarter.

Expenditures for exploration and ongoing capital projects at Mount Polley, Red Chris and Sterling totaled $117.4 million during the three months ended December 31, 2013 compared to $52.2 million in the 2012 comparative quarter. The increase of $65.2 million in 2013 was primarily due to higher development expenditures at Red Chris.

RELATED PARTY TRANSACTIONS

Corporate

Details on related party transactions can be found in Note 21 to the audited Consolidated Financial Statements for the year ended December 31, 2013.

OTHER

As of March 26, 2014 the Company had 74,944,768 common shares outstanding, and on a diluted basis 77,258,718 common shares outstanding. Additional information about the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

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 evaluated the design and operational effectiveness of its internal control and procedures over financial reporting as defined under National Instrument 52-109. Management has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of Huckleberry Mines Ltd., in which the Company holds a 50% interest. The Company's management does not have the ability to dictate or modify controls at this entity and does not have the ability to assess, in practice, the controls at the entity.

The evaluation of effectiveness of internal controls over financial reporting was completed using the framework and criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation management has concluded that as of December 31, 2013 the Company's internal control over financial reporting was effective.

There has been no change in the Company's design of these internal controls and procedures over financial reporting that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

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, these matters will not have a material effect on the Company's consolidated financial position or financial performance.

RISK FACTORS

The Company's business involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this MD&A and the audited Consolidated Financial Statements of the Company. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flow would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Forward-Looking Statements and Risks Notice".

The actual cost to develop the Red Chris project may differ materially from our current estimates and involve unexpected problems or delays.

The current estimate of the amount of capital expenditures that will be required to be incurred to complete the Red Chris project is based on certain assumptions and analyses made by our management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These estimates, however, and the assumptions upon which they are based, are subject to a variety of risks and uncertainties and other factors that could cause actual expenditures to differ materially from those estimated. If these estimates prove incorrect, the total capital expenditures required to complete the Red Chris project may increase, which would have a materially adverse effect on our business, results of operations, financial condition and cash flows.

It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there is no assurance that future development activities will result in profitable mining operations or that we will successfully establish an operation at the Red Chris project on our expected timing or at all. In addition, whether operations at the Red Chris project can be economically feasible depends upon future copper and gold prices as well as the exchange rate of US dollars and Canadian dollars.

The development of the Red Chris project is capital intensive and requires substantial capital investments that we may be unable to fulfil. The proceeds of the senior unsecured notes, together with borrowings under our senior credit facility and cash from operations, may be insufficient to fund all estimated capital expenditures associated with the Red Chris project and other working capital requirements. Although we have entered into the junior unsecured credit facility, it also may be insufficient to fund any project costs relating to the Red Chris project. To the extent our senior credit facility, together with amounts available under the junior unsecured credit facility and expected operating cash flows, are insufficient, we would need to obtain additional financing, which we may not be able to do on favourable terms or at all. If we are unable to fund the development, construction and mine-start-up costs associated with the Red Christ project, this would have a material adverse effect on our future growth, business, results of operations, financial condition and cash flows. In addition, if we fail to achieve completion (as defined in the credit agreement that will govern the senior credit facility) of the Red Chris project by June 1, 2015, it would constitute an event of default under our senior credit facility, which could result in the acceleration of our debt, including the senior unsecured notes.

The Red Chris project is subject to the many risks associated with construction and development projects, and our inability to establish successful operations would have a material adverse effect on our future growth, business, results of operations, financial condition and cash flows.

Red Chris is in the construction and development stage, as is the construction and development of related infrastructure, a process plant, a power distribution network and a concentrate storage shed at the port. The Red Chris project is subject to various risks associated with establishing new operations and business enterprises, including:

- the timing and cost of construction;
- the availability of funds to finance construction and development activities;
- availability and the cost of fuel, water, power, skilled labour, materials, supplies and equipment (and any budget overruns caused thereby);
- the hiring of key personnel for construction, commissioning and operations;
- the ability of our key contractors to perform services for us in the manner contracted for;
- the need to obtain all mineral and surface rights and permits necessary to exploit the deposit;
- potential opposition from non-governmental organizations, environmental groups or local or indigenous groups, which may delay or prevent development activities;
- potential delays in procurement and deliveries of equipment;
- the need to investigate and confirm certain geotechnical issues and assumptions;
- the availability of appropriate off-take arrangements for mined ore; and
- earning and maintaining the privilege to operate from host communities.

These and other factors may have the effect of increasing the expected capital expenditures for the project.

It is common in new operations to experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production occur often. Consequently, we may be unable to successfully establish operations at the Red Chris project on our expected timetable, or at all, and any operations established may not be profitable. Our inability to establish profitable operations at the Red Chris project would have a material adverse effect on our future growth, business, results of operations, financial condition and cash flows.

In addition, as part of the Red Chris project, the NTL from Skeena substation to Bob Quinn substation is under construction with a planned completion date in May 2014. A subsidiary of the Company is constructing the 93 kilometre Iskut extension from Bob Quinn to Tatogga. Construction is currently scheduled to continue through the 2013-2014 winter season, during which we may experience substantial delays or work stoppages due to adverse weather conditions, which would have a material adverse effect on our future growth, business, results of operations, financial condition and cash flows.

Mining is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business.

The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non-productive for reasons that cannot be anticipated in advance. Title claims can impact the exploration, development, operation and sale of any natural resource project. Availability of skilled people, equipment and infrastructure (including roads, ports and power supply) can constrain the timely development of a mineral deposit. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, metallurgical and other processing and performance problems, unusual or unexpected geological formations, ground control problems, periodic interruptions due to inclement or hazardous weather conditions, including as a result of climate change and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution or other hazards which may not be insured against, may not be available to the Company or to other companies within the industry. In addition, the Company may elect not to insure against certain hazards where insurance coverage may not continue to be available at economically feasible premiums, or at all. These risks could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to our properties or the properties of others, delays in mining, increased production costs, monetary losses and possible legal liability. Losses from these events may cause us to incur significant costs that would materially adversely affect our business, results of operations, financial condition and cash flows.

Changes in the price of base and precious metals in the world markets, which can fluctuate widely, could adversely affect our business, results of operations, financial condition and cash flows.

The results of the Company's operations are significantly affected by the market price of base and precious metals which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, expectations with respect to the rate of inflation, the relative strength of the US dollar and of certain other currencies, interest rates, speculative activities, global or regional political or economic crises and sales of gold and base metals by holders in response to such factors. If prices should decline below the Company's cash costs of production and remain at such levels for any sustained period, the Company could determine that it is not economically feasible to continue commercial production at any or all of its mines.

The objectives of any hedging programs that are in place are to reduce the risk of a decrease in a commodity's market price while optimizing upside participation, to maintain adequate cash flows and profitability to contribute to the long-term viability of the Company's business. There are, however, risks associated with hedging programs including (among other things), an increase in the world price of the commodity, an increase in gold lease rates (in the case of gold hedging), an increase in interest rates, rising operating costs, counterparty risks, liquidity issues with funding margin calls to cover mark to market losses and production interruption events.

In addition to adversely affecting our reserve estimates and our financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

General economic conditions or changes in consumption patterns may adversely affect our growth and profitability.

The copper market is volatile and cyclical, and consumption of copper is influenced by global economic growth, trends in industrial production, conditions in the housing and automotive industries and economic growth in China, which is the largest consumer of refined copper in the world. Should demand weaken and consumption patterns change (in particular, if consumers seek out cheaper substitute materials), the price of copper could be adversely affected, which could negatively affect our results of operations.

The events in the global financial markets since 2007 have had a profound impact on the global economy. Many industries, including the copper mining industry, were adversely impacted by these market conditions. Some of the key impacts of the recent financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and metal markets, a lack of market liquidity and a decrease in access to public financing. Another downturn in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates could adversely affect our growth and profitability.

Specifically:

- another global credit/liquidity crisis could impact the cost and availability of debt or equity financing and our overall liquidity and, further, the availability of financing on terms favourable to us;
- as China consumes a significant amount of global copper production, the overall state of the Chinese economy, including credit/lending levels, fluctuations in inflation and interest rates and fiscal policy, could have an impact on global demand for copper, thereby potentially affecting copper prices realized by the Company;
- the volatility of metal prices would impact our revenues, profits, losses and cash flows; and
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact our production costs.

Any of these factors would adversely affect our business, results of operations, financial condition and cash flows.

We may be adversely affected by the availability and cost of key inputs.

Our competitive position depends on our ability to control operating costs. The cost structure of each operation is based on the location, grade and nature of the ore body, and the management skills at each site as well as the price of labour, electricity, fuel, steel, chemicals, blasting materials, transportation and shipping and other cost components. If such supplies become unavailable or their cost increases significantly, the profitability of our mines would be impacted and operations at our mines could be interrupted or halted resulting in a significant adverse impact on our financial condition. Our management prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. Lack of supply or increased costs for any of these inputs would decrease productivity, reduce the profitability of our mines, and potentially result in us suspending operations at our mines.

Many of our costs are driven by supply and market demand. For example, the cost of local materials, like cement, explosives and electricity, will vary based on demand. Our main cost drivers include the cost of labour plus consumables such as electricity, fuel and steel. Wages can be affected by inflation and currency exchange rates and by the shortage of experienced human resources. The costs of fuel and steel are driven by global market supply and demand. In recent years, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Concentrate treatment charges and transportation costs are also a significant component of operating costs. Concentrate treatment and refining charges have been volatile in recent years. We are dependent on third parties for rail, truck and maritime services to transport our products, and contract disputes, demurrage charges, rail and port capacity issues, availability of vessels, weather and climate and other factors can have a material adverse impact on our ability to transport our products according to schedules and contractual commitments.

Our operations, by their nature, use large amounts of electricity and energy. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in electricity and energy prices could negatively affect our business, financial condition, liquidity and results of operations.

Increases in these costs would have an adverse impact on our results of operations and would adversely affect our business, results of operations, financial condition and cash flows.

We may be unable to compete successfully with other mining companies.

The mining industry is competitive in all of its phases. We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, metals. Many of these companies have greater financial resources, operational experience and technical capabilities and a longer operating history than us. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. In addition, competition for exploration resources at all levels is very intense. Increased competition could adversely affect our ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable producing properties or prospects for mineral exploration in the future. At certain times when copper prices increase, such increase encourages increases in mining exploration, development and construction activities, which can result in increased demand for and cost of contract exploration, development and construction services and equipment.

Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment. Any of these outcomes could materially increase project exploration, development or construction costs, result in project delays, or both. As a result of this competition, we may be unable to maintain or acquire attractive mining properties or attract better or more qualified employees, which would adversely affect our business, results of operations, financial condition and cash flows.

We are dependent upon third party smelters for processing our products.

The Company is primarily a producer of concentrates. These must be processed into metal by independent smelters under concentrate sales agreements in order for the Company to be paid for its products. There can be no assurance or guarantee that the Company will be able to enter into concentrate sales agreements on terms that are favourable to the Company or at all.

We may become unable to access our markets due to trade barriers.

Access to the Company's markets is subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import of certain commodities. Although there are currently no significant trade barriers existing or impending of which the Company is aware that do, or could, materially affect the Company's access to certain markets, there can be no assurance that the Company's access to these markets will not be restricted in the future.

Undue reliance should not be placed on estimates of reserves and resources, since these estimates are subject to numerous uncertainties and may be revised. Our actual reserves could be lower than such estimates, which could adversely affect our operating results, financial condition and cash flows.

Disclosed reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral reserves in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves. The Company's reserves and resources are estimated by persons who are employees of the respective operating company for each of our operations under the supervision of employees of the Company. These individuals are not "independent" for purposes of applicable securities legislation. The Company does not use outside sources to verify reserves or resources. The mineral reserve and mineral resource figures are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral reserves or mineral resources may be material. In addition, short term operating factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different ores, may cause mineral reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating reserves.

The volume and grade of reserves we actually recover, and rates of production from our current mineral reserves, may be less than geological measurements of the reserves. Short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period and may also prompt us to modify mineral reserves estimates. There can be no assurance that the indicated amount of ore will be recovered or that it will be recovered at prices we have assumed in determining the mineral reserves. Fluctuations in the market price of copper, gold and other metals, changing exchange rates and operating and capital costs may make it uneconomical to mine certain mineral reserves in the future.

Mineral reserve estimates can be uncertain because they are based on limited sampling and not the entire ore body. As we gain more knowledge and understanding of an ore body through on-going exploration and mining activity, the reserve estimate may change significantly, either positively or negatively.

Inferred mineral resources are not mineral reserves and do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

Cautionary notice regarding mineral reserve and mineral resource estimates.

Disclosure of mineral reserve and mineral resource classification terms that comply with reporting standards in Canada, and certain mineral resource estimates are made in accordance with Canadian National Instrument 43-101-Standards of Disclosure for Mineral Projects (NI43-101). NI43-101 is a rule developed by the Canadian Securities Administrators (CSA) that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates have been prepared in accordance with NI43-101. These standards differ significantly from the mineral reserve disclosure requirements of the Securities and Exchange Commission (SEC) set out in Industry Guide 7. Consequently, the Company's mineral reserve and resource information is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

Terms *mineral resources, measured mineral resources, indicated mineral resources and inferred mineral resources* comply with the reporting standards in Canada. Further, *inferred mineral resources* have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of an inferred resource exists. In accordance with Canadian rules, estimates of *inferred mineral resources* cannot form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of mineral resources, measured mineral resources, indicated mineral resources or inferred mineral resources will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported *mineral resources, measured mineral resources, indicated mineral resources or inferred mineral resources* is economically or legally mineable.

Our production estimates may be materially different from actual production, which would adversely affect our business, results of operations, financial condition and cash flows.

Our actual production could be different for a variety of reasons, including:

- short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades;
- risks and hazards associated with mining, including geotechnical issues such as pit slope stability at open pit operations and structural issues at underground mines;
- the actual ore mined varying from estimates, grade or tonnage;
- mine failures;
- industrial accidents;
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes;
- unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants;
- plant and equipment failure;
- the inability to process certain types of ore;
- labour shortages or strikes;
- civil disobedience and protests; and
- restrictions or regulations imposed by government authorities or other changes in the regulatory environment applicable to the mining industry.

There is no assurance that we will achieve our production estimates. Production estimates at undeveloped operations such as our Red Chris project are particularly uncertain and subject to revision. There are no assurances that production at Red Chris will achieve design capacity in the time periods that we currently expect, or at all.

On February 26, 2014, Huckleberry Mines Ltd. became aware of a physical failure at its SAG mill. After investigation, it was discovered that there was a broken tooth in the bull gear. Until Huckleberry Mines determines the best method by which to safely and efficiently repair the damage, milling at Huckleberry will be suspended. Although currently available information indicates that the SAG mill may not be operational for as much as four months, there can be no assurance as to exactly how long it will take for milling to resume. There can be no assurance that we will achieve our production estimates at Huckleberry, given the current milling suspension. Failing to achieve production estimates at Red Chris, Huckleberry or at any of our other operations could adversely affect our business, results of operations, financial condition and cash flows.

We must continually replace and expand our mineral reserves and mineral resources and the depletion of our mineral reserves may not be offset by future discoveries or acquisitions of mineral reserves.

Mines have limited lives based on proven and probable mineral reserves. As a result, we must continually acquire new mineral reserves. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits. There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. The life-of-mine estimates for each of our operating mines are based on our best estimate given the information available to us. These estimates may not be correct. Our ability to maintain or increase our annual production of copper, gold and other metals depends in significant part on our ability to find and/or acquire new mineral reserves and bring new mines into production, and to expand mineral reserves at existing mines.

Exploration for minerals is highly speculative in nature and the projects involve many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and availability of financing. In addition, assuming discovery of an economic ore body, depending on the type of mining operation involved, many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that our current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

Our exploration and development of new and existing mines may be unsuccessful.

Because the life of a mine is limited by its mineral reserves, we continually look for opportunities to replace and expand our reserves by exploring existing properties and by looking for potential acquisitions of new properties or companies that own new properties.

Exploration and development of mineral properties involves significant financial and operational risk. There is no assurance that we will be successful in our efforts. Very few properties that are explored are later developed into an operating mine. Developing a property involves many risks and unknowns, such as establishing mineral reserves by drilling, completion of feasibility studies, obtaining and maintaining various permits and approvals from governmental authorities, constructing mining and processing facilities, securing required surface or other land rights, finding or generating suitable sources of power and water, confirming the availability and suitability of appropriate local area infrastructure and developing it if needed, and obtaining adequate financing. Substantial spending may be made on properties that are later abandoned due to a failure to satisfy any of such factors.

The capital expenditures and timeline needed to develop a new mine are considerable and the economics of a project can be affected by changes to them. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Actual costs may increase significantly and economic returns may differ materially from our estimates. Whether a mineral deposit will be commercially viable depends on a number of factors, including, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. We may be unable to satisfactorily resolve fiscal and tax issues, or fail to obtain permits and approvals necessary to operate a project so that the project may not proceed, either on the original timeline, or at all. New mining operations may experience unexpected problems during start-up, which can cause delays and require more capital than anticipated. The combination of these factors may cause us to expend significant resources (financial and otherwise) on a property without receiving a return on investment and could result in the Company being unsuccessful in developing new mines. This, in turn, would adversely affect our business, results of operations, financial condition and cash flows.

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the senior secured credit facility, senior unsecured notes, and junior unsecured credit facility.

After giving effect to the financing transactions in March 2014 consisting of the senior secured credit facility, the senior unsecured notes (the "Notes") and the junior unsecured credit facility (collectively the "Financing Transactions"), the Company has a significant amount of indebtedness.

Subject to the limits contained in the credit agreement that governs our senior credit facility, the indenture that governs the Notes and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If we do so, the risks related to our level of indebtedness could intensify. Specifically, a high level of indebtedness could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring us to make non-strategic divestitures;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the indenture that governs the Notes and the credit agreement that governs our senior credit facility contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternatives may not allow us to meet our scheduled debt service obligations. The credit agreement that governs our senior credit facility and the indenture that governs the Notes restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, not all of which are guarantors of the Notes or our other indebtedness. In addition, Huckleberry, in which we hold a 50% interest, will not be a guarantor of the Notes. Accordingly, repayment of our indebtedness will be dependent in large measure on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are or become guarantors of the Notes or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Notes or our other indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture that governs the Notes and the credit agreement that governs our senior credit facility limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Notes could declare all outstanding principal and interest to be due and payable, causing a cross-acceleration or cross-default under certain of our other debt agreements, if any, and we could be forced into bankruptcy, liquidation or restructuring proceedings.

Despite our significant level of indebtedness after giving effect to the Financing Transactions, we and our subsidiaries may still be able to incur substantially more debt, which could exacerbate the risks to our financial condition described above.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the indenture that governs the Notes and the credit agreement that governs our senior credit facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness.

If additional indebtedness is added to our current debt levels, the related risks that we now face could intensify.

The terms of the credit agreement that governs our senior credit facility and the indenture that governs the Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indenture that governs the Notes and the credit agreement that governs our senior credit facility contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell, transfer or otherwise dispose of assets;
- incur or permit to exist certain liens;
- enter into transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the credit agreement that govern our senior credit facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under the indenture that governs the Notes or under the credit agreement that governs our senior credit facility or our other debt instruments from time to time could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement that governs our senior credit facility would permit the lenders under our senior credit facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under our senior credit facility, those lenders could proceed against the collateral granted to them to secure such indebtedness. In the event our lenders or noteholders accelerate the repayment of our borrowings, the Company and its subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

We may repay outstanding amounts under our junior unsecured credit facility prior to the maturity of the Notes.

We have entered into the junior unsecured credit facility with Edco, an affiliate of our significant shareholder, Mr. N. Murray Edwards. The junior unsecured credit facility is subordinated to the Notes and the senior credit facility. Although the terms of our senior credit facility generally prohibit us from repaying amounts outstanding under the junior unsecured credit facility prior to termination of our senior credit facility (except with the proceeds of certain equity offerings and amounts paid by BC Hydro relating to the Iskut Extension), we intend to repay amounts outstanding under the junior unsecured credit facility when permitted and potentially prior to the maturity date of the Notes. Any repayment of such junior debt may make it more difficult for us to satisfy our obligations with respect to the Notes or our other indebtedness.

Failure of the lender under the junior unsecured credit facility to fulfill its obligations thereunder could have a material adverse effect on our future growth, business, results of operations, financial condition and cash flows.

We have entered into the junior unsecured credit facility with Edco whereby Edco commits, subject to the terms and conditions of the junior unsecured credit facility, to make available to the Company funds that would be used to finance working capital and for general corporate purposes (including to fund the development of Red Chris) in an aggregate amount not to exceed $75.0 million. If Edco fails to fulfill its payment obligations under the junior unsecured credit facility, it would constitute an event of default under the senior credit facility, which would result in an acceleration of our debt.

We may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest to the purchase date. Additionally, under the senior credit facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the credit agreement and the commitments to lend would terminate. The source of funds for any purchase of the Notes and repayment of borrowings under our senior credit facility would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay any of our other indebtedness that may become due. If we fail to repurchase the Notes in that circumstance, we will be in default under the indenture that governs the Notes. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the Notes may be limited by law. In order to avoid the obligations to repurchase the Notes and events of default and potential breaches of the credit agreement that governs our senior credit facility, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, some important corporate events, such as leveraged recapitalizations, may not, under the indenture governing the Notes, constitute a "change of control" that would require us to repurchase the Notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Notes.

The exercise by the holders of Notes of their right to require us to repurchase the Notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing Notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing Notes. In that case, our failure to purchase tendered Notes would constitute an event of default under the indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of Notes upon a repurchase may be limited by our then existing financial resources.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant.

Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Fluctuations in exchange rates may adversely affect our operating and capital costs.

The Company's operating results and cash flow are affected by changes in the Canadian dollar exchange rate relative to the currencies of other countries, especially the US dollar. Exchange rate movements can have a significant impact on operating results as a significant portion of the Company's operating costs are incurred in Canadian dollars and most revenues are earned in US dollars. To reduce the exposure to currency fluctuations, the Company may enter into foreign exchange contracts from time to time, but such hedges do not eliminate the potential that such fluctuations may have an adverse effect on the Company. In addition, foreign exchange contracts expose the Company to the risk of default by the counterparties to such contracts, which could have a material adverse effect on the Company.

Changes in interest rates may adversely affect our operating and capital costs.

The Company's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates, and may enter into interest rate swap agreements to manage interest rate risk associated with that debt. There can be no assurance that the Company will not be materially adversely affected by interest rate changes in the future, notwithstanding its possible use of interest rate swaps. In addition, the Company's possible use of interest rate swaps exposes it to the risk of default by the counterparties to such arrangements. Any such default could have a material adverse effect on the Company.

We may be adversely affected by loss of access to capital.

In general, mining is an extremely capital intensive business. Mining companies need significant amounts of ongoing capital to maintain and improve existing operations, invest in large scale capital projects with long lead times, and manage uncertain development and permitting timelines and the volatility associated with fluctuating metals and input prices. The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependent upon debt and equity financing to carry out its exploration and development plans. Financial markets, including banking, debt and equity markets, can be extremely volatile and can prevent us from gaining access to the capital required to maintain and grow our business. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects, and would adversely affect our business, results of operations, financial condition and cash flows.

We are required to obtain government permits and comply with other government regulations to conduct operations.

Regulatory and permitting requirements have a significant impact on the Company's mining operations and can have a material and adverse effect on future cash flow, results of operations and financial condition. In order to conduct mineral exploration and mining activities the Company must obtain or renew exploration or mining permits and licenses in accordance with the relevant mining laws and regulations required by governmental authorities having jurisdiction over the mineral projects. There is no guarantee that the Company will be granted the necessary permits and licenses, that they will be renewed, or that the Company will be in a position to comply with all the conditions that are imposed. Mining is subject to potential risks and liabilities associated with pollution and the disposal of waste from mineral exploration and mine operations. Costs related to discovery, evaluation, planning, designing, developing, constructing, operating, closing and remediating mines and other facilities in compliance with these laws and regulations are significant. In addition to environmental protection, applicable laws and regulations govern employee health and safety. Not complying with these laws and regulations can result in enforcement actions that may include corrective measures requiring capital expenditures, installation of additional equipment, remedial action and changes to operating procedures resulting in additional costs and temporary or permanent shutdown of operations. The Company may also be required to compensate those parties suffering loss or damage and may face civil or criminal fines or penalties for violating certain laws or regulations. Changes to these laws and regulations in the future could have an adverse effect on the Company's cash flow, results of operations and financial condition.

We are subject to various risks related to environmental, health and safety and other forms of government regulation.

Our mining, processing, development and exploration activities are subject to extensive laws and regulations, which include laws and regulations governing, among other things: the environment, climate change, employee health and safety, mine development, mine operation, mine safety, mine closure and reclamation, exploration, prospecting, taxes, royalties, toxic substances, waste disposal, land use, water use, land claims of local people and other matters. We require permits and approvals from a variety of regulatory authorities for many aspects of mine development, operation, closure and reclamation. Additionally, permits and approvals may be invalidated or subject to challenges after the date of issuance. Such acts could have a material adverse impact on us, our operations or results.

The Company's historical operations have generated chemical and metals depositions in the form of tailing ponds, rock waste dumps, and heap leach pads. Our ability to obtain, maintain and renew permits and approvals and to successfully develop and operate mines may be adversely affected by real or perceived impacts associated with our activities or of other mining companies that affect the environment, human health and safety.

No assurance can be given that new laws and regulations will not be enacted or that existing laws and regulations will not be applied in a manner that could have an adverse effect on our financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, would have a material adverse impact on us, such as increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or could require abandonment or delays in the development of new mining properties.

Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against us, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We are exposed to these potential

liabilities through our current development projects and operations as well as operations that have been closed or sold. For example, we could be required to compensate others for losses or damages from our mining activities; and we could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially affect our operating costs and delay or curtail our operations. There can be no assurance that we have been or will be at all times in compliance with all laws, regulations and permits, that compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws, regulations and permits will not materially or adversely affect our business, operations or results.

Certain of our assets are not wholly owned or are owned through joint ventures, and any disagreement or failure of partners to meet obligations could have a material adverse effect on our results of operations and financial condition.

We hold a 50% interest in Huckleberry Mines Ltd. The remaining 50% interest is held by the Japan Group. Our interest in Huckleberry Mines Ltd. is subject to the risks normally associated with the conduct of a joint venture, where joint control exists and all decisions related to relevant activities require unanimous approval of the board of directors, such as capital expenditures, disposition of assets, approval of borrowings, approval of the annual and five year plan, and loans or guarantees. Huckleberry is an incorporated company which is a separate legal entity. Huckleberry's legal form does not provide us with rights to its assets and obligations and there are no terms in the shareholder agreement or similar contractual arrangements which provide us with rights to its assets and obligations for its liabilities.

We also hold a 50% interest in the Ruddock Creek property through our wholly owned subsidiaries. Mitsui Mining and Smelting Co. Ltd. and Itochu Corporation hold the remaining 30% and 20% interest, respectively, through their respective wholly owned subsidiaries, MK Mining Canada, Corporation and ICM Mining (Canada) Inc. Our interest in the Ruddock Creek property is subject to the risks normally associated with the conduct of a joint venture. While we are the operator of the project, MK Mining Canada, Corporation and ICM Mining (Canada) Inc. have approval rights for certain key decisions such as changes in share capital, merger, amalgamation, dissolution of the joint venture, dividends or earning distributions, capital expenditure and operating budgets, exploration budgets, financing and pledge of joint venture assets, suspension or cessation of operations, utilization of derivative instruments, related party transactions, changes in operator or the projects of the joint venture, and hiring of key personnel.

In addition, our co-investors or joint venture partners may have competing interests in our markets that could create conflict of interest issues, and otherwise may have economic or business interests or goals that are inconsistent with our interests or goals and may take actions contrary to our instructions, requests, policies or objectives.

Our co-investors or joint venture partners, as the ones described above, may have the right to veto any of these decisions and this could therefore lead to a deadlock. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on our profitability or the viability of our interests in such assets, which could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition: (i) disagreement with co-investors or joint venture partners on how to develop and operate mines efficiently; (ii) inability of our co-investors or joint venture partners to meet their obligations; (iii) litigation with our co-investors or joint venture partners regarding such assets or (iv) failure of our co-investors or joint venture partners to comply with applicable laws, rules or regulations.

We are not able to control the amounts of distributions that Huckleberry or the Ruddock Joint Venture may make to us.

The ability of Huckleberry or the Ruddock Joint Venture to make distributions to us may be restricted by, among other things, the terms of each of their governing documents. For example, the shareholders' agreement relating to Huckleberry prohibits Huckleberry from making distributions to us until the majority of directors of Huckleberry have approved such distribution and we have the right to appoint only four of the eight Huckleberry directors. Accordingly, we are not able to control if and when, and the amount of distributions that Huckleberry or the Ruddock Joint Venture may make to us.

We face additional risks and uncertainties in our operations in foreign countries.

The Company operates in the United States and from time to time in other foreign countries where there are added risks and uncertainties due to the different legal, economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, trade barriers and exchange controls and material changes in taxation. Further, developing country status or unfavourable political climate may make it difficult for the Company to obtain financing for projects in some countries.

We are, or may become, subject to regulatory investigations, claims, litigation and other proceedings, the outcome of which may affect our business, results of operations, financial condition and cash flows.

The nature of our business may subject us from time to time to regulatory investigations, claims, lawsuits and other proceedings and may be involved in disputes with other parties in the future, which may result in litigation. We cannot predict the outcome of any litigation. Defence and settlement costs may be substantial, even with respect to claims that have no merit. If we cannot resolve these disputes favourably our business, financial condition, results of operations and future prospects may be materially adversely affected.

Mineral rights or surface rights to our properties could be challenged, and, if successful, such challenges would adversely affect our business, results of operation, financial condition and cash flows.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed and title insurance is generally not available. There is no guarantee that title to any such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including indigenous land claims, and title may be affected by, among other things, undetected defects. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties would adversely affect our business, results of operations, financial condition and cash flows.

We are dependent on transportation facilities, infrastructure and certain suppliers, a lack of which could impact our production and development of projects.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply affect capital and operating costs and the completion of the development of our projects. Unusual or infrequent weather phenomena, sabotage, community, government or other interference in the maintenance or provision of such infrastructure in any of the jurisdictions in which we operate could adversely affect our business, operations or results. Disruptions in the supply of products or services required for our activities in any of the jurisdictions in which we operate would also adversely affect our business, results of operations, financial condition and cash flows.

We depend on key management personnel and may not be able to attract and retain such persons in the future.

Our business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. Our success is, and will continue to be to a significant extent, dependent on the expertise and experience of our directors and senior management, and the loss of one or more of such persons could have a materially adverse effect on us. We do not maintain any key man insurance with respect to any of our officers or directors.

We are subject to taxation risk.

We have operations and conduct business in a number of jurisdictions and are subject to the taxation laws of these jurisdictions. These taxation laws are complicated and subject to changes and are subject to review and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by us which could adversely affect our profitability and cash flows.

Our ability to repatriate funds from foreign subsidiaries may be limited, or we may incur tax payments when doing so.

We expect to generate cash flow and profits at our foreign subsidiaries, and we may need to repatriate funds from those subsidiaries to service our indebtedness or fulfil our business plans, in particular in relation to ongoing expenditures at our development assets. We may not be able to repatriate funds, or we may incur tax payments or other costs when doing so, as a result of a change in applicable law or tax requirements at local subsidiary levels or at the parent company level, which costs could be material.

Our directors may have interests that conflict with our interests.

Certain of our directors also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. In all cases where directors have an interest in another resource company, such other companies may also compete with us for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of our directors and will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

Actual costs of reclamation are uncertain, and higher than expected costs could negatively impact our results of operations and financial position.

Our operations are subject to reclamation plans that establish our obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for us. Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Governing authorities require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for the mine in order to fund an increase to a reclamation bond. Reclamation bonds represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than our estimates, then our results from operations and financial position could be materially adversely affected.

Asset carrying values are evaluated annually and may be subject to writedowns.

We annually undertake an evaluation of our portfolio of development projects, exploration and other assets. The recoverability of our carrying values of its properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to, copper and gold prices, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed copper prices or in the event of other factors reducing estimated future net cash flows from exploration and development properties, we may be required to take additional material writedowns of our exploration and development properties.

Our use of derivative contracts exposes us to risk of opportunity loss, mark to market accounting adjustments and exposure to counterparty credit risk.

From time to time, we may enter into price risk management contracts to protect against fluctuations in the price of our products, exchange rate movements, and changes in the price of fuel and other input costs. These contracts could include forward sales or purchase contracts, futures contracts, precious metals streams, purchased put and call options and other contracts. Any such use of forward or futures contracts can expose us to risk of an opportunity loss. The use of derivative contracts may also result in significant mark to market accounting adjustments, which may have a material adverse impact on our reported financial results. We are exposed to credit risk with contract counterparties, including, but not limited to, sales contracts and derivative contracts. In the event of non-performance by a customer in connection with a contract, we could be exposed to a loss of value for that contract.

OUTLOOK

This section contains forward-looking information. See the "Forward-Looking Statements and Risks Notice".

Operations, Earnings and Cash Flow

Base and precious metals production allocable to Imperial in 2014 from the Mount Polley, Huckleberry and Sterling mines is anticipated to be 65.0 million pounds copper, 56,700 ounces gold and 220,000 ounces silver.

Cash flow protection for the balance of 2014 is supported by derivative instruments that will see the Company receive certain minimum prices for copper and gold as disclosed under the heading Derivative Instruments. However, the quarterly revenues will fluctuate depending on copper and gold prices, the CDN Dollar/US Dollar exchange rate, and the timing of concentrate sales which is dependent on concentrate production and the availability and scheduling of transportation.

Exploration

Exploration in 2014 will be limited in scope and be conducted at our existing mining operations: Mount Polley, Huckleberry and Sterling.

Mount Polley will continue to focus on the excavation of a test stope in the Boundary zone.

A minor exploration program will be conducted at Huckleberry, and work will focus on interpretation of information collected over the last two years.

Underground drilling at Sterling will continue in the vicinity of the underground workings.

Development

At Mount Polley the majority of ore delivery is from phase 3 of the Springer pit. Stripping effort at Mount Polley is being directed at a pushback of the Cariboo pit. Underground ore is scheduled to be delivered to the mill this year.

At Huckleberry, MZX pit mining was completed in the first quarter of 2014 as scheduled, while MZO pit stripping and ore release will continue throughout 2014. The continuation of the TMF-3 construction (Phase 2) will commence in the 2014 second quarter. Production levels at Huckleberry will be determined by how quickly the SAG mill can be repaired and put back into operation.

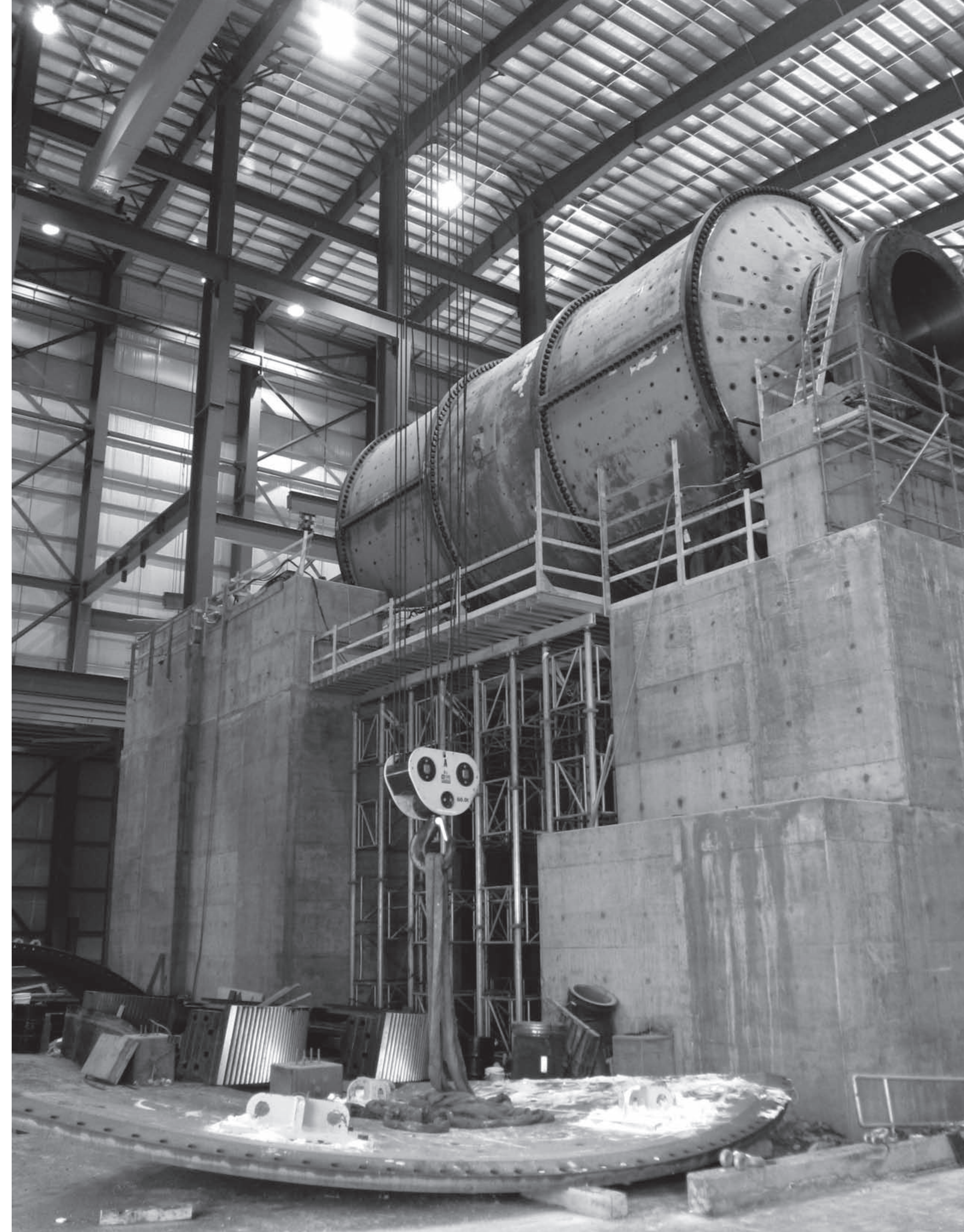
At Red Chris planned activities in 2014 include the final installation of the primary crusher, process water tanks, interior steel, grinding mills, electrical equipment, reagent building and tailings system. Construction of the 287kv 17 kilometre power line from Tatogga to the mine site began in January 2014. Mine pre-development began in January 2014 with the start of stripping of overburden from the East zone of the Red Chris mine. The Company is targeting to commence commissioning of the Red Chris mine in June 2014 and to achieve full operations in the fourth quarter of 2014.

Financing

Based on current plans, assumptions, and the debt financings completed in March 2014, the Company expects to have sufficient cash resources to support its normal operating and capital requirements on an ongoing basis.

Acquisitions

Management continues to evaluate potential acquisitions and exploration opportunities both on currently owned properties and new prospects.

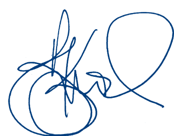


Management's Responsibility

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with the accounting policies described in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements. Deloitte LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee, which is comprised of a majority of non-management Directors, meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



J. Brian Kynoch
President

Andre Deepwell
Chief Financial Officer

March 26, 2014

Independent Auditor's Report

To the Shareholders of Imperial Metals Corporation

We have audited the accompanying consolidated financial statements of Imperial Metals Corporation, which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Imperial Metals Corporation as at December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants
March 26, 2014
Vancouver, British Columbia

Consolidated Statements of Financial Position

[expressed in thousands of Canadian dollars]

	Notes	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
ASSETS				
Current Assets				
Cash		$ 3,095	$ 2,800	$ 6,072
Marketable securities		1,063	1,557	703
Trade and other receivables	3	16,807	29,930	18,503
Inventory	4	27,358	26,755	31,778
Derivative instrument assets	12	3,473	701	2,666
Prepaid expenses and deposits		2,204	2,140	1,503
		54,000	63,883	61,225
Derivative Instrument Assets	12	-	549	-
Investment in Huckleberry Mines Ltd.	5	92,132	83,799	78,282
Mineral Properties	6	824,823	442,404	307,504
Deferred Income Taxes	17	-	1,693	4,329
Other Assets	7	4,496	8,020	6,415
		$ 975,451	$ 600,348	$ 457,755
LIABILITIES				
Current Liabilities				
Trade and other payables	8	$ 66,511	$ 37,946	$ 21,420
Taxes payable		5,444	5,050	2,441
Short term debt	9	132,410	92,403	26,940
Derivative instrument liabilities	12	1,735	614	99
Current portion of non-current debt	10	10,373	1,908	1,081
Current portion of future site reclamation provisions	11	285	400	645
		216,758	138,321	52,626
Derivative Instrument Liabilities	12	-	465	-
Non-Current Debt	10	234,009	6,433	531
Future Site Reclamation Provisions	11	15,760	11,997	8,567
Deferred Income Taxes	17	90,760	72,183	61,545
		557,287	229,399	123,269
EQUITY				
Share Capital	13	120,408	116,892	114,563
Share Option Reserve	13	15,119	14,547	12,474
Currency Translation Adjustment		1,336	(837)	(272)
Retained Earnings		281,301	240,347	207,721
		418,164	370,949	334,486
		$ 975,451	$ 600,348	$ 457,755
Commitments and Pledges	6, 25			
Contingent Liabilities	26			
Subsequent Events	27			

See accompanying notes to these consolidated financial statements.

Approved by the Board and authorized for issue on March 26, 2014

Larry G. Moeller
Director

J. Brian Kynoch
Director

Consolidated Statements of Income and Comprehensive Income

Years Ended December 31, 2013 and 2012

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

	Notes	2013	2012 Note 28
Revenue		$ 187,805	$ 199,373
Cost of Sales	14	(123,546)	(142,462)
Income from Mine Operations		64,259	56,911
General and Administration	15	(7,032)	(8,568)
Finance Costs	16	(1,867)	(3,407)
Other Income		64	713
Equity Income in Huckleberry	5	8,333	5,517
Income before Taxes		63,757	51,166
Income and Mining Taxes	17	(22,803)	(18,540)
Net Income		40,954	32,626
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation adjustment		2,173	(565)
Total Comprehensive Income		$ 43,127	$ 32,061
Income Per Share			
Basic	18	$ 0.55	$ 0.44
Diluted	18	$ 0.54	$ 0.43
Weighted Average Number of Common Shares Outstanding			
Basic	18	74,466,539	74,267,136
Diluted	18	75,329,312	75,447,723

See accompanying notes to these consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended December 31, 2013 and 2012

[expressed in thousands of Canadian dollars, except share amounts]

	Share Capital		Share Option Reserve	Currency Translation Adjustment	Retained Earnings	Total
	Number of Shares	Amount				
Balance December 31, 2011	74,084,150	$ 114,563	$ 12,474	$ (272)	$ 207,721	$ 334,486
Issued on exercise of options	235,600	2,329	(872)	-	-	1,457
Share based compensation expense	-	-	2,945	-	-	2,945
Total comprehensive income	-	-	-	(565)	32,626	32,061
Balance December 31, 2012	74,319,750	116,892	14,547	(837)	240,347	370,949
Issued on exercise of options	356,268	3,516	(1,107)	-	-	2,409
Share based compensation expense	-	-	1,679	-	-	1,679
Total comprehensive income	-	-	-	2,173	40,954	43,127
Balance December 31, 2013	74,676,018	$ 120,408	$ 15,119	$ 1,336	$ 281,301	$ 418,164

See accompanying notes to these consolidated financial statements

Consolidated Statements Of Cash Flows

Years Ended December 31, 2013 and 2012
[expressed in thousands of Canadian dollars, except share amounts]

	Notes	2013	2012 Note 28
OPERATING ACTIVITIES			
Income before taxes		$ 63,757	$ 51,166
Items not affecting cash flows			
Equity income in Huckleberry		(8,333)	(5,517)
Depletion and depreciation		18,912	15,600
Share based compensation		1,679	2,945
Accretion of future site reclamation provisions		307	292
Unrealized foreign exchange losses		2,618	181
Unrealized (gains) losses on derivative instruments		(1,475)	2,377
Other		748	(398)
		78,213	66,646
Net change in non-cash operating working capital balances	19	12,011	(10,145)
Income and mining taxes paid		(3,266)	(1,955)
Income and mining taxes received		2,179	-
Interest paid		(10,031)	(2,036)
Cash provided by operating activities		79,106	52,510
FINANCING ACTIVITIES			
Proceeds of short term debt		488,870	360,240
Repayment of short term debt		(449,347)	(294,818)
Proceeds of non-current debt		210,439	-
Repayment of non-current debt		(15,263)	(1,667)
Issue of share capital		2,409	1,457
Cash provided by financing activities		237,108	65,212
INVESTING ACTIVITIES			
Acquisition and development of mineral properties		(348,698)	(137,894)
Net change in non-cash investing working capital balances	19	28,841	18,933
Decrease (increase) in future site reclamation deposits		4,257	(970)
Proceeds on sale of mineral properties		109	116
Other		(645)	(772)
Cash used in investing activities		(316,136)	(120,587)
EFFECT OF FOREIGN EXCHANGE ON CASH		217	(407)
INCREASE (DECREASE) IN CASH		295	(3,272)
CASH, BEGINNING OF YEAR		2,800	6,072
CASH, END OF YEAR		$ 3,095	$ 2,800

See accompanying notes to these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

[expressed in thousands of Canadian dollars, except share amounts]

1. NATURE OF OPERATIONS

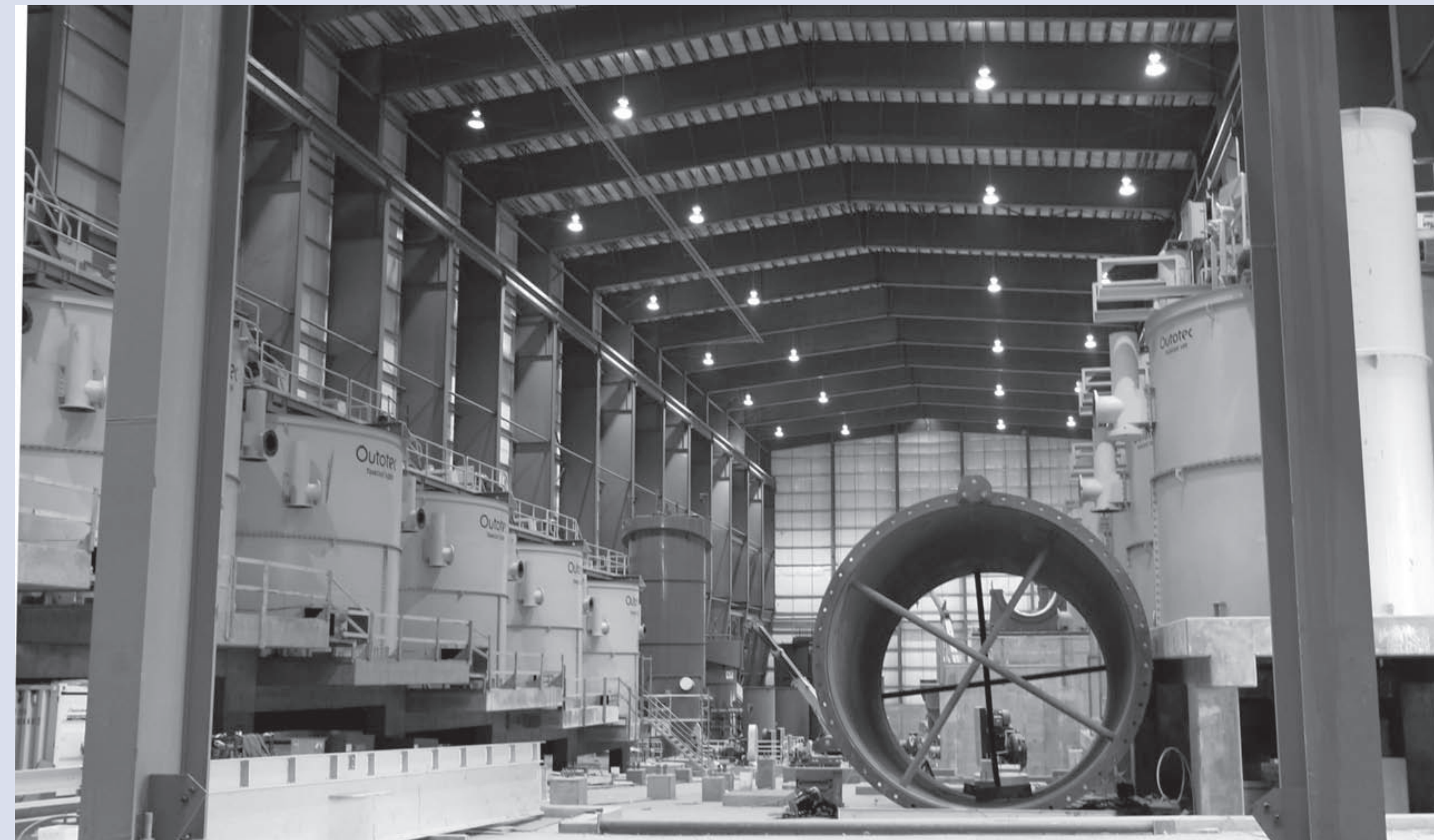
Imperial Metals Corporation (the Company) is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration, development and production of base and precious metals from its mineral properties. The head office, principal address and registered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

The Company's key properties are:

- development stage Red Chris copper/gold property in northwest British Columbia;
- open pit copper/gold producing Mount Polley mine in central British Columbia;
- open pit copper/molybdenum producing Huckleberry mine in northern British Columbia;
- underground gold producing Sterling mine in southwest Nevada.

At December 31, 2013, the Company had cash of $3,095 and a working capital deficiency of $162,758. These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating in the foreseeable future and will be able to 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 help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans.

Subsequent to December 31, 2013, the Company increased the line of credit facility and in March 2014 the line of credit facility (Note 10) and existing bank loan (Note 9) were repaid from the proceeds of a US$325,000 high yield note issue and a new $200,000 senior secured credit facility (Note 27 (b)).



2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Changes in Accounting Standards

Accounting Standards Issued and Effective January 1, 2013

The Company has adopted these accounting standards effective January 1, 2013. Other than the adoption of IFRS11 (Note 28) the adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 7 *Financial Instruments Disclosures*
IFRS 10 *Consolidated Financial Statements*
IFRS11 *Joint Arrangements*
IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 13 *Fair Value Measurement*
IAS 1 *Presentation of Financial Statements*
IAS 19 *Employee Benefits*
IAS 27 *Separate Financial Statements*
IAS 28 *Investments in Associates and Joint Ventures*
IFRIC 20 *Stripping Costs in the Production Phase of a Mine*

Joint Arrangements

The Company adopted IFRS11 Joint Arrangements effective January 1, 2013. This standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The standard is applicable to all entities that have an interest in arrangements that are jointly controlled. In accordance with the transition requirements, interests, previously defined as jointly controlled entities that were proportionately consolidated, are re-measured using the carrying amount of the assets and liabilities at the beginning of the immediately preceding period, that is, January 1, 2012, in order to arrive at the initial equity investment. The Company has two types of joint arrangements:

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

Basis of Presentation

The Company's consolidated financial statements and those of all of its controlled subsidiaries are presented in Canadian dollars as this is the presentation and functional currency for all its operations except for the Company's US subsidiary, Sterling Gold Mining Corporation, which has US dollars as its functional currency.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and the Huckleberry Mine property which is stated at deemed cost. In addition these consolidated financial statements have been prepared using the accrual basis of accounting.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and those entities which are controlled by the Company. Control is achieved when the Company has power over the investee; is exposed to or has rights to variable returns from its investment with the investee; and has the ability to use its power to affect its returns. All inter-company balances, transactions, revenues and expenses have been eliminated upon consolidation.

Marketable Securities

Marketable securities are classified as fair value through profit or loss because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to fair value through profit or loss securities are included in the statement of income and comprehensive income in each period. Transaction costs incurred to acquire marketable securities are expensed when incurred.

The Company records the fair value of marketable securities at the reporting date using quoted market prices.

Inventory

Copper concentrates, inclusive of contained gold and silver, and costs associated with ore under leach and gold bullion are valued on a first in first out basis at the lower of production cost to produce saleable metal and net realizable value. Net realizable value is calculated as described under "Revenue Recognition". Production costs include direct labour, operating materials and supplies, transportation costs and applicable overhead, and depletion and depreciation.

Stores and supplies inventories are valued at the lower of cost and net realizable value. Cost includes acquisition cost and any directly related costs, including freight.

Mineral Properties

Mineral properties represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions.

The costs associated with mineral properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depleted on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties in Note 6.

The resource value represents the property interests that are contained in the measured and indicated resources that are not within the proven and probable reserves. Exploration potential is (i) mineralization included in inferred resources; (ii) areas of potential mineralization not included in any resource category.

Resource value and exploration potential value is noted as non-depletable mineral properties in Note 6. At least annually or when otherwise appropriate and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category if resources or exploration potential have been converted into reserves.

Capitalized costs are depleted and depreciated by property using the unit-of-production method over the estimated recoverable proven and probable reserves at the mines to which they relate.

Exploration and Evaluation and Pre-production Properties

The Company follows the method of accounting for these mineral properties whereby all costs related to the acquisition, exploration and development are capitalized by property. Capitalized costs include interest and financing costs for amounts borrowed to develop mining properties and construct facilities, and operating costs, net of revenues, incurred prior to the commencement of commercial production. On the commencement of commercial production, net costs are charged to operations using the unit-of-production method by property based upon estimated recoverable reserves. Management considers a number of factors related to the ability of a property to operate at its design capacity over a specified period of time in determining when a property has reached commercial production. These factors include ore production levels as intended by management, plant throughput quantities, recovery rates, and number of uninterrupted days of production.

Property, Plant and Equipment

Property, plant and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Capitalized costs include the fair value of consideration given to acquire or construct an asset, and includes the direct charges associated with bringing the asset to the location and condition necessary for placing it into use along with the future cost of dismantling and removing the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The costs of major overhauls of parts of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in income or loss as incurred.

Mobile mine equipment and vehicles are depreciated over the estimated useful lives of the assets either on a unit-of-production basis or using the straight line method with useful lives of 4-12 years. Office, computer and communications equipment are depreciated using the straight line method with useful lives of 4-5 years. The estimated residual value and useful lives are reassessed at each year end and depreciation expense is adjusted on a prospective basis.

Stripping Costs

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of the inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve accessed by the stripping activity using the unit-of-production method as these reserves will directly benefit from the deferred stripping costs incurred.

Assessment of Impairment

Management reviews the carrying value of exploration and evaluation properties at the end of each reporting period for evidence of impairment. This review is generally made with reference to timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest.

Post-feasibility exploration properties, producing mining properties and plant and equipment are reviewed for impairment at the end of each reporting period for evidence of impairment. If any such indication exists, the entity shall estimate the recoverable amount of the asset to determine if it is greater than its carrying value.

When indicators of impairment exist, the recoverable amount of an asset is evaluated at the level of the cash generating unit ("CGU"), the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss or reversal thereof is recognized in income or loss to the extent that the carrying amount exceeds or is below the recoverable amount.

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value by quotes from an active market or a written offer to purchase/binding sales agreement.

Discounted cash flow techniques are dependent on a number of factors, including future metal prices, the amount of reserves, resources and exploration potential, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and future site reclamation costs. Additionally, the reviews take into account factors such as political, social, legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts in assessing these factors.

Future Site Reclamation Costs

The Company's mining and exploration activities are subject to various statutory, contractual or legal obligations for protection of the environment. At the date the obligation is incurred, the Company records a liability, discounted to net present value, for the best estimate of future costs to retire an asset including costs for dismantling, remediation and ongoing treatment and monitoring of the site. The present value is determined using a pre-tax risk free interest rate. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to income or loss. The estimated present value of the future site reclamation costs are reviewed for material changes at each reporting date and re-measured at least annually or when there are significant changes in the assumptions giving rise to the estimated cash flows.

Future site reclamation costs are capitalized as part of the carrying value of the related mineral property at its initial discounted value and amortized over the useful life of the mineral property using the unit-of-production method.

Income and Mining Taxes

The Company accounts for income and mining taxes using the liability method. Under this method, deferred tax assets and deferred tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of deferred tax assets, including unused tax losses and tax credits, are recognized to the extent that it is probable that taxable profit will be available against the deductible temporary difference and the tax loss and tax credits can be utilized. These deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

In a business combination, temporary differences arise as a result of differences in the fair values of identifiable assets and liabilities acquired and their respective tax bases. Deferred tax assets and liabilities are recognized for the tax effects of these differences. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill or from the initial recognition of assets and liabilities acquired in a transaction other than a business combination which does not affect either accounting or taxable income or loss.

Government assistance, including investment tax credits, is credited against the expenditure generating the assistance when it is probable that the government assistance will be realized.

Revenue Recognition

Estimated mineral revenue, based upon prevailing metal prices, is recorded in the financial statements when title to the concentrate transfers to the customer which generally occurs on date of shipment. Revenue is recorded in the statement of income and comprehensive income net of treatment and refining costs paid to counterparties under terms of the off take arrangements. The estimated revenue is recorded based on metal prices and exchange rates on the date of shipment and is adjusted at each reporting date to the date of settlement metal prices. The actual amounts will be reflected in revenue upon final settlement, which is usually four to five months after the date of shipment. These adjustments reflect changes in metal prices and changes in quantities arising from final weight and assay calculations. The net realizable value of copper concentrate inventory is calculated on the basis described above.

Mineral revenues other than copper concentrate are recognized when title passes to the customer and price is reasonably determinable.

Financial Derivatives

The Company uses derivative financial instruments to manage its exposure to metal prices and foreign exchange rates. Derivative financial instruments are measured at fair value and reflected on the statement of financial position. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative financial instrument are included in income or loss at each date of financial position.

Financial Instruments

The Company's financial instruments consist of cash, marketable securities, trade and other receivables, derivative instrument assets and margin deposits, future site reclamation deposits, trade and other payables, short term debt, derivative instrument liabilities and non-current debt.

Financial instruments are initially recorded at fair value including transaction costs except for those items recorded as fair value through profit or loss for which costs are expensed as incurred.

Cash, marketable securities, derivative instrument assets and margin deposits, and future site reclamation deposits are classified as fair value through profit or loss and recorded at fair value. Marketable securities are classified as fair value through profit or loss because the Company holds these securities for the purpose of trading. The fair value is based on bank statements or counterparty valuation reports. The fair value of marketable securities is based on quoted market prices. Trade and other receivables are classified as loans and receivables. Fair value through profit or loss financial assets are measured at fair value with mark-to-market gains and losses recorded in income or loss in the period they occur. Trade and other payables, short and non-current debt are classified as other financial liabilities and recorded at amortized cost.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

The Company uses derivative financial instruments to mitigate the risk of revenue changes due to changes in copper price and the US/CDN Dollar exchange rate. These instruments do not meet the criteria for hedge accounting and consequently are measured at their fair values with changes in fair values recorded in income or loss in the period they occur. Fair values for these derivative instruments are determined by counterparties using standard valuation techniques for derivative instruments by reference to current and projected market conditions as of the reporting date.

Financial assets are assessed for indicators of impairment at each financial position reporting date except those measured at fair value through profit and loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant or prolonged decline in the fair value of securities below its cost; or
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Impairment losses are recognized in income or loss in the period they occur based on the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the cost would have been had the impairment not been recognized. At December 31, 2013 and 2012 the Company had no allowance for doubtful accounts as in management's assessment there were
no accounts requiring an allowance.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the actual rate prevailing at the date of transaction. Each reporting period foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of the entity are recognized in the statement of income and comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at the actual rate prevailing at the date of transaction. Equity is translated at historical cost. The resulting translation adjustments are included in cumulative translation adjustment in other comprehensive income. Additionally, foreign exchange gains and losses related to the settlement of certain intercompany loans are also included in equity as the settlement of these loans is neither planned nor likely to occur in the foreseeable future.

Foreign exchange gains and losses that relate to debt are presented in the statement of income and comprehensive income within "Finance Costs". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "General and Administration".

Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the net assets of the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint ventures are recognized as an investment and accounted for using the equity method of accounting.

Joint Operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and whereby each party has rights to the assets and liabilities relating to the arrangement. Joint control is considered to exist when all parties to the joint arrangement are required to reach unanimous consent over decisions about relevant business activities pertaining to the contractual arrangement. Interests in joint operations are accounted for by recognizing the Company's share of assets, liabilities, revenues, and expenses incurred jointly.

Reportable Segmented Information

The Company's operations are primarily directed towards the exploration, development and production from its mineral properties in Canada. The Company has four reportable segments, Mount Polley, including related exploration and development activities, Red Chris, including related exploration and development activities, Huckleberry, including related exploration and development activities and Corporate, including all other properties and related exploration and development activities. Transactions between reportable segments are recorded at fair value.

Share Based Payments

The Company has a share option plan that provides all option holders the right to receive common shares in exchange for the options exercised which is described in Note 13(b). The fair value of each option award that will ultimately vest is estimated on the date of grant using the Black-Scholes option-pricing model. Compensation expense is determined when stock options are granted and recognized in operations over the vesting period of the option. Consideration received on the exercise of stock options is recorded as share capital and the related share-based amounts of share option reserve are credited to share capital.

Borrowing Costs

The Company expenses borrowing costs when they are incurred, unless they are directly attributable to the acquisition of mineral properties or construction of property, plant and equipment extending over a period of more than twelve months.

Income Per Common Share

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed in accordance with the treasury stock method and "if converted" method, as applicable, which uses the weighted average number of common shares outstanding during the period and also includes the dilutive effect of potentially issuable common shares from outstanding stock options.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Interests in Other Entities

As part of its process in determining the classification of its interests in other entities, the Company applies judgment in interpreting these interests such as

- the determination of the level of control or significant influence held by the Company,
- the standard's applicability to the operations,
- the legal structure and contractual terms of the arrangement,
- concluding whether the Company has rights to assets and liabilities or to net assets of the arrangement; and
- when relevant, other facts and circumstances.

The Company has determined that joint control of Huckleberry Mines Ltd. exists as all decisions related to relevant activities require unanimous approval of the board of directors. The Company deems the following relevant activities to be material:

- capital expenditures;
- disposition of assets;
- approval of borrowings;
- approval of the annual and five year plan; and
- loans or guarantees.

In concluding that Huckleberry Mines Ltd. is a joint venture, the Company determined that:

- it is an incorporated company which is a separate vehicle;
- the legal form of the vehicle does not provide the Company with rights to its assets and obligations;
- there are no terms in the shareholder agreement or similar contractual arrangements which provide the Company with rights to its assets and obligations for its liabilities; and
- that other facts and circumstances indicate that Huckleberry Mines Ltd. is not reliant on the Company as its only source of cash flows and therefore does not directly or indirectly have rights to the assets and obligations for its liabilities.

The Company has determined that the Ruddock Creek Joint Venture and the Porcher Island Joint Venture represent joint operations as they are unincorporated entities.

Ore Reserve Estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. There are numerous uncertainties inherent in estimating ore reserves and mineral resources, including many factors beyond the Company's control. Assumptions used in estimating ore reserves and mineral resources include the forecast prices of commodities, exchange rates, production and capital costs, recovery rates and judgments used in engineering and geological interpretation of available data. Assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Estimated ore reserves are used in the calculation of depreciation and depletion, impairment assessment, assessment of life of pit stripping ratios and for forecasting the timing of future site reclamation costs. Therefore, changes in the estimates and assumptions used to determine ore reserves could have a material effect in the future on the Company's financial position and results of operations.

Depletion and Depreciation of Mineral Properties

Depletion and depreciation of mineral properties is based on the estimated mineral reserves for each mineral property subject to depletion and estimated useful lives and depreciation rates for property, plant and equipment. Should asset life, depletion rates or depreciation rates differ from the initial estimate then this would impact the carrying value of the assets resulting in the adjustment being recognized in the consolidated statement of income.

Commencement of Commercial Production

Prior to reaching commercial production, costs, net of revenues, are capitalized to mineral properties. Management considers a number of factors related to the ability of a property to operate at its design capacity over a specified period of time in determining when a property has reached commercial production. These factors include ore production levels as intended by management, plant throughput quantities, recovery rates, and number of uninterrupted days of production.

If any of these factors change then there may be an impact on whether revenue and costs are recorded in the income statement or applied to mineral properties as a cost recovery.

Stripping Costs

The determination of costs associated with the removal of overburden and other mine waste materials involve estimates related to whether or not these costs represent a betterment to the mineral property. Management uses several factors to determine whether to capitalize stripping costs including quantity and grade of materials being accessed, estimated future commodity prices, operating costs and life of mine plan. If any of these factors change then the determination of which materials are included in stripping costs may change resulting in higher mine operating costs in future periods.

Future Site Reclamation Provisions

Future site reclamation provisions represent management's estimate of the present value of future cash outflows required to settle estimated reclamation obligations at the end of a mine's life. The provision incorporates estimated future costs, inflation, and risks associated with the future cash outflows, discounted at the risk free rate for the future cash outflows. Changes in any of these factors can result in a change to future site reclamation provisions and the related accretion of future site reclamation provisions. Changes to future site reclamation provisions are charged or credited to mineral properties and may result in changes to future depletion expense.

Impairment of Mineral Properties

Both internal and external information is reviewed and considered by management in their assessment of whether mineral properties are impaired. In determining the recoverable amounts of producing mineral properties management estimates the discounted future pre-tax cash flows expected to be derived from the Company's producing mineral properties. Reductions in commodities prices, increases in estimated future production and capital costs, reductions in mineral reserves and exploration potential and adverse economic events can result in impairment charges. In determining the economic recoverability and probability of future economic benefit of non-producing mineral properties management also considers geological information, likelihood of conversion of resources to reserves, scoping and feasibility studies, permitting, infrastructure, development costs, and life of mine plans.

Income Taxes

In determining tax assets and liabilities and related tax assets and liabilities and tax expense management makes estimates of future taxable income, tax rates, expected timing of reversals of existing temporary differences and the likelihood that tax returns as filed by the Company will be assessed by taxation authorities as filed. Recoveries of deferred tax assets require management to assess the likelihood that the Company will generate sufficient taxable income in future periods to recognize the deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets could be impacted.

Share Based Compensation

The Company used the Black-Scholes Option Pricing Model for valuation of share based compensation. This pricing model requires the input of subjective assumptions including expected price volatility, interest rate and estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate of share based compensation and the related equity accounts of the Company.

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Canadian dollar is the functional currency for all operations of the Company except for the Company's US subsidiary which uses the US dollar as its functional currency. Determination of the functional currency involves certain judgments to determine the primary economic environment of each entity. If events and conditions in this environment change then the Company may need to reconsider the functional currency of these entities.

Changes in Accounting Standards Not Yet Effective

Financial Instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. At present, the current version of IFRS 9 does not include a mandatory effective date. However IFRS 9 is available for early application. An effective date will be added when all phases of the project are completed. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Levies Imposed by Governments

In May 2013, the IASB issued IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

3. TRADE AND OTHER RECEIVABLES

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Trade receivables	$ 16,563	$ 29,010	$ 17,601
Taxes receivable	244	920	902
	$ 16,807	$ 29,930	$ 18,503

4. INVENTORY

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Stockpile ore	$ 1,372	$ 1,735	$ 1,125
Stockpiles and ore under leach	6,342	-	471
Concentrate	7,675	13,824	19,107
Supplies	11,969	11,196	11,075
	$ 27,358	$ 26,755	$ 31,778

	2013	2012 Note 28
Inventory recognized as expense during the year	$ 92,928	$ 119,585

As at December 31, 2013 the Company had $20,807 (2012 - $28,026) inventory pledged as security for short term debt.

5. INVESTMENT IN HUCKLEBERRY MINES LTD.

The Huckleberry open pit copper/molybdenum mine is located 88 kilometres south-southwest of Houston in west central British Columbia. The Huckleberry property consists of a mining lease covering 1,912 hectares and 38 mineral claims encompassing approximately 16,594 hectares.

The Company has a 50% interest in Huckleberry Mines Ltd. ("Huckleberry") and has determined the joint arrangement qualifies as a joint venture which is accounted for using the equity method.

	December 31 2013	December 31 2012 Note 28
Balance, beginning of year	$ 83,799	$ 78,282
Equity income for the year	8,333	5,517
Balance, end of year	$ 92,132	$ 83,799

Summarized financial information for Huckleberry is as follows (1):

Statement of Financial Position

[stated 100% - Imperial's equity share is 50%]	December 31 2013	December 31 2012	January 1 2012
ASSETS			
Current Assets			
Cash	$ 31,583	$ 19,128	$ 56,802
Short term investments	15,000	50,000	55,000
Other current assets	31,959	39,758	38,132
	78,542	108,886	149,934
Mineral Properties	163,486	112,164	38,972
Other Non-Current Assets	16,501	13,852	24,906
	$ 258,529	$ 234,902	$ 213,812
LIABILITIES			
Current Liabilities			
Trade and other payables	$ 15,267	$ 16,692	$ 12,906
Other current liabilities	12,427	1,032	1,228
	27,694	17,724	14,134
Derivative Instrument Liabilities	-	342	532
Future Site Reclamation Provisions	37,812	44,714	42,582
Other Non-Current Liabilities	8,758	4,524	-
	74,264	67,304	57,248
EQUITY			
Share Capital	57,596	57,596	57,596
Retained Earnings	126,669	110,002	98,968
	184,265	167,598	156,564
	$ 258,529	$ 234,902	$ 213,812

(1) Certain of the financial information of Huckleberry disclosed above has been reclassified to be consistent with the classifications used by the Company. In addition, the Company's equity share of earnings of Huckleberry includes certain adjustments to ensure consistency of accounting policies with those of the Company. These adjustments are reflected in the above figures.

Statement of Income and Comprehensive Income and Retained Earnings

[stated 100% - Imperial's equity share is 50%]	December 31 2013	December 31 2012
Revenue	$ 138,377	$ 117,916
Cost of Sales	(107,189)	(93,154)
Income from Mine Operations	31,188	24,762
General and Administration	940	(1,018)
Finance Costs	(2,746)	(8,369)
Income before Taxes	29,382	15,375
Income and Mining Taxes	(12,717)	(4,340)
Net Income and Comprehensive Income	$ 16,665	$ 11,035

Statement of Cash Flows

[stated 100% - Imperial's equity share is 50%]	December 31 2013	December 31 2012
OPERATING ACTIVITIES		
Net income before taxes	$ 29,382	$ 15,375
Items not affecting cash flows		
Depletion and depreciation	19,724	11,743
Unrealized foreign exchange loss (income)	180	(226)
Unrealized losses on derivative instruments	518	6,396
Gain on sale of mineral properties	-	(45)
Other	488	1,278
	50,292	34,521
Net change in non-cash operating working capital balances	7,950	(8,142)
Income and mining taxes paid	(1,609)	(1,065)
Income and mining taxes received	3,344	6,017
Interest paid	-	(74)
Cash provided by operating activities	59,977	31,257
INVESTING ACTIVITIES		
Sale of short term investments	35,000	5,000
Acquisition and development of mineral properties	(77,679)	(88,309)
Net change in non-cash financing working capital balances	(5,656)	5,902
Proceeds on sale of mineral properties	-	2,282
Other	993	5,965
Cash used in investing activities	(47,342)	(69,160)
EFFECT OF FOREIGN EXCHANGE ON CASH	(180)	226
INCREASE (DECREASE) IN CASH	12,455	(37,677)
CASH, BEGINNING OF YEAR	19,128	56,805
CASH, END OF YEAR	$ 31,583	$ 19,128

(a) Mineral Properties

	Cost	Accumulated Depletion, Depreciation and Impairment Losses	Net Carrying Amount
Balance January 1, 2012	$ 330,546	$ 291,574	$ 38,972
Additions	91,216	-	91,216
Depletion & Depreciation	-	15,788	(15,788)
Disposals	(3,300)	(1,064)	(2,236)
Balance December 31, 2012	418,462	306,298	112,164
Additions	75,562	-	75,562
Depletion & Depreciation	-	24,240	(24,240)
Disposals	(866)	(866)	-
Balance December 31, 2013	$ 493,158	$ 329,672	$ 163,486

Refer to notes 5(c) and (f) for pledged assets and contractual commitments.

IMPERIAL METALS CORPORATION | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012 [expressed in thousands of Canadian dollars, except share amounts]

(b) Derivative Instruments

Security deposits required to be paid by Huckleberry to counterparties are calculated based on the fair value of the derivative instrument on each trading date, net of the credit facility provided by the counterparties. At December 31, 2013, security deposits totaled $nil (December 31, 2012-$nil; January 1, 2012-$nil).

Option contracts outstanding at December 31, 2013 for copper are as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/lb	US$/lb	lbs of copper	lbs of copper
Contract Period 2014	$ 3.30	$ 4.10	3,968,000	3,968,000

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper on the London Metals Exchange and the copper price specified in the put/call option contract.

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper on the London Metal s Exchange and the forward copper price specified in the contract.

(c) Pledged Assets

At December 31, 2013, Huckleberry had pledged cash deposits of $12,165 (December 31, 2012-$12,166; January 1, 2012-$12,228) included in other assets and certain mining equipment with a net book value of $10,843 (December 31, 2012-$10,904; January 1, 2012-$nil) as security for future site reclamation obligations.

(d) Future Site Reclamation Provisions

Changes to the future site reclamation provisions are as follows:

	December 31 2013	December 31 2012
Balance, beginning of year	$ 45,260	$ 42,982
Accretion	1,525	1,612
Costs incurred during the year	(1,038)	(332)
Change in estimates of future costs	(6,725)	998
Balance, end of year	39,022	45,260
Less portion due within one year	(1,210)	(546)
	$ 37,812	$ 44,714

(e) Reclamation Bonding Obligations

Huckleberry is obligated to increase its reclamation bond funding as follows:

2014	$ 18,000
2015	6,000
2016	5,000
	$ 29,000

(f) Commitments

As at December 31, 2013, Huckleberry is committed to future minimum operating lease payments as follows:

2014	$ 90
2015	77
2016	77
2017	7
2018	7
	$ 258

(g) Subsequent Event

Refer to Note 27(c) regarding physical failure of SAG mill.

6. MINERAL PROPERTIES

Cost	Mineral Properties being depleted	Projects not in Production (Mineral Properties not being depleted)	Exploration and Evaluation Assets (Mineral Properties not being depleted)	Plant and Equipment	Construction in Progress	Total Note 28
Balance as at January 1, 2012	$ 126,181	$ 139,227	$ 37,070	$ 196,323	$ 5,464	$ 504,265
Additions	2,191	9,584	3,739	27,480	107,889	150,883
Reclassifications	10,043	(10,043)	-	-	-	-
Disposals	-	-	(10)	(4,769)	-	(4,779)
Foreign exchange movement	(141)	-	(448)	(76)	-	(665)
Balance as at December 31, 2012	138,274	138,768	40,351	218,958	113,353	649,704
Additions	33,596	11,007	1,091	60,527	295,599	401,820
Reclassifications	33,270	(9,533)	(23,737)	-	-	-
Disposals	-	(38)	(7)	(3,015)	-	(3,060)
Foreign exchange movement	458	-	1,426	430	-	2,314
Balance as at December 31, 2013	$ 205,598	$ 140,204	$ 19,124	$ 276,900	$ 408,952	$ 1,050,778

Accumulated depletion & depreciation & impairment losses	Mineral Properties being depleted	Projects not in Production (Mineral Properties not being depleted)	Exploration and Evaluation Assets (Mineral Properties not being depleted)	Plant and Equipment	Construction in Progress	Total Note 28
Balance as at January 1, 2012	$ 80,562	$ -	$ 1,649	$ 114,550	$ -	$ 196,761
Depletion & depreciation	5,644	-	-	9,773	-	15,417
Disposals	-	-	(4)	(4,726)	-	(4,730)
Foreign exchange movement	(114)	-	-	(34)	-	(148)
Balance as at December 31, 2012	86,092	-	1,645	119,563	-	207,300
Depletion & depreciation	8,248	-	-	12,846	-	21,094
Disposals	-	-	-	(3,012)	-	(3,012)
Foreign exchange movement	447	-	-	126	-	573
Balance as at December 31, 2013	$ 94,787	$ -	$ 1,645	$ 129,523	$ -	$ 225,955
Carrying Amount						
Balance as at January 1, 2012	$ 45,619	$ 139,227	$ 35,421	$ 81,773	$ 5,464	$ 307,504
Balance as at December 31, 2012	$ 52,182	$ 138,768	$ 38,706	$ 99,395	$ 113,353	$ 442,404
Balance as at December 31, 2013	$ 110,811	$ 140,204	$ 17,479	$ 147,377	$ 408,952	$ 824,823

At December 31, 2013 the Company had contractual commitments totaling $81,624 (2012-$124,105) for the acquisition of property, plant and equipment (Note 25(c)). At December 31, 2013 mineral property assets with a carrying value of $1,370 (2012-$1,370) are legally restricted for the purposes of settling future site reclamation provisions (Note 25(b)).

During the year ended December 31, 2013 the Company capitalized borrowing costs of $9,572 (2012-$1,380) related to the Red Chris project into construction in progress at a weighted average borrowing rate of 4.43% (2012-3.67%).

Mount Polley

The Company owns 100% of the Mount Polley open pit copper/gold mine located 56 kilometres northeast of Williams Lake in central British Columbia. The Mount Polley property covers 18,774 hectares, which consists of seven mining leases totalling 2,007 hectares, and 42 mineral claims encompassing 16,767 hectares.

Huckleberry

The Company owns 50% (Note 5) of the Huckleberry open pit copper mine located 88 kilometres south-southwest of Houston in west central British Columbia. The Huckleberry property covers 19,779.9 hectares, which consists of two mining leases covering 2,421.7 hectares and 39 min eral claims encompassing approximately 17,358.2 hectares.

Red Chris

The Company owns 100% of the Red Chris copper/gold deposit situated 18 kilometres southeast of the village of Iskut in northwest British Columbia.

The Red Chris property covers a total area of 29,568.45 hectares and is comprised of five 30 year mining leases covering 5,141 hectares and 85 mineral claims encompassing 24,427.45 hectare s. The Red Chris project was issued a Mines Act permit in May 2012 by the Province of British Columbia. The development of the Red Chris project into a mine will coincide with the construction of a power line to service the northwest portion of British Columbia, now underway, and expected to be completed end of May 2014. A net smelter royalty of 1.0% is payable on production.

Sterling

The Company owns 100% of the Sterling gold mine near Beatty, Nevada. The Sterling mine operated as both an underground and open pit mine from 1980 to suspension of mining operations in 1997. Certain parts of the Sterling property have been reclaimed. The main Sterling property consists of 272 lode mining claims plus one water well site. Net smelter royalties of 2.25% are payable on production with minimum advance roy alties on a small portion of these claims.

Ruddock Creek

The Company owns 50% of the Ruddock Creek zinc/lead deposit located approximately 155 kilometres northeast of Kamloops in south central British Columbia. The Ruddock Creek property consists of 26 mineral claims totalling 15,127 hectares. A net smelter royalty of 1% is payable on production.

During 2012 Itochu Corporation and Mitsui Mining and S melting Co. Ltd. ("Itochu/Mitsui") completed the earn-in on the property pursuant to a Memorandum of Understanding signed in July 2010 whereby they had the option to earn a 50% interest in the property by providing $20,000 in exploration and development funding on or before December 31, 2013. The Ruddock Creek property and certain related assets and liabilities form the Ruddock Creek Joint Venture ow ned by the Company, Itochu and Mitsui (Note 20).

Other Exploration Properties

The Company has interests in various other early stage exploration properties located primarily in Canada. These properties have been acquired primarily by staking and the cost to maintain ownership of these properties is not significant.

7. OTHER ASSETS

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Future site reclamation deposits	$ 3,077	$ 7,147	$ 6,238
Other	1,419	873	177
	$ 4,496	$ 8,020	$ 6,415

8. TRADE AND OTHER PAYABLES

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Trade payables	$ 38,930	$ 26,737	$ 11,300
Accrued liabilities	27,581	11,209	10,120
	$ 66,511	$ 37,946	$ 21,420

9. SHORT TERM DEBT

Amounts due for short term debt facilities are:

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Bank loan facilities aggregating $150,000 (December 31, 2012 -$150,000, January 1, 2012 -$75,000) secured by trade and other receivables, inventory, shares of certain subsidiaries and a floating charge on certain assets of the Company. The loan amount in excess of $75,000 is guaranteed by a related party (Note 21). The facility is due on demand and matures on December 31, 2013. A portion of the facility has been utilized for letters of credit pledged for settlement of future site reclamation provisions (Note 25(b)).			
(i) Bankers Acceptances with a maturity value of $120,000 (December 31, 2012-$75,000; January 1, 2012-$27,000)	$ 119,980	$ 74,846	$ 26,940
(ii) Bank loan	-	11,519	-
(iii) Cheques issued in excess of funds on deposit to be funded from the loan facility	12,430	6,038	-
	$ 132,410	$ 92,403	$ 26,940

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

	December 31 2013	December 31 2012 Note 28
Balance, beginning of year	$ 92,403	$ 26,940
Amounts advanced	488,870	360,240
Amounts repaid	(449,347)	(294,818)
Foreign exchange losses	484	41
Balance, end of year	$ 132,410	$ 92,403

10. NON-CURRENT DEBT

Amounts due for non-current debt are:

		December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Line of credit facility from a related party (Notes 21 and 27(a)) aggregating $200,000 (December 31, 2012-$nil; January 1, 2012-$nil) unsecured and due on January 1, 2015 with interest payable monthly at 7% per annum		$ 195,000	$ -	$ -
Equipment Loans				
Finance Contract – Mount Polley Mine	(a)	6,789	7,810	-
Finance Contract – Mount Polley Mine	(b)	3,713	-	-
Finance Contract – Mount Polley Mine	(c)	3,915	-	-
Finance Contract – Mount Polley Mine	(d)	4,698	-	-
Finance Contract – Mount Polley Mine	(e)	471	-	-
Finance Contract – Red Chris Mine	(f)	10,127	-	-
Finance Contract – Red Chris Mine	(g)	19,669	-	-
Finance Contract – Mount Polley Mine	(h)	-	32	327
Finance Contract – Mount Polley Mine	(i)	-	175	654
Finance Contract – Mount Polley Mine	(j)	-	324	552
Finance Contract – Mount Polley Mine	(k)	-	-	278
		49,382	8,341	1,612
		244,382	8,341	1,612
Less portion due within one year		(10,373)	(1,908)	(1,081)
		$ 234,009	$ 6,433	$ 531

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

	December 31 2013	December 31 2012 Note 28
Balance, beginning of year	$ 8,341	$ 1,612
Amounts advanced (Notes 19(b)(i))	249,375	8,620
Foreign exchange loss (gain)	1,929	(224)
Amounts repaid	(15,263)	(1,667)
Balance, end of year	244,382	8,341
Less portion due within one year	(10,373)	(1,908)
	$ 234,009	$ 6,433

(a) Finance contract for US$6,383 (December 31, 2012-US$7,850; January 1, 2012-US$nil) repayable in monthly installments of US$140 until July 2015 and US$171 for the 24 months thereafter including interest at a fixed rate of 2.89% and secured by the financed equipment.

(b) Finance contract for US$3,491 (December 31, 2012-US$nil; January 1, 2012-US$nil) repayable in monthly instalments of US$71 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(c) Finance contract for US$3,681 (December 31, 2012-US$nil January 1, 2012-US$nil) repayable in monthly instalments of US$71 including interest at a fixed rate of 2.50% and secured by the financed assets.

(d) Finance contract for US$4,417 (December 31, 2012-US$nil January 1, 2012-US$nil) repayable in monthly in stalments of US$84 including interest at a fixed rate of 2.50% and secured by the financed equipment.

(e) Finance contract for US$443 (December 31, 2012-US$nil January 1, 2012-US$nil) repayable in monthly instalments of US$8 including interest at a fixed rate of 2.50% secured by the financed equipment.

(f) Finance contract for US$9,521 (December 31, 2012-US$nil January 1, 2012-US$nil) repayable in mon thly instalments of US$197 including interest secured by the financed assets.

(g) Finance contract for US$18,493 (December 31, 2012-US$nil January 1, 2012-US$nil) repayable in monthly instalments of US$340 at a fixed interest rate of 2.57% and secured by the financed equipment.

(h) Finance contract for $nil (December 31, 2012-$32 January 1, 2012-US$327) repayable in monthly installments of $25 includi ng interest at Bank Prime Rate plus 2% (2012-2%) and secured by the financed equipment.

(i) Finance contract for $nil (December 31, 2012-$175 January 1, 2012-US$454) repayable in monthly installments of $25 including interest at Bank Prime Rate plus 2% (2012-2%) and secured by the financed equipment.

(j) Finance contract for $nil (December 31, 2012-$324 January 1, 2012-US$552) repayable in monthly in stallments of $21 including interest at a fixed rate of 5.25% and secured by the financed equipment.

(k) Finance contract for US$nil (December 31, 2012-US$nil; January 1, 2012-US$274) repayable in monthly instalments of US$31 until August 2012 including interest at a fixed rate of 4.85% and secured by certain mobile mining equipment at the Mount Polley mine.

11. FUTURE SITE RECLAMATION PROVISIONS

The Company has recognized provisions for future site reclamation provisions at its Mount Polley, Huckleberry, Red Chris, Sterling and Ruddock Creek properties. Although the ultimate amounts of the future site reclamation provisions are uncertain, the fair value of these obligations is based on information currently available, including closure plans and applicable regulations. The amounts and timing of closure plans for the mineral properties will vary depending on a number of factors including exploration success and alternative mining plans. Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs.

Changes to the future site reclamation provisions, excluding Huckleberry (Note 5(d)), are as follows:

	December 31 2013	December 31 2012 Note 28
Balance, beginning of year	$ 12,397	$ 9,212
Accretion (Note 16)	307	292
Costs incurred during the year	(200)	(145)
Change in estimates of future costs and effect of translation of foreign currencies	3,541	3,038
Balance, end of year	16,045	12,397
Less portion due within one year	(285)	(400)
	$ 15,760	$ 11,997

The total undiscounted amount of estimated future cash flows required to settle the obligations is $20,425 (December 31, 2012-$12,938). The estimated future cash flows were then adjusted using a 2% rate of inflation. The estimated future cash flows have been discounted using a rate of 4.20% (2012-2.37%).

The obligations are expected to be settled primarily in the years 2014 through 2041.

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 25(b) and (d) for assets pledged and legally restricted for the purposes of settling future site reclamation provisions.

12. DERIVATIVE INSTRUMENTS

From time to time, the Company purchases put options, sells call options, and enters into forward sales contracts to manage its exposure to changes in copper and gold prices. There is no master netting agreement which allows for the Company to offset gains and losses from the various contracts.

All of the Company's derivative instrument contracts are settled on a financial basis. No physical sale or transfer of copper or gold will take place pursuant to the contracts.

At December 31, 2013, the Company had entered into various contracts to protect the cash flow from Mount Polley against a decline in the price of copper and gold. These contracts do not qualify for hedge accounting and therefore the Company accounts for these contracts as derivative instruments and records changes in the unrealized gains or losses on these contracts through profit and loss each period and records the fair value of these derivative instruments as an asset or liability at each reporting date. The fair value of these financial instruments has been recorded as either an asset or a liability as of December 31, 2013 depending on the attributes of the contracts.

Option contracts outstanding at December 31, 2013 for copper are as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/lb	US$/lb	lbs of copper	lbs of copper
Contract Period 2014	$ 2.90	$ 3.67	22,267,000	22,267,000

Option contracts outstanding at December 31, 2013 for gold are as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/lb	US$/lb	lbs of gold	lbs of gold
Contract Period 2014	$ 1,239	$ 1,407	31,700	31,700

The Company will receive/pay the counterparty the difference between the monthly average cash settlement price of copper and gold on the London Metals Exchange and the copper and gold price specified in the put/call option contract.

From January 1 to March 26, 2014 the Company entered into option contracts for gold as follows:

	Weighted Average			
	Minimum Price	Maximum Price	Put Options Purchased	Call Options Sold
	US$/lb	US$/lb	lbs of gold	lbs of gold
Contract Period 2015	$ 1,250	$ 1,415	36,000	36,000

The Company will receive/pay the counterparty the difference between the monthly average p.m. gold fix on the London Metals Exchange and the gold price specified in the put/call option contract.

13. SHARE CAPITAL

(a) Share Capital

Authorized

50,000,000 First Preferred shares without par value with special rights and restrictions to be determined by the directors (outstanding – nil)

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

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 December 31, 2013 a total of 4,882,902 common share options remain available for grant under the plans. Under the plans, the exercise price of each option equals 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:

	2013		2012	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,014,968	$ 8.13	3,354,234	$ 8.11
Exercised	(356,268)	$ 6.76	(235,600)	$ 6.18
Forfeited	(76,000)	$ 9.38	(66,000)	$ 8.95
Expired	-	$ -	(37,666)	$ 17.10
Outstanding at end of year	2,582,700	$ 8.28	3,014,968	$ 8.13
Options exercisable at end of year	1,962,700	$ 7.44	1,700,968	$ 7.17

The following table summarizes information about the Company's share options outstanding at December 31, 2013:

	Options Outstanding		Options Exercisable	
Exercise Prices	Remaining Options Outstanding	Contractual Life in Years	Remaining Options Outstanding	Contractual Life in Years
$ 4.41	1,002,300	5.00	1,002,300	5.00
$ 5.93	228,400	6.00	160,400	6.00
$ 11.55	1,352,000	6.79	800,000	6.79
	2,582,700	6.02	1,962,700	5.81

For share options exercised during the year ended December 31, 2013, the weighted average share price at the date of exercise was $12.47 (2012-$14.71).

(c) Normal Course Issuer Bid ("NCIB")

During the year ended December 31, 2013 the Company had two NCIB's. The first NCIB, the 2012/2013 bid, covered the period October 12, 2012 to October 11, 2013. Pursuant to the 2012/2013 NCIB, the Company was authorized by the TSX to purchase up to 2,006,120 common shares of the Company with daily purchases not to exceed 14,560 common shares, subject to certain prescribed exceptions.

On October 10, 2013 the TSX accepted for filing the Company's Notice for its 2013/2014 NCIB to be transacted through the facilities of the TSX.

Pursuant to the 2013/2014 NCIB, the Company may purchase up to 2,012,378 common shares, which represents approximately 2.7% of the total 74,532,518 common shares of the Company issued and outstanding as of October 2, 2013. Purchases will be made, at the

discretion of the Company at prevailing market prices, commencing October 15, 2013 and ending no later than October 14, 2014. Pursuant to TSX policies, daily purchases made by the Company will not exceed 11,258 common shares or 25% of the Company's average daily trading volume of 45,034 common shares on the TSX, subject to certain prescribed exceptions. The shares acquired under the 2013/2014 NCIB will either be cancelled or used to satisfy the Company's obligations under its Non-Management Directors' Plan. The funding for any purchase pursuant to the 2013/2014 NCIB will be financed out of the working ca pital of the Company.

In the year ended December 31, 2013 the Company repurchased 9,200 common shares at an average price of $12.63 per share pursuant to the NCIB's at a cost of $116. A total of 9,200 common shares have been allocated to the Company's obligation under the Non-Management Directors Plan.

14. COST OF SALES

	2013	2012 Note 28
Operating expenses	$ 66,181	$ 86,718
Salaries, wages and benefits	38,429	40,007
Depletion and depreciation	18,813	15,523
Share based compensation	123	214
	$ 123,546	$ 142,462

15. GENERAL AND ADMINISTRATION COSTS

	2013	2012 Note 28
Administration	$ 5,317	$ 5,122
Share based compensation	1,556	2,731
Depreciation	99	77
Foreign exchange loss	60	638
	$ 7,032	$ 8,568

16. FINANCE (COSTS) INCOME

	2013	2012 Note 28
Accretion of future site reclamation provisions	$ (307)	$ (292)
Interest on non-current debt	(1)	(165)
Other interest expense	(514)	(503)
Financing fees	(2)	(198)
Foreign exchange loss on current debt	(484)	(41)
Foreign exchange (loss) gain on non-current debt	(1,928)	224
Fair value adjustment to marketable securities	(497)	209
Realized gains (losses) on derivative instruments	92	(416)
Unrealized gains (losses) on derivative instruments	1,475	(2,377)
	(2,166)	(3,559)
Interest income	299	152
Finance costs	$ (1,867)	$ (3,407)

17. INCOME AND MINING TAXES

Effective April 1, 2013 the British Columbia provincial tax rate increased from 10% to 11% and the Canadian federal corporate tax rate remained unchanged at 15%.

The reported income tax provision differs from the amounts computed by applying the Canadian federal and provincial statutory rates to the income before income taxes due to the following reasons:

	2013		2012 Note 28	
	Amount	%	Amount	%
Income before taxes	$ 63,757	100.0	$ 51,166	100.0
Income tax expense thereon at statutory rates	16,449	25.8	12,791	25.0
Increase (decrease) resulting from:				
Equity income in Huckleberry	(2,150)	(3.4)	(1,379)	(2.7)
Deferred income tax assets not recognized (recognized)	253	0.4	(616)	(1.2)
Impact of changes in tax rates	1,929	3.0	-	-
Non-deductible share based compensation	432	0.7	736	1.4
B.C. mineral taxes	4,926	7.7	8,035	15.7
Other	964	1.6	(1,027)	(2.0)
Income and mining taxes	$ 22,803	35.8	$ 18,540	36.2
Current income and mining taxes [(1)]	$ 2,497		$ 7,285	
Deferred income and mining taxes	20,306		11,255	
	$ 22,803		$ 18,540	

(1) including charges (recoveries) of $809 (2012-($87)) in respect of prior year taxes

There are no tax charges or credits against other comprehensive income or directly to equity. In the year ended December 31, 2013 $336 (December 31, 2012-$2,019) of investment tax credits were recorded that do not affect deferred income and mining tax expense.

Deferred income and mining tax assets and liabilities are as follows:

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Deferred income and mining tax assets			
Mineral properties	$ -	$ 640	$ -
Mineral properties – mineral taxes	-	-	303
Net operating tax losses carried forward	-	132	62
Other	-	921	3,964
	-	1,693	4,329
Deferred income and mining tax liabilities			
Mineral properties	73,950	56,841	50,407
Mineral properties – mineral taxes	10,526	6,453	-
Timing of partnership items	5,137	6,533	7,613
Derivative instruments	420	43	637
Other	727	2,313	2,888
	90,760	72,183	61,545
Net deferred income and mining tax liabilities	$ (90,760)	$ (70,490)	$ (57,216)

As at December 31, 2013 the Company had net operating tax loss carry forwards in Canada of $1,354 which can be applied to reduce future Canadian taxable income and will expire between 2014 and 2034. In addition, the Company had net operating tax loss carry forwards in the United States of US$24,354 which can be applied to reduce future US taxable income and will expire in 2023 to 2032.

The Company had the following temporary differences, unused tax losses and unused tax credits at December 31, 2013 in respect of which no deferred tax asset has been recognized:

	Mineral Properties & Other	Tax Losses	Tax Credits	Total
Expiry 2014	$ -	$ 177	$ -	$ 177
Expiry 2015-2019	-	-	-	-
Expiry 2020 and beyond	-	5,814	223	6,037
No expiry date	375	2,011	-	2,386
	$ 375	$ 8,002	$ 223	$ 8,600

18. INCOME PER SHARE

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

	2013	2012
Numerator:		
Net Income	$ 40,954	$ 32,626
Denominator:		
Basic weighted-average number of common shares outstanding	74,466,539	74,267,136
Effect of dilutive securities:		
Stock options	862,773	1,180,587
Diluted weighted-average number of common shares outstanding	75,329,312	75,447,723
Basic net income per common share	$ 0.55	$ 0.44
Diluted net income per common share	$ 0.54	$ 0.43

Excluded from the calculation of diluted net income per common share for the year ended December 31, 2013 were nil shares (December 31, 2012–nil shares) related to stock options which are anti-dilutive.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2013	2012 Note 28
Trade and other receivables	$ 12,459	$ (11,163)
Inventory	40	4,055
Derivative instrument assets	84	(84)
Prepaid expenses and deposits	(64)	(636)
Trade and other payables	(332)	(2,419)
Derivative instrument liabilities	(176)	102
	$ 12,011	$ (10,145)

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

During the year ended December 31, 2013

(i) the Company purchased certain property, plant and equipment at a cost of $38,936 which was financed by long term debt (Notes 10(b),(c),(f) and (g)).

(ii) the Company received marketable securities with a fair value of $3 as sales proceeds and option payments on mineral properties.

During the year ended December 31, 2012

(i) the Company purchased mobile mining equipment at a cost of $8,620 which was financed by long term debt (Note 10(a)).

(ii) the Company received marketable securities with a fair value of $645 as sales proceeds and option payments on mineral properties.

20. JOINT OPERATIONS

Included in the consolidated financial statements are the following amounts representing the Company's interests in joint operations consisting primarily of a 50% interest in the Ruddock Creek Joint Venture (Notes 6 and 21) and a 35% interest in the Porcher Island Joint Venture:

Statements of Financial Position

	December 31 2013	December 31 2012 Note 28	January 1 2012 Note 28
Current Assets			
Cash	$ 439	$ 45	$ -
Other current assets	8	227	-
	447	272	-
Mineral properties	12,372	11,816	12,013
Other non-current assets	45	25	50
	12,864	12,113	12,063
Current Liabilities			
Trade and other payables	(45)	(170)	-
Non-current future site reclamation provisions	(216)	(299)	(500)
	$ 12,603	$ 11,644	$ 11,563

Statements of Cash Flows

	2013	2012 Note 28
Cash provided by financing activities	$ 1,337	$ -
Cash used in investing activities	(943)	45
Increase in cash	$ 394	$ 45

The Company's interest in the Ruddock Creek mineral property was reduced to 50% during the year ended December 31, 2012 upon formation of the Ruddock Creek Joint Venture as described further in Note 6. There have been no operations since inception of the Ruddock Creek Joint Venture as the joint operations is currently in the exploration stage.

There have been no operations since the inception of the Porcher Island Joint Venture as the joint operation is currently in the exploration stage.

21. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Imperial Metals Corporation and its subsidiaries and joint ventures listed in the following tables:

	Country of Incorporation	% equity interest as at December 31 2013	December 31 2012	January 1 2012
Subsidiaries				
416898 BC Ltd.	Canada	100%	100%	100%
American Bullion Minerals Ltd.	Canada	100%	100%	100%
Bethlehem Resources Corporation	Canada	100%	100%	100%
Catface Copper Mines Limited	Canada	100%	100%	100%
CAT-Gold Corporation	Canada	100%	100%	100%
Edziza Power Corporation	Canada	n/a*	100%	n/a*
Goldstream Mining Corporation	Canada	100%	100%	100%
HML Mining Inc.	Canada	100%	100%	100%
High G Minerals Corporation	Canada	100%	100%	100%
Highway 37 Power Corp.	Canada	100%	100%	n/a*
Mount Polley Mining Corporation	Canada	100%	100%	100%
Princeton Exploration Ltd.	Canada	100%	100%	100%
Red Chris Development Company Ltd.	Canada	100%	100%	100%
Ruddock Creek Mining Corporation	Canada	100%	100%	100%
Selkirk Metals Corp.	Canada	100%	100%	100%
Sterling Gold Mining Corporation	USA	100%	100%	100%
Joint Arrangements				
Huckleberry Mines Ltd.	Canada	50%	50%	50%
Ruddock Creek Joint Venture	Canada	50%	50%	65%
Porcher Island Joint Venture	Canada	35%	35%	35%

*Not Applicable

Related party transactions and balances with a company controlled by a significant shareholder, a significant shareholder, and a company in which a director is an owner are as follows:

	2013	2012
Cost of sales	$ 17	$ 6
Loan guarantee fee for guarantee of portion of bank loan facility (Note 9)	$ 473	$ 72
Financing fees	$ 1,000	$ -
Interest expense	$ 3,715	$ -
Non-current debt (Note 10)	$ 195,000	$ -

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.

22. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the year ended December 31, 2013 and 2012 are as follows:

	2013	2012
Short term benefits (1)	$ 1,841	$ 1,754
Share based payments (2)	$ -	$ -

(1) Short term employee benefits include salaries, estimated bonuses payable within six months of the Statement of Financial Position date and other annual employee benefits. Directors and other key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2013 and 2012.
(2) Share-based payments are the fair value of options granted to directors and other key management personnel.

23. REPORTABLE SEGMENTED INFORMATION

The Company operates primarily in Canada. Except for assets, comprised primarily of the Sterling mine, totalling $33,470 as at December 31, 2013 (December 31, 2012-$30,818; January 1, 2012-$24,896) located in the United States, all of its assets are located in Canada. The Company's reportable segments reflect the internal reporting used by the Company's management to report to the chief operating decision maker.

At December 31, 2013:

- The Company has five reportable segments each including related exploration and development activities; Mount Polley, Huckleberry, Red Chris, Sterling and Corporate. Transactions between reportable segments are recorded at fair value.
- The Mount Polley and Huckleberry segments were in commercial production and are earning revenue through the sale of copper and molybdenum concentrate and other minerals and services to external customers.
- The Sterling segment commenced commercial production as of March 1, 2013. Recovery of gold from the ore placed on the heaps during the preproduction period to March 1, 2013 was completed in July 2013 with revenue from the preproduction period ore applied to development costs. Thereafter revenue from the sale of commercial production ore is recorded in the consolidated statement of income.
- The Red Chris segment has yet to achieve commercial production.
- The Corporate segment does not include any properties that have achieved commercial production, and earns minimal revenue as finance income.

The Company's reportable segments are summarized in the following table:

Year Ended December 31, 2013	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$ 180,883	$ -	$ 6,171	$ -	$ 6,030	$ 193,084
Less inter-segment revenues	-	-	(125)	-	(5,154)	(5,279)
Revenues from external sources	$ 180,883	$ -	$ 6,046	$ -	$ 876	$ 187,805
Depletion and Depreciation	$ 16,254	$ -	$ 2,128	$ -	$ 530	$ 18,912
Finance (Costs) Income	$ 99	$ -	$ (63)	$ (1,115)	$ (788)	$ (1,867)
Equity Income in Huckleberry	$ -	$ 8,333	$ -	$ -	$ -	$ 8,333
Net Income (Loss)	$ 28,220	$ 8,333	$ 163	$ (901)	$ 5,139	$ 40,954
Capital Expenditures	$ 74,494	$ -	$ (1,697)	$ 323,501	$ 909	$ 397,207
Investment in Huckleberry Mines Ltd.	$ -	$ 92,132	$ -	$ -	$ -	$ 92,132
Total Assets	$ 235,272	$ 92,132	$ 33,470	$ 589,696	$ 24,881	$ 975,451
Total Liabilities	$ 237,148	$ -	$ 2,825	$ 91,274	$ 226,040	$ 557,287

Year Ended December 31, 2012 Note 28	Mount Polley	Huckleberry Note 5	Sterling	Red Chris	Corporate	Total
Reportable segmented revenues	$ 197,859	$ -	$ 80	$ -	$ 2,923	$ 200,862
Less inter-segment revenues	(918)	-	(80)	-	(491)	(1,489)
Revenues from external sources	$ 196,941	$ -	$ -	$ -	$ 2,432	$ 199,373
Depletion and Depreciation	$ 15,112	$ -	$ -	$ -	$ 488	$ 15,600
Finance (Costs) Income	$ (13,229)	$ -	$ (79)	$ (1)	$ 9,902	$ (3,407)
Equity Income in Huckleberry	$ -	$ 5,517	$ -	$ -	$ -	$ 5,517
Net Income (Loss)	$ 25,740	$ 5,517	$ (58)	$ 403	$ 1,024	$ 32,626
Capital Expenditures	$ 29,531	$ -	$ 6,203	$ 111,444	$ 716	$ 147,894
Investment in Huckleberry Mines Ltd.	$ -	$ 83,799	$ -	$ -	$ -	$ 83,799
Total Assets	$ 189,615	$ 83,799	$ 30,818	$ 271,307	$ 24,809	$ 600,348
Total Liabilities	$ 152,254	$ -	$ 3,187	$ 22,950	$ 51,008	$ 229,399

There were no impairment losses recognized during the years ended December 31, 2013 and 2012.

	2013	2012 Note 28
Revenue by geographic area		
Japan	$ 90,174	$ 109,297
United States	96,173	87,457
Europe	-	(284)
Canada	1,458	2,903
	$ 187,805	$ 199,373

Revenues are attributed to geographic area based on country of customer.

In the year ended December 31, 2013, the Company had three principal customers (December 31, 2012–three principal customers) with each customer accounting for 48%, 25% and 24% of revenues (December 31, 2012–34%, 22% and 21% of revenues). 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, containing copper, gold and silver, which is sold at prices quoted on the London Metals Exchange.

The Company sells all of its concentrate and gold production to third party smelters and traders. The Company's revenue from operations by major product and service are as follows:

	2013	2012 Note 28
Copper	$ 114,097	$ 111,323
Gold	69,734	81,988
Silver	2,553	3,159
Other	1,421	2,903
	$ 187,805	$ 199,373

Huckleberry sells its copper concentrate to smelters owned by the Company's joint venture partners in Huckleberry (Note 5).

24. FINANCIAL INSTRUMENTS, INTEREST RATE AND CREDIT RISK

During the year the Company examined the various financial instrument risks to which it is exposed and assessed the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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 2012.

The ca pital structure of the Company consists of short term debt, credit facilities, including credit facilities with counterparties related to derivative instruments, non-current debt, and equity comprised of share capital, share option reserve, currency translation adjustment and retained earnings.

The Company is in compliance with the debt covenants related to its short term debt, credit facilities with counterparties, and non-current debt.

Credit Risk

The Company's credit risk is limited to cash, trade and other receivables, future site reclamation deposits and derivative instruments in the ordinary course of business. The credit risk of cash and future site reclamation deposits is mitigated by placing funds in financial institutions with high credit quality.

The Company sells to a limited number of smelters and traders. These customers are large, well capitalized and diversified multinationals, and credit risk is considered to be minimal. The balance of trade receivables owed to the Company in the ordinary course of business is significant and the Company often utilizes short term debt facilities with customers to reduce the net credit exposure.

The Company enters into derivative instrument s with a number of counterparties to limit the amount of credit risk associated with any one counterparty.

The Company's maximum exposure to credit risk at December 31, 2013 is as follows:

	2013	2012 Note 28
Cash	$ 3,095	$ 2,800
Marketable securities	1,063	1,557
Trade and other receivables	16,807	29,930
Derivative instrument assets	3,473	1,250
Future site reclamation deposits	3,077	7,147
	$ 27,515	$ 42,684

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 noted above, to provide th e necessary cash to meet projected cash requirements. At December 31, 2013 the Company's primary sources of credit are short term debt secured by concentrate inventory, a $150,000 line of credit with a financial institution and a $200,000 line of credit facility with a related party.

The Company also holds derivative instruments, its investment in Huckleberry, mineral property holdings and marketabl e 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, budgeti ng and liquidity analysis process, these items are not relied upon to provide operational liquidity. The Company does not hold any Master Asset Vehicle Notes.

The Company's overall liquidity risk increased from 2012 as the Company faced higher than normal capital expenditures in 2013 and into 2014 related to the development of the Red Chris mine. In March 2014 the Company completed long term financin g to fund the development of Red Chris (Note 27 (b)) thereby reducing the liquidity risk. Liquidity risk is also impacted by credit risk should a counterparty default on its payments to the Company.

The amount of cash currently generated by the Company's operations may not be sufficient to fund projected levels of exploration and development activity and associated overhead costs. The Company may then be dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available on terms acceptable to the Company or at all.

The Company had the following contractual obligations with respect to financial instruments as of December 31:

					2013	2012 Note 28
	Within 1 Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total	Total
Trade and other payables	$ 66,511	$ -	$ -	$ -	$ 66,511	$ 37,946
Derivative instrument liabilities	1,735	-	-	-	1,735	1,079
Short term debt	132,410	-	-	-	132,410	92,403
Non-current debt	10,373	217,211	16,798	-	244,382	8,341
	$ 211,029	$ 217,211	$ 16,798	$ -	$ 445,038	$ 139,769

Currency Risk

Financial instruments that impact the Company's net income and comprehensive income due to currency fluctuations include US dollar denominated cash, trade and other receivables, derivative instrument assets and margin deposits, reclamation deposits, trade and other payables, derivative instrument liabilities, and short term debt. If the US Dollar h ad been 10% higher/lower and all other variables were held constant, net income for these financial instruments for the year ended December 31, 2013 would have been higher/lower by $2,194.

Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings. At December 31, 2013 the majority of the Company's outstanding borrowings are at fixed interest rates. The Company monit ors 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. The weighted average interest rate paid by the Company in the year ended December 31, 2013 on its outstanding borrowings was 3.8%.

If interest rates had been 100 basis points higher/lower on the Company's floating rate debt and all other varia bles were held constant, the amount of interest expense in the year ended December 31, 2013 would have increased/decreased by $1,357.

Other Price Risk

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.

The following sensitivity analyses have been determined based on the exposure to equity price risks at the report ing date.

If equity prices had been 5% higher or lower:

(a) net income for the year ended December 31, 2013 would have decreased/increased by $46 as a result of the change in the equity prices of marketable securities. Changes in the fair value of the marketable securities have been reflected in net income for the year; and

(b) other comprehensive income would not have changed as a result of changes in the fair value of marketable 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. Management believes that the carrying value of short term and non-current debt approximates fair value. Although the interest rates and credit spreads have changed since the non-current debt was issued the fixed rate portion of the non-current debt is close to maturity, will not be refinanced and therefore the carrying value is not materially different from fair value.

IFRS 13 – *Fair Value Measurement* requires disclosures about the inputs to fair value measurement, including their classifications within a hierarchy that priorit izes 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 December 31, 2013 as follows:

	Level 1	Level 2	Total
Financial Assets			
Cash	$ 3,095	$ -	$ 3,095
Marketable securities	1,063	-	1,063
Provisionally priced receivables	-	6,272	6,272
Derivative instruments assets	-	3,473	3,473
Future site reclamation deposits	3,077	-	3,077
	7,235	9,745	16,980
Financial Liabilities			
Provisionally priced payables	-	17	17
Derivative instrument liabilities	-	1,735	1,735
	-	1,752	1,752
	$ 7,235	$ 7,993	$ 15,228

25. COMMITMENTS AND PLEDGES

(a) At December 31, 2013, the Company is committed to future minimum operating lease payments as follows:

2014	$	390
2015		388
2016		391
2017		198
2018		-
	$	1,367

(b) At December 31, 2013, the Company has pledged the following assets for settlement of future site reclamation provisions:

Future site reclamation deposits included with other assets	$	3,077
Mineral property, plant and equipment		1,370
Letters of credit (Note 9)		17,258
	$	21,705

(c) At December 31, 2013, the Company had commitments to purchase plant and equipment for the Red Chris project at a cost of $81,624. The commitments for the year 2014 are expected to be funded via non-current debt (Note 27(a)).

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

2014	$	8,500
2015		4,500
2016		6,000
2017		5,500
2018		4,000
	$	28,500

(e) The Company has pledged the following as security for short term debt:

		December 31 2013		December 31 2012 Note 28		January 1 2012 Note 28
Accounts receivable	$	11,739	$	17,746	$	6,945
Inventory	$	20,807	$	26,656	$	31,255

26.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.

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2013 the Company:

(a) Increased the $200,000 line of credit facility with a related party (Note 21) to $250,000. All other terms and conditions of the line of credit facility remain the same. This line of credit was repaid from the issue of long term debt (Note 27(b)).

(b) On March 12, 2014 the Company completed the issue of US$325,000 of senior unsecure d notes maturing in March 2019 (the "Notes"). The Notes bear interest at a rate of 7% per annum. Concurrently with issuing the Notes, the Company also entered into a senior secured credit facility with a syndicate of banks. The new facility is comprised of a $50,000 tranche to be used for general corporate purposes, and a second $150,000 tranche to be used to fund Red Chris project costs. In addit ion, concurrent with the closing of the offering of the Notes and the completion of the new senior secured credit facility, the Company entered into a $75,000 junior unsecured credit facility with a company controlled by a significant shareholder. This junior unsecured credit facility is available to fund project cost overruns associated with the Red Chris project, backstop the payment of certain third party reimbursement obligations relating to the Iskut extension of the Northwest Transmission Line ("NTL") and for general corporate purposes. In connection with this facility, Edco Capital Corporation received a $750 commitment fee and warrants to acquire 750,000 of the Company's shares at $20 per share.

The proceeds from these financings repaid the short term debt (Note 9) and line of credi t facility (Notes 21 and 27(a)). Both these facilities are now cancelled.

(c) On February 26, 2014, Huckleberry Mines Ltd. became aware of a physical failure at its SAG mill. After investigation it was discovered that there was a broken tooth in the bull gear. Huckleberry is currently reviewing all options in order to determine the method in which to safely and efficiently repair the damage. Until t hat time, milling at Huckleberry mine will be suspended. Based on currently available information, it is expected that the SAG mill may not be operational for as much as four months, depending on the availability of the necessary replacement parts to repair the bull gear. Huckleberry expects it will be able to bring forward a number of maintenance activities during the shutdown, including an upgra de to the mill flotation cells. Huckleberry maintains insurance, including business interruption insurance, and will make a claim thereunder, although there can be no assurance that its insurance provider will pay on such claim. Huckleberry's property insurance covers mill repair costs such as equipment purchases, installation, commissioning and testing. Huckleberry's business interruption insuran ce also covers certain standing charges but does not cover lost profits. Given Huckleberry's cash and short term investments, excluding reclamation bonds, of $44,000 as of February 28, 2014, it is not expected that the Company or Huckleberry's other investors will need to contribute any cash to Huckleberry as a result of the shutdown.

(d) On March 12, 2014 the Company entered into US Dollar fixed t o CDN Dollar fixed cross currency swaps aggregating US$110,000 principal amount to lock in the foreign exchange rate and interest on a portion of the US$325,000 7% senior unsecured notes and related interest payments issued on the same day. These cash flow hedges provide the Company with a fixed US Dollar to CDN Dollar exchange and a fixed interest rate on the US$110,000 swapped to CDN$122,232 pri ncipal amount of the senior unsecured notes. The foreign exchange rate on the US$110,000 swapped principal plus related interest payments over the five year term of the senior unsecured notes is fixed at 1.1112 CDN for each US Dollar. The interest rate on the CDN Dollar obligations is fixed at 7.6326% per annum over the term of the senior unsecured notes.

28. TRANSITION NOTE

Effective January 1, 2013, the Company adopted IFRS11 Joint Arrangements ("IFRS11") which replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The most significant result from the adoption is the change in the method of accounting for the Company's investment in Huckleberry. Under the previous standards, Huckleberry was proportionately consolidate d whereas under IFRS11 the Company is required to account for the investment using the equity method of accounting. In accordance with the transition requirements, the initial equity investment is measured as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated as at the beginning of the immediately preceding period, that is, J anuary 1, 2012.

In order for users of the consolidated financial statements to better understand the impact of the adoption of this new standard, the Company's consolidated statements of financial position, consolidated statements of comprehensive income, and consolidated statements of cash flow have been reconciled to reflect the new standards and amendments. The following reconciliations have been p rovided:

(i) Reconciliation of consolidated statement of financial position as at: January 1, 2012 and December 31, 2012.

(ii) Reconciliation of consolidated statement of comprehensive income for: the year ended December 31, 2012.

(iii) Reconciliation of consolidated statement of cash flows for: the year ended December 31, 2012.

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2012

Unaudited – Prepared by Management

	As Reported	IFRS11 Adjustments	As Adjusted
ASSETS			
Current Assets			
Cash	$ 34,475	$ (28,403)	$ 6,072
Short term investments	27,500	(27,500)	-
Marketable securities	703	-	703
Trade and other receivables	26,756	(8,253)	18,503
Inventory	38,905	(7,127)	31,778
Derivative instrument assets and margin deposits	6,144	(3,478)	2,666
Prepaid expenses and deposits	1,709	(206)	1,503
	136,192	(74,967)	61,225
Derivative Instrument Assets and Margin Deposits	2,362	(2,362)	-
Investment in Huckleberry Mines Ltd.	-	78,282	78,282
Mineral Properties	326,989	(19,485)	307,504
Deferred Income Taxes	4,859	(530)	4,329
Other Assets	15,977	(9,562)	6,415
	$ 486,379	$ (28,624)	$ 457,755
LIABILITIES			
Current Liabilities			
Trade and other payables	$ 27,873	$ (6,453)	$ 21,420
Taxes payable	2,441	-	2,441
Short term debt	26,940	-	26,940
Derivative instrument liabilities	513	(414)	99
Current portion of non-current debt	1,081	-	1,081
Current portion of future site reclamation provisions	845	(200)	645
	59,693	(7,067)	52,626
Derivative Instrument Liabilities	266	(266)	-
Non-Current Debt	531	-	531
Future Site Reclamation Provisions	29,858	(21,291)	8,567
Deferred Income Taxes	61,545	-	61,545
	151,893	(28,624)	123,269
EQUITY			
Share Capital	114,563	-	114,563
Share Option Reserve	12,474	-	12,474
Currency Translation Adjustment	(272)	-	(272)
Retained Earnings	207,721	-	207,721
	334,486	-	334,486
	$ 486,379	$ (28,624)	$ 457,755

IMPERIAL METALS CORPORATION | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Transition Date Statements [expressed in thousands of Canadian dollars]

Reconciliation of Consolidated Statements of Financial Position as at December 31, 2012

Unaudited – Prepared by Management

	As Reported	IFRS11 Adjustments	Reclassification of Short Term Debt (1)	As Adjusted
ASSETS				
Current Assets				
Cash	$ 12,364	$ (9,564)	$ -	$ 2,800
Short term investments	25,000	(25,000)	-	-
Marketable securities	1,557	-	-	1,557
Trade and other receivables	63,209	(7,546)	(25,733)	29,930
Inventory	38,044	(11,289)	-	26,755
Derivative instrument assets and margin deposits	1,558	(857)	-	701
Prepaid expenses and deposits	2,325	(185)	-	2,140
	144,057	(54,441)	(25,733)	63,883
Derivative Instrument Assets and Margin Deposits	896	(347)	-	549
Investment in Huckleberry Mines Ltd.	-	83,799	-	83,799
Mineral Properties	498,487	(56,083)	-	442,404
Deferred Income Taxes	1,693	-	-	1,693
Other Assets	14,599	(6,579)	-	8,020
	$ 659,732	$ (33,651)	$ (25,733)	$ 600,348
LIABILITIES				
Current Liabilities				
Trade and other payables	$ 46,292	$ (8,346)	$ -	$ 37,946
Taxes payable	5,050	-	-	5,050
Short term debt	118,136	-	(25,733)	92,403
Derivative instrument liabilities	857	(243)	-	614
Current portion of non-current debt	1,908	-	-	1,908
Current portion of future site reclamation provisions	672	(272)	-	400
	172,915	(8,861)	(25,733)	138,321
Derivative Instrument Liabilities	636	(171)	-	465
Non-Current Debt	6,433	-	-	6,433
Future Site Reclamation Provisions	34,354	(22,357)	-	11,997
Deferred Income Taxes	74,445	(2,262)	-	72,183
	288,783	(33,651)	(25,733)	229,399
EQUITY				
Share Capital	116,892	-	-	116,892
Share Option Reserve	14,547	-	-	14,547
Currency Translation Adjustment	(837)	-	-	(837)
Retained Earnings	240,347	-	-	240,347
	370,949	-	-	370,949
	$ 659,732	$ (33,651)	$ (25,733)	$ 600,348

(1) The Consolidated Statement of Financial Position at December 31, 2012 has been restated to reflect a decrease in trade and other receivables of $25,733 and a reduction of the same amount in short term debt. The Company believes net presentation is appropriate. There was no impact on the Consolidated Statements of Income and Comprehensive Income and the Consolidated Statement of Changes in Equity as a result of this restatement.

Reconciliation of Consolidated Statements of Income and Comprehensive Income for the Year Ended December 31, 2012

Unaudited – Prepared by Management

	As Reported	IFRS11 Adjustments	As Adjusted
Revenue	$ 257,783	$ (58,410)	$ 199,373
Cost of Sales	(188,492)	46,030	(142,462)
Income from Mine Operations	69,291	(12,380)	56,911
General and Administration	(9,077)	509	(8,568)
Finance (Costs) Income	(7,614)	4,207	(3,407)
Other Income	736	(23)	713
Equity Income in Huckleberry	-	5,517	5,517
Income Before Taxes	53,336	(2,170)	51,166
Income and Mining Taxes	(20,710)	2,170	(18,540)
Net Income	32,626	-	32,626
Other Comprehensive Income (Loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustment	(565)	-	(565)
Total Comprehensive Income	$ 32,061	$ -	$ 32,061
Income Per Share			
Basic	$ 0.44	$ -	$ 0.44
Diluted	$ 0.43	$ -	$ 0.43

Reconciliation of Consolidated Statements of Cash Flows for the Year Ended December 31, 2012

Unaudited – Prepared by Management

	As Reported	IFRS11 Adjustments	Reclassification of Short Term Debt (1)	As Adjusted
OPERATING ACTIVITIES				
Income before taxes	$ 53,336	$ (2,170)	$ -	$ 51,166
Items not affecting cash flows				
Equity income in Huckleberry	-	(5,517)	-	(5,517)
Depletion and depreciation	21,471	(5,871)	-	15,600
Share based compensation	2,945	-	-	2,945
Accretion of future site reclamation provisions	1,098	(806)	-	292
Unrealized foreign exchange losses	69	112	-	181
Unrealized losses (gains) on derivative instruments	5,575	(3,198)	-	2,377
Other	(548)	150	-	(398)
	83,946	(17,300)	-	66,646
Net change in non-cash operating working capital balances	(40,015)	4,137	25,733	(10,145)
Income and mining taxes paid	(2,465)	510	-	(1,955)
Income and mining taxes received	3,015	(3,015)	-	-
Interest paid	(2,075)	39	-	(2,036)
Cash provided by operating activities	42,406	(15,629)	25,733	52,510
FINANCING ACTIVITIES				
Proceeds of short term debt	385,973	-	(25,733)	360,240
Repayment of short term debt	(294,818)	-	-	(294,818)
Repayment of non-current debt	(1,667)	-	-	(1,667)
Issue of share capital	1,457	-	-	1,457
Cash provided by financing activities	90,945	-	(25,733)	65,212
INVESTING ACTIVITIES				
Sale of short term investments	2,500	(2,500)	-	-
Acquisition and development of mineral properties	(182,048)	44,154	-	(137,894)
Net change in non-cash investing working capital balances	21,884	(2,951)	-	18,933
Increase in future site reclamation deposits	(938)	(32)	-	(970)
Proceeds on sale of mineral properties	1,256	(1,140)	-	116
Other	2,179	(2,951)	-	(772)
Cash used in investing activities	(155,167)	34,580	-	(120,587)
EFFECT OF FOREIGN EXCHANGE ON CASH	(295)	(112)	-	(407)
(DECREASE) INCREASE IN CASH	(22,111)	18,839	-	(3,272)
CASH, BEGINNING OF YEAR	34,475	(28,403)	-	6,072
CASH, END OF YEAR	$ 12,364	$ (9,564)	$ -	$ 2,800

(1) The Statement of Cash Flows for the year ended December 31, 2012 has been restated by a decrease of $25,733 in proceeds of short term debt and an increase of $25,733 in net change in non-cash operating working capital balances to reflect the change in presentation of concentrate advances previously recognized as short term debt. There was no impact on the Consolidated Statement of Income and Comprehensive Income and the Consolidated Statement of Changes in Equity as a result of this restatement.

Our Commitments

Imperial is proud to be British Columbia's mining company – providing work for local people and contributing to the local economy.

People

People are the most valuable resource for any business. Imperial and its partners employ and contract over 1000 people within British Columbia. Our employees and contractors are fundamental to our success, and are at the forefront of our social and environmental programs.

We believe education and training investment in our employees and partners will create a value which extends beyond acquired skills and qualifications - it is a foundation for healthy and sustainable community. We have provided guidance to colleges and universities to promote the best educational programming for our next generation of geoscientists and engineers in the mining industry. Our initiatives related to post-secondary programs over the past year were through a lecture series A Career in The Mining Industry: Getting Discovered. It has been presented to engineering and geoscience students at over 100 universities and colleges in Canada and the United States.

With local community, we partnered with the Northwest Community College (NWCC) School of Exploration and Mining (Smithers) to support a high school dual-credit Environmental Monitoring Assistant Program, as well as participated in the field-based Workforce Exploration Skills Training Program.

Imperial's Mount Polley mine supports an initiative through the Aboriginal Mine Training Association (AMTA) in co-operation with Thompson Rivers University for a Heavy Duty Mechanics Foundation Program. Mount Polley continues to co-sponsor YES2IT, a program which exposes high school students to the trades, and is a major supporter in the Heavy Metal Rocks (HMR) program. HMR is a heavy equipment project that will provide local students in grade 11 & 12 opportunities to explore the wide variety of rewarding career choices as heavy duty equipment operators in the construction and resource industries.

We are working jointly with the Tahltan First Nation to develop opportunities for training and education in the local communities surrounding our Red Chris project. We are involved with the Labour Market Task Group which will combine company funding with federal grants to extend our investment in education and skills training. This will enable Tahltan and other community members to acquire the necessary training to take advantage of expanding employment opportunities in the northwest region of BC.

In 2014 Imperial will have a 3rd copper mine in operation in British Columbia when commissioning commences at the Red Chris mine - further cementing Imperial as British Columbia's mining company.

Huckleberry mine provides support to the NWCC and Cariboo North Community Campus (CNC) Burns Lake, for their mining specific programs. The Environmental Tech and Exploration School programs provide students the opportunity to combine classroom education with work experience at an operating mine, creating an environment for education that cannot be duplicated in a classroom.

We are collaborating with NWCC to develop a mineral processing course curriculum, and expect to integrate work experience at our Huckleberry mine in the program. The CNC offered a mineral processing operator course in the fall of 2013. Huckleberry participated with a mine tour, followed by eight days of job shadowing in the mill, and lectures on mill processing and responsible mining and the environment. An annual reclamation education program, sponsored by the provincial government, includes a day tour and presentation at Huckleberry mine.

Safety

At all Imperial operations, a safe workplace for employees is fundamental. We are committed to occupational health and safety management practices which are in the best interest of our employees, business partners and the communities in which we operate.

Our mining operations foster an environment for greater consciousness about safety, encouraging discussion and education about safe work practices at all times. The safety culture at Mount Polley is grounded in teaching and practical elements implemented by participation in the SAFEmap Competency Based Safety Program.

The Mount Polley, Huckleberry and Red Chris mine rescue teams are an integral part of Provincial Emergency Response Planning. The Mount Polley mine rescue team is one of the elite teams in our province, and now participates in both open pit and underground competitions. In 2013, the Mount Polley First Aid Team won first place overall in the BC Central Zone Provincial Competition in Revelstoke.

Over the past two years, Huckleberry has implemented or improved upon a number of safety programs, including a Field Level Risk Assessment program and related database tracking system, and a new Modified Work Program, resulting in a marked reduction in lost time incidents at the mine. Ongoing program improvements and training in 2014 are anticipated to continue the emphasis and importance of a safety culture.

The construction safety at the Red Chris mine project has been challenging as some contractors had not previously worked on a mine site. However, our construction management team has been integral in imparting our corporate safety philosophy even in the constantly changing environment. Through guidance, mentorship and communications, the construction management team has assisted with the development of safe construction practices and procedures for all construction activity.

Working with Our Communities

Imperial is supportive of local community groups and organizations within the regions we operate, with a focus on education, health and youth.

We are a longstanding supporter of BC Children's Hospital, the primary health facility for children, through the mining industry's annual Mining for Miracles campaign.

Imperial supports the MineralsEd teacher-industry partnership program which provides earth science, mineral resources and mining education to schools throughout our province. We provided financial support to the new Earth Systems Science Building at the University of British Columbia, which houses the Department of Earth & Ocean Sciences.

Collectively Imperial and its employees are active in a range of organizations across the province including the BC Chamber of Commerce, BC Business Council, Association for Mineral Exploration of BC, the Mining Association of BC, the Mining Association of Canada, Initiatives Prince George and Northwest Community College School of Exploration and Mining. We are a supporter of local government associations such as Union of BC Municipalities, North Central Local Government Association, and a several Chamber of Commerce branches wherein we have operations.

First Nation Community

Imperial is actively engaged in building relations with First Nation communities. We maintain agreements with the Tahltan, Xat'sull, T'exelcemc, Office of the Wet'suwet'en, Wet'suwet'en, Cheslatta, Adams Lake, Little Shushwap and Simpcw First Nations. Each agreement is unique. Many include provisions for First Nation education and training, employment and contracting opportunities, capacity support and provisions for communication and interaction on issues such as social and environmental responsibility.

Red Chris Development Company Ltd. (RCDC) is currently working with the Tahltan Nation to finalize a comprehensive benefits agreement which will provide the basis of a partnership between the Tahltan people and RCDC for the life of the Red Chris project. We continue to strengthen relations with the Tahltan people through employment, contracting, sponsorship and community support activities.

A retired RCMP officer is working as a consultant to a Tahltan social-cultural working group to provide advice and guidance on policing in their communities from a social health perspective in anticipation of the rapid growth their communities will experience.

Environment

Imperial participates and utilizes development of advanced tools and technologies to mitigate our impact on the environment. Imperial is pioneering environmental management by producing a comprehensive Environmental Management System (EMS). The EMS consists of a series of management procedures and monitoring programs that integrate engineering design and environmental planning to maximize the mitigation of potential impacts of the mine on the environment. The EMS contains three key elements (1) a series of integrated environmental management plans, (2) formal environmental awareness and training program, and (3) ongoing environmental monitoring plans.

One component of the EMS is the Wildlife Management Plan (WMP) specifically related to the potential impacts of the Red Chris mine. In particular, mountain goats and stone sheep, which inhabit the surrounding areas of our site, are monitored and evaluated to identify whether mine activities influence their use of habitat. The WMP is particularly unique; attributed to our extensive use of remote cameras which provide both still and video recordings of animal movements and location.

Through research and extensive environmental monitoring, Imperial strives for improvement of both its own practices and the practices of the mining community. Mount Polley develops a comprehensive environmental monitoring plan on an annual basis. This plan includes surface and groundwater quality monitoring, lake profiling and sampling, dust fall collection, biological monitoring, and wildlife monitoring. Additionally, supplemental monitoring plans are implemented beyond permit requirements to ensure protection of the environment. Mount Polley is in its second year of implementation of Toward Sustainable Mining (TSM); a program administered by the Mining Association of Canada (MAC) that provides a public and transparent commitment to responsible mining. The principles of TSM demonstrate leadership in the areas of community engagement and globally recognized environmental practices, and a commitment to the safety and health of employees and surrounding communities. TSM's tools and indicators drive performance and ensure key mining risks are managed responsibly.

Huckleberry conducts a comprehensive monitoring program including climate, hydrology, ground and surface water quality and aquatic effects monitoring. Currently Huckleberry is working with local organizations such as the University of Northern British Columbia (UNBC) and the Bulkley Valley Research Center to develop progressive reclamation plans that can re-establish onsite vegetation using native species including the endangered white bark pine. In 2013, Huckleberry also conducted maintenance and monitoring work for the Creek M fish way which was initially constructed by Huckleberry in 1996 to enhance fish habitat in Tahtsa Reach as part of a compensation program.

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Annual General Meeting
9:00am Wednesday, May 28, 2014
Hyatt Hotel, Seymour Room
655 Burrard Street, Vancouver

TSX:III

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